

National Bank of the Republic of North Macedonia
Statistics Department



**Methodological Notes on the Compilation of the
International Reserves and Foreign Currency
Liquidity Data Template of the Republic of North
Macedonia**

1. METHODOLOGICAL EXPLANATIONS FOR EXTERNAL STATISTICS

External statistics are a subliminate of several individual statistical surveys for compiling, processing and disseminating data on stocks and/or 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 it's 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

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

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

- Balance of Payments International Investment Position Manual (BPM 6), 2009, IMF;
- International Reserves and Foreign Currency Liquidity: Guidelines for a Data 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 are applied for compiling and processing the 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 in accordance 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 North 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 country¹.

The **reporting units** are legal entities and natural persons which 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 have at their disposal information on particular types of transactions).

1.2 Dissemination and revision policy

1.2.1 Dissemination policy

The data on external statistics are disseminated in accordance with the Advance release calendar (available on the NBRSM's website- http://nbrm.mk/kalendar_na_objavuvanje_na_podatoci-en.nsp). The methodologies on external statistics are also disseminated on the website of NBRSM.

1.2.2 Revision Policy

Revisions of disseminated data can be done 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

¹ 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 characteristics and concepts of the Official Reserve Assets

Official Reserve Assets

The data reflect the stock of Official reserve assets and other foreign assets of the NBRSM, at a certain date.

Official reserve assets are those external assets that are readily available to and controlled by monetary authorities for meeting balance of payments financing needs, for intervention in exchange markets to affect the currency exchange rate, and/or for other related purposes (such as maintaining confidence in the currency and the economy, and serving as a basis for foreign borrowing).

Official reserve assets being those external assets that are readily available to and controlled by the monetary authorities consist of: monetary gold, SDRs, reserve position in the Fund and foreign currency reserves.

The components of reserve assets are defined in accordance with the methodology of the International Monetary Fund (Balance of Payments and International Investment Position Manual, sixth edition).

The stock of reserve assets is calculated using the mid exchange rate of NBRSM on the day for which the data are disseminated.

Monetary gold

Gold: The category monetary gold encompasses gold handled by the NBRSM, consisting of gold in the NBRSM's treasury, gold bullion, monetary gold deposited in foreign banks and monetary gold in transport.

Gold deposits: Gold deposits consist of term deposits in gold with foreign banks, for a longer period of time.

Foreign currency reserves

Deposits with foreign banks: This category comprises of foreign exchange held on current accounts with foreign banks, as well as term foreign exchange deposits held abroad.

Cash in treasury: Cash in treasury consists of cash foreign exchange within the treasury, foreign cheques received at the counter, foreign cheques sent abroad for settlement.

Securities: This category includes the placements in coupon or discount debt securities issued or guaranteed by foreign governments, central banks, multilateral development banks and international financial institutions, as well as

placements in collateralized bonds. Securities positions are valued daily according to the market price of the instruments concerned, including the amount of accrued interest.

The official reserves assets of the Republic of North Macedonia is compiled and disseminated on a monthly basis within 7 days following the reference date.

3. General characteristics and concepts of the data template

The template is built on two related concepts: international reserves and foreign currency liquidity.

The first concept refers to international reserves, which, in the *BPM6*, are defined as: "those external assets that are readily available to and controlled by monetary authorities for meeting balance of payments financing needs, for intervention in exchange markets to affect the currency exchange rate, and/or for other related purposes (such as maintaining confidence in the currency and the economy, and serving as a basis for foreign borrowing)." (*BPM6*, para. 6.64)

The second concept refers to foreign currency liquidity, and is broader than international reserves. The concept of foreign currency liquidity refers to (1) the foreign currency resources at the disposal of the authorities (monetary authority and central government) that readily can be mobilized to meet demand for foreign exchange; and (2) both predetermined and contingent (potential) demands for foreign currency resources resulting from short-term foreign currency liabilities and off-balance-sheet activities of the authorities.

3.1. Institutions covered

In accordance with the Law and regulations, only the NBRSM is responsible for managing and holding the international foreign reserves of the Republic of North Macedonia. Therefore the data template covers the central bank and the central government (excluding social security funds), which together, accounts for reserve assets and official foreign currency obligations.

3.2. Financial activities covered

The data template on international reserves and foreign currency liquidity includes only instruments settled in foreign currency and instruments denominated in foreign currency or indexed to foreign currency but settled in domestic currency.

3.3. Valuation principle

Securities positions are valued daily according to the market price of the instruments concerned, while gold is valued on a monthly basis according to the market price on the last day of the month. Predetermined and contingent drains are valued in nominal terms. Accrued interest on official reserve assets and other foreign currency assets is included in Table I. Data are converted into euros according to the official exchange rate on the specified date, announced by the NBRSM.

3.4. Time horizon

The horizon covered in the template is short term. The template is based on the "residual maturity" concept and includes: short-term instruments (original maturities of one year or less), instruments with longer original maturities whose residual (remaining) maturity is one year or less, and principal and interest payments falling due within one year on instruments with original maturity of more than one year. The data of net-drains are broken down into three categories: "up to one month", "more than one month and up to three months", and "more than three months and up to one year".

3.5. Resident criteria

Official reserve assets represent the monetary authorities' claims on nonresidents, while the foreign currency liquidity relates to the monetary authorities' foreign currency claims on and obligation to residents and nonresidents.

4. Structure of the data template

The data template has four sections:

I. Official reserve assets and other foreign currency assets

This section includes data on outstanding assets (stock) of the monetary authorities official reserve assets and other foreign currency assets on the reference date.

A. Official reserve assets

Official reserve assets specified in section I.A. of the data template correspond to the definition given in the *BPM6*, which include: securities, currency and deposits, the reserve position with the IMF, Special Drawing Rights (SDR), gold and other reserve assets.

Official reserve assets of the NBRSM are comprised of claims in foreign currency on nonresidents, and they cover:

- Securities (A.1.a.);
- Currency and deposits (A.1.b.);
- IMF reserve position (A.2.);
- SDRs (A.3.);
- Gold (A.4.);
- Other reserve assets (A.5.).

Accrued interest on securities is included.

Note: Repo, reverse repo transactions and gold swaps are recorded on a gross basis in Section I.A. Official reserve assets. Under a repo or gold swaps, both the funds received by the NBRSM and the securities or gold provided by the NBRSM, as collateral, are included in official reserve assets. Under a reverse repo or gold swaps, the funds provided by the NBRSM decrease the official reserve assets and the securities or gold received by the NBM, as collateral, are not included in official reserve assets. Claims and liabilities related to repo, reverse repo transactions and

gold swaps are recorded in Section II, Predetermined short-term net drains on foreign currency assets. Securities and gold repoed/acquired under repo, reverse repo transactions and gold swaps are recorded in Section IV, Memo items.

B. Other foreign currency assets

Other foreign currency assets cover the monetary authorities' foreign currency assets that do not fulfill the requirements of being included into the official reserve assets. Unlike reserve assets these assets do not need to be external assets, they can be claims on residents, but according to the current regulation NBRSM cannot open foreign exchange accounts within resident banks.

Data source: Accounting data base of the NBRSM.

II. Predetermined short-term net drains on foreign currency assets

Section II of the template shows the predetermined short-term net drains on the foreign currency assets of the authorities. Included are all net drains of foreign currency (shown separately as inflows and outflows) during the 12 months following the reference date, excluding those that are already included in Section I of the template. The residual maturity is divided into three separate periods: "up to one month", "more than one month and up to three months" and "more than three months and up to one year". Inflows and outflows are recorded with opposite sign: minus signs (-) are used for outflows and plus signs (+) are used for inflows. The resident criteria do not apply for this section of the data template. Predetermined drains covered in Section II are recorded on their nominal value.

Data coverage:

- Scheduled repayments on loans of the central government and the monetary authorities from nonresidents, due for payment within 12 months;
- Scheduled repayments on Eurobonds issued by the central government;
- Foreign currency deposits held with the NBRSM, maturing within 12 months;
- Loans repayable related to repos with residual maturity up to 12 months;
- Loans receivable related to reverse repos with residual maturity up to 12 months.

Data source: Data for scheduled repayments on loans from nonresidents of the central government and the monetary authorities and scheduled repayments on Eurobonds are provided by the Statistics Department of the NBRSM, based on the reporting system on the external debt (ED). Data on other items are based on the accounting data base of the NBRSM.

III. Contingent short-term net drains on foreign currency assets

Section III of the template covers contingent short-term net drains on foreign currency resources that can give rise to potential depletions of foreign currency assets. Contingent drains are by definition off-balance-sheet activities. Net drains are recorded by their nominal value, and they cover only those inflows and outflows that mature within 12 months following the reference date (residual maturity principle).

Data coverage:

- Scheduled repayments on publicly guaranteed loans (point 1.a);
- Foreign currency deposits held at the NBRSM by the commercial banks in respect of the regulatory reserves requirements (point 1.b).

Data source: Data for the scheduled repayments on publicly guaranteed loans are provided by the Statistics Department of the NBRSM, based on the reporting system on the external debt (ED). Data for other items are provided by the Central Banking Operations and Foreign Reserves Department of the NBRSM, from sources used in calculation of the liquidity sustainability.

IV. Memo items

Section IV of the template provides supplementary information covering positions and flows not covered in Sections I-III, but deemed relevant for assessing the authorities' reserves and foreign currency liquidity positions and risk exposure in foreign exchange. This section covers instruments denominated in foreign currency and settled by other means (e.g. domestic currency), as well as the currency composition of official reserve assets.

Data coverage:

- Treasury bills indexed to foreign exchange rate and settled in domestic currency (point 1.a);
- Government bonds denominated in foreign currencies and settled in domestic currency (point 1.b);
- Market value of securities lent on repos included in Section I;
- Market value of securities received as collateral under reverse repo are not included in Section I;
- Currency composition of official reserve assets.

Data source: Data for government bonds denominated in foreign currency and settled in domestic currency are provided by the Ministry of Finance. Data for the currency composition of official reserve assets and treasury bills indexed to foreign exchange rates are provided by the Statistics Department and the Central Banking Operations and Foreign Reserves Department, NBRSM.

5. Periodicity of the data template

The Data template on international reserves and foreign currency liquidity of the Republic of North Macedonia is compiled and disseminated on a monthly basis within 30 days following the reference date.