

1. METHODOLOGICAL EXPLANATIONS FOR EXTERNAL STATISTICS

External statistics are a sublimite of several individual statistical surveys for compiling, processing and dissemination of 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.

The National Bank of the Republic of Macedonia continuously works on the harmonization with the international statistical standards and producing internationally comparable data.

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 their incorporation in the national statistics.

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

- Balance of Payments Manual (BPM 5), 1993, IMF;
- International Reserves and Foreign Currency Liquidity: Guidelines for a Template, IMF 2001;
- External Debt Statistics: Guide for Compilers and Users, IMF, 2003;
- OECD Benchmark Definition of Foreign Direct Investment 3rd edition BD3;
- International Investment position: A Guide to Data Sources 2002; Quarterly International Investment position: Data Sources and Compilation Techniques, 2002 IMF;

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 95;
- 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 and 23/12) 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 and 135/11).

The **reporting units** are legal entities and natural persons which have economic transactions with non-residents, and which 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

1.2.2 Dissemination policy

The data on external statistics are disseminated in accordance with the Advance release calendar (available on the NBRM's website-

<http://nbrm.mk/?ItemID=C1F5F4BCC020BE44A9C3824FA3046096>).

The methodologies on external statistics are also disseminated on the website of NBRM.

1.2.3 Revision Policy

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

Additionally, revisions of disseminated data can be done in the following cases:

- provision of new, updated information and data from the reporting units; or
- changes in data sources or changes in the methodology for the compilation of a particular statistical survey.

In accordance with international recommendations, the revised data are denoted with a footnote that provides an appropriate explanation for the implemented changes.

2. General methodological notes for Balance of Payments

Balance of payments is a statistical statement that systematically summarizes, for a specific time period, the economic transactions of the Republic of Macedonia with the rest of the world.

According to the Law on the National Bank of the Republic of Macedonia and the regulations in the area of foreign exchange operations, the National Bank of the Republic of Macedonia (NBRM) is responsible for compiling and monitoring of the execution of the Balance of payments.

Statistics of the Balance of payments of the Republic of Macedonia is prepared basically in accordance with the methodology of the International Monetary Fund (Balance of Payments Manual, fifth edition - BPM 5). The data are disseminated (issued) on monthly basis, in millions of euros and USA dollars. The transactions which are denominated in other currencies are converted in euros and USA dollars equivalent to the exchange rate on the day of the transaction.

The main sources of data for compiling the balance of payments are the following:

- the single administrative document (SAD) for the foreign trade of the Republic of Macedonia;
- the system for reporting on the banks' international payment operations (ITRS);
- the system for reporting on the external debt and claims (from the credit indebtedness);
- the banks' reports on the stock of assets and liabilities (the banks' report on the deposit money banks book keeping stock);
- the monthly reports on stocks and flows (changes and stocks) on the accounts abroad of the residents which are not authorized banks and the stock and flow on settlement accounts (monthly reports-MR);
- additional NBRM's reports on the realized turnover in exchange offices and on the official foreign exchange reserves stock of the Republic of Macedonia;
- data from the annual direct investment survey - DI 22 up to 2011 and VS 22 starting from 2012;
- quarterly reports for realized and planned financial result for the current year (KVS);
- survey on debt/claims takeovers among residents and nonresidents (POZ);
- quarterly reports on claims and liabilities on the basis of international commercial operations of residents (KIPO form).

2.1 Methodological notes for separate items of Balance of Payments

CURRENT ACCOUNT

Goods

The source of data on the foreign trade of the Republic of Macedonia is the SAD, which is prepared by the Customs Administration of the Republic of Macedonia, and it is processed and published by the State Statistical Office of the Republic of Macedonia and the NBRM.

In accordance with the methodology on recording the foreign trade in the trade statistics, the State Statistical Office is publishing the data for the exports on the f.o.b. basis, while regarding the imports, on the c.i.f. basis.

Adjustment for the coverage and classification are made for good's item in the balance of payments in line with the recommendations given in the BPM5, especially regarding the following:

- coverage: regarding the return of goods and the invoiced value of the performed service for the repair of goods;

- classification: regarding the c.i.f./f.o.b. factor and processing of goods. In the balance of payments, both the exports and the imports are presented on f.o.b. basis, because of which an adjustment of the c.i.f. imports for c.i.f./f.o.b. factor is necessary. In the period from 1993 to 1997, the c.i.f./f.o.b. factor was determined on the basis of the average internationally set rates for calculation of these expenses. Since 1998, the c.i.f./f.o.b. factor is calculated on the basis of established methodology based on the SAD data on transport and insurance of the parities with a destination in the Republic of Macedonia adjusted to the overall imports.

The item import of goods in ports by carriers is based on data from the monthly reports - MR.

Services

Transportation: The data that refer to the transportation are taken from the ITRS and the monthly reports MR. There is a possibility for making a desegregation by the type of transport (air, sea, railway and road), and on the basis of the category of services (freight, passengers and other). The adjustment is made for the outflow of transportation services (transport of goods) regarding the c.i.f./f.o.b. factor that refers to the costs of transport of goods provided by non-residents.

Travel: The data originate from the ITRS and the monthly reports-MR.

Other services: The data are taken from the ITRS for the receipts from and payments to non-residents on the basis of type of services: telecommunication, construction, insurance, business, government and other services. An adjustment is made for the insurance outflow regarding the c.i.f./f.o.b. factor that refers to the costs insurance of the transport of goods. An adjustment is made in financial intermediation services, by redistribution of part of Other investment income, based upon the calculation of exports and imports of financial intermediation services indirectly measured (FISIM). Additional source on data for certain types of services are the data from the monthly reports – MR.

Income

The income as a balance of payments' component originates from: compensation of employees (residents employed with non-residents and vice versa) and investment income. Investment income represents a capital gain from the direct investment, portfolio investment and other investment (dividends, loan and credit interests, etc.).

Direct investment income: The data include dividends and distributed branch profits, as well as reinvested earnings and undistributed branch profits. Major data source for the receipts and payments of dividends is the ITRS. Starting from 2012 the concept of "paid dividends" for the

previous years is replaced with the concept "dividends declared payable". Basic data source for reinvested earnings and dividends declared payable for the previous years is the annual direct investment survey. The reinvested earnings for the current year are estimated based on the results from the quarterly reports for realized and planned financial result for the current year (KVS).

Portfolio investment income: Data on inflow include interest receipts on foreign debt securities and accrued interest on foreign debt securities as part of the gross official reserves. Data on outflows include dividends paid on equity securities and interest paid on debt securities. The data sources are the ITRS, the NBRM's reports on the official foreign exchange reserves stock and the annual direct investment survey.

Other investment income: The data include received and paid interest on the deposits, short-term and long-term loans. The received interest consists of the inflows of interest on foreign currency deposits on the foreign accounts (interest on the foreign exchange reserves and on the foreign exchange assets of the banks). The data sources are the ITRS and the NBRM's reports on the official foreign exchange reserves stock. Interest paid and received on short-term and long-term loans is presented on accrual basis. The source of data is external debt reports, which are obligatorily recorded in the NBRM (credit indebtedness). An adjustment is made in Other investment income, by redistribution of part of this income in the financial intermediation services item, based upon the calculation of exports and imports of financial intermediation services indirectly measured (FISIM).

Current transfers

The official transfers mainly refer to the assistance in financial assets and goods received by foreign governments and international organizations. The source of the data for the transfers in financial assets is the ITRS, while regarding the transfers in goods is the customs administration documents. Additional source of data for the previous years is the annual direct investment survey VS 22.

The private transfers consist of: remittances, cash exchanged and other transfers of which the most are rents. The source of data is the ITRS. Cash exchanged on the exchange market in accordance with the BPM5 should be classified in the capital and financial account of the balance of payments. However, regarding the fact that the largest part of these assets originates from the residents' receipts from non-residents on the basis of provided goods and services (unrecorded transactions) and transfers received in cash foreign currency, these transactions are recorded as a part of the balance of payments' current account (private transfers).

Additional source of data for the transfers in goods is the single administrative document (SAD).

CAPITAL AND FINANCIAL ACCOUNT

CAPITAL ACCOUNT

This account encompasses the capital transfers for which main data source is the ITRS.

FINANCIAL ACCOUNT

Direct investment: the direct investments include equity, reinvested earnings and other capital. Trade credits and loans between affiliates are recorded under other capital. The source of data for the investment in financial assets is the system for reporting on the banks' international payment operations (ITRS), while for the investment in goods is the single administrative document (SAD) for the foreign trade of the R. Macedonia. For the current year, data on reinvested earnings are estimated based on the data from the quarterly reports for realized and planned financial result for the current year (KVS). Data for the previous years are revised on a yearly basis, based on the data from the annual direct investment survey (DI 22 or VS 22, starting from 2012). Loans within other capital are based on the system for reporting on the external debt and claims (NDNP), while the trade credits are based on the quarterly reports on claims and liabilities on the basis of international commercial operations of residents (KIPO form). For the other claims and liabilities between affiliated entities, within the other capital, data are based on the survey on debt/claims takeovers among

residents and nonresidents (POZ) and the annual direct investment survey (DI 22 or VS 22, starting from 2012).

Portfolio investment: The source of data for the portfolio investment is the ITRS. Additional data source for the previous years is the annual direct investment survey DI 22 or VS 22.

Other investment:

Trade credits: The trade credits (extended to and received from foreign countries) represent a differential between the exports/imports of goods and the corresponding settlements. The estimated data for the trade credits are derived from the foreign trade data in the administration customs documents and corresponding settlements from the ITRS. If the value of the exported goods is higher than the value of receipts on exports, the difference is recorded as an extended trade credits (with a negative sign). If the value of imported goods is higher than the payments on the imports, the difference is recorded as a received trade credits (with a positive sign). Additional source of data are the data from the monthly reports – MR.

Loans: Within the “loans” category, disbursements and amortization on short-term and long-term loans are recorded. Principal and interest arrears are also recorded as a counter-entry in the category other investment – other. The data are based on the reports on medium-term and long-term public and private external debt prepared by the NBRM, which are obligatory recorded in the NBRM.

Currency and deposits: The data primarily refer to the changes in the foreign exchange assets and foreign exchange liabilities of the banks. The sources of data are the monthly bank’s reports on the deposit money banks’ book-keeping stock and the ITRS. The changes of foreign exchange assets and foreign exchange liabilities of the banks are showing with partly excluding of valuation changes. The changes of foreign exchange assets of individuals include net cash deposited on foreign exchange accounts with the banks, reduced for the imports of goods by the individuals. The source of data for net cash deposited on foreign exchange accounts with the banks is the ITRS and for imports of goods is the SAD. Additional source of data on currency and deposits for other sectors are the data from the monthly reports – MR.

Gross official reserve assets: Transactions are calculated as the changes in the stock of the particular components of the official foreign exchange reserves, excluding price changes and exchange rate differentials. The sources of data are the reports of the NBRM.