



**International Investment Position of the Republic  
of Macedonia for  
2011**

September, 2012

## **Information on the international investment position of the Republic of Macedonia for 2011**

### **General remarks**

The international investment position is standardized statistical review which presents the balances of the external financial assets and financial liabilities of the Republic of Macedonia, i.e. claims from nonresidents and liabilities to nonresidents on the basis of financial instruments on certain date.

The international investment position (IIP) presents the stock and the structure of financial assets (claims) from nonresidents and financial liabilities to nonresidents, as well as net creditor/debtor position of the country (and particular institutional sectors) relative to the other countries. If positive net international investment position is recorded, i.e. if the financial assets are higher than the financial liabilities, the country is a net creditor to the rest of the world. If calculate the negative net international investment position, i.e. if the financial liabilities exceed the financial assets in the relations between residents and nonresidents, the country is net debtor to the rest of the world.

IIP structure analysis within a longer timeframe provides monitoring of the change in the situation of individual institutional sectors, and the change in the sectors' preferences to use certain types of financial instruments. Such a dynamic perspective ensures that the changes are interpreted as a reflection of the overall macroeconomic developments in the country and the environment, and frequently, as a signal for certain developments in the period to come. Hence, the preparation of international investment position is a necessity in the modern world, as an indicator for the financial position of the country and its integration in the overall international economic developments, which is also proved by the growing significance of this report, in conditions of intensified globalization process and the emergence of economic crises worldwide in the last several years.

IIP preparation requires various sources of data and applies methodology consistent with the international standards and recommendations. This methodology is publicly available on the website of the National Bank of the Republic of Macedonia.

### **Summary analysis of the international investment position for 2011**

At the end of 2011, the Republic of Macedonia is net debtor to the rest of the world, registering negative net international investment position of Euro 3,931 million, which is 52.2% of GDP. As of December 31, 2011, the Republic of Macedonia registers financial claims from nonresidents in the amount of Euro 3,803.1 million and financial liabilities to nonresidents in the amount of Euro 7,734.1 million.

In comparison with the end of 2010, the negative international investment position increased by Euro 361.6 million, i.e. 10.1% on annual basis. This is primarily

due to the more evident increase with the external liabilities, which augmented by Euro 1,157.5 million (17.6%) in 2011, compared to the rise in the external assets of Euro 796 million (26.5%). Thus in 2011, the net debtor position relative to GDP registers an increase of 1.7 p.p.

Observing the IIP structure by instrument, the asset side is still dominated by the instrument of gross official reserves totaling Euro 2,068.9 million (54.4% of the total assets), registering substantial growth in 2011 (of Euro 354.4 million). The claims from trade credits reached Euro 696.6 million (18.3% of the total assets), while during the year they went up by Euro 153.9 million. Currency and deposits equal Euro 588.2 million (15.5% of the total assets) increasing by Euro 33.1 million during the year. Considering the loans, which previously weren't an important instrument on the assets side, in 2011 substantial rise (Euro 233.1 million) was registered, and at the end of the year they reached Euro 293 million (7.7% of the total assets). The significance of the direct and portfolio investments abroad and other assets in the assets structure is minor and it equals 2.2%, 1.2% and 0.7%, respectively.

On the liabilities side, the share of the liabilities based on direct investments in the country is the largest and it equals Euro 3,649.4 million (47.2% of the total liabilities), which augmented by 11.6% (Euro 379.6 million) in 2011. It should be emphasized that the largest portion of the increase in the direct investments in 2011 arises from the increase through new investments in equity and reinvested earnings (Euro 474.5 million), while on the basis of the other capital, the liabilities to the direct investors reduced by Euro 95.0 million. The second important financial instrument on the liabilities side are the loans (share of 33.1% in the total liabilities), equaling to Euro 2,559 million as of December 31, 2011, which is an annual rise of Euro 737.8 million. The liabilities based on trade credits to nonresidents in 2011 went up by Euro 165.4 million and reached 10.6% of the total liabilities. The portfolio investments, the other liabilities and currencies and deposits are less significant financial instruments on the liabilities side, with cumulative participation of 9.1% in the total external liabilities.

The IIP analysis at the level of institutional sectors shows that in 2011, the increased net negative IIP is caused by all institutional sectors of the economy, except for the monetary authority.

The general government sector is a net debtor to abroad and in 2011 it deepens the negative net IIP by Euro 349.6 million, on the basis of new long-term borrowings.

The other sectors, (mostly nonfinancial enterprises) in 2011 register negative change on the net IIP of Euro 342.3 million. The liabilities of the other sectors in 2011 increased by Euro 518.9 million, but it is important to mention that most of this increase is due to the increase in liabilities based on foreign direct investments in the country (of Euro 301.3 million) and other investments (of Euro 224.2 million – mainly short-term trade credits and long-term loans). The assets of the other sectors in 2011 went up by Euro 176.6 million, mainly through increased claims on the basis of short-term trade credits (of Euro 153.9 million).

With the bank sector in 2011, increase in the negative net IIP of Euro 22.7 million was registered. The increase in the banks' liabilities of Euro 53.4 million is

mainly explained with the raise in liabilities based on foreign direct investments and loans (of Euro 78.3 and 47.3 million, respectively), as opposed to the reduced liabilities based on nonresident deposits (of Euro 61.8 million). The increase in the liabilities is partially netted with the higher claims from deposits with foreign banks (by Euro 33.2 million).

The monetary authority, which is usually a net creditor to abroad, in 2011 registers substantial increase in the net claims in foreign relations of Euro 353,0 million, fully explained by the increase in the official foreign reserves. The increase in the liabilities and claims based on loans, which actually arises from the execution of repo and reverse repo agreements of the central bank, has neutral effect on the net position of this sector, as well as the IIP as a whole.

#### Net international position of individual countries\*

Country	2010		2011	
	in billions of euros	% of GDP	in billions of euros	% of GDP
Euroarea	-1,226.90	-13.36	-1,085.17	-11.51
USD	-1,862.65	-17.03	-3,114.81	-28.76
Croatia	-41.97	-93.56	-40.25	-89.66
Slovenia	-15.25	-42.82	-14.89	-41.16
Macedonia	-3.57	-50.58	-3.93	-52.24
Greece	-210.26	-92.50	-170.90	-79.46
Bulgaria	-34.15	-94.73	-32.82	-85.29
Kosovo	0.44	10.55	0.10	2.10
Bosnia and Hercegovina	-7.09	-56.82	-7.58	-54.60
Romania	-77.85	-62.87	-82.55	-56.29
Serbia	-22.86	-79.82	-24.81	-71.23
Hungary	-108.50	-112.01	-94.30	-86.97
Turkey	-271.60	-49.35	-248.22	-44.81

\* Source: ECB, EUROSTAT, IMF, web sites of the central banks and own calculations.

Comparative analysis of the international investment position of the Republic of Macedonia and other countries has been conducted, primarily in the region, and wider. The comparison results indicate that with most of the regional countries in 2011 the international investment position in 2011 decreased. The Euro area also registers a decrease in the negative net international investment position, compared to the movements in the USA, which registered an increase in 2011. It is also very interesting fact that the other countries in the region, except Slovenia and Turkey have substantially higher negative net international investment position presented as share of GDP.

**ANNEXES, TABLES AND FIGURES**

Table 1

## International investment position 2003-2011

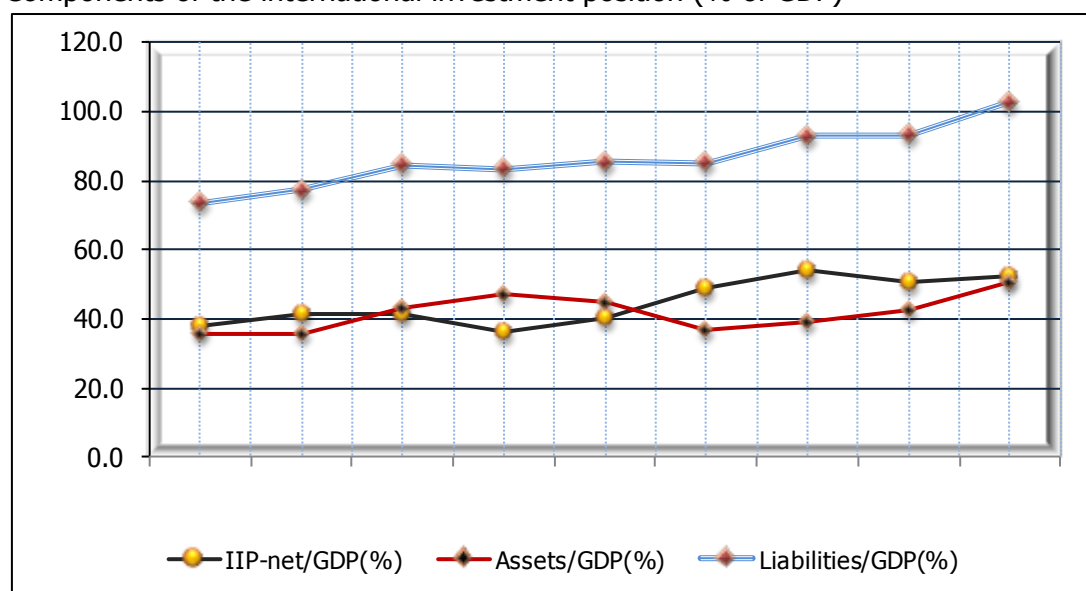
(in millions of Euros)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
IIP - net	-1,599.73	-1,846.20	-1,990.79	-1,887.55	-2,401.23	-3,265.12	-3,612.49	-3,569.43	-3,931.02
Assets	1,495.28	1,589.06	2,081.58	2,471.72	2,686.78	2,458.41	2,608.09	3,007.16	3,803.12
Liabilities	3,095.01	3,435.26	4,072.37	4,359.26	5,088.01	5,723.53	6,220.57	6,576.59	7,734.14
GDP	4,217	4,442	4,814	5,231	5,965	6,720	6,703	7,057	7,525
IIP-net/GDP(%)	-37.94	-41.56	-41.35	-36.08	-40.26	-48.59	-53.89	-50.58	-52.24
Assets/GDP(%)	35.46	35.77	43.24	47.25	45.04	36.58	38.91	42.61	50.54
Liabilities/GDP(%)	73.39	77.34	84.59	83.34	85.30	85.17	92.80	93.19	102.78

Source: National Bank of the Republic of Macedonia.

Figure 1

## Components of the international investment position (% of GDP)



Source: National Bank of the Republic of Macedonia.

**Annex 1**Division of IIP sector

For the purposes of IIP preparation and presentation, the sectors have been grouped as follows:

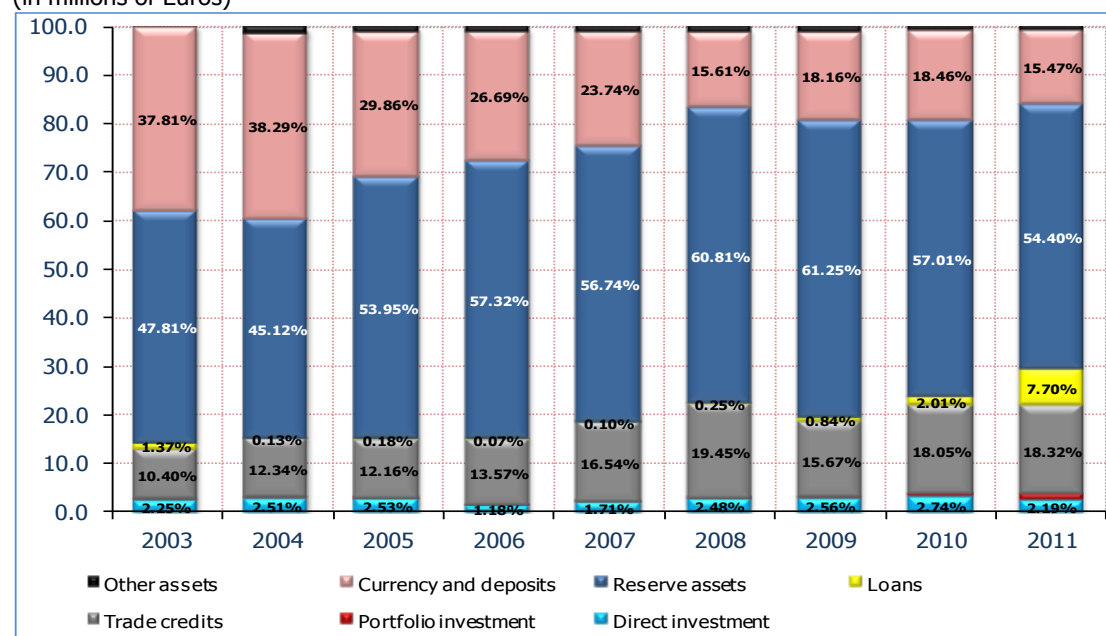
- **Monetary authorities:** represented by the central bank, i.e. the National Bank of the Republic of Macedonia
- **General Government:** consists of central government, local government and social funds. This sector does not include state-owned enterprises which operate on the basis of free market principle.
- **Banks:** includes all money deposit institutions, except for the Central Bank.
- **Other sectors:** this group comprises the following functional categories:
  - Nonbank financial institutions (including insurance companies, investment funds, private pension funds and other financial intermediaries);
  - Nonfinancial institutions (entities involved in goods and services production, including state-owned enterprises);
  - Households (households and natural persons);
  - Nonprofit institutions serving households (churches, political parties, unions, associations)

Table 2  
IIP at the level of institutional sectors  
(in millions of Euros)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
IIP,net -General government	-1,026.96	-1,016.45	-1,282.82	-1,065.56	-897.71	-906.33	-1,055.84	-1,067.80	-1,417.43
IIP,net- Monetary authorities	693.43	673.30	1,073.28	1,382.60	1,532.53	1,486.92	1,526.73	1,638.82	1,991.78
IIP,net- Banks	265.92	330.56	254.65	94.76	-58.64	-400.26	-361.46	-434.21	-456.86
IIP,net- Other sectors	-1,532.13	-1,833.61	-2,035.90	-2,299.35	-2,977.42	-3,445.46	-3,721.91	-3,706.24	-4,048.50
IIP,net	<b>-1,599.73</b>	<b>-1,846.20</b>	<b>-1,990.79</b>	<b>-1,887.55</b>	<b>-2,401.23</b>	<b>-3,265.12</b>	<b>-3,612.49</b>	<b>-3,569.43</b>	<b>-3,931.02</b>

Source: National Bank of the Republic of Macedonia.

Figure 2  
IIP structure - claims from abroad by instruments  
(in millions of Euros)



Source: National Bank of the Republic of Macedonia.

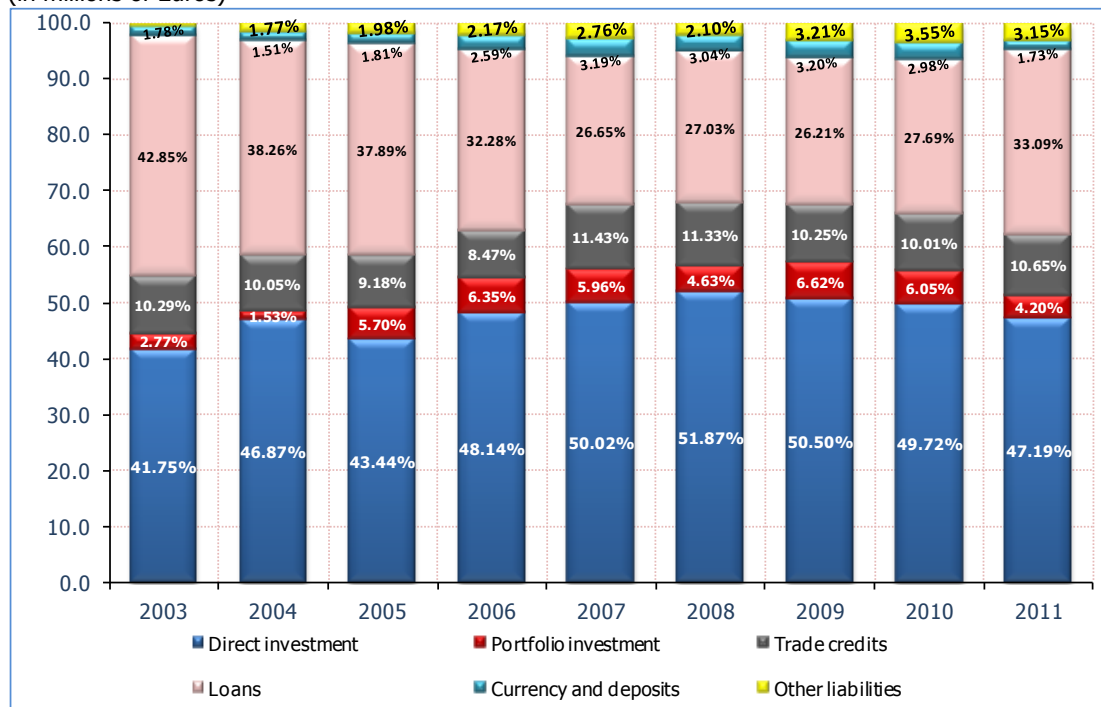
## Annex 2

### Classification of the international investment position by type of investment:

Divided into assets and liabilities, IIP consists of four functional investment categories and subcategories, where transactions have been classified by type of investment, as follows:

- **Direct investments**, classified:
  - by investment direction:
    - investments abroad
    - investments in the Republic of Macedonia
  - by instrument:
    - equity and reinvested earnings
    - other capital
- **Portfolio investments**, divided into equity and debt securities
- **Other investments**, divided into trade credits, loans, currency and deposits and other assets/liabilities; and
- **Reserves**, classified by type of instruments.

Figure 3  
IIP structure - liabilities to abroad by instruments  
(in millions of Euros)



Source: National Bank of the Republic of Macedonia.

### Annex 3

#### Foreign direct investments

According to the recommendations of the Fifth edition of the IMF Balance of Payments Manual, foreign direct investments are defined as investments with which the investor tends to establish a lasting interest and/or to exercise a right of management in the direct investment enterprise. To the end of 1993, the countries applied various criteria for defining the direct investments. The Fifth edition of the IMF Manual recommends using the minimum share of 10% of the capital or voting right as criteria, thus ensuring international data comparability. Accordingly, the distinction between direct and portfolio investor is based on the percentage of shares and stakes held in the company. Such methodological procedures for calculating foreign direct and portfolio investments fully apply in the Republic of Macedonia. Basic source of direct investments data in the Republic of Macedonia are the annual questionnaires that resident companies with foreign capital submit to the NBRM. The questionnaires contain data on the initial investment, the realized financial result and the intercompany debt.

#### Portfolio investments

According to the recommendations of the Fifth edition of the IMF Balance of Payments Manual, portfolio investments are defined as investments in debt and ownership securities (except for those included in foreign direct investments), traded on organized and other financial markets.

As to the ownership securities, the portfolio investments imply "passive" holding of securities, where their holder does not have the right to active participation in the management, or control of their issuer. Commonly, this means holding securities with share of below 10% in the capital or voting power.

As to the debt securities, a debtor-creditor relation has been established with the security issuer. According to the maturity, these securities are most frequently grouped into bonds and bills and money market instruments.

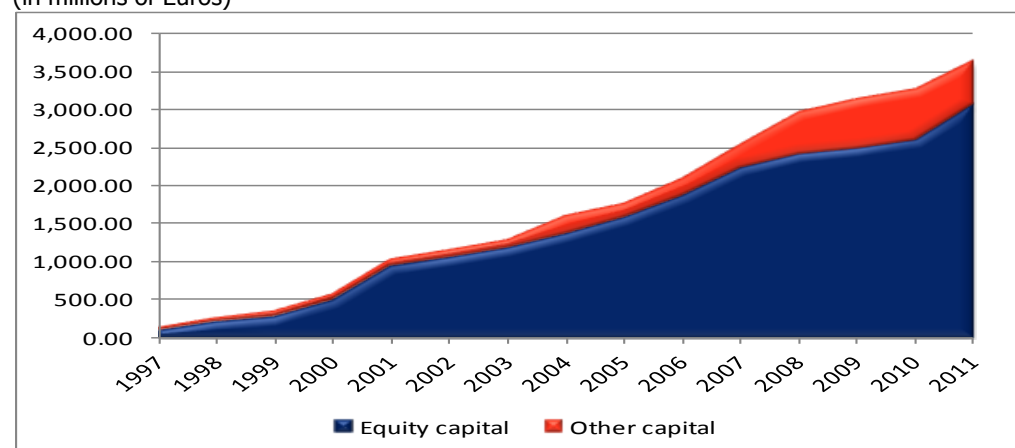
Table 3: Stock of the foreign direct investments in the Republic of Macedonia  
(in millions of Euros)

Year	Total	Equity capital	Other capital	
			Claims	Liabilities
1	2=3-4+5	3	4	5
1997	141.22	102.88	12.13	50.48
1998	270.37	219.51	12.81	63.66
1999	359.90	284.26	15.70	91.35
2000	580.05	497.72	16.95	99.28
2001	1,039.15	946.28	40.84	133.72
2002	1,160.71	1,056.57	46.35	150.48
2003	1,292.14	1,181.98	47.98	158.14
2004	1,610.22	1,366.11	36.70	280.82
2005	1,768.97	1,579.62	74.54	263.89
2006	2,098.57	1,863.35	80.91	316.14
2007	2,545.17	2,226.62	106.11	424.66
2008	2,968.75	2,407.42	113.96	675.29
2009	3,141.38	2,481.27	169.96	830.07
2010	3,269.83	2,590.04	246.88	926.67
2011	3,649.42	3,064.58	284.53	869.37

Source: National Bank of the Republic of Macedonia.

Figure 4

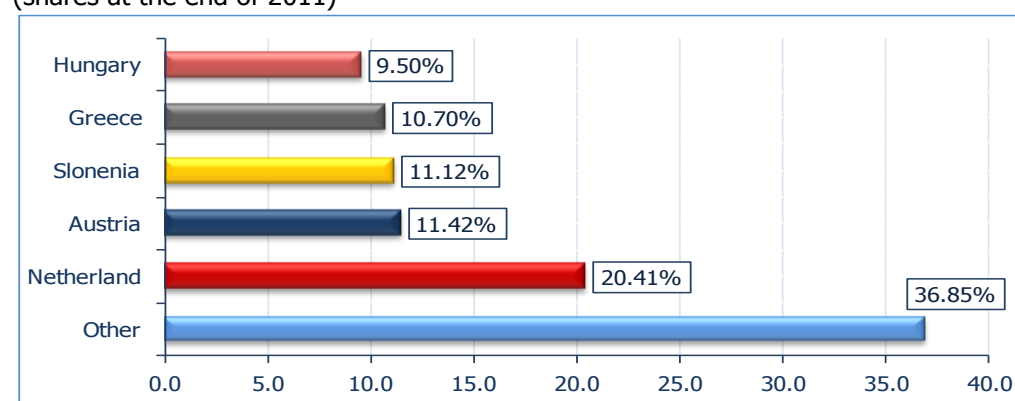
Foreign direct investments in the Republic of Macedonia  
(in millions of Euros)



Source: National Bank of the Republic of Macedonia.

Figure 5

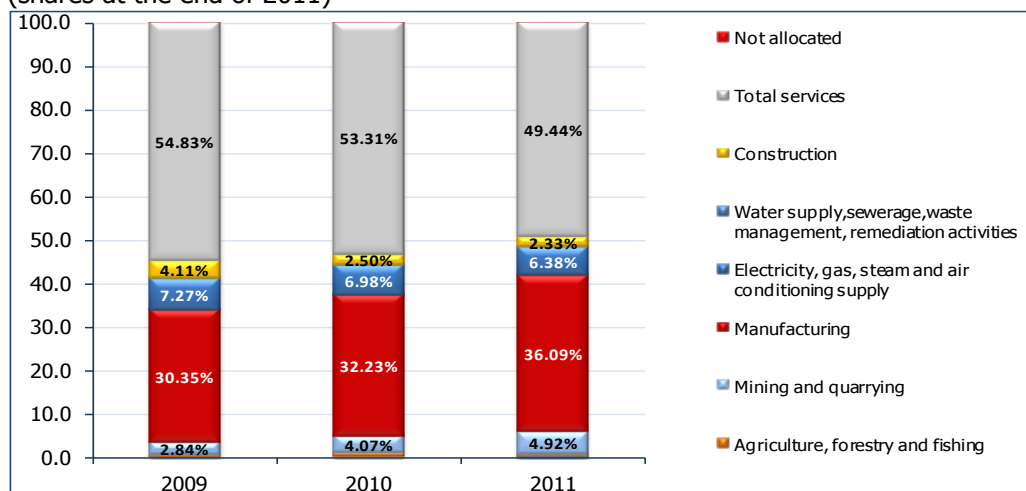
Foreign direct investments by countries  
(shares at the end of 2011)



Source: National Bank of the Republic of Macedonia.

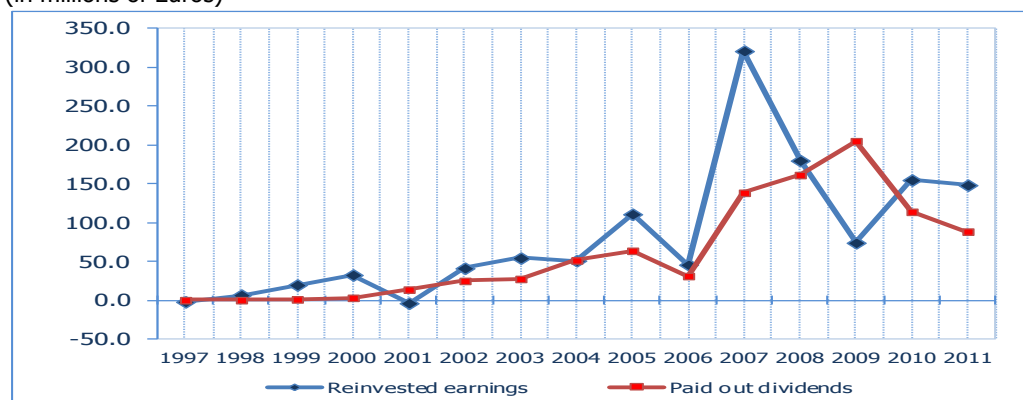


Figure 6  
Foreign direct investments by activity  
(shares at the end of 2011)



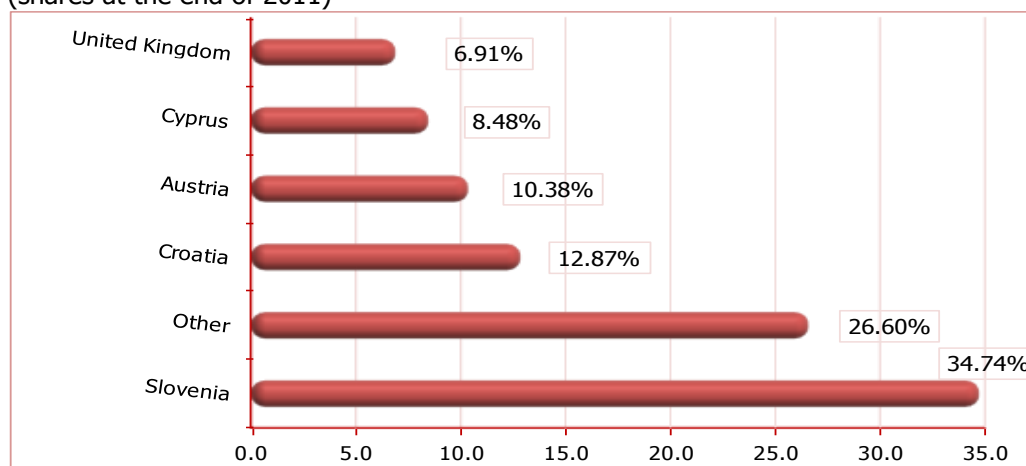
Source: National Bank of the Republic of Macedonia.

Figure 7  
Reinvested earnings and paid dividends, arising from inward FDI  
(in millions of Euros)



Source: National Bank of the Republic of Macedonia.

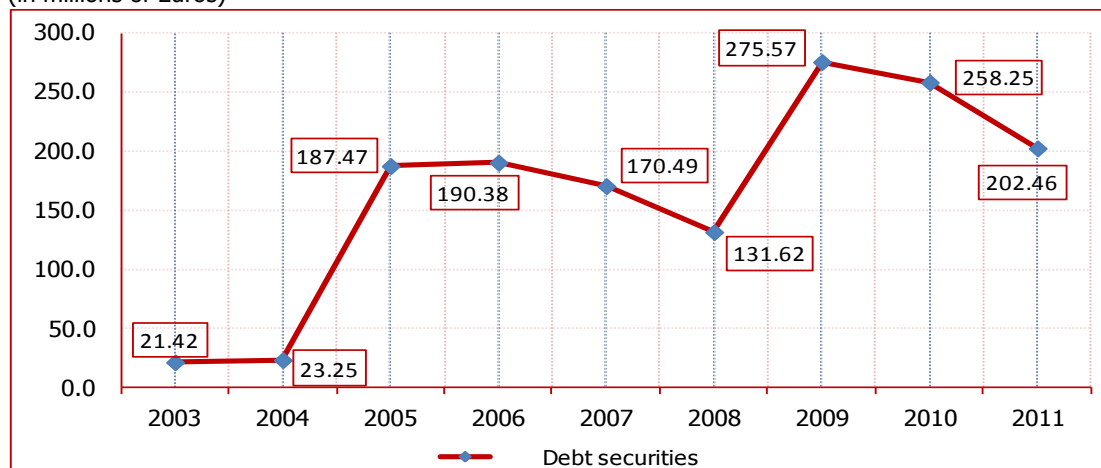
Figure 8  
Portfolio investments by countries - liabilities - equity securities  
(shares at the end of 2011)



Source: National Bank of the Republic of Macedonia.

Figure 9

Portfolio investments - liabilities based on domestic debt securities held by nonresidents  
(in millions of Euros)



Source: National Bank of the Republic of Macedonia.

Table 4

Liabilities based on loans from abroad by debtors

(in millions of Euros)

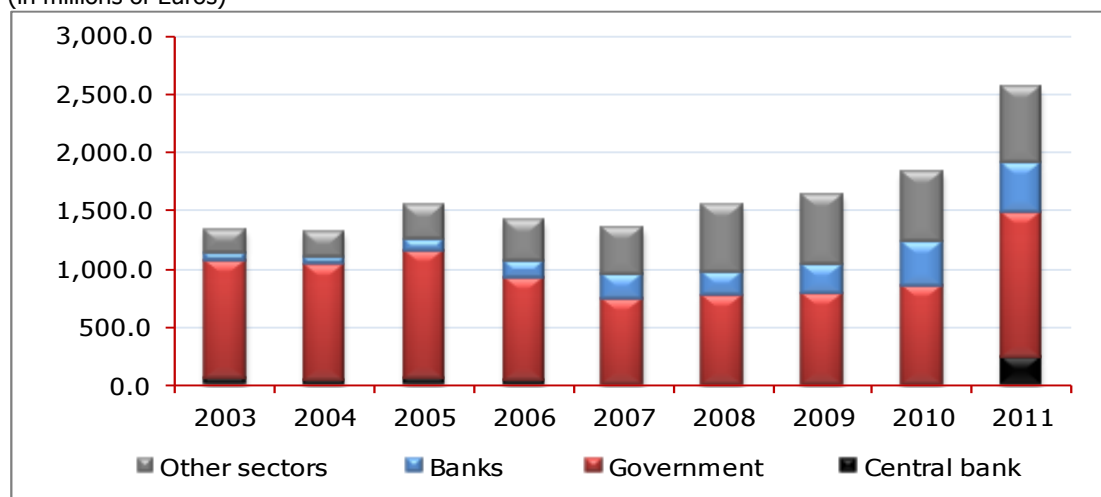
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Short-term loans	25.93	11.81	54.33	11.66	55.82	14.91	47.59	48.35	235.62
-Central bank	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	232.53
-Banks	8.71	7.04	1.30	0.00	16.50	0.00	40.00	3.71	0.00
-Other sectors	17.22	4.78	53.03	11.66	39.32	14.91	7.59	44.64	3.09
Long-term loans	1,300.22	1,302.60	1,488.56	1,395.57	1,299.95	1,532.02	1,583.12	1,772.81	2,323.35
-Central bank	54.70	45.97	52.66	42.39	0.00	0.00	0.00	0.00	0.00
-Government	1,005.54	993.20	1,095.36	875.19	727.22	771.22	777.60	852.57	1,247.75
-Banks	64.04	55.79	106.40	146.31	199.81	201.14	220.10	371.98	422.93
-Other sectors	175.94	207.63	234.14	331.68	372.92	559.66	585.43	548.26	652.66
Total	1,326.15	1,314.41	1,542.89	1,407.23	1,355.77	1,546.93	1,630.72	1,821.16	2,558.97
GDP	4,217	4,442	4,814	5,231	5,965	6,720	6,703	7,057	7,525
Short-term loans/Total loans (%)	1.96	0.90	3.52	0.83	4.12	0.96	2.92	2.66	9.21
Long-term loans/Total loans (%)	98.04	99.10	96.48	99.17	95.88	99.04	97.08	97.34	90.79
Total loans/GDP (%)	31.45	29.59	32.05	26.90	22.73	23.02	24.33	25.81	34.01

Source: National Bank of the Republic of Macedonia.

Figure 10

Liabilities based on loans from abroad by debtors

(in millions of Euros)



Source: National Bank of the Republic of Macedonia.