



National Bank of the Republic of Macedonia Statistics Department

Skopje, 28 September 2018

Press Release

Significant changes in the external debt, external claims and international investment position: second quarter of 2018

In the second quarter of 2018, the **net external debt** decreased by Euro 81 million given the faster increase in gross external claims compared to the increase in the gross external debt. Thus, as of 30 June 2018, the net external debt was Euro 2.995 million (28.4% of GDP forecast for this year).

As of 30 June 2018, the **gross external debt** of the Republic of Macedonia was Euro 8.433 million or 80% of the forecasted GDP, amid quarterly increase in liabilities of Euro 164 million (2%), whereas **gross external claims** amounted to Euro 5.438 million (51.6% of the forecasted GDP) and also register a quarterly increase of Euro 245 million (20.4%).

At the end of June 2018, the negative **net international investment position**¹ amounted to Euro 6,071 million or 57.6% of the GDP forecasted for 2018. Most (81.8%) of this amount still consists of net liabilities on direct investment, of which 72% are based on equity. Compared to the previous quarter, the negative net international position decreased by Euro 49 million.

External Debt and International Investment Position of the Republic of Macedonia

	31.12.2017		31.03.2018		30.06.2018		Quarterly Change			change in respect to the end of the previous year		
	mill. EUR	% GDP	mill. EUR	% GDP	mill. EUR	% GDP	mill. EUR	%	p.p.	mill. EUR	%	p.p.
Gross External Debt	7,372.5	73.2	8,268.4	78.5	8,432.9	80.0	164.5	2.0	1.6	1,060.4	14.4	6.8
Gross External Debt-Excluding Debt of the Central Bank from Repo Arrangements	7,372.5	73.2	7,976.3	75.7	8,140.0	77.2	163.7	2.1	1.6	767.5	10.4	4.0
Long-term debt	5,607.2	55.7	5,981.5	56.8	6,064.0	57.5	82.5	1.4	0.8	456.8	8.1	1.8
Short-term debt	1,765.2	17.5	2,286.9	21.7	2,368.8	22.5	81.9	3.6	0.8	603.6	34.2	4.9
Public debt	3,461.8	34.4	4,053.1	38.5	4,077.9	38.7	24.8	0.6	0.2	616.1	17.8	4.3
Private debt	3,910.7	38.9	4,215.3	40.0	4,355.0	41.3	139.7	3.3	1.3	444.3	11.4	2.5
Gross External Claims	4,517.8	44.9	5,192.4	49.3	5,437.8	51.6	245.4	4.7	2.3	920.0	20.4	6.7
Gross external claims-excluding claims of the Central Bank from reverse repo arrangements	4,517.8	44.9	4,901.2	46.5	5,146.5	48.8	245.3	5.0	2.3	628.7	13.9	4.0
Net External Debt	2,854.7	28.4	3,076.0	29.2	2,995.1	28.4	-81.0	-2.6	-0.8	140.4	4.9	0.1
IIP, net	-5,822.5	-57.8	-6,119.9	-58.1	-6,070.7	-57.6	49.2	-0.8	0.5	-248.2	4.3	0.2

* / GDP data for 2017 is estimated (source: Press release *Gross Domestic Product of the Republic of Macedonia* of 6 September 2018). The data for 2018 is forecasted by the NBRM.

Source: NBRM, SSO.

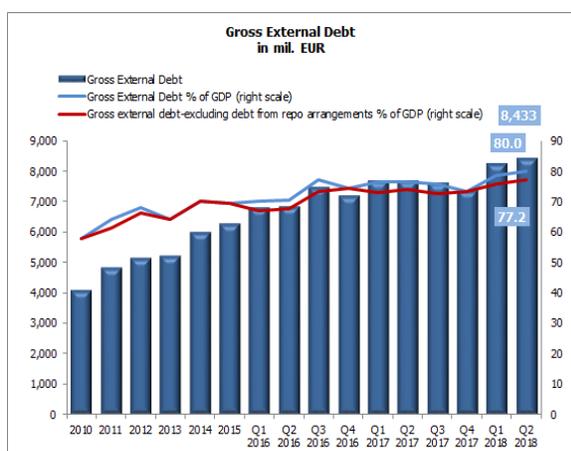
¹ The international investment position (IIP) is a statistical report which presents the balances of the external financial assets and financial liabilities of the Republic of Macedonia on a specific date, i.e. receivables from and liabilities to nonresidents based on financial instruments. In addition, negative net international investment position means that the financial liabilities exceed the financial claims on non-residents.



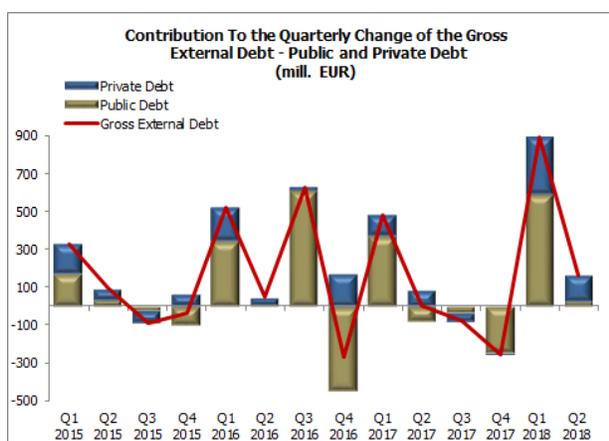
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Gross external debt

At the end of the second quarter of 2018, the **gross external debt** equaled Euro 8,433 million, which is by Euro 164 million more compared to the end of the previous quarter. The quarterly growth is largely due to the increased private debt (Euro 140 million), amid a smaller growth in the public debt (Euro 25 million). The increase in the private external debt mainly arises from the increased liabilities on intercompany lending (by Euro 93 million) and the non-banking private sector (by Euro 45 million), while the public debt growth is mainly driven by public companies and public banks (by Euro 28 million), amid reduced liabilities of the government sector (by Euro 6 million).



Source: NBRM.



At the end of June 2018, compared to the end of 2017, the gross external debt was higher by Euro 1,060 million. Thus, in the first half of 2018, the debt arising from specific activities related to foreign reserves management² increased by Euro 293 million. If their effect is excluded, since the beginning of the year, the gross external debt has increased by Euro 768 million, mostly due to the growth in the private debt and the public gross external debt (of Euro 444 million and Euro 323 million, respectively). The increase in private debt in the first half of the year reflects the increased liabilities on intercompany lending (by Euro 293 million) and non-banking private sector (by Euro 149 million), while the public debt increased due to the higher liabilities of the government sector (by Euro 309 million).

² Refers to repo activities of the NBRM. Entering into repo transactions creates liabilities (classified under the "loan" category) that increase gross debt. At the same time, claims created from reverse repo agreements tend to increase gross claims. The NBRM simultaneously carries out matched repo and reverse repo agreements in nearly identical amounts. In general, as they are concluded simultaneously, these transactions have a neutral net effect as they appear in almost identical amount on both the liabilities and the assets side, and accordingly have no effect on the total net external debt.

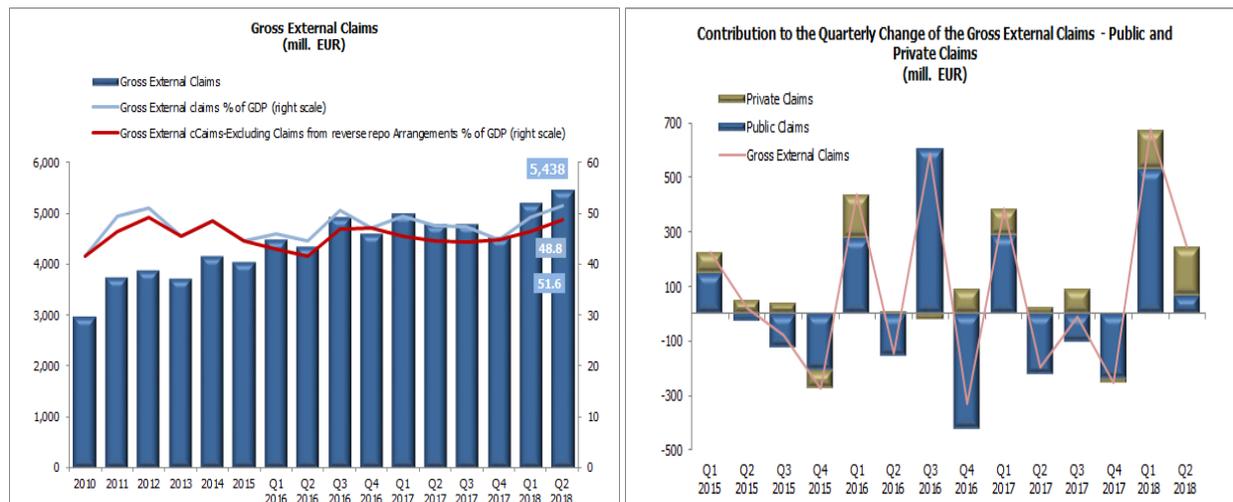


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Gross external claims

At the end of June 2018, gross external claims amounted to Euro 5.438 million (a quarterly increase of Euro 245 million), due to the increased private and public claims (by Euro 180 million and Euro 66 million, respectively).

Compared to the end of 2017, the gross external claims increased by Euro 920 million. If the effect of the central bank specific activities related to foreign reserves management is excluded³, the gross external claims are higher by Euro 629 million, with almost equal contribution of the private and the public external claims (Euro 321 million and Euro 308 million, respectively). The increase in private claims mainly reflects the increased claims of the non-banking private sector (by Euro 156 million) and the intercompany lending (by Euro 124 million), while the increase in the public claims is concentrated in the central bank (of Euro 308 million).



Source: NBRM.

Net external debt

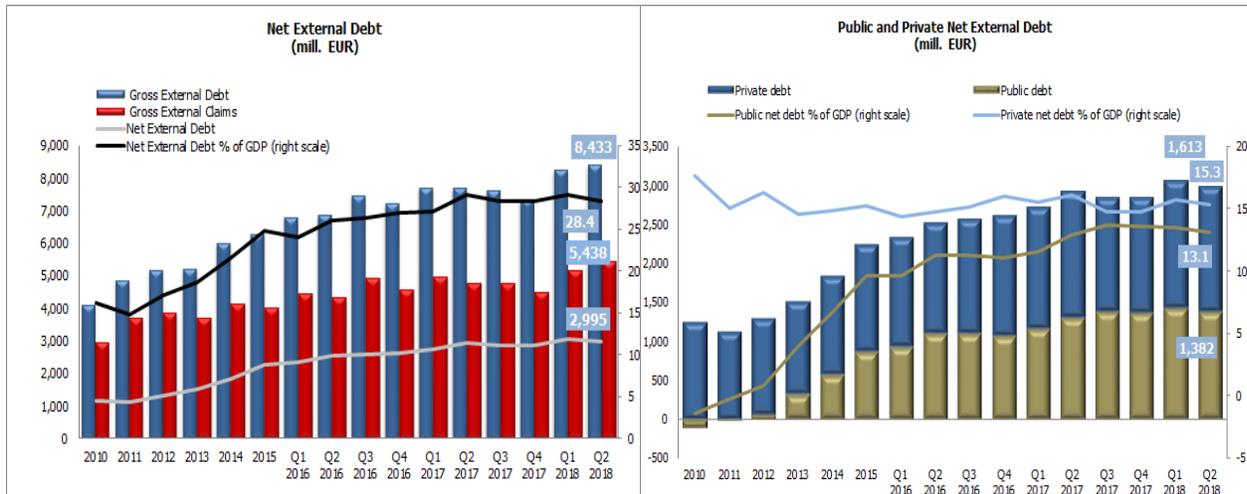
Given the faster quarterly increase in gross external claims compared to the increase in the gross external debt, in the second quarter of 2018, the net external debt decreased by Euro 81 million (2.6%) to Euro 2.995 million (or 28.4% of the GDP) at the end of June 2018. In addition, both the public and the private net debt decreased (by Euro 41 million and Euro 40 million, respectively).

³ Refers to repo activities of the NBRM. Entering into repo transactions creates liabilities (classified under the "loan" category) that increase gross debt. At the same time, claims created from reverse repo agreements tend to increase gross claims. The NBRM simultaneously carries out matched repo and reverse repo agreements in nearly identical amounts. In general, as they are concluded simultaneously, these transactions have a neutral net effect as they appear in almost identical amount on both the liabilities and the assets side, and accordingly have no effect on the total net external debt.



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Compared to the end of 2017, net external debt increased by Euro 140 million (or 4.9%), with a larger increase in the net private debt (by Euro 123 million), which continues to dominate the total net debt (53.9%).



Source: NBRM.

International Investment Position, net

During the second quarter of 2018, the negative net international investment position (IIP) decreased by Euro 49 million to Euro 6,071 million (or 57.6% of GDP forecasted for 2018).

The quarterly decrease in the negative net IIP mainly arises from the faster increase in assets (of Euro 273 million), compared to the increase in liabilities (of Euro 223 million). In terms of instruments, the decrease in the negative net IIP reflects the decreased net liabilities on debt instruments (by Euro 81 million), while net liabilities on equity instruments increased (by Euro 32 million). The quarterly increase in net liabilities on equity instruments is due to the growth in net liabilities in equity capital from direct investments (Euro 61 million) that were partially netted by the increased net assets based on portfolio investments (Euro 30 million).

Compared to the end of 2017, the negative net IIP registered a cumulative growth of Euro 248 million mainly reflecting the increase in net external debt (of Euro 140 million), coupled with the growth in net liabilities on equity instruments (of Euro 108 million). The growth of net liabilities on equity instrument in the first half of the year mainly arises from net liabilities on direct investments.



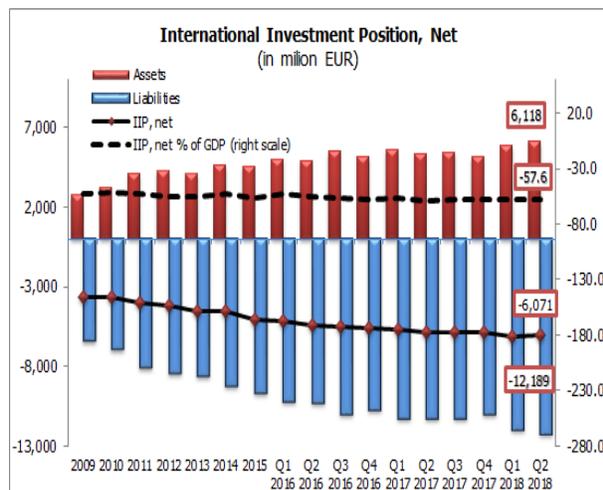
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International Investment Position of the Republic of Macedonia

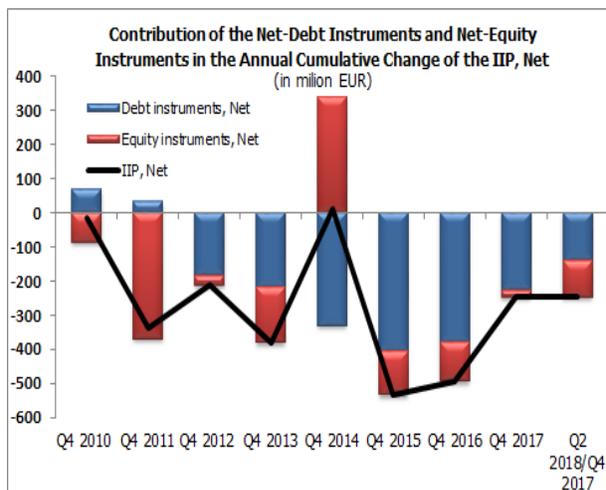
(in millions of euros)

IIP, by instruments	2010	2011	2012	2013	2014	2015	2016	2017	Q1-2018	Q2-2018
Assets	3,258.4	4,113.2	4,257.5	4,082.5	4,634.0	4,571.9	5,171.3	5,157.3	5,845.4	6,118.0
Direct investment	333.6	393.6	533.6	617.8	475.6	655.0	811.9	967.6	1,031.9	1,097.2
Portfolio investment	25.9	45.5	63.1	107.7	155.0	212.6	255.2	300.2	310.4	337.2
Financial derivatives (other than reserves) and employee stock options	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other equity	0.0	0.0	0.0	0.9	0.9	1.0	1.2	2.75	2.70	2.08
Currency and deposits	555.1	588.2	537.0	540.0	623.6	615.4	627.3	635.5	668.8	675.9
Loans	86.3	320.1	246.4	91.3	98.2	67.1	52.1	56.1	348.6	349.9
Insurance, pension, and standardized guarantee schemes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credit and advances	543.0	696.9	684.1	730.3	842.7	757.4	809.6	858.8	905.8	1,013.4
Other accounts receivable/payable	0.0	0.0	0.0	1.4	1.5	1.7	0.5	0.13	0.14	0.24
Reserve assets	1,714.5	2,068.9	2,193.3	1,993.0	2,436.5	2,261.8	2,613.4	2,336.3	2,577.1	2,642.2
Liabilities	6,887.9	8,079.0	8,435.1	8,640.8	9,183.0	9,654.6	10,747.3	10,979.8	11,965.2	12,188.6
Direct investment	3,514.8	3,914.4	4,146.8	4,485.7	4,378.3	4,951.3	5,392.2	5,598.1	5,905.6	6,060.9
Portfolio investment	398.6	324.7	408.3	253.2	776.6	848.8	1,362.2	1,476.3	1,877.8	1,856.3
Financial derivatives (other than reserves) and employee stock options	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other equity	0.0	0.0	0.0	4.1	4.4	4.3	6.0	2.3	2.3	2.3
Currency and deposits	195.8	134.0	198.7	168.4	157.7	148.5	174.2	195.2	191.8	192.7
Loans	2,028.5	2,785.9	2,771.8	2,883.1	3,024.4	2,961.7	3,014.7	2,872.0	3,104.5	3,194.6
Insurance, pension, and standardized guarantee schemes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credit and advances	673.8	841.7	832.8	773.2	763.4	656.7	714.6	757.7	805.8	802.6
Other accounts receivable/payable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Special drawing rights (Net incurrence of liabilities)	76.4	78.3	76.7	73.2	78.2	83.2	83.2	78.2	77.5	79.2

Source: NBRM.



Source: NBRM.





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Data revisions

The data on the gross external debt and claims in this press release contain regular data revisions for the period January - March 2018. Changes in **gross external debt** almost entirely arise from the improved coverage of data on loans and trade credits and advances. Regarding the direction of change, the revision for the first quarter of 2018 mainly included reduction of the gross external debt (of Euro 29 million), as well as the minor increase in the gross external claims (of Euro 1 million), which led to a decrease in net external debt (of Euro 30 million).

These changes influenced the net international investment position which was also under the influence of the annual revision of the external statistics for 2017 (for more information see the Press Release: Revision of external statistics for 2016 and 2017). The data revision effect for the **net international investment position** in the first quarter aims to reduce the negative IIP by Euro 204 million.

Supporting information

Time series data - annual and quarterly data on gross external debt and gross external claims:
<http://nbrm.mk/ns-newsarticle-podatoci-nd-en.nspix>

Time series data-annual and quarterly data on international investment position:
<http://nbrm.mk/ns-newsarticle-podatoci-mip-en.nspix>

Quarterly information on the gross external debt, gross external claims and international investment position:
<http://nbrm.mk/ns-newsarticle-informacii-mip-en.nspix>

Methodological explanations on gross external debt and claims:
<http://nbrm.mk/ns-newsarticle-podatoci-nd-en.nspix>

Methodological explanations on international investment position:
<http://nbrm.mk/ns-newsarticle-podatoci-mip-en.nspix>

Next publications: Advance Release Calendar:
http://nbrm.mk/kalendar_na_objavuvanje_na_podatoci-en.nspix

Quarterly gross external debt, gross external claims and international investment position: 31 December 2018 (reference period as of September 2018).

We kindly ask journalists to contact the Governor's Office for any queries.

For more details about the disseminated statistical data, please contact us at: contact.statistika@nbrm.mk or phone: 02 3215 181 extension 103 (or 110/108).