

National Bank of the Republic of Macedonia
Statistics Department



**International Investment Position
of the Republic of Macedonia for 2015**

September 2016

Information on the International Investment Position of the Republic of Macedonia for 2015

General remarks

The international investment position (IIP) is a statistical report that 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.

Besides the stock and structure of claims and liabilities on/to nonresidents, it also calculates the **net international investment position** of the country relative to the rest of the world. Thus, the positive net international investment position, (financial assets are higher than financial liabilities) indicates that the country is net creditor to the rest of the world, whereby the negative net international investment position (financial liabilities exceed the financial assets) means that the country is net debtor towards nonresidents.

IIP structure analysis from a dynamical perspective provides monitoring of the change in the net position of individual institutional sectors, and the change in the sectors' preferences to use certain types of financial instruments to fund their needs, from the aspect of the overall macroeconomic developments in the country and in the surrounding. Hence, especially in the post crisis period, the IIP, as a suitable indicator of the financial position of the country and its integration in the global financial flows, represents one of the key indicators which are monitored on regular bases.

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

Analysis of changes in the international investment position in 2015

At the end of 2015, the Republic of Macedonia was a net debtor to the rest of the world, with a negative net international investment position of Euro 5,082.7 million, or 55.9% of GDP. As of 31 December 2015, the Republic of Macedonia holds non-resident financial assets of Euro 4,571.9 million and financial liabilities to non-residents of Euro 9,654.6 million.

Compared with the end of 2014, the negative international investment position increased by Euro 533.7 million. During 2015, the financial assets decreased by Euro 62.1, while the financial liabilities register an increase of Euro 471.6 million.

The decrease in **assets** during 2015 (by Euro 62.1 million) is explained by the decrease of the stocks in most financial instruments. With respect to the structure by financial instruments, the foreign reserves still prevail (with Euro 2,261.8 million or 49.5% of total assets). During 2015, **official foreign reserves** has decreased by Euro 174.7 million, which is mostly (Euro 183.4 million) due to transactions with nonresidents¹, partially netted with positive price and exchange rates change (Euro 8.6 million). Claims on commercial operations i.e. **trade credits and advances** (16.6% of total assets or Euro 757.4 million), are an important instrument on the assets side, which in 2015 register a decrease of Euro 85.4 million. At the end of 2015, **direct investment assets** amounted Euro 655 million or 14.3% of total assets (amid dominant share of claims from debt instruments in their structure of 81.6%) with annual growth of Euro 179.4 million. **Currency and deposits** account for 13.5% (or Euro 615.4 million), with an annual decrease of Euro 8.2 million. At the end of 2015, investments in the form of **portfolio investments** amounted Euro 212.6 million (4.6% of total assets), and the annual growth of Euro 57.6 million mainly results from investment activities of other financial institutions in the foreign financial markets, mainly in equities. **Loans** amount Euro 67.1 million (1.5% of total assets) and register an annual decrease by Euro 31.1 million, mainly due to higher payments of the general government sector.

During 2015, **liabilities** decreased by Euro 471.6 million, with the most pronounced growth in direct investments.

Analyzing the IIP composition by instrument, direct investments still have a predominant share of Euro 4,951.3 million (51.3% of total liabilities), which in 2015 increased by Euro 573 million. The increase of direct investments in 2015 is due to the increase in liabilities from debt instruments (by Euro 390.5 million), and the increase in the stock of equity and reinvested earnings (by Euro 182.4 million). **Loans** are the second most important financial instrument on the liabilities side (accounting for 30.7% of total liabilities), which at the end of 2015 amounted to Euro 2,961.7 million, with an annual decrease of Euro 62.7 million. The stock of liabilities from portfolio investments reached euro 848.8 million (or share of 8.8% in total liabilities), respectively an increase by Euro 72.1 million. The increase in liabilities mostly is due to net change of government bonds. Liabilities on **trade credits and advances** to non-residents amounted to Euro 656.7 million (6.8% of total liabilities), which in 2015 dropped by Euro 106.7 million. **Currency and deposits, other equity and special drawing rights** are less important financial instruments on the liabilities side, aggregately making up 2.4% in total external liabilities.

The analysis in terms of ***institutional sectors*** shows that changes in all sectors during 2015 resulted in increasing the negative net IIP, which is the most pronounced in other sectors.

¹ Part of the decrease of the official foreign reserves is due to the loan payoff toward the IMF by the general government in February, 2015.

The **"general government"** sector is a net debtor to the rest of the world, and in 2015 registers an insignificant increase of its negative net IIP by only Euro 0.1 million, amid almost identical decrease of assets and liabilities (by Euro 35 million).

During 2015, **"other sectors"** reported a higher negative net IIP, by Euro 347.2 million. On the liabilities side, an increase by Euro 495.2 million is registered, dominantly based on direct investments (by Euro 534.2 million). On the assets side, an annual increase by Euro 148.1 million is registered, where the increase in direct and portfolio investments (by Euro 179.4 and 52 million, respectively), is partially netted by the decreased claims on commercial operations (by Euro 85.4 million).

In 2015, the sector of **"deposit-taking corporations, except the central bank"** also reported an increase in the negative net IIP, of Euro 6.7 million. Therefore, the change is mostly due to the increase in liabilities (by Euro 5.9 million), mainly located in direct investments (by Euro 38.8 million), whereas the liabilities based on loans, currency and deposits register a decrease (by Euro 19.3 and 9.2 million, respectively).

In 2015, "The central bank" as a net creditor to the rest of the world, registered a decrease in net IIP (by Euro 179.7 million), mainly through foreign reserves.

Net international investment position of individual countries

Country	2014		2015		Differences	
	in billions of Euros	% of GDP	in billions of Euros	% of GDP	IIP, net (in billions of Euros)	% of GDP (p.p.)
Euro zone	-1,005.7	-9.9	-965.7	-9.2	40.0	0.7
Greece	-235.7	-132.7	-234.1	-133.1	1.6	-0.4
Croatia	-37.2	-86.4	-34.1	-77.7	3.1	8.7
Bulgaria	-32.0	-74.9	-26.8	-60.8	5.2	14.1
Romania	-85.5	-56.9	-80.6	-50.3	4.9	6.6
Slovenia	-16.5	-44.2	-14.9	-38.8	1.6	5.5
Hungary	-77.1	-74.0	-70.4	-64.7	6.8	9.2
Macedonia	-4.5	-53.3	-5.1	-55.9	-0.5	-2.6
Serbia	-32.8	-98.4	-34.7	-105.3	-1.9	-6.9
Kosovo	0.3	5.3	0.1	1.6	-0.2	-3.7
Turkey	-362.1	-60.1	-336.4	-52.0	25.7	8.1

Source: EUROSTAT, World Bank, IMF, websites of central banks and NBRM calculations.

The comparative analysis of net IIP between Republic of Macedonia and other countries, mainly from the region, indicates a more pronounced decrease of the net international investment position indicator to GDP was reported in Bulgaria, Croatia and Hungary, whereas Serbia and Macedonia reported an increase of the net IIP to GDP ratio.

Analyzing the structure of changes in net IIP of individual countries, mainly in the region, we could summarize the following:

- **Greece** reported a minimal decrease in negative international investment position, given the approximate change in assets and liabilities. However, expressed as percentage of GDP, net IIP is increased by 0.4 percentage points. On the assets side, the increase almost entirely is due to the upward change in currency and deposits, while in liabilities the highest increase is in currency and deposits, netted by the decrease of direct and portfolio investments, as well as in financial derivatives.

- **Turkey** reported a decrease in the negative international investment position of 8.1 percentage points (to the GDP ratio), resulting from the decline of net IIP, amid simulations GDP growth. The assets increase by Euro 11.4 billion, amid an increase in all instruments, except foreign reserves. On the assets side, a decrease of Euro 14.2 billion is registered, which mainly results from the decrease in direct and portfolio investments.

- **Croatia** reported decrease of the negative net IIP, which mostly results from the increase in assets, amid minor decrease in liabilities. Significant positive contribution on the assets side was registered in financial derivatives and foreign reserves.

- **Bulgaria** reported slight narrow net negative IIP by 14 percentage points (expressed as % of GDP), amid the decrease of the negative net IIP and simultaneous increase of GDP. On the assets side significant positive changes are registered in foreign reserves, while on the liabilities side the decline is due to currency and deposits, loans and direct investments.

- **Serbia** reported higher net negative IIP by 6.9 percentage points. (expressed as % of GDP). An increase on assets side is primarily due to the increase in foreign reserves, as well as the claims based on trade credits and direct investments, while on liabilities side the increase is dispersed in almost all instrument categories.

- **Euro Area** registers decrease of negative net IIP by Euro 40 billion, expressed as a % of GDP the indicator is reduced by 0.7 percentage points.

Net direct investments, by country¹⁾

Country	DI - 2014		DI - 2015		Differences 2015-2014	
	in billions of Euros	% of GDP	in billions of Euros	% of GDP	IIP, net (in billions of Euros) 2015-2014	% of GDP (p.p.)
Greece	6.6	3.7	8.1	4.6	1.5	0.9
Cyprus	-8.4	-47.8	-4.7	-27.1	3.7	20.7
Croatia	-19.4	-45.1	-18.7	-42.6	0.7	2.5
Bulgaria	-36.9	-86.3	-35.8	-81.3	1.0	5.0
Romania	-59.9	-39.9	-62.9	-39.2	-2.9	0.7
Slovenia	7.0	18.7	7.2	18.7	0.2	0.0
Hungary	-42.4	-40.7	-42.8	-39.4	-0.3	1.4
Slovakia	-40.8	-54.0	-41.9	-53.7	-1.1	0.3
Macedonia	-3.9	-45.8	-4.3	-47.3	-0.4	-1.5
Serbia	-22.0	-66.1	-23.8	-72.4	-1.8	-6.3
Kosovo	-2.8	-50.1	-3.1	-53.2	-0.3	-3.1
Turkey	-113.4	-18.8	-91.3	-14.1	22.1	4.7

1) GDP data for 2015 is estimated data of the IMF.

Source: EUROSTAT, IMF, websites of central banks and own calculations.

The comparative analysis of the stock of net direct investments of the Southeast European countries points to Bulgaria, Serbia, Slovakia, Kosovo (over 50%) as countries with the highest share of net foreign direct investments in GDP. Macedonia, along with Romania, Hungary and Croatia are countries with shares of net foreign direct investments in GDP that range from 30% to 50%, while in Cyprus and Turkey the share of net foreign direct investments in GDP is relatively lower and is below 30% of GDP. The only analyzed countries that have net claims based on direct investments are Greece and Slovenia (4.6% and 18.7% of GDP, respectively).

During 2015, many countries reported a decrease in net liabilities from direct investments. Significant decrease in net liabilities as a percentage of GDP is being reported in Cyprus, Bulgaria and Turkey, while only Macedonia, Serbia and Kosovo has reported an increase in net liabilities as a percentage of GDP.

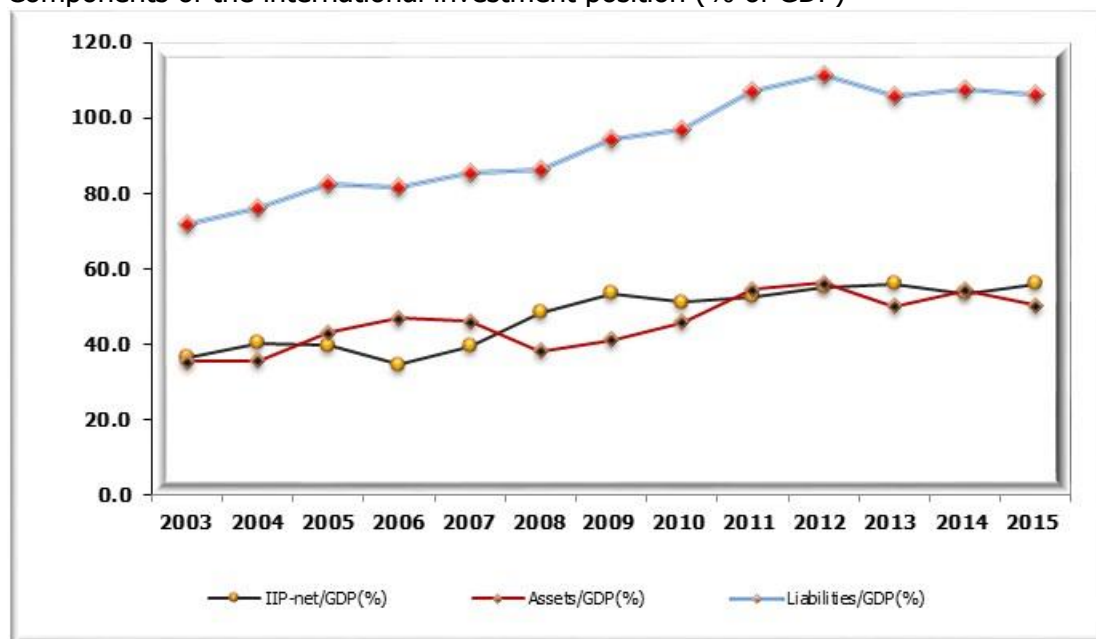
ANNEX TABLES AND CHARTS

Table 1
International investment position for 2003-2015
(in millions of euros)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
IIP - net	-1,599.7	-1,846.2	-1,990.8	-1,887.5	-2,401.2	-3,265.1	-3,612.5	-3,629.5	-3,965.8	-4,177.6	-4,558.4	-4,549.0	-5,082.7
Assets	1,546.9	1,629.5	2,161.8	2,565.8	2,799.0	2,579.8	2,785.5	3,258.4	4,113.2	4,257.5	4,082.5	4,634.0	4,571.9
Liabilities	3,146.6	3,475.7	4,152.6	4,453.3	5,200.2	5,844.9	6,398.0	6,887.9	8,079.0	8,435.1	8,640.8	9,183.0	9,654.6
GDP	4,385.9	4,577.7	5,031.9	5,472.3	6,094.6	6,772.0	6,766.8	7,108.8	7,544.2	7,584.9	8,149.9	8,529.6	9,091.9
IIP-net/GDP(%)	-36.5	-40.3	-39.6	-34.5	-39.4	-48.2	-53.4	-51.1	-52.6	-55.1	-55.9	-53.3	-55.9
Assets/GDP(%)	35.3	35.6	43.0	46.9	45.9	38.1	41.2	45.8	54.5	56.1	50.1	54.3	50.3
Liabilities/GDP(%)	71.7	75.9	82.5	81.4	85.3	86.3	94.6	96.9	107.1	111.2	106.0	107.7	106.2

Source: National Bank of the Republic of Macedonia, State Statistical Office

Chart 1
Components of the international investment position (% of GDP)



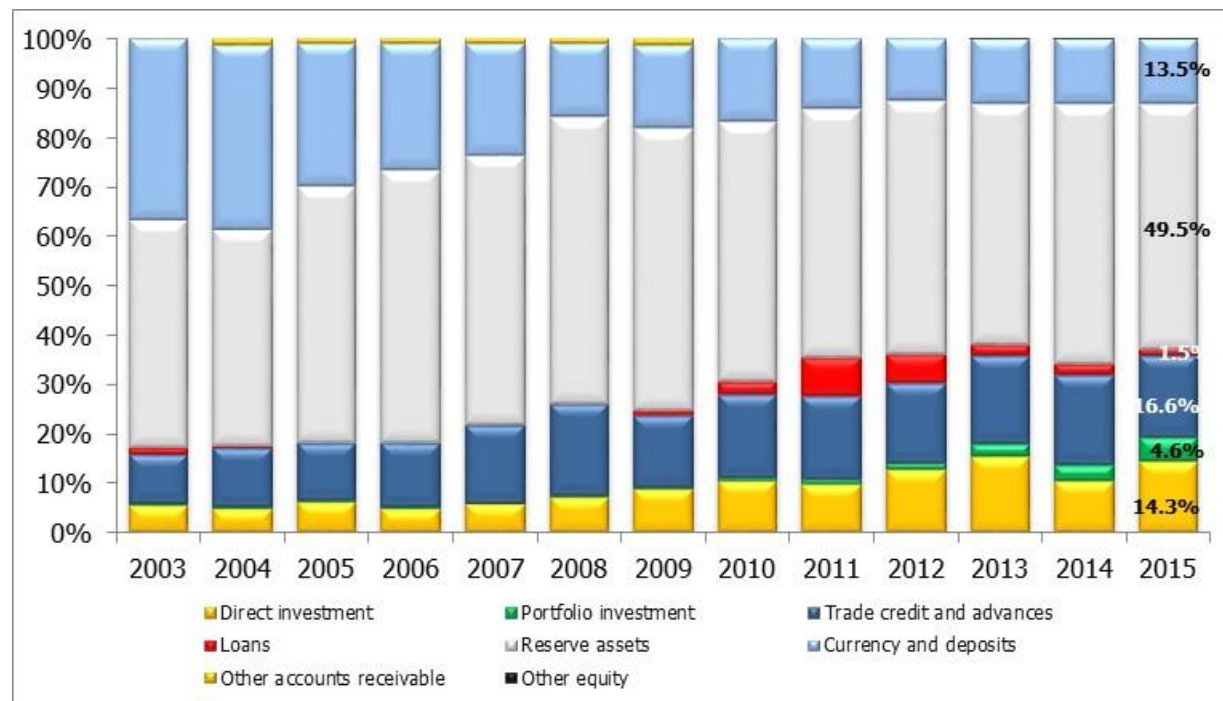
Source: National Bank of the Republic of Macedonia, State Statistical Office

Table 2
IIP, by institutional sector
(in millions of euros)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
IIP, net - General government	-1,027.0	-1,016.5	-1,282.8	-1,065.6	-897.7	-906.3	-1,055.8	-1,067.8	-1,417.4	-1,539.9	-1,561.0	-2,071.9	-2,072.0
IIP, net - Central bank	693.4	673.3	1,073.3	1,382.6	1,532.5	1,486.9	1,526.7	1,638.8	1,991.8	2,095.8	1,920.4	2,358.9	2,179.2
IIP, net - Deposit-taking corporations, except central bank	270.5	335.5	254.6	131.2	-51.7	-363.9	-361.5	-416.8	-420.6	-536.6	-580.1	-534.5	-541.2
IIP, net - Other sectors	-1,536.7	-1,838.5	-2,035.9	-2,335.8	-2,984.3	-3,481.8	-3,721.9	-3,783.8	-4,119.5	-4,196.8	-4,337.6	-4,301.6	-4,648.7
IIP, net	-1,599.7	-1,846.2	-1,990.8	-1,887.5	-2,401.2	-3,265.1	-3,612.5	-3,629.5	-3,965.8	-4,177.6	-4,558.4	-4,549.0	-5,082.7

Source: National Bank of the Republic of Macedonia

Chart 2
IIP structure - claims from abroad by instruments
(in millions of euros)



Source: National Bank of the Republic of Macedonia

Annex 1

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

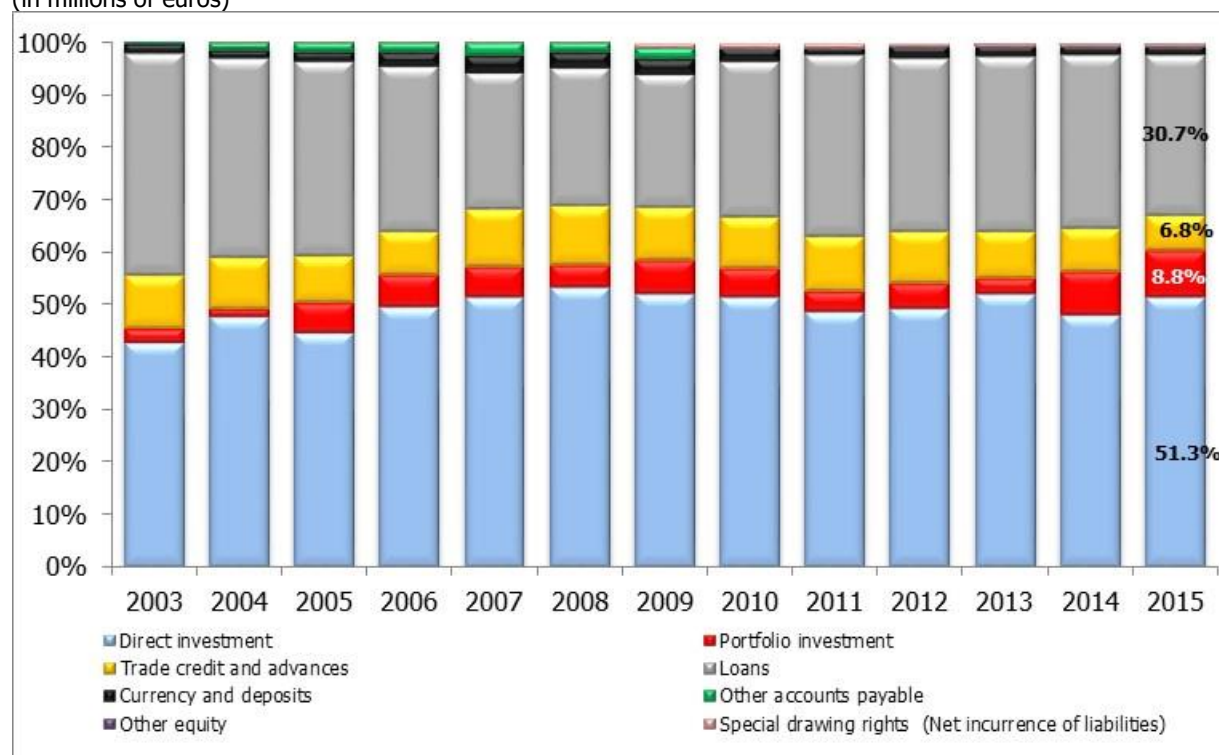
Divided into assets and liabilities, IIP consists of five functional investment categories and subcategories, where stocks have been classified by type of investment, as follows:

- **Direct investments** are presented on the basis of assets-liabilities principle and include the following instruments:
 - equity and investment funds shares/units (including reinvestment of earnings) and
 - debt instruments.
- **Portfolio investments** are divided into equity investment funds shares/units, and debt securities;
- **Financial derivatives (other than reserves) and employee stock options**
- **Other investments** are divided into: other equity, currency and deposits, loans, insurance schemes, pension and standardized guarantees, trade credits and advances, other accounts receivable/payable and allocation of special drawing rights
- **Foreign reserves** are classified by type of instruments.

Chart 3

IIP structure - external liabilities, by instrument

(in millions of euros)



Source: National Bank of the Republic of Macedonia

Annex 2Foreign direct investments

Direct investments reflect the objective of achieving a long-term interest between the direct investor (resident of an economy) and the invested enterprise (resident of another economy). Direct investments include investments where an investor intends to establish a long-lasting economic relation and/or acquire the right to manage the invested legal entity. A minimum share of 10% (directly or indirectly) in equity is a criterion for defining direct investments, as specified by international recommendations and standards of the sixth edition of the Manual on Balance of Payments and International Investment Position of the International Monetary Fund. Direct investments, despite initial investment transaction, also incorporate any subsequent investment between the direct investor and the invested company. This category also includes reverse investment (investment of the enterprise with direct investments in the equity of the direct investor of below 10%) and investment between fellow enterprises within the same group (of below 10%).

Annual questionnaires submitted by resident companies with foreign capital to the NBRM are the main source of direct investments data in the Republic of Macedonia. Questionnaires, inter alia, contain data on the initial investment, the financial results and intercompany debt.

Portfolio investment:

Portfolio investments, according to the recommendations of the sixth edition of the Manual on Balance of Payments and International Investment Position of the International Monetary Fund, are defined as investments in equity investment funds shares/units where the investor holds below 10% of equity, and investments in debt securities (excluding those included in foreign direct investments).

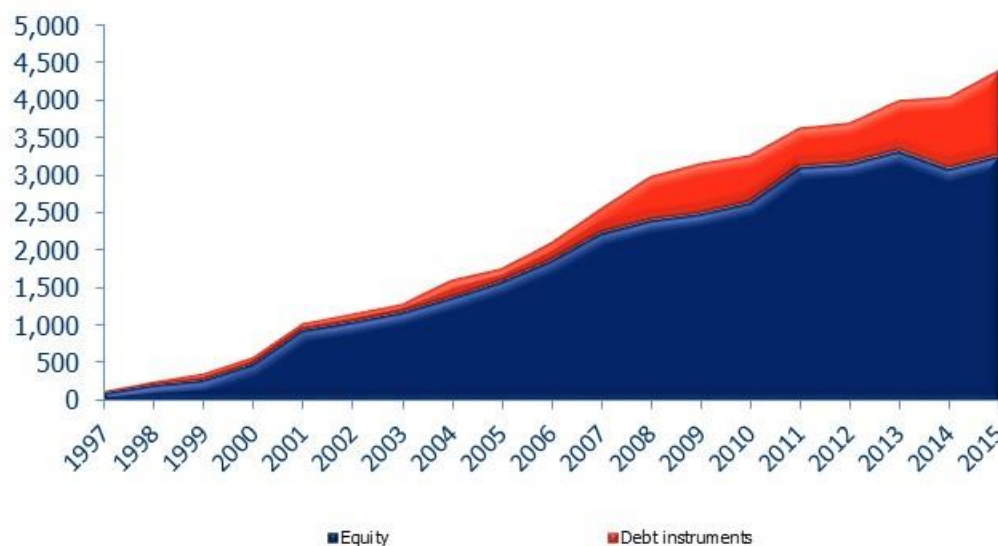
Table 3: Stock of the foreign direct investments in the Republic of Macedonia
(in millions of euros)

Year	Direct Investment in reporting economy								
	Total	Equity				Debt instruments			
		Direct investor in direct investment enterprises (liabilities)	Reverse investment (assets)	Between fellow enterprises (net-liabilities)	Total	Direct investor in direct investment enterprises (liabilities)	Reverse investment (assets)	Between fellow enterprises (net-liabilities)	Total
	1=5+9	2	3	4	5=2-3+4	6	7	8	9=6-7+8
1997	141.2	102.9	0.0	0.0	102.9	50.5	12.1	0.0	38.3
1998	270.4	219.5	0.0	0.0	219.5	63.7	12.8	0.0	50.9
1999	359.9	284.3	0.0	0.0	284.3	91.3	15.7	0.0	75.6
2000	580.1	497.7	0.0	0.0	497.7	99.3	16.9	0.0	82.3
2001	1,039.2	946.3	0.0	0.0	946.3	133.7	40.8	0.0	92.9
2002	1,160.7	1,056.6	0.0	0.0	1,056.6	150.5	46.3	0.0	104.1
2003	1,292.1	1,182.0	0.0	0.0	1,182.0	158.1	48.0	0.0	110.2
2004	1,610.2	1,366.1	0.0	0.0	1,366.1	280.8	36.7	0.0	244.1
2005	1,769.0	1,579.6	0.0	0.0	1,579.6	263.9	74.5	0.0	189.4
2006	2,098.6	1,863.3	0.0	0.0	1,863.3	316.1	80.9	0.0	235.2
2007	2,545.2	2,226.6	0.0	0.0	2,226.6	424.7	106.1	0.0	318.5
2008	2,968.8	2,407.4	0.0	0.0	2,407.4	675.3	114.0	0.0	561.3
2009	3,141.4	2,481.3	0.0	0.0	2,481.3	830.1	170.0	0.0	660.1
2010	3,256.0	2,642.5	0.0	0.0	2,642.5	860.3	246.9	0.0	613.5
2011	3,615.1	3,110.2	0.0	0.0	3,110.2	789.5	284.5	0.0	504.9
2012	3,685.5	3,148.9	0.0	0.0	3,148.9	980.1	443.4	0.0	536.7
2013	3,980.0	3,311.6	0.0	4.7	3,316.3	1,143.3	479.7	0.0	663.7
2014	4,023.6	3,079.4	0.0	4.8	3,084.2	1,085.2	296.5	150.8	939.5
2015	4,400.1	3,261.6	0.0	5.0	3,266.6	1,218.0	292.8	208.4	1,133.5

Source: National Bank of the Republic of Macedonia

Chart 4

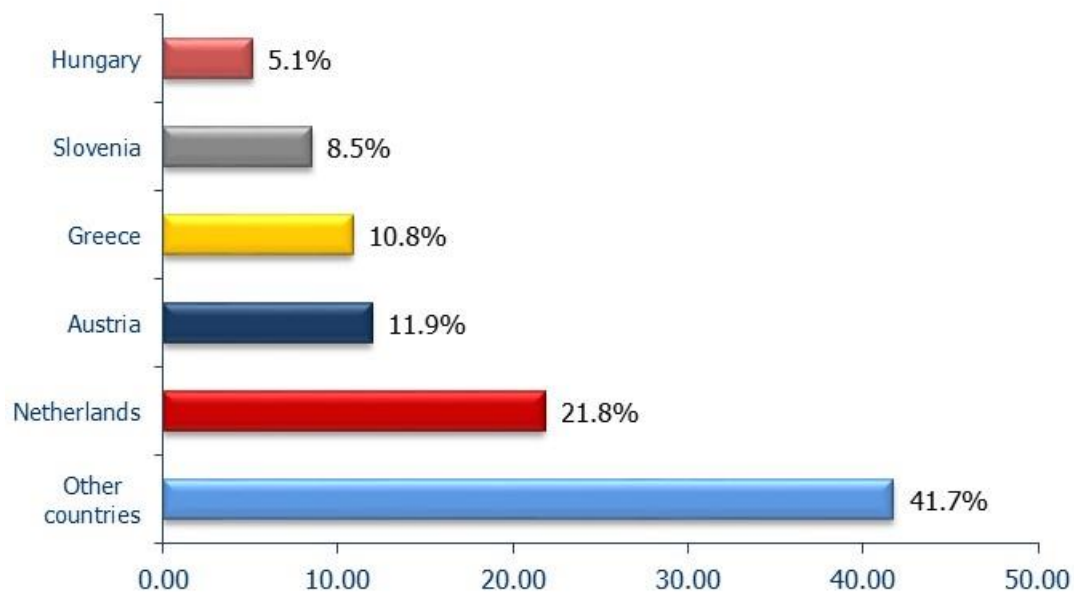
Foreign direct investments in the Republic of Macedonia
(in millions of euros)



Source: National Bank of the Republic of Macedonia

Chart 5

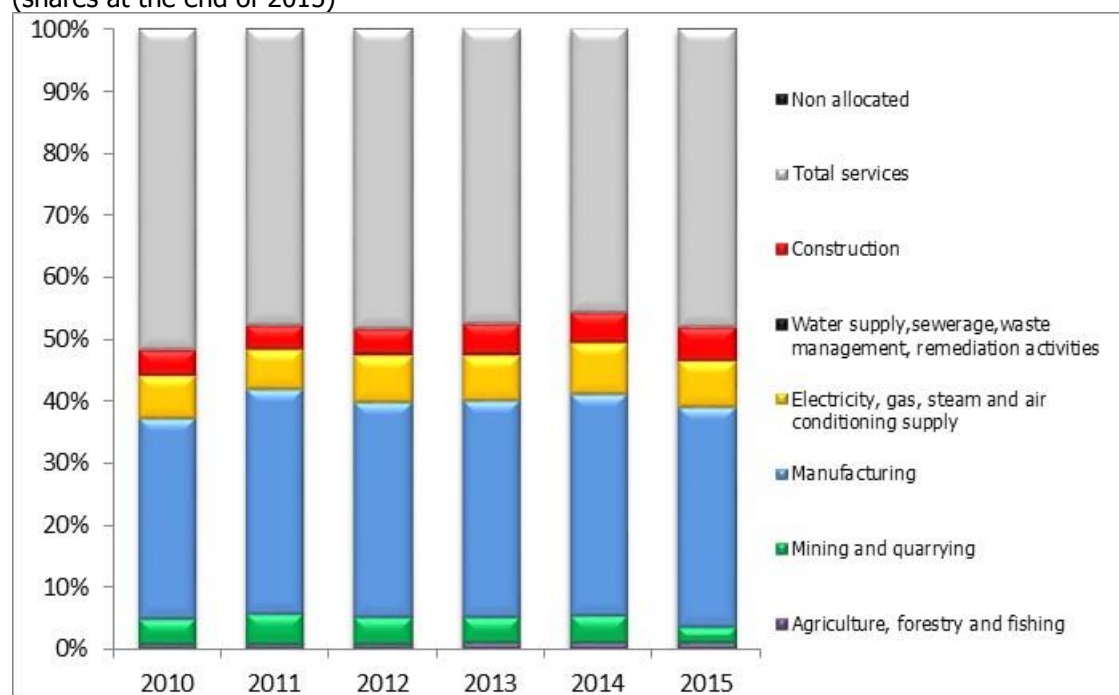
Foreign direct investments in the Republic of Macedonia, by country of foreign investors (shares at the end of 2015)



Source: National Bank of the Republic of Macedonia

Chart 6

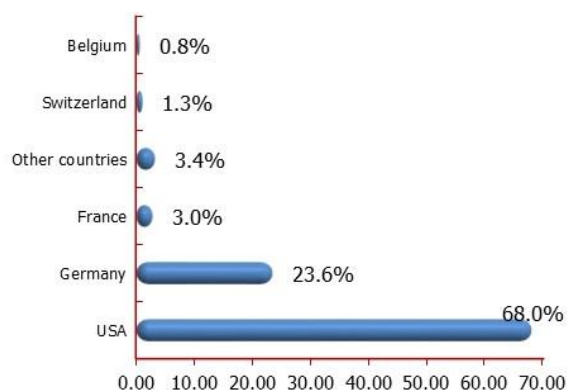
Foreign direct investments in the Republic of Macedonia, by activity (shares at the end of 2015)



Source: National Bank of the Republic of Macedonia

Chart 7

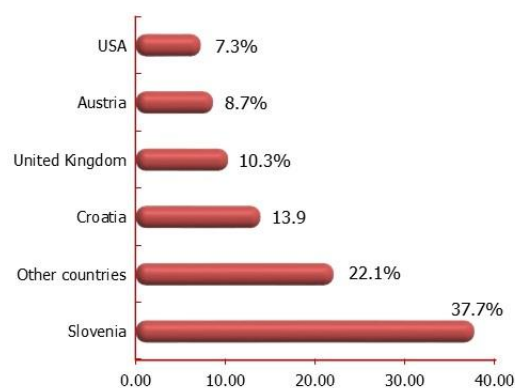
Portfolio investments, by country - **assets** - equity securities
(shares at the end of 2015)



Source: National Bank of the Republic of Macedonia

Chart 8

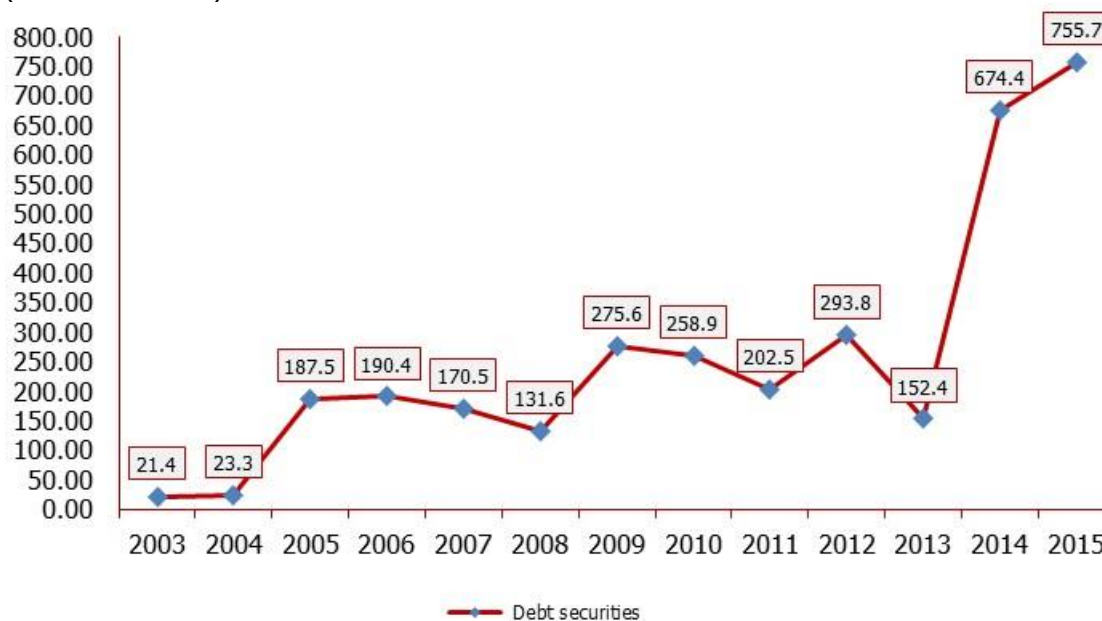
Portfolio investments, by country - **liabilities** - equity securities
(shares at the end of 2015)



Source: National Bank of the Republic of Macedonia

Chart 9

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



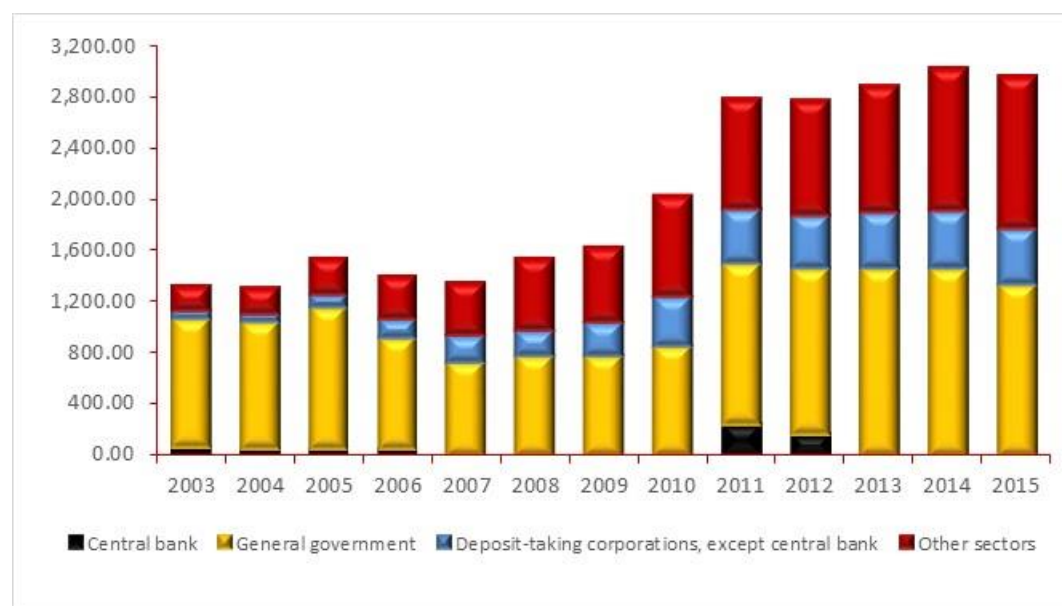
Source: National Bank of the Republic of Macedonia

Table 4
Liabilities based on loans from abroad, by debtor
(in millions of euros)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Short-term Loans	25.93	11.81	54.33	11.65	55.82	14.91	47.59	71.99	258.23	214.03	48.81	53.99	55.68
- Central bank	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	232.53	157.57	0.00	0.00	0.00
- Deposit-taking corporations, except central bank	8.71	7.04	1.30	0.00	16.50	0.00	40.00	3.71	0.00	0.00	0.00	0.00	2.01
- Other sectors	17.22	4.78	53.03	11.65	39.32	14.91	7.59	68.28	25.70	56.47	48.81	53.99	53.68
Long-term Loans	1,300.22	1,302.60	1,488.56	1,395.56	1,299.95	1,532.02	1,583.12	1,956.46	2,527.67	2,557.80	2,834.32	2,970.46	2,906.05
- Central bank	54.70	45.97	52.66	42.39	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- General government	1,005.54	993.20	1,095.36	875.19	727.22	771.22	777.60	852.57	1,256.76	1,292.88	1,453.20	1,449.85	1,334.56
- Deposit-taking corporations, except central bank	64.04	55.79	106.40	146.31	199.81	201.14	220.10	379.26	430.71	420.16	440.95	456.76	435.46
- Other sectors	175.94	207.63	234.14	331.68	372.92	559.66	585.43	724.64	840.20	844.76	940.17	1,063.85	1,136.04
Total Loans	1,326.15	1,314.41	1,542.89	1,407.22	1,355.77	1,546.93	1,630.72	2,028.45	2,785.90	2,771.83	2,883.12	3,024.45	2,961.74
GDP	4,217.00	4,577.71	5,031.87	5,472.27	6,094.57	6,772.02	6,766.81	7,108.76	7,544.20	7,584.92	8,149.87	8,529.64	9,091.87
Short-term Loans/Total Loans (%)	1.96	0.90	3.52	0.83	4.12	0.96	2.92	3.55	9.27	7.72	1.69	1.78	1.88
Long-term Loans/Total Loans (%)	98.04	99.10	96.48	99.17	95.88	99.04	97.08	96.45	90.73	92.28	98.31	98.22	98.12
Total Loans/GDP(%)	31.45	28.71	30.66	25.72	22.25	22.84	24.10	28.53	36.93	36.54	35.38	35.46	32.58

Source: National Bank of the Republic of Macedonia, State Statistical Office

Chart 10
Liabilities based on loans from abroad, by debtor
(in millions of euros)



Source: National Bank of the Republic of Macedonia