

AMRO's Approach to Regional Surveillance

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IMF-STI Course on Macroeconomic Diagnostics

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**I would like to thank Allen Ng, Catharine Kho, Haobin Wang and Yuhong Wu for their help in preparing this presentation and the associated blog.*



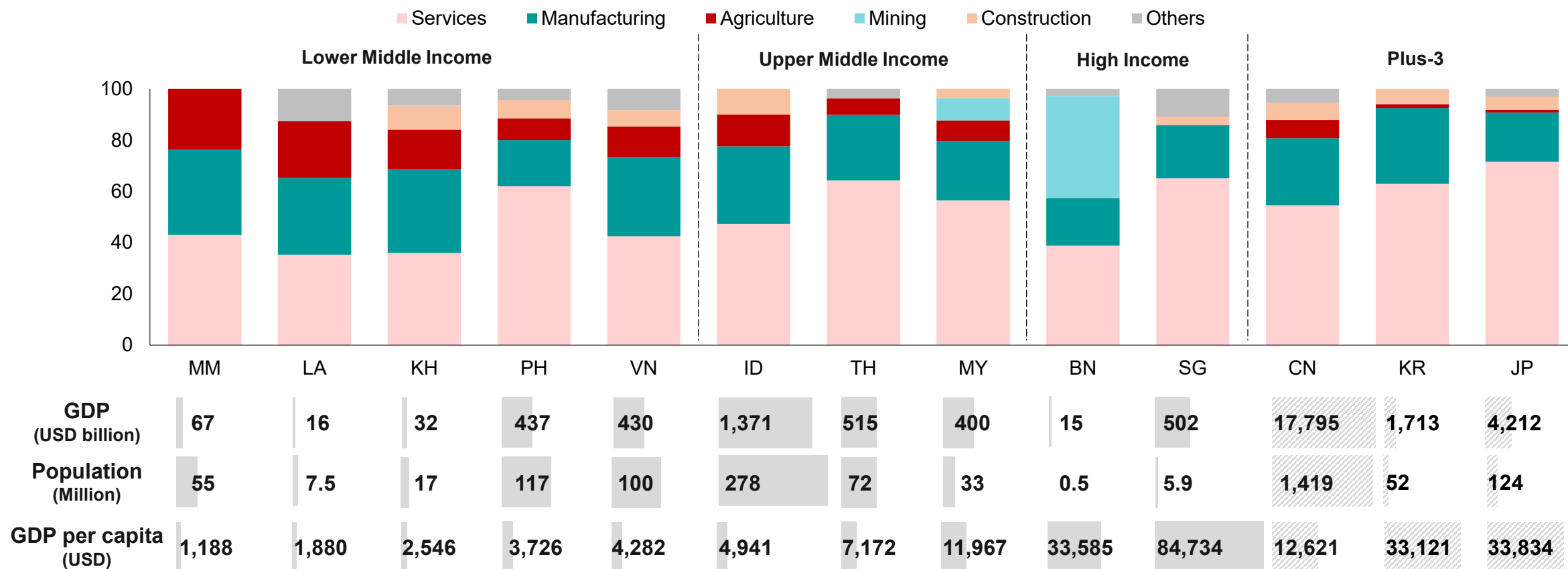
Presentation outline

- 1 **Setting the Stage:** The purpose of regional surveillance
- 2 **Defining the Value:** The benefits of regional surveillance
- 3 **Leveraging the Framework:** The tools and framework for regional surveillance
- 4 **Harmonizing the Process:** The approach for organization-wide consistency

Why regional?

There is significant heterogeneity among ASEAN+3 economies

ASEAN+3: Economic Structure



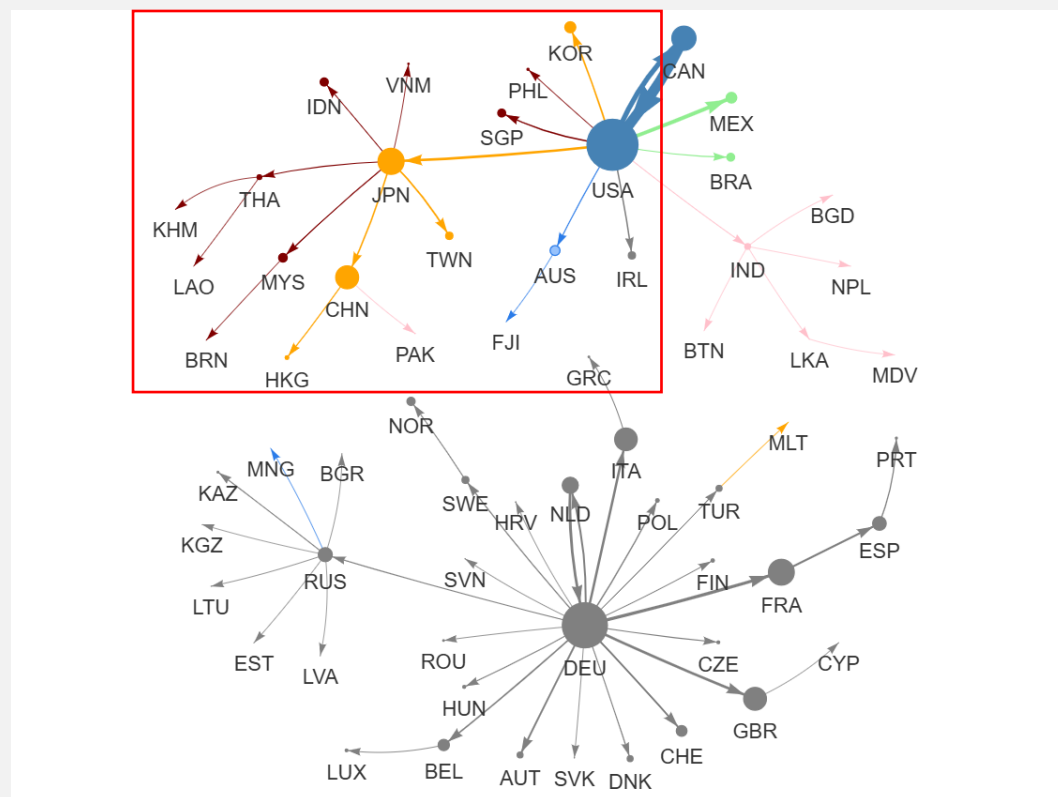
ASEAN+3 common factors

- ASEAN+3 economies are typically viewed as highly open economies, primarily oriented toward external demand from the U.S. and Europe.
- Financial conditions in ASEAN+3 are significantly driven by the Fed's monetary policy cycles, as the dollar is a predominant funding currency in the region.
- However, integrated regional supply chains could imply that supply shocks are contributing significantly to the observed synchronization in output fluctuations among the ASEAN+3 economies.
- Stronger trade and financial linkages could imply that regional factors have become increasingly important in tightening the interdependence within the region.

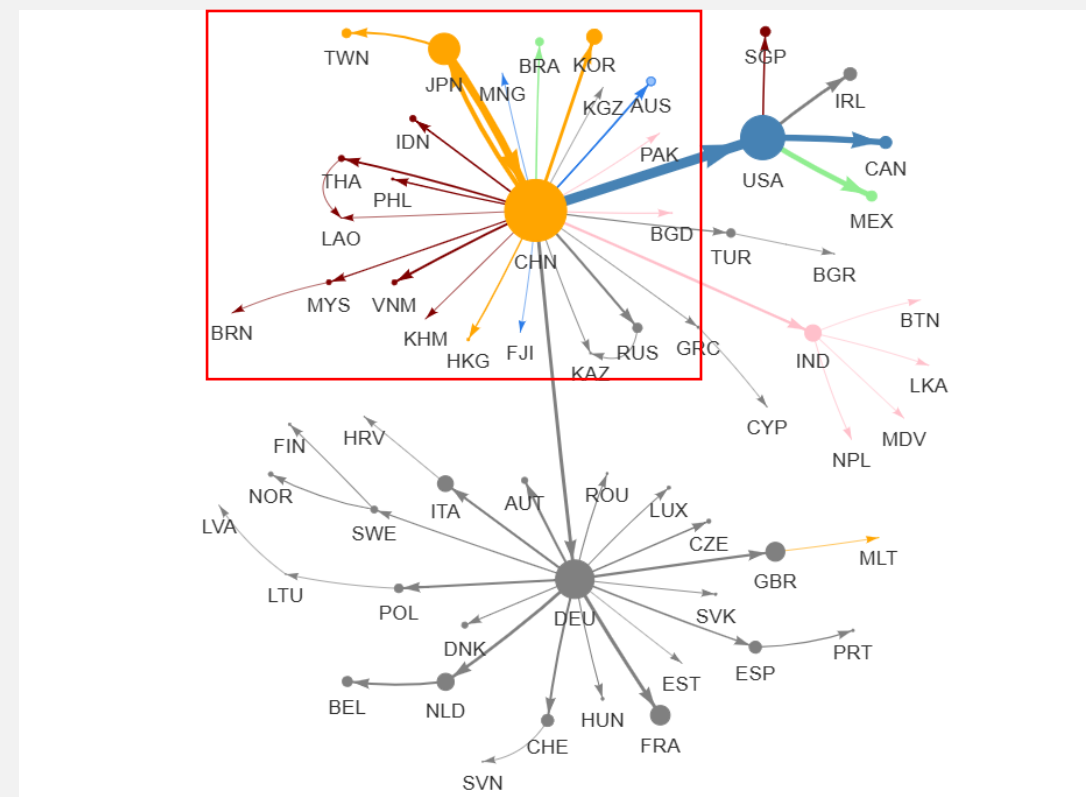
Though intra-regional trade within ASEAN has been stable, ASEAN+3 has risen as a key global supply chain cluster

China has emerged as the key global supply hub with ASEAN deeply embedded in the Asian cluster that is centred on China

Goods and Services: Global Supply Hubs in 2000



Goods and Services: Global Supply Hubs in 2023



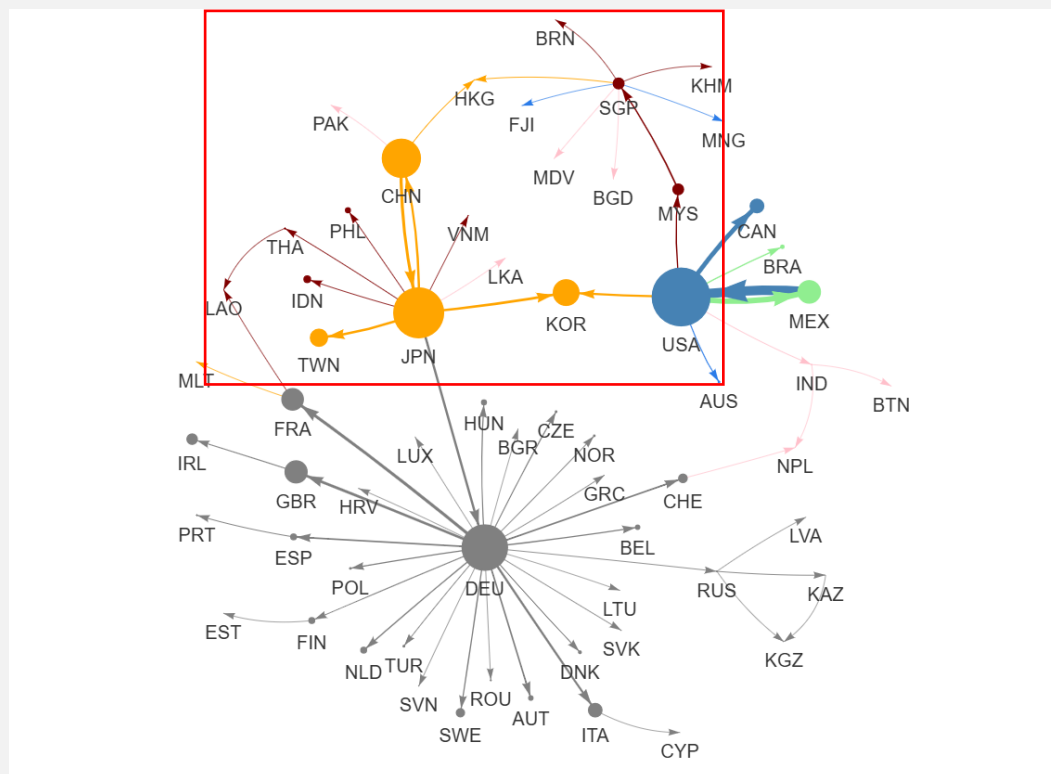
Source: ADB Multi-regional Input Output Table; AMRO staff calculations.

Note: Only linkages that represent the largest import or more than 25 percent of the total import are shown. The size of the bubble represents the sum of other economies' imports from the economy as a share of the world's total imports. The thickness of the linkage represents the share of flow between each trading partner in the world's total flow.

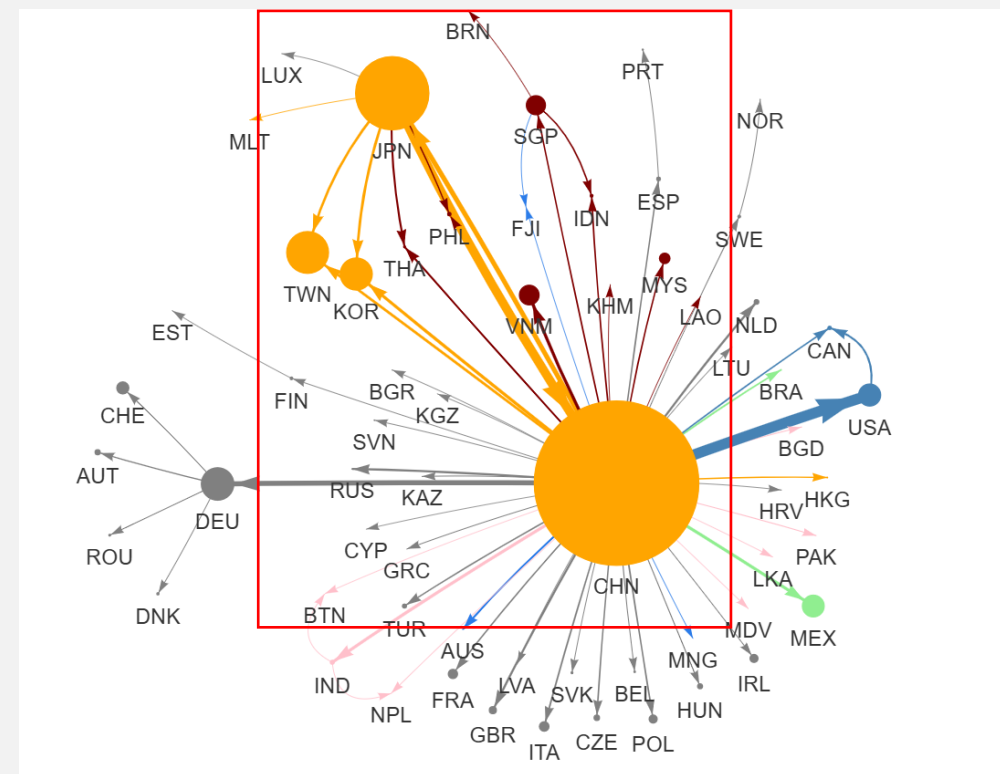
This is especially evident in the electrical and electronics sector...

The global electrical and electronics supply chain was distributed among several advanced economies hubs in 2000 but has since shifted decisively towards the Asian cluster centred on China along with ASEAN within it.

**Computer, Electronic, Optical and Electrical Equipment
Sector: Global Supply Hubs in 2000**



**Computer, Electronic, Optical and Electrical Equipment
Sector: Global Supply Hubs in 2023**



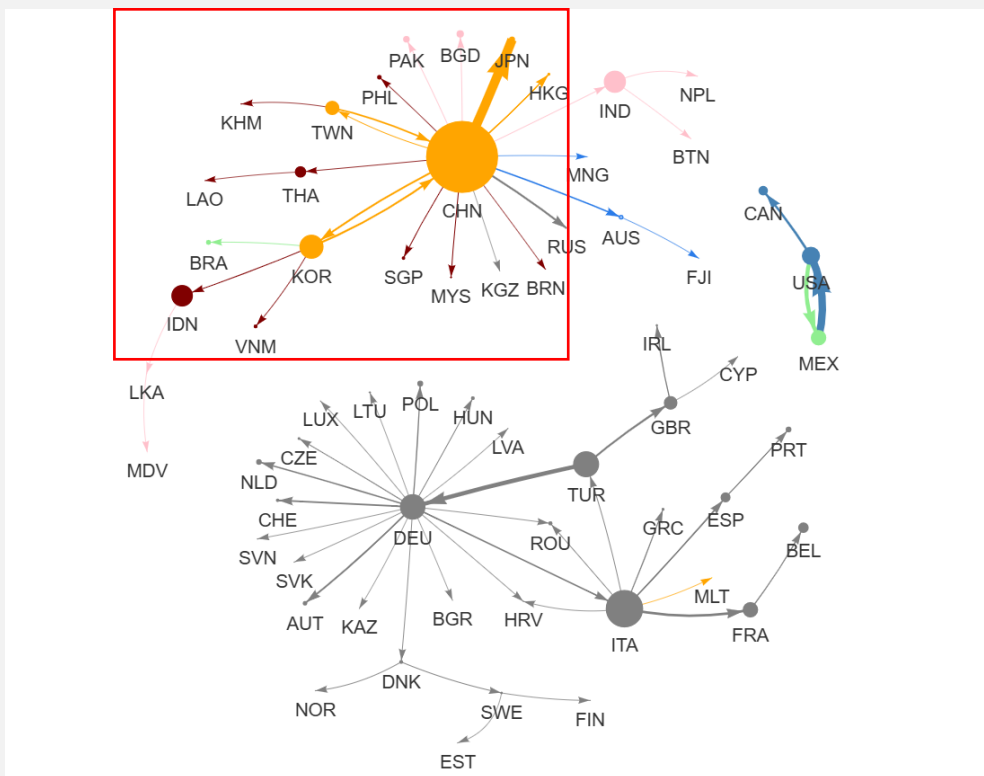
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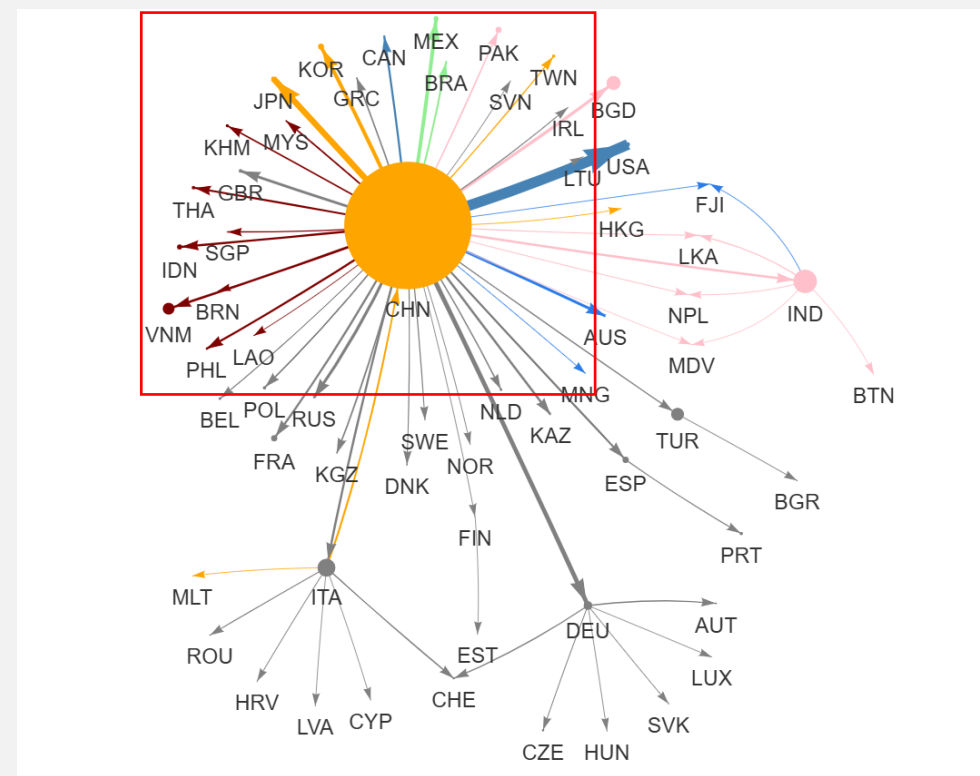
... as well as the global textiles sector

China has overtaken all other global supply hubs in the textiles sector, with ASEAN embedded within this shift.

Textile sector: Global Supply Hubs in 2000



Textile sector: Global Supply Hubs in 2023



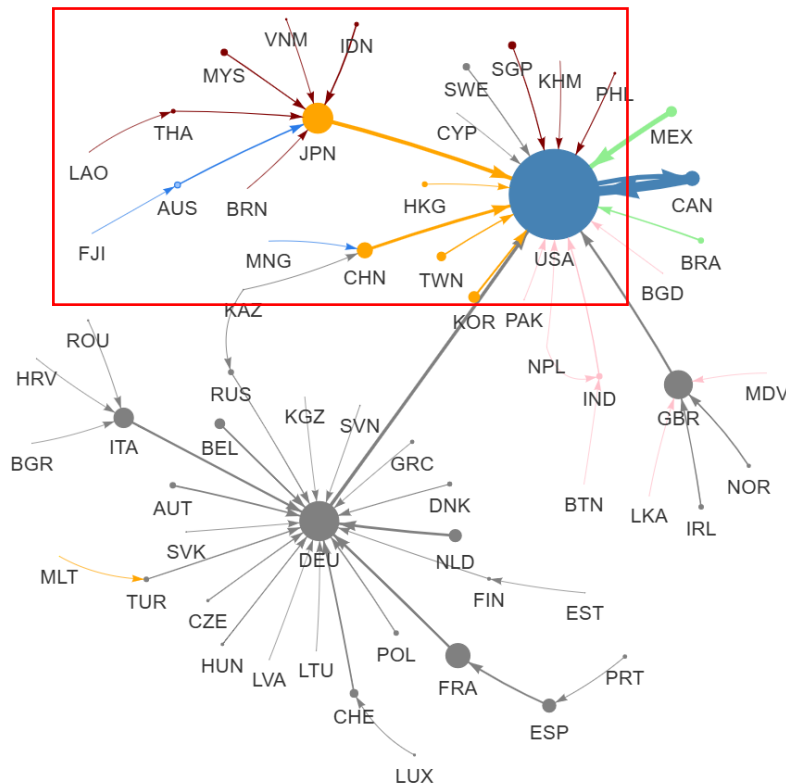
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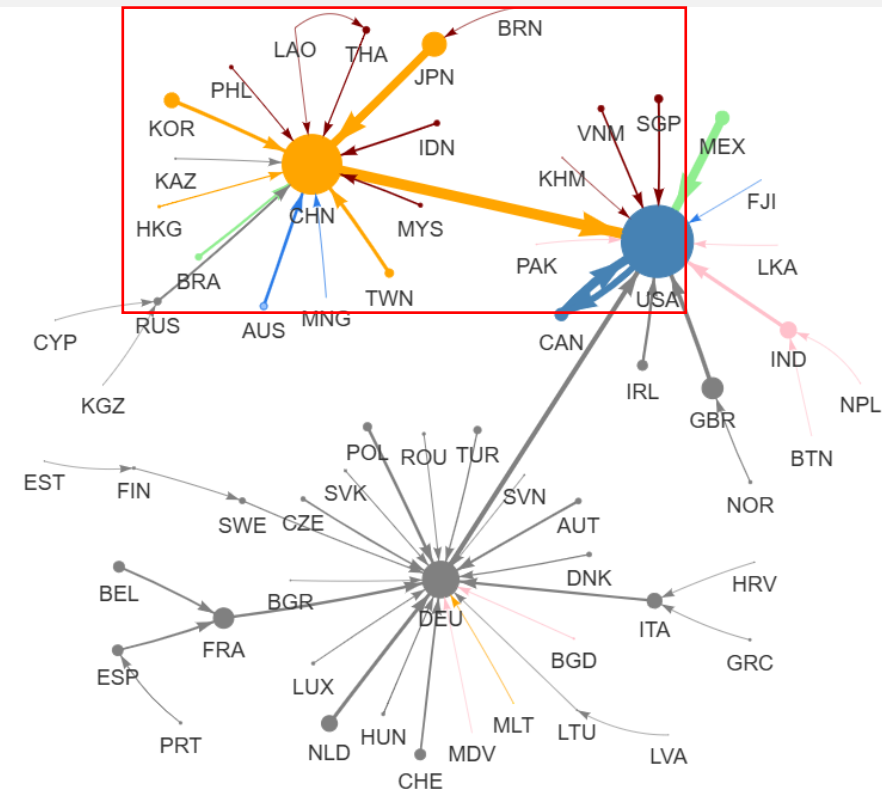
Apart from being an integral global supply hub, the region has also become an important global source of demand

At the turn of the century, US was the most important source of demand for most economies but that has since shifted more towards China and the broader Asian region especially for ASEAN. China is now the single biggest source of final demand for most ASEAN economies

Goods and Services: Global Demand Hubs in 2000



Goods and Services: Global Demand Hubs in 2023



Source: ADB Multi-regional Input Output Table; AMRO staff calculations.

Note: Only linkages that represent the largest export or more than 25 percent of the total export are shown. The size of the bubble represents the sum of other economies' exports to the economy as a share of the world's total exports. The thickness of the linkage represents the share of flow between each trading partner in the world's total flow.

Regional surveillance is a key component of comprehensive macroeconomic oversight

Regional surveillance plugs the gap between global and country surveillance

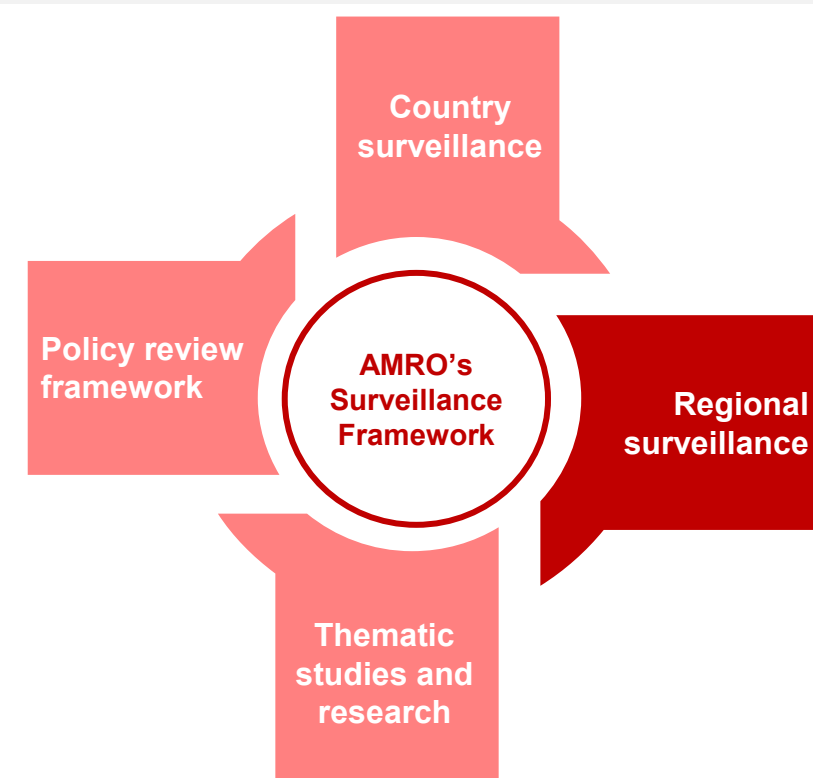
In AMRO, regional surveillance is a key part of its 4 interconnected areas of macroeconomic surveillance framework

Comparison Between Types of Macroeconomic Surveillance

	Country surveillance	Regional surveillance	Global surveillance
Coverage	Single economy	Multiple economies in a region	All economies in the world
Focus	Domestic performance and risks	Cross-country comparison, cross-border issues, policy coordination	Global trends, systemic risks
Purview	<ul style="list-style-type: none"> National authorities AMRO's country teams' monitoring and annual consultation/interim visits 	<ul style="list-style-type: none"> Regional international financial institutions, e.g. AMRO, ADB 	<ul style="list-style-type: none"> Global international financial institutions, e.g. IMF, World Bank

Source: AMRO staff.

AMROs Surveillance Framework



Source: AMRO staff.

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Regional surveillance analyses are communicated through various platforms

Key Responsibilities for Regional Surveillance

- Assess regional macroeconomic, financial and fiscal developments and risks.
- Develop region-wide macroeconomic outlook (projections and risk assessment) with country teams
- Identify and study key long-term structural trends and challenges for the region
- Engage with experts and policymakers through structured dialogues and surveys

Flagship/Analytical reports

- Produce flagship AREO (April), AFSR (October) and AFPR (April)
- Produce quarterly updates for AREO
- Conduct targeted outreach events
- Produce analytical notes or thematic research papers on topical issues

Senior management engagements

- Support high-level participation in global/regional fora (incl. AFMGM+3, ASEAN+3 Leaders' Summit)
- Prepare presentation materials, talking points, and media responses

AMRO's representation

- Represent AMRO in outreach and advocacy engagements relevant to regional economic outlook (for e.g. member authorities'/partner IOs' seminars)

Regional surveillance is closely integrated with the ASEAN+3 Finance Process and other regional policymaking platforms

Regional surveillance supports AMRO's strategic collaborations, enhancing its outreach and elevating its presence across key policymaking platforms



Collaborate with Key Partners

Support knowledge sharing and collaboration with key stakeholders:

- IMF, e.g. joint seminars
- ADB Informal Consultation Meetings
- AIIB, Trilateral Cooperation Secretariat, OECD, ADBI, ERIA
- Member authorities, e.g. annual research collaboration with MAS, ASEAN integration report

Regional surveillance

Contribute to Multiple Platforms

Provide assessment and thought leadership on ASEAN+3 at various platforms:

- ASEAN+3 Finance Process
- ASEAN, e.g. Leaders' Summit, Senior Leaders' Committee
- EMEAP Monetary and Financial Stability Committee



AMRO's surveillance work contributes to policy dialogue at all levels, including at the ministerial level



Joint Statement of the 28th ASEAN+3

Finance Ministers' and Central Bank Governors' Meeting

II. Regional Economic Development and Outlook

AREO 2025

4. We observed robust and resilient economic growth in our region last year. The regional economy grew by 4.3 percent in 2024, following a 4.4 percent expansion in 2023. Regional growth was mainly driven by resilient domestic spending and external demand, which benefited from the upturn in the electronics cycle and continued tourism recovery. Inflation subsided, with headline inflation returning to pre-pandemic levels for most regional economies. Core inflation has also declined, reflecting the appropriate monetary policy stance and well-anchored inflation expectations. Despite the heightened volatility in the second half of 2024, financial markets remained well-functioning, and the external sector remained resilient, supported by flexible exchange rates and ample international reserves.

5. Underpinned by solid macroeconomic fundamentals, the region is expected to remain resilient at around 4 percent of GDP growth in 2025, amid ongoing external headwinds, including geopolitical and trade tensions. Regional growth continues to benefit from domestic demand, supported by strong investment activity and robust consumption. Over the medium term, ASEAN+3 is expected to remain a key driver of the global economy, contributing to more than 40 percent of global growth. Meanwhile, inflation is expected to remain low at below 2.0 percent in 2025. The region's outlook is, however, subject to heightened uncertainties.

6. Escalating trade protectionism weighs on global trade, leading to economic fragmentation, affecting trade, investment, and capital flows across the region. Near-term prospects may also be affected by other external risks, including tighter global financial conditions, growth slowdown in major trading partners, and reduced investment flows.

7. We call for enhanced regional unity and cooperation as we endeavor to weather the heightened uncertainty. Our current policy priority is to reinforce long-term resilience while maintaining flexibility to address near-term challenges, including rising protectionism and volatile global financial conditions.

On the fiscal front, this means rebuilding policy buffers while continuing to provide well-targeted support to sustain growth while implementing structural reforms. We will also carefully recalibrate monetary policy based on domestic conditions. We will maintain exchange rate flexibility as a buffer against external shocks. Importantly, our export markets and sources of growth have become increasingly diversified over the years, with domestic demand and intraregional trade now serving as key drivers of growth.

8. Amid rising uncertainties and long-term structural shifts, we reaffirm our full commitment to multilateralism, and a rules-based, non-discriminatory, free, fair, open, inclusive, equitable, and transparent multilateral trading system, with the World Trade Organization at its core. We will enhance macro-economic policy dialogue, promote regional financial cooperation, and ensure stable and unimpeded industrial and supply chains, with a view to jointly safeguarding regional economic and financial stability. We fully support the robust implementation of the Regional Comprehensive Economic Partnership (RCEP) Agreement.

9. We urge international organizations to uphold multilateralism and promote free trade, analyze and monitor the potential impact of trade tensions on the global economy, and support their members in providing policy advice to manage the negative shocks that may arise. We will promote greater intra-regional trade and investment flows to strengthen the region's resilience against external shocks, to adjust to pre-existing and new challenges, and to support sustainable and equitable economic development. Given our financial market interlinkages, we are closely monitoring regional financial market conditions. We also reaffirm our resolve and commitment to ensure our financial systems and markets remain resilient despite the uncertainty, while maintaining open communication among members in light of the rapidly evolving developments.

AREO 2025




AFPR 2025

High-level
policy
exchange

ASEAN
Integration
Report

AFSR 2024

AMRO presents its regionwide assessment and research findings annually through its flagship reports

	ASEAN+3 Regional Economic Outlook (AREO)	ASEAN+3 Financial Stability Report (AFSR)	ASEAN+3 Fiscal Policy Report (AFPR)
			
Start year	2017	2023	2027 (expected)
Focus	Macroeconomic outlook, risks, vulnerabilities, challenges and policy recommendations for ASEAN+3	Financial sector development, risks and challenges to financial stability, policy recommendations for ASEAN+3	Fiscal developments and outlook, risks and challenges, policy recommendations for ASEAN+3
Publication frequency	Annual (April), with quarterly updates	Annual (October)	Annual (April)
Team in-charge	Regional Surveillance	Financial Surveillance	Fiscal Surveillance

Overview of AREO



- AREO has **three broad sections**.

Chapter 1: Macroeconomic Prospects and Challenges

- **Objective:** To provide deeper insights into the region's near-term outlook, including the risks and vulnerabilities facing the region.

Chapter 2: Thematic Analysis/ Structural Issue

- **Objective:** To explore macro-critical issues that confront the region in the longer term

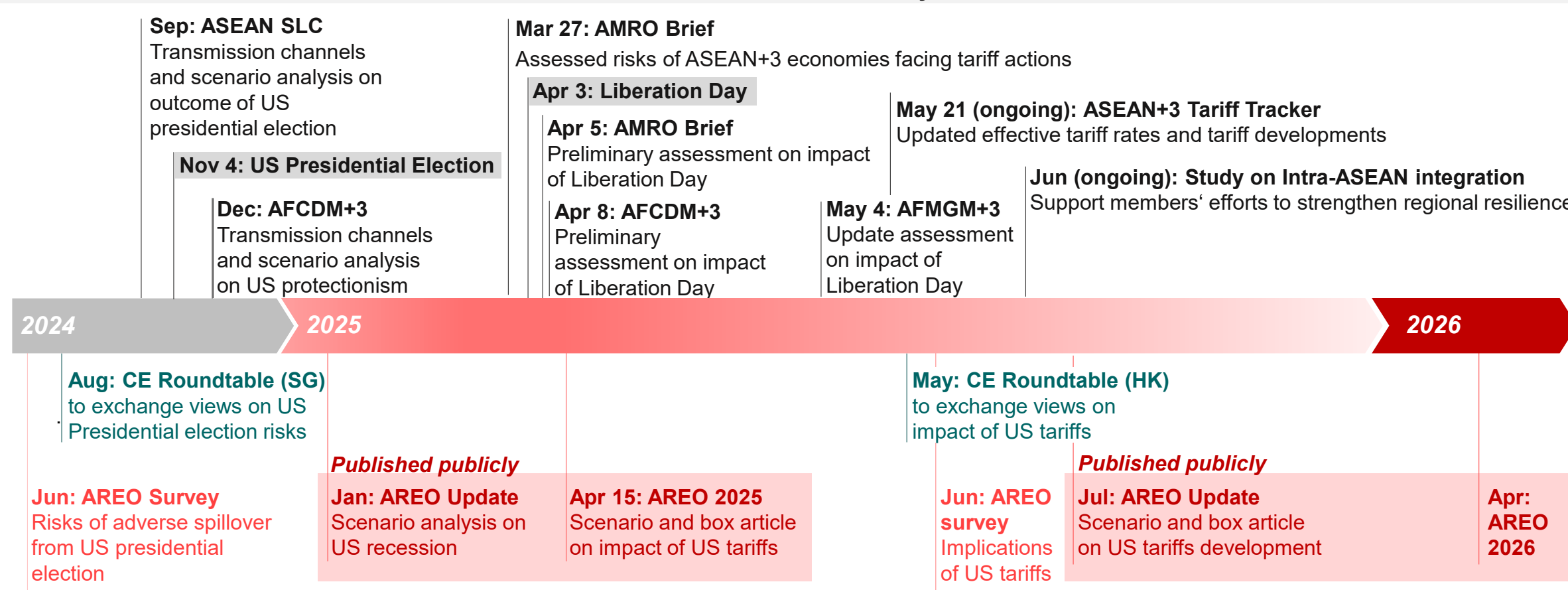
Annex: Country Developments

- **Objective:** To cover country-specific recent developments, and in greater depth

The focus of conjunctural issues in AREO is shaped by key regional and global developments

For example, the focus on tariff-related issues began in the second half of 2024 and has since evolved, shaped by ongoing analytical refinement and sustained engagement with member authorities

Timeline of Tariff-Related Analytical Work



Source: AMRO staff.

Note: Items in black font represent presentations or assessment notes intended for member authorities; pink font indicates member authorities' surveys; green font denotes closed-door events between key private and public sector stakeholders; and red font signifies publicly available items.

Structural issues are shaped by thought leadership and engagement with authorities to ensure relevance and policy impact

Key focus can change every year
(but tend to be inter-related)

2025:
Structural
transformation

2024:
Megatrends
affecting
ASEAN+3

2023:
Climate
change
mitigation

2022: Post-
pandemic
growth
trajectory

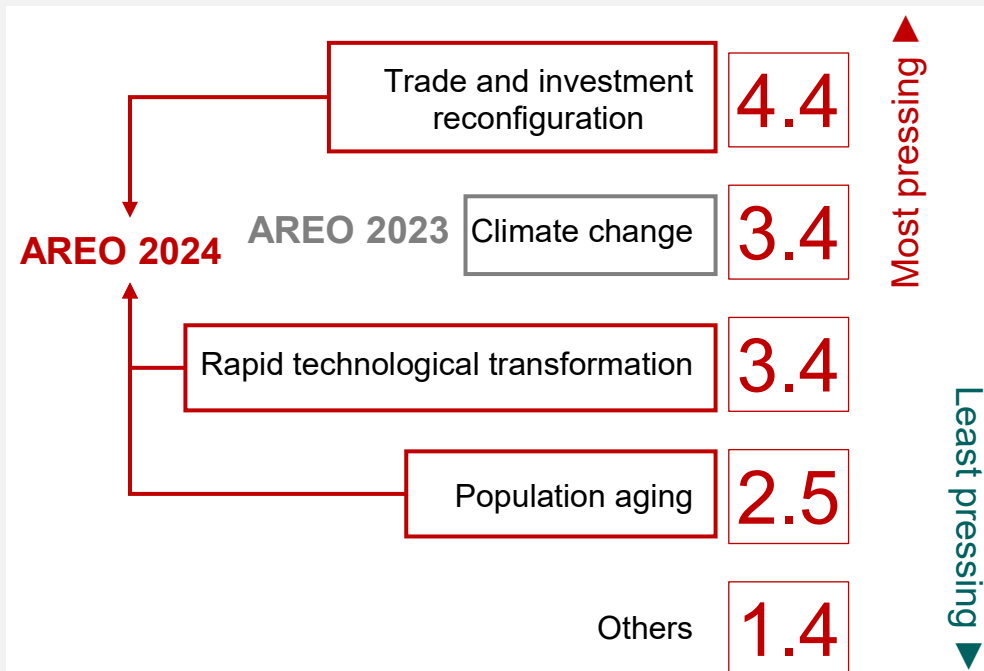
2023: New
global value
chains

Key question:

Given this long-term risk/event/ development such as X, how will the ASEAN+3's long-term growth and stability be affected?

Half-yearly AREO Survey ensures structural issues align with authorities' concerns and priorities

AREO Survey (Dec 2023): How would you rank the following challenges in relation to the long-term growth of your economy?



Country annex complements the regionwide analysis by providing nuance on country-specific circumstances

Cambodia

The economic recovery is likely to have continued in 2023. A robust tourism recovery alongside pent-up domestic consumption sustained ongoing improvement in the services sector. Although growth in the garment sector is estimated to have decelerated due to persistently subdued US and EU demand, the non-garment manufacturing sector continued experiencing high growth in 2023. GDP growth is estimated to reach 5.3 percent in 2023, from 5.2 percent in 2022.

Consumer price inflation should ease significantly in 2023, thanks to the moderation of global oil and food prices. During the first half of 2023, headline inflation continued its decline, averaging 1.2 percent, reflecting a 6.3 percent reduction in energy prices. However, starting from July 2023, the inflation trend picked up, partly reflecting the base effect of last year as well as a tightening of global rice supplies. Throughout 2023, inflation declined to 2.1 percent from 5.3 percent in 2022.

The external position is expected to turn to a surplus in 2023, mainly reflecting improvement in trade balances. The current account deficit narrowed significantly to 25.7 percent of GDP in 2022 from 40.4 percent in 2021, and turned into a surplus of 2.7 percent of GDP in the first three quarters of 2023 on the back of a sudden stop in gold imports, sustained remittance inflows and a recovery in tourism. The current account balance is set to show a small surplus at 1.0 percent of GDP for the whole year of 2023 due to the resumption of gold imports since July.

The riel depreciated against the US dollar in 2023 on average. The depreciation, particularly from May to September, prompted the National Bank of Cambodia's to spend USD 50 million to support the riel in September, its first 2023 foreign exchange (FX) intervention, followed by USD 40 million more in October. After these interventions, the Khmer riel gradually appreciated to 4,085 to the US dollar at the end of 2023, a slight improvement from the 4,118 recorded a year earlier.

The real estate sector remained weak due to a combination of a cyclical downturn and oversupply. The oversupply stemmed primarily from the construction boom and increases in foreign investments during 2018–2019. The contraction in demand in 2022 further exacerbated the oversupply problem, while slower sales and downward pressure on property prices resulted in liquidity problems for developers. In response to this weakness, the government implemented real estate sector support measures in April 2023, mainly by postponing or

exempting tax payments for Borey (gated community) developers and home buyers.

Credit expansion slowed down, and the banking sector saw a surge in the nonperforming loan ratio, but the financial sector remained sound with sufficient capital buffer and liquidity. Credit growth moderated from 18.2 percent in 2022 to an average of 13.4 percent from January to November 2023, driven mostly by real estate-related lending, as well as in the wholesale and retail trade sectors. Nonperforming loans increased sharply to 5.4 percent of bank loans in November 2023 from 3.1 percent in December 2022. That said, the banking sector remains well buffered with a capital adequacy ratio of more than 20 percent. The liquidity coverage ratio for banks stood at 168 percent in November 2023.

The fiscal deficit is expected to have widened to 6.9 percent of GDP in 2023, before steadily declining as plans for fiscal consolidation take effect. The widened fiscal deficit was mainly driven by the slowdown of revenue collection as well as higher fiscal stimulus due to expansion of the cash transfer program to “near-poor” households and flood-hit communities, a civil service wage increase, and investment in digital and green infrastructure projects. Moving forward, the fiscal deficit is set to shrink in line with the government’s consolidation plan, while remaining higher than the pre-pandemic level given the integration of the COVID-19 cash transfer program into a permanent “Family Package” program targeted at vulnerable households.

Cambodia’s path toward a strong economic recovery could be mainly derailed by several external risks. External short-term risks stem from a faltering of economic growth in China, which is the largest contributor to Cambodia’s FDI and a major source of tourism, as well as a sharper slowdown of major economic partners such as the United States (US) and the European Union (EU). A spike in global oil prices driven by heightened geopolitical tensions, or a surge in global food prices triggered by severe El Niño conditions, could cause inflation to spike.

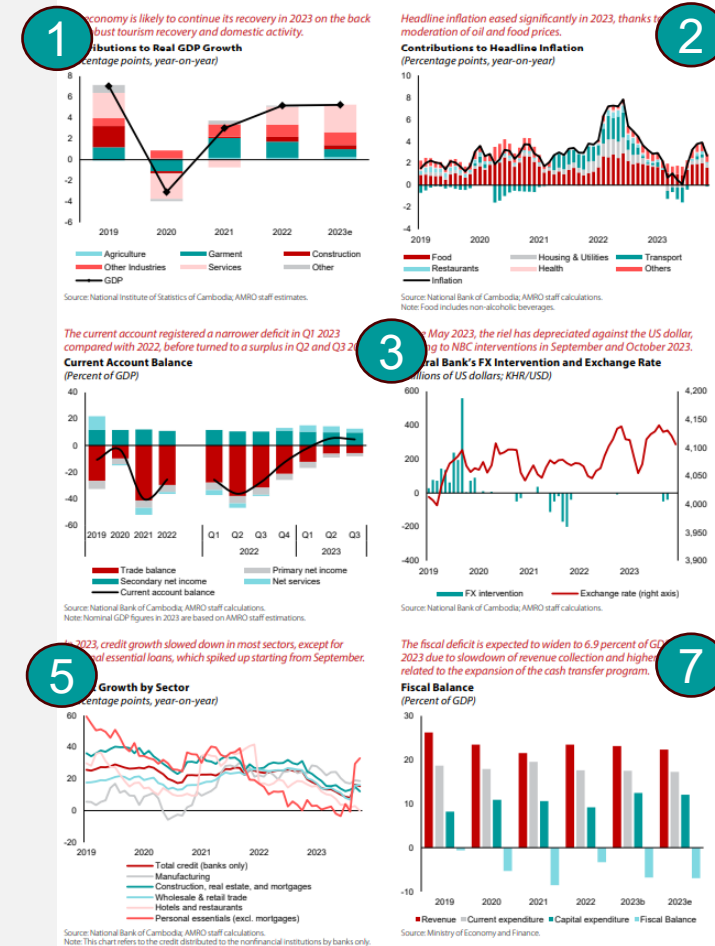
Domestically, a prolonged weakness in the real estate sector could put pressure on the financial sector and the broader economy, particularly through unregulated shadow banking activities. Cambodia’s financial account faces potential reversal risk in short-term funds due to a growing reliance on short-term external debt and nonresident bank deposits.

Financial

Fiscal

Risks

Cambodia: Selected Figures



Overview of AFSR



Launched in 2023 to strengthen regional surveillance by providing a **dedicated platform for financial stability** issues.

AFSR has **two broad sections**.

Conjunctural Chapter

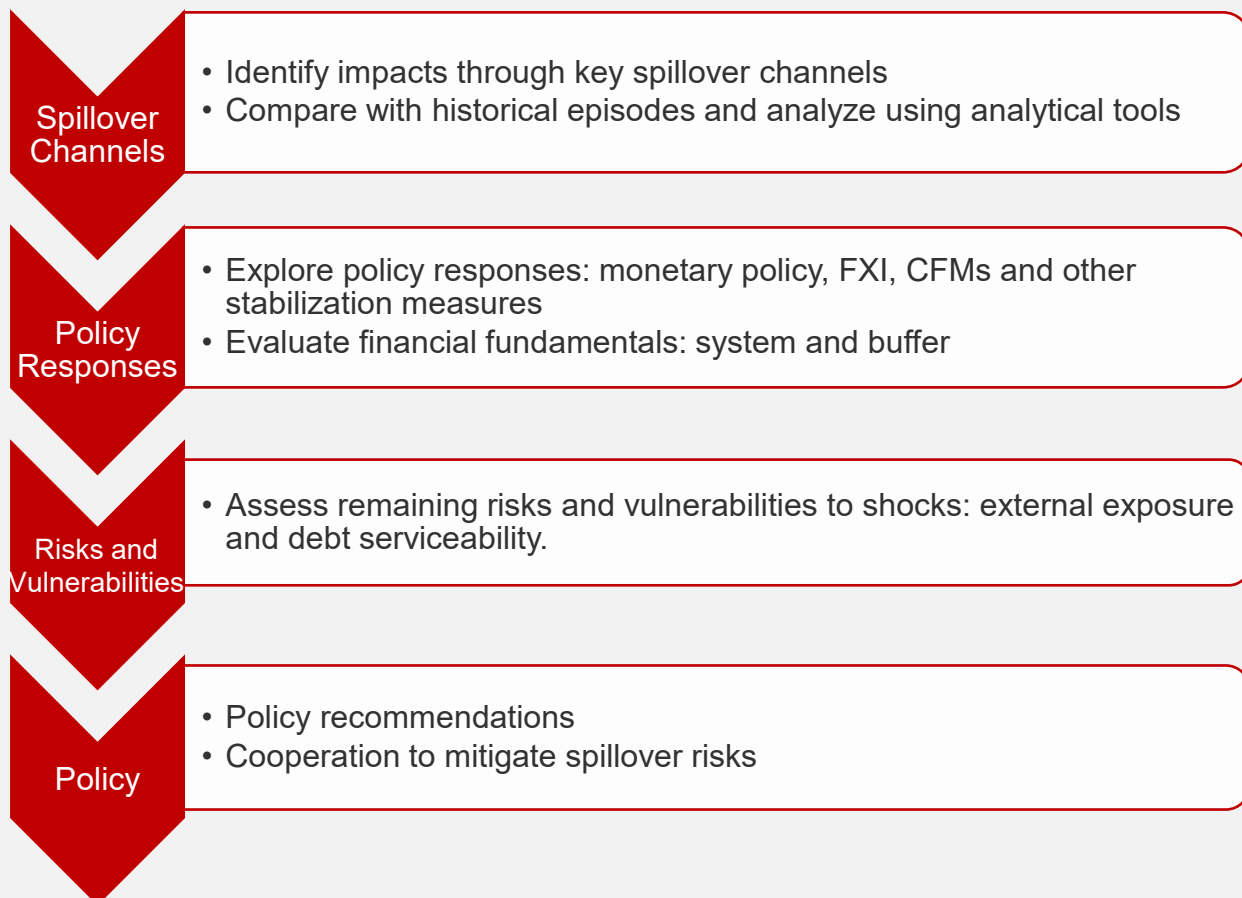
- **Objective:** To assess recent financial conditions and market developments, and identify key near-term risks to regional financial stability

Thematic Chapters

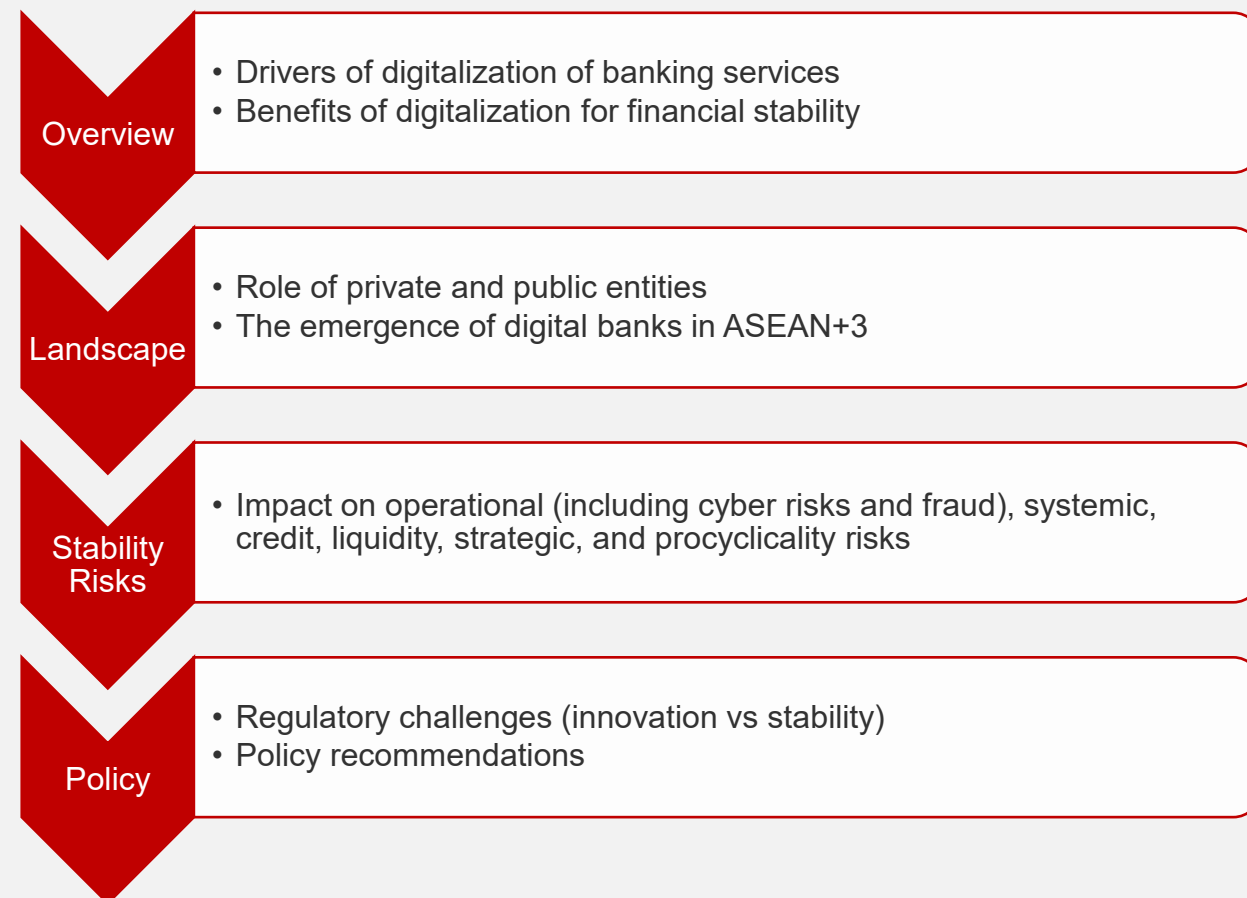
- **Objective:** To examine mid- and long-term issues affecting regional financial stability, and evaluate their implications

Outlines for AFSR 2025 Thematic Chapters

Thematic 1: Global Monetary Policy Shocks: The Impact on ASEAN+3 Financial Stability and Policy Responses



Thematic 2: Banking Sector in the Digital Age: Balancing Innovation and Stability



Overview of AFPR



- A pilot AFPR has been published since 2023, comprising **one chapter**.
- A full-fledged AFPR will be published in 2027, with **two or three chapters**.

Chapter 1: Fiscal Developments and Policy Discussions

- **Objective:** To assess the region's fiscal developments, risks, and challenges, and to provide fiscal policy discussions.

Chapter 2: Thematic Analysis/ Structural Issue

- **Objective:** To explore structural fiscal issues commonly faced by ASEAN+3 members.

Chapter 3: Fiscal Sustainability Analysis

- **Objective:** To assess fiscal sustainability risks over the short, medium, and long term.

Deep dive into fiscal developments, risks, and challenges and present a house view on fiscal policy directions

Fiscal Developments and Outlook

- Analysis and outlook of revenue, expenditure, and fiscal balance
- Budget highlights
- Fiscal stance assessment
- Government debt analysis and outlook
- Financing needs analysis and outlook



Key Factors for Considerations

- Near-term macroeconomic prospects and challenges (linked to [AREO Chapter 1](#))
- Current fiscal positions and medium-term fiscal prospects
- Structural challenges requiring fiscal policy (possibly linked to [AREO Chapter 2](#))

Fiscal Policy Discussions

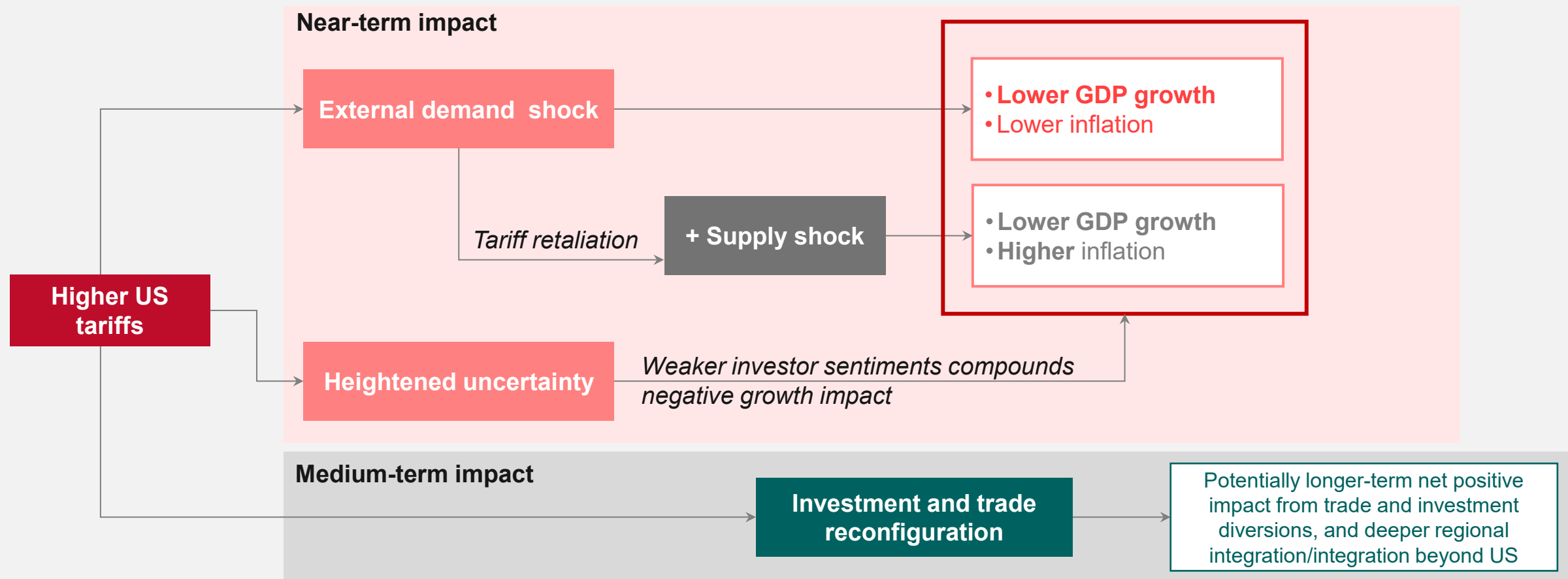
	Theme
AFPR 2023	Balancing between Rebuilding Fiscal Buffer and Providing Adequate Support
AFPR 2024	Transitioning to Fiscal Normality
AFPR 2025	Navigating Fiscal Policy Through Uncertainty

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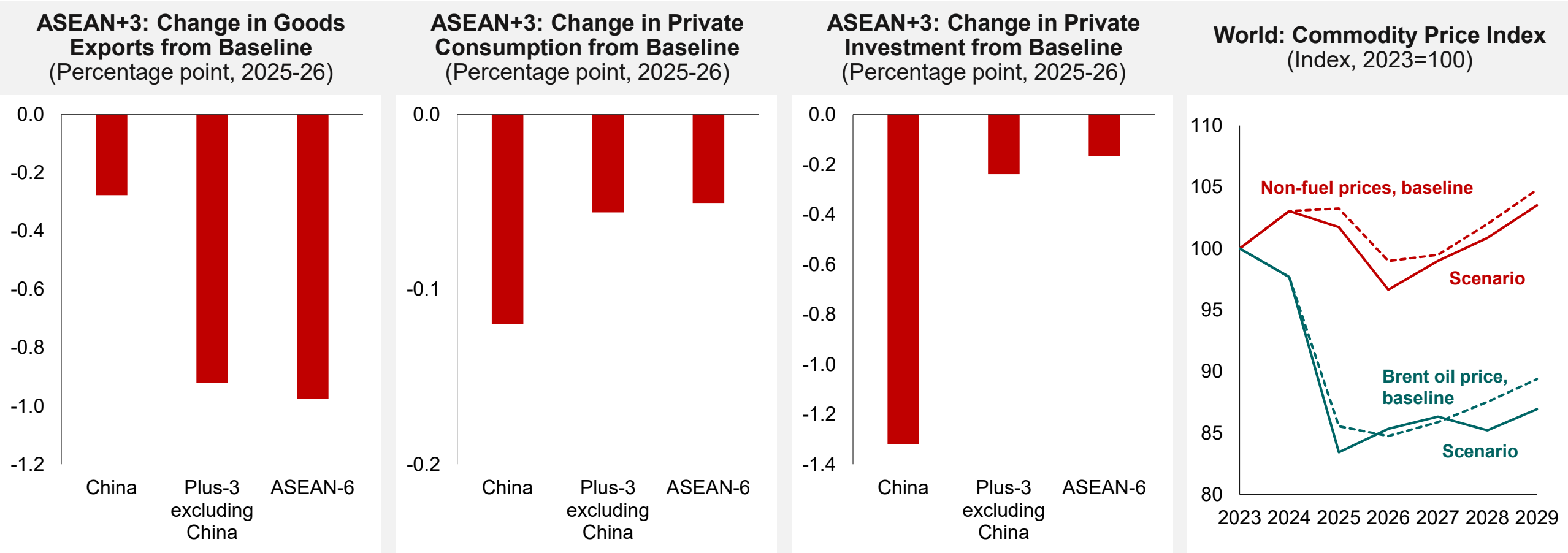
Analytical frameworks built by staff are used for AREO

Schematic Diagram on Tariff Transmission Channels



Scenario analysis helps communicate the impact of global developments and enhances readers' understanding

Sample Scenario Analysis Results: Impact of US Tariffs on Key Indicators



Source: Oxford Economics Model, and AMRO staff calculations.

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To achieve organizational consistency, the development of flagship reports is an inclusive process

For example, AREO is anchored by the Regional Surveillance team, but includes inputs from other multilateral teams and country teams and receives overall guidance from Senior Management.



Source: AMRO staff.

- Regional surveillance provides **key baseline assumptions** to ensure a consistent set of inputs from country teams and arrive at a robust regional view.
- Country teams provide inputs that **must be aligned** with this set of assumptions.

Global assumptions	Details
Global growth	<ul style="list-style-type: none"> • US, Europe growth projections • Monetary and fiscal policies in advanced economies
Global inflation	<ul style="list-style-type: none"> • Energy prices • US dollar
Global trade	Assumptions for global trade and tourism
Geopolitical developments	Assumptions on developments of key conflicts

Source: AMRO staff.

Regular cross-team collaboration helps ensure consistency of assessments, even outside the flagship report cycle

Regional Surveillance Teams' Role in Supporting Alignment of AMRO's Views

Country missions

Being a part of Annual Consultation Visit review process

- Review Preliminary Assessment, participate in Policy Coordination Meeting, review Annual Consultation Report

Senior Management

Support Senior Management's engagements

- Provide talking points for Senior Management for engagements with member authorities or external parties
- Preparing Senior Management's presentations materials

Media/public

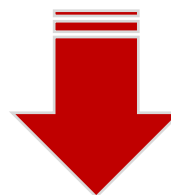
Support communication of regionwide assessments

- Provide cross-country responses to media or public queries

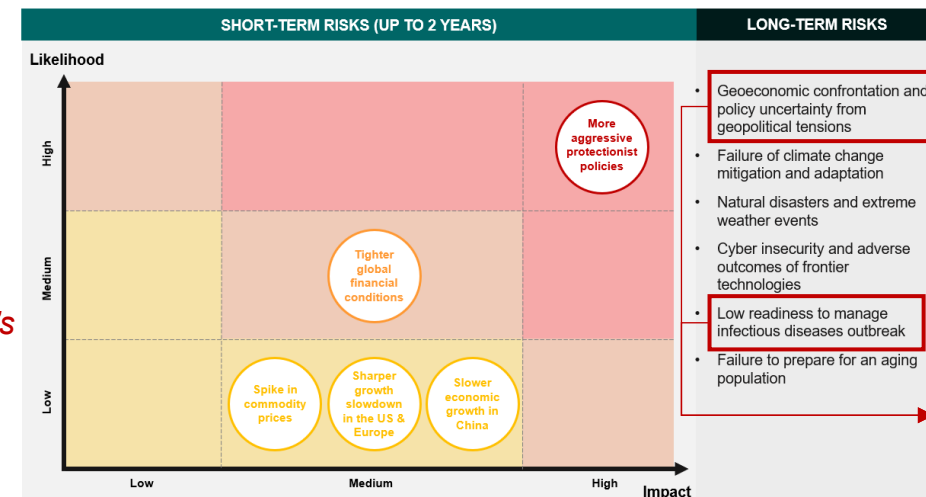
Example: Ensuring consistency in risk assessment

Regional Risk Map (April 2025)

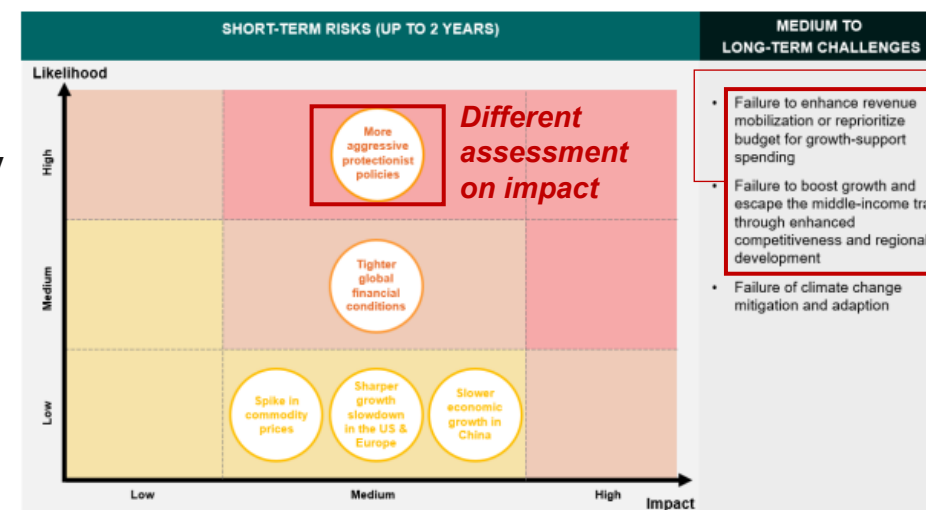
Adapt to Indonesia's circumstances



Indonesia: Country Risk Map (June 2025)



Less critical for Indonesia

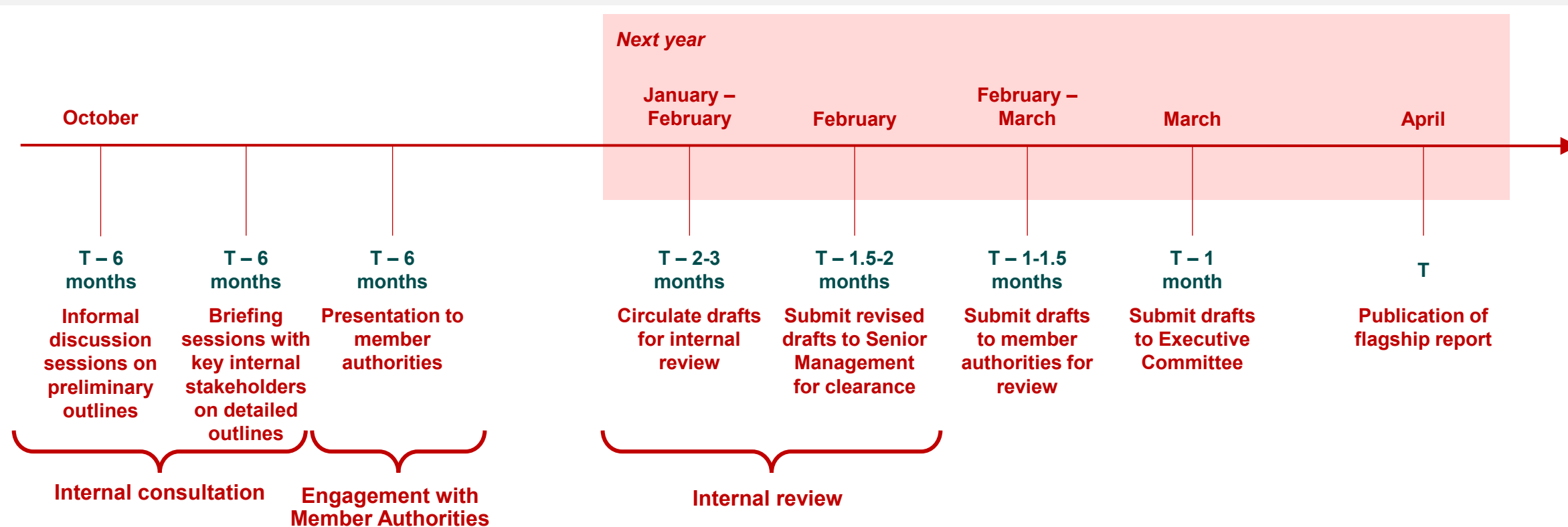


Different assessment on impact

More pertinent for Indonesia

Multiple internal reviews at various check-in points help ensure flagship reports' robustness and consistency

Sample Production Timeline: AREO



Source: AMRO staff.

Note: Based on AMRO's current publication policy, the publication of AREO report is subject to the approval of the Executive Committee.

Takeaways

- Country surveillance and regional surveillance complements each other
- Effective regional surveillance requires the combination of bottom-up and top-down approaches
- Short-term analysis is informed by medium-term trends and structural changes
- Identifying regional trends requires intimate country knowledge and deep understanding of trade and financial interlinkages between countries

Q&A



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