

**National Bank of the Republic of North Macedonia**  
Statistics Department



**Methodological Explanations for External Debt**

## **1. METHODOLOGICAL EXPLANATIONS FOR EXTERNAL STATISTICS**

External statistics are a sublimation of several individual statistical surveys for compiling, processing and disseminating data on economic transactions with non-residents, such as Balance of Payments, Foreign Direct Investments, International Investment Position, Official Foreign Reserves, Gross External Debt and Gross External Claims.

Within its continuous efforts for alignment with the international statistical standards and producing internationally comparable data, the National Bank of the Republic of North Macedonia primarily focuses its activities on harmonization with the international standards and applying the latest manuals in the area of Balance of payments, Foreign direct investments, Gross external debt and claims, as well as Official foreign reserves statistics.

### **1.1 Harmonization with the European and International Statistical Standards**

Harmonization of statistical reports on external statistics is achieved through the implementation of international manuals and EU Regulations and their incorporation in the national statistics.

The international manuals applied for compiling and processing data are the following:

- Balance of Payments International Investment Position Manual (BPM 6), 2009, IMF;
- International Reserves and Foreign Currency Liquidity: Guidelines for a Template, IMF 2013;
- External Debt Statistics: Guide for Compilers and Users, IMF, 2013;
- OECD Benchmark Definition of Foreign Direct Investment 4th edition BD4;
- Regulation (EC) No 184/2005 of the European Parliament and of the Council;
- Commission Regulation (EC) No 601/2006, implementing Regulation (EC) No 184/2005;
- Commission Implementing Regulation (EU) No 228/2014, amending Regulation (EC) No 601/2006;

The following classifications apply for compiling and processing data from these surveys:

- National activity classification - compatible with NACE Rev.2
- National classification of institutional sector - compatible with ESA 2010;
- ISO country and currency codes.

**The national legislation**, defining the scope of data compiled for the needs of external statistics, is consistent with the Law on the National Bank of the Republic of Macedonia (Official Gazette of the Republic of Macedonia No. 158/10, 23/12, 43/14, 153/15 and 6/16) and the Law on Foreign Exchange Operations (Official Gazette of the Republic of Macedonia No. 34/01, 49/01, 103/01, 51/03, 81/08, 24/11, 135/11, 188/13, 97/15, 153/15 and 23/16). Residency of institutional units is defined under the Law on Foreign Exchange Operations, where natural persons staying temporarily in the Republic of Macedonia on the basis of a valid residence permit or work permit for a period of at least six months are treated as residents of the country<sup>1</sup>.

The **reporting units** are legal entities and natural persons that have economic transactions with non-residents, and depending on the type of transactions are obliged to report on their claims on and liabilities to non-residents, based on debt instruments, capital investments from and to abroad, claims on and /or liabilities to non-residents based on other financial instruments etc. The reporting on transactions with non-residents can be direct (by the resident reporting units) and indirect (performed by other entities that hold information on particular types of transactions).

## **1.2 Dissemination and Revision Policy**

### **1.2.2 Dissemination Policy**

The data on external statistics are disseminated in accordance with the Advance Release Calendar (available on the NBRNM's website- [http://nbrm.mk/kalendar\\_na\\_objavuvanje\\_na\\_podatoci-en.nspj](http://nbrm.mk/kalendar_na_objavuvanje_na_podatoci-en.nspj)).

The methodologies on external statistics are also disseminated on the NBRNM's website.

### **1.2.3 Revision Policy**

The data are revised on a regular annual basis, within a period of T+270 days after the end of the reporting year.

Additionally, if needed, revisions of disseminated data can be done more frequently in the following cases:

-provision of new, updated and / or corrected information and data from the reporting units; or

-data source changes or changes in the methodology for the compilation of a specific statistical survey.

In accordance with the international recommendations for any significant data changes during the revisions, an adequate explanation is given in a footnote or in a press releases.

The historical time series data is revised from the moment of occurrence of the event that led to change in data, or if not applicable, for the longest possible time period back forward. If there is a change in the presentation of data

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<sup>1</sup> Such definition of residency of natural persons and its application in the process of creating statistical data is an exception to the recommendation given in the international statistical standards, according to which a criterion for determining residency is a stay or intention to stay in a country for a period of one year or more.

(publication of a new indicator - sector, instrument, etc.), the historical time series is revised beginning from the moment of introducing the new indicator, if appropriate conditions exist for this matter.

## **2. General Methodological Notes on External Debt**

The National Bank of the Republic of North Macedonia (National Bank) is the institution responsible for recording and monitoring of the external debt of the Republic of North Macedonia in accordance with the legislation i.e. the Law on the National Bank of the Republic of Macedonia and the Foreign Exchange Law.

Within the External Debt Statistics, standard reports are prepared for Gross External Debt, Gross External Claims and Net External Debt, which according to the External Debt Statistics Guide<sup>2</sup> (Guide) are defined as:

### ***Gross External Debt***

Gross external debt, at any given time, is the outstanding amount of those actual current, and not contingent, liabilities that require payment(s) of principal and /or interest by the debtor at some point(s) in the future and that are owed to nonresidents by residents of an economy. According to this definition, gross external debt at a certain date is the stock of all future liabilities of residents to nonresidents, future installments of principal, arrears in principal and interest, accrued interest costs, as well as late (default) interest, regardless of the type of instrument and maturity.

### ***Gross External Claims***

Gross External Claims are the stock of all current, not contingent claims based on debt instruments, of residents on nonresidents. Basically, the definition of gross external claims is identical with the definition of gross external debt, having in mind that the claims of one economy are liabilities for other.

### ***Net External Debt***

Net external debt is defined as the difference between the stock of gross external debt and gross external claims. In its structure, net external debt is identical with the gross external debt, where the standard presentation contains classification by institutional sectors, maturity and debt instruments.

According to the Guide, the first level of classification is by basic institutional sector of an economy. The institutional sectors classification has the same sectors and subsectors as the SNA 2008, and applies only to the resident units.

The resident units are classified within the following basic sectors:

- General government,
- Central bank,
- Deposit-taking corporations, except central bank, and
- Other sectors.

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<sup>2</sup> External Debt Statistics: Guide for Compilers and Users, IMF, 2013.

The **General government** sector includes unique kinds of legal entities established by political processes and has legislative, judicial, or executive authority over other institutional units within a given area. The Government sector consists of the following subsectors: Central government, Local government and Social security funds.

The **Central bank** is the National Bank of the Republic of North Macedonia.

**Deposit-taking corporations, except central bank** have financial intermediation as their principal activity. To this end, they have liabilities in the form of deposits or financial instruments that are close substitutes for deposits. This sector includes all banks that were granted a founding and operating license by the Governor of the National Bank of the Republic of North Macedonia, as well as branches of foreign banks that were granted a license by the Governor of the National Bank of the Republic of North Macedonia to open offices and to operate on the territory of the Republic of North Macedonia.

**Other sectors** consists of Other financial corporations (non-deposit financial corporations and other financial auxiliaries, as well as insurance corporations and pension funds), and Nonfinancial corporations, households, and NPISHs.

In the Gross External Debt and the Gross External Claims, in addition to the four basic sectors, separate data are also recorded for the capital-related institutional units, under **Direct Investments: Intercompany Lending**. Data are presented according to the type of the direct investment relationship with the non-residents, as follows:

- direct investment enterprises to direct investors;
- direct investors to direct investment enterprises;
- between fellow enterprises.

Debt claims and liabilities between deposit corporations and other financial intermediaries (except insurance corporations and pension funds) are excluded from the debt instruments within the direct investments category and are included in the appropriate financial instrument.

The separation of Direct Investment - Intercompany Lending is significant in view of the necessary compatibility with the IIP statement, where these claims/liabilities are incorporated within the item Direct Investment (debt instruments).

Second level of classification is by maturity: short term (with original maturity of one year or less) and long term (maturities of more than one year).

Third level of classification is the disaggregation of maturity by financial instruments.

According to the Guide, basic financial instruments are:

- **Currency and deposits** - currency (notes and coins) are claims of non-resident holders on the issuing central bank. Liabilities based on deposits are

liabilities of deposit institutions that take deposits of non-resident depositors, while claims based on deposits arise from funds deposited with non-resident deposit institutions;

- **Debt securities** - creation of debt or a claim through the issuance/purchasing of securities as part of the portfolio investment in the country, being traded on organized markets or over-the-counter;
- **Loans** - include those claims or liabilities created through the direct lending of funds by a creditor (lender) to a debtor (borrower) based on a credit agreement;
- **Trade credit and advances** - consist of claims or liabilities arising from direct extension of credit by suppliers for transactions in goods and services, as well as advance payment by buyers for goods and services and for work in progress;
- **Other** - other claims and liabilities arising from debt instruments not classified elsewhere. Arrears are no longer part of this category, as they are included along with the corresponding financial instrument.
- **Special drawing rights (SDR)** - this instrument refers to the liabilities of the central bank based on the allocation of special drawing rights (SDR), as well as on the holdings of SDR.

### **3. Data Sources and Methodology for Compiling Gross External Debt and Gross External Claims of the Republic of North Macedonia**

#### **3.1. Data Sources**

##### **3.1.1. Data Sources for the General Government Sector:**

For the Gross External Debt:

- for the instrument *debt securities*, for debt securities issued abroad and bought by nonresidents, data from the reporting system on external debt (ED) are used, as well as data on the market value of the issued securities at the cut-off date. For debt securities issued on the domestic market and purchased by non-residents, data are taken from the Central Securities Depository, while data on the prevailing market prices are used from the Macedonian Stock Exchange;

- for the instrument *loans* and *long-term trade credits and advances*, data from the reporting system on external debt (ED) are used. The credit records statistics is conveyed by the NBRNM and is based on a loan-by-loan database containing various elements. Various data can be obtained from this database on the stock of external debt, disbursement, repayments, arrears, accrued interest etc.

For the Gross External Claims:

- for the instrument *loans*, data from the reporting system on external claims (EC) are used. The credit records statistics is conveyed by the NBRNM and is based on a loan-by-loan database containing various elements. Various data can be obtained from this database on the stock of external claims, disbursement, repayments, arrears, accrued interest etc.

### **3.1.2. Data Sources for the Central Bank Sector**

For the Gross External Debt:

- for the instrument *loans*, data are used from the reporting system on external debt (ED) and data from NBRNM's reports on the official foreign reserves of the Republic of North Macedonia;

- for the instrument *Special Drawing Rights*, data are used from the reporting system on external debt (ED) and include a debt liability for SDR allocations.

For the Gross External Claims:

- for the instruments currency and deposits, debt securities and holdings of SDR, data from the NBRNM's reports on the official foreign reserves of the Republic of North Macedonia are used.

### **Data Sources for the Sector of Deposit-Taking Corporations, except Central Bank**

For the Gross External Debt:

- for the instrument *currency and deposits*, data from banks' reports on assets and liabilities balance (KNBIFO) are used;

- for the instrument *loans*, data are used from the reporting system on external debt (ED) and survey on debt/claims takeovers among residents and nonresidents (POZ).

For the Gross External Claims:

- for the instrument *currency and deposits*, data from banks' reports on assets and liabilities balance (KNBIFO) are used;

- for the instrument *debt securities*, for foreign debt securities issued abroad and bought by residents, data on the market value of the purchased debt securities at the end of the reference period, is provided by the residents authorized for participation in foreign capital markets (Reports for stocks and flows data on investments in debt securities VHV-2);

- for the instrument *loans*, data are used from the reporting system on external claims (EC) and survey on debt/claims takeovers among residents and nonresidents (POZ).

### ***Data Sources for the Other sectors***

For the Gross External Debt:

- for the instrument *loans*, data are used from the reporting system on external debt (ED) and survey on debt/claims takeovers among residents and nonresidents (POZ);

- for the instrument *short-term trade credits*, data are used from the quarterly reports on the claims and liabilities on the basis of international commercial operations of residents (KIPO Form);

- for the instrument *long-term trade credits*, data are used from the reporting system on external debt (ED).

For the Gross External Claims:

- for the instrument *currency and deposits*, data on the balance on accounts held abroad by the other sectors units, for which the NBRNM has issued an approval in accordance with the applicable laws (monthly reports – MR);

- for the instrument *debt securities*, for foreign debt securities issued abroad and bought by residents, data on the market value of the purchased debt securities at the end of the reference period, is provided by the residents authorized for participation in foreign capital markets (Reports for stocks and flows data on investments in debt securities VHV-2);

- for the instrument *loans*, data are used from the reporting system on external claims (EC) and survey on debt/claims takeovers among residents and nonresidents (POZ);

- for the instrument *short-term trade credits*, data are used from the quarterly reports on the claims and liabilities on the basis of international commercial operations of residents (KIPO Form);

- for the instrument *long-term trade credits*, data are used from the reporting system on external claims (EC).

### ***3.1.5. Data Sources for the Intercompany Lending (Direct Investment)***

Main data sources for the claims and liabilities based on intercompany lending are:

- for instrument *loans*, data are used from the reporting system on external debt (ED), the reporting system on external claims (EC), and survey on debt/claims takeovers among residents and nonresidents (POZ), that contain information on direct investment relationship between creditors and debtors;

- for instrument *trade credits*, data are used from the quarterly reports on the claims and liabilities based on international commercial operations of residents (KIPO Form);
- for *other claims and liabilities*, data from the reports on stocks and flows between affiliated entities (VS 22 and VS 11) are used as supplementary data source.

### **3.2. Public and Private Sector Debt Data**

The memo items in the gross external debt table present separate data on external debt of the public and private sector.

The public sector includes the Government of the Republic of North Macedonia, the National Bank, public banks and public enterprises.

The Government of the Republic of North Macedonia comprises of public authorities and their agencies, which are entities established through political processes that exercise legislative, judicial, and executive authority within a territorial area.

General government consists of:

- government units that exist at each government level—central and local—within the national economy;
- all social security funds operated at each level of government; and
- all non-market non-profit institutions that are controlled and mainly financed by government units.

The National Bank is the monetary authority of the Republic of North Macedonia.

Public corporation is defined as a non-financial corporation that is subject to control by government units, with the control over a corporation being defined as the ability to determine general corporate policy by choosing appropriate directors, if necessary. Control can be exercised through government ownership of more than half of the voting shares or otherwise controlling more than half of the shareholder voting power, through special legislation, decree, or regulation that empowers the government to determine corporate policy or to appoint directors.

Public banks are institutional units established and controlled by the government, but are separate from the government.

The private sector consists of all other residents, disaggregated into private banks and non-banking private sector.

### **3.3. Valuation Methods**

From the aspect of valuation, a nominal value is used for all debt instruments, except for the debt securities, where market value is applied. This is entirely consistent with the methodological recommendations for compilation of the IIP of a country.

Stock data, repayment schedules, arrears, new commitments and accrued interest are converted into the unit of account, using the mid exchange rate of the National Bank at the reference date. Flow data, disbursements and repayments, are converted into the unit of account, using the mid exchange rate of the National Bank on the day of the transaction. Difference between stock data ( $t - t_{-1}$ ) is due to transactions, price or exchange rate changes and other changes.