

Foreword

Following the successful launch of this flagship report, the "ASEAN+3 Regional Economic Outlook" (AREO) last year, AMRO has continued its outreach and publication of our surveillance work and research. Shortly after the publication of AREO 2017 last year, we published our first Country Consultation Report in May 2017 with support from our member economies, followed by other reports. Since January 2018, we have also started publishing short timely Monthly Updates of the AREO on our website.

In this AREO 2018, we have integrated the assessments from our regional surveillance and country surveillance work, by introducing analysis of business cycles and credit cycles. This framework enables a more consistent and comparable cross-country assessment within the region, and improves the analysis of domestic and spillover risks among economies. We are continually improving our analytical toolkit and framework, to fulfil our mandate of contributing to the macroeconomic and financial stability of the region through conducting regional economic surveillance and supporting the implementation of the Chiang Mai Initiative Multilateralization (CMIM) Agreement.

Compared to a year ago, the ASEAN+3 region faces an improving global economic outlook, led by robust growth in the U.S. and Eurozone, but also external risks to this outlook. Exports have grown with external demand, domestic demand has remained resilient, and inflation is benign although firming in some economies. The two top risks against this outlook, presented in our Global Risk Map in this report, are trade protectionism and a faster-than-expected tightening in global financial conditions. It would be prudent for policymakers to prioritize financial stability over the economic growth objective given these risks. With monetary and fiscal policy space likely to become more constrained in this environment, using the full set of policy tools to deal with external shocks would be sensible.

The thematic study in last year's AREO was the "ASEAN+3 Region: 20 Years after the Asian Financial Crisis". We noted that in recovering from the Asian Financial Crisis (AFC), the commitment and openness to global trade, foreign direct investment and capital flows was a key factor enabling the region to benefit from regional trade and integration and to recover quickly.

This year's thematic study is titled "Resilience and Growth in a Changing World". It considers how the region can rise to the challenges posed by global forces including fundamental changes in trade and production networks, and technology. And it explores how the region can best use and develop resources, including human capital, to maintain resilience and sustain growth. These forces are putting the region's "manufacturing for exports" strategy to the test. For example, while the formation of global value chains has accelerated intra-regional trade and integration, it may also magnify the transmission of external shocks, such as trade protectionism, along the whole supply chain. Technology and automation, and the growing services sector, give rise to both challenges and opportunities for our economies in the search for resilience and growth. Working in our region's favor are the ample buffers and resources that can be used to invest in the region's productive capacity and to deepen integration for collective benefit.

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