

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



**International Investment Position  
of the Republic of Macedonia for 2009**

December 2010

## **Report on the international investment position of the Republic of Macedonia for 2009**

### **Background**

International investment position is a standardized statistical review which presents the external financial assets and financial liabilities of the Republic of Macedonia at a certain date.

Apart from showing the stock and structure of financial assets (receivables) from nonresidents and financial liabilities to nonresidents, the international investment position (IIP) also presents the net creditor/debtor position of the country (and of particular institutional sectors) to the rest of the world. Positive net international investment position denotes excess financial assets (receivables) over liabilities, whereas negative net international investment position denotes excess liabilities over financial assets (receivables) in the relations between residents and nonresidents. In the first case, the country is a net creditor, and in the second case, it appears as a net debtor in the international relations.

IIP structure analysis within a longer timeframe provides monitoring of the change in the situation of individual institutional sectors, and the change in the sectors' preferences to use certain types of financial instruments. Such a dynamic perspective ensures that the changes are interpreted as a reflection of the overall macroeconomic developments in the country and the environment, and frequently, as a signal for certain developments in the period to come. Hence, the preparation of international investment position is a necessity in the modern world, as an indicator for the financial position of the country and its integration in the overall international economic developments, which is also proved by the growing significance of this report over the recent years, with the continuous globalization process and the emergence of economic crises worldwide.

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

## **Summary analysis of the international investment position for 2009**

At the end of 2009, the Republic of Macedonia reported financial receivables from nonresidents in the amount of Euro 2,606.6 million and financial liabilities to nonresidents in the amount of Euro 6,220.6 million. As of December 31, 2009, the net international investment position still had a negative sign, totaling Euro 3,614 million. The net debt position of the Republic of Macedonia, as a percentage of GDP, equaled 54.1% of GDP.

Compared to the end of the preceding year, the international investment position deteriorated (by Euro 347.2 million, or by 5.5 percentage points, as a percentage of GDP). The external liabilities registered an increase of 8.7% (or Euro 497 million), while the external assets this year went up by 6.1% (by Euro 149.8 million).

IIP analysis at the level of institutional sectors points to other sectors (dominantly comprised of nonfinancial companies), which account for more than a half of the negative change of net IIP in 2009 (Denar 251.7 million), as a driver of the deteriorated net IIP. The liabilities of the other sectors in 2009 augmented by 38.8%, or Euro 193 million, although it is important to emphasize that the largest portion of his growth is due to the rise in the liabilities based on direct investments in the country (Euro 168.8 million). As a contrast, the assets of the other sectors in 2009 fell by Euro 58.8 million, mainly as a result of the lower receivables based on short-term trade loans (Euro 69.3 million). The net debt position in the international relations of the other sectors is characteristic for the last several years.

The state sector has no receivables from abroad, because of which this sector remains net debtor to abroad. The liabilities of the Government to abroad increased by Euro 149.5 million in 2009 (of which Euro 144 million accounts for the increase in the liabilities based on issued bonds). The monetary authority, which usually appears as a net creditor to abroad, in 2009, registers an increase in the net receivables in the international relations of Euro 39.8 million, given partial growth netting of the gross official reserves (Euro 102.6 million) with the higher liabilities based on SDR allocation (Euro 62.6 million). Thus after the interruption evidenced in 2008, in 2009 the trend of moderate annual growth of the monetary authority's net IIP continued. With the banks sector, in 2009 slight improvement in the negative net IIP of Euro 14.3 million was registered, which arises from the higher growth of the foreign currency deposits with the foreign banks on the assets side, opposite to the bigger liabilities based on loans and accepted deposits from nonresidents.

Observing the IIP structure by instrument, the asset side is still dominated by the instrument of gross official reserves (61% of the total assets), which augmented by Euro 102.6 million (6.9%) in 2009. On the liabilities side, financial liabilities to direct investors dominate (50% of the total liabilities), which went up by 5.8% or Euro 172.6 million in 2009 (of which: by Euro 73.8 million based on capital and reinvested earnings and by Euro 98.8 million based on other capital). Considerable portion of the liabilities growth in 2009 arises also from the bigger external growth based on issued bonds (Euro 147 million), loans (Euro 83.8 million) and SDR allocation (Euro 62.6 million).

Analysis of the international investment position of other countries shows that also most of the other countries in the region, including the Republic of Macedonia, reported deterioration of the net international investment position in 2009.

**Net international investment position by country\***

Country	2008		2009	
	in billions of euros	% of GDP	in billions of euros	% of GDP
Euro area	-1,634.0	-17.8%	-1,388.5	-15.5%
USA	-2,478.3	-25.4%	-1,909.5	-18.9%
Croatia	-35.3	-74.5%	-39.2	-86.5%
Slovenia	-12.5	-33.4%	-12.6	-35.5%
Macedonia	-3.3	-48.6%	-3.6	-54.1%
Greece	-179.2	-76.0%	-199.6	-85.7%
Bulgaria	-34.7	-98.0%	-37.1	-105.9%
Turkey	-143.4	-28.8%	-196.5	-44.6%

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

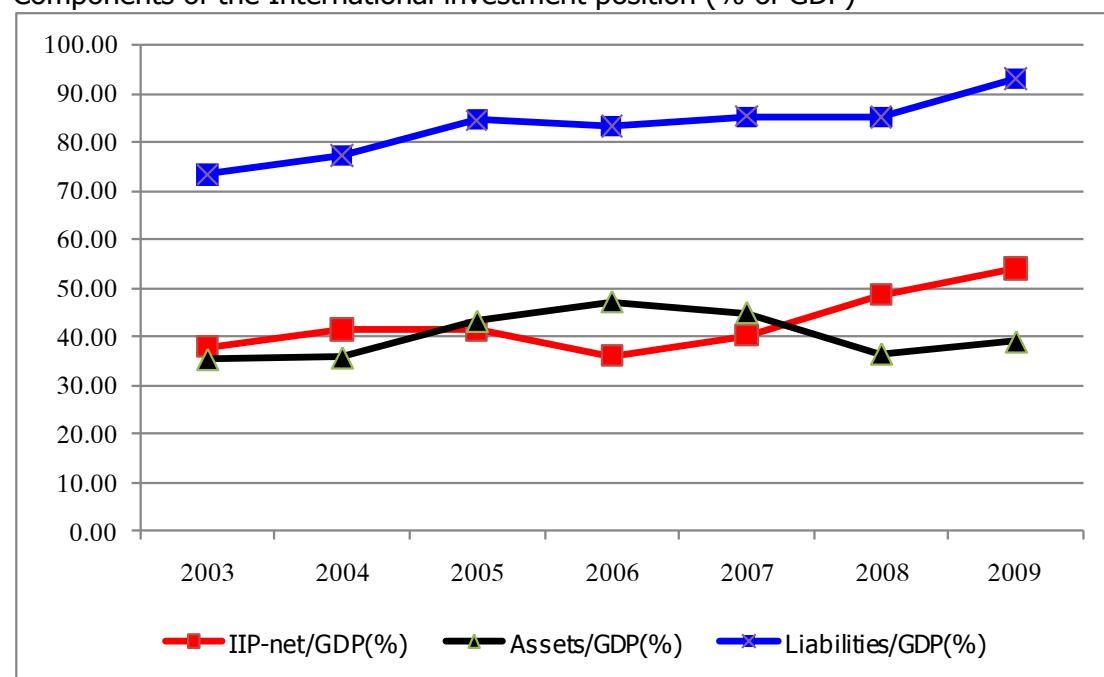
## ANNEXES, TABLES AND FIGURES

Table 1  
International investment position 2003-2009  
(millions of euros)

	2003	2004	2005	2006	2007	2008	2009
IIP-net,	1,599.73	1,846.20	1,990.79	1,887.55	2,401.97	3,266.77	3,614.01
Assets	1,495.28	1,589.06	2,081.58	2,471.72	2,686.04	2,456.76	2,606.56
Liabilities	3,095.01	3,435.26	4,072.37	4,359.26	5,088.01	5,723.53	6,220.57
GDP	4,217.00	4,442.00	4,814.00	5,231.00	5,965.00	6,720.00	6,677.00
IIP-net/GDP(%)	37.94	41.56	41.35	36.08	40.27	48.61	54.13
Assets/GDP(%)	35.46	35.77	43.24	47.25	45.03	36.56	39.04
Liabilities/GDP(%)	73.39	77.34	84.59	83.34	85.30	85.17	93.16

Source: National Bank of the Republic of Macedonia

Figure 1  
Components of the International investment position (% of GDP)



Source: National Bank of the Republic of Macedonia

### Annex 1

#### Division of IIP sector

For the purposes of IIP preparation and presentation, the sectors have been grouped as follows:

- **Monetary authority:** represented by the central bank, i.e. the National Bank of the Republic of Macedonia
- **State:** consists of central government, local government and social funds. This sector does not include state-owned enterprises which operate on the basis of free market principle.
- **Bank:** includes all money deposit institutions, except for the Central Bank.
- **Other sectors:** this group comprises the following functional categories:
  - Nonbank financial institutions (including insurance companies, investment funds, private pension funds and other financial intermediaries);
  - Nonfinancial institutions (entities involved in goods and services)

- production [including state-owned enterprises]);
- Households (households and natural persons);
- Nonprofit institutions serving households (churches, political parties, unions, associations)

Table 2  
IIP at the level of institutional sectors  
(in millions of Euros)

	2003	2004	2005	2006	2007	2008	2009
IIP,net -General government	-1,026.96	-1,016.45	-1,282.82	-1,065.56	-897.71	-906.33	-1,055.84
IIP,net- Monetary authorities	693.43	673.30	1,073.28	1,382.60	1,532.53	1,486.92	1,526.73
IIP,net- Banks	251.75	312.80	230.20	101.76	-80.89	-441.02	-426.77
IIP,net- Other sectors	-1,517.96	-1,815.85	-2,011.45	-2,306.34	-2,955.91	-3,406.35	-3,658.12
IIP,net	-1,599.73	-1,846.20	-1,990.79	-1,887.55	-2,401.97	-3,266.77	-3,614.01

Source: National Bank of the Republic of Macedonia

## Annex 2

### Classification of the International investment position by type of investment:

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

- **Direct investments**, classified:
  - by investment direction:
    - investments abroad
    - investments in the Republic of Macedonia
  - by instrument:
    - equity and reinvested earnings
    - other capital
- **Portfolio investments**, divided into equity and debt securities
- **Other investments**, divided into trade credits, loans, currency and deposits and other assets/liabilities; and
- **Reserves**, classified by type of instruments.

## Annex 3

### Foreign direct investments

According to the recommendation of the Fifth edition of the IMF Balance of Payments Manual, foreign direct investments are defined as investments with which the investor tends to establish a lasting interest and/or to exercise a right of management in the direct investment enterprise. To the end of 1993, the countries applied various criteria for defining the direct investments. The Fifth edition of the IMF Manual recommends using the minimum share of 10% of the capital or voting power as criteria, thus ensuring international data comparability. Accordingly, the distinction between direct and portfolio investor is based on the percentage of shares and stakes held in the company. Such methodological procedures for calculating foreign direct and portfolio investments fully apply in the Republic of Macedonia. Basic source of direct investments data in the Republic of Macedonia are the annual questionnaires that resident companies with foreign capital submit to the NBRM. The questionnaires contain data on the initial investment, the financial result and the intercompany debt.

**Portfolio investments**

According to the recommendation of the Fifth edition of the IMF Balance of Payments Manual, portfolio investments are defined as investments in debt and equity securities (except for those included in foreign direct investments), traded on organized and other financial markets.

As to the equities, portfolio investments imply "passive" holding of securities, where their holder does not have the right to active participation in the management, or control of their issuer. Commonly, this means holding securities with share of below 10% in the capital or voting power.

As to the debt securities, a debtor-creditor relation has been established with the security issuer. According to the maturity, these securities are most frequently grouped into bonds and bills and money market instruments.

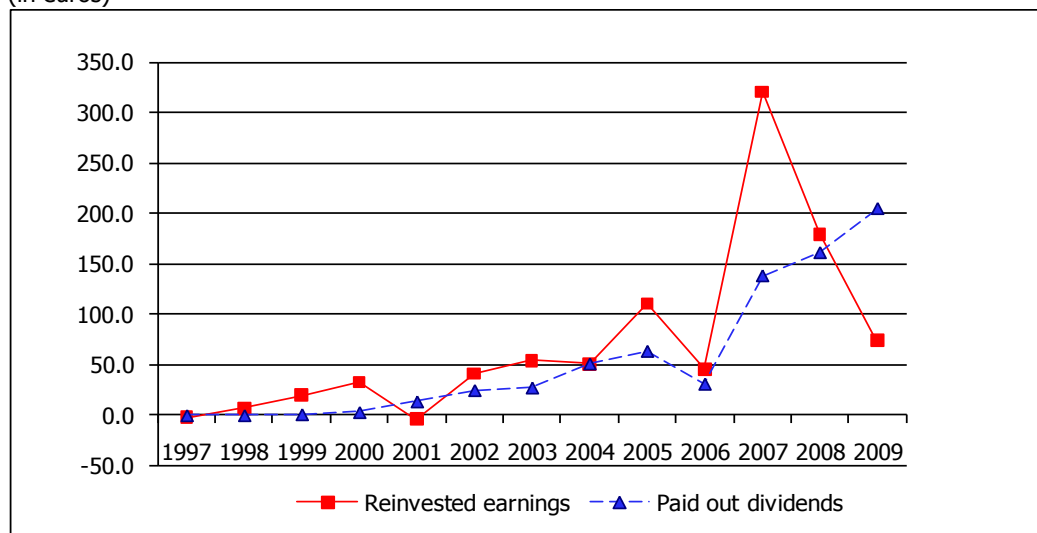
**Table 3: Foreign direct investments in the Republic of Macedonia**  
(in millions of euros)

Year	Total	Equity capital	Other capital	
			Claims	Liabilities
1	2=3-4+5	3	4	5
1997	141.22	102.88	12.13	50.48
1998	270.37	219.51	12.81	63.66
1999	359.90	284.26	15.70	91.35
2000	580.05	497.72	16.95	99.28
2001	1,039.15	946.28	40.84	133.72
2002	1,160.71	1,056.57	46.35	150.48
2003	1,292.14	1,181.98	47.98	158.14
2004	1,610.22	1,366.11	36.70	280.82
2005	1,768.97	1,579.62	74.54	263.89
2006	2,098.57	1,863.35	80.91	316.14
2007	2,545.17	2,226.62	106.11	424.66
2008	2,968.75	2,407.42	113.96	675.29
2009	3,141.38	2,481.27	169.96	830.07

Source: National Bank of the Republic of Macedonia

Figure 2

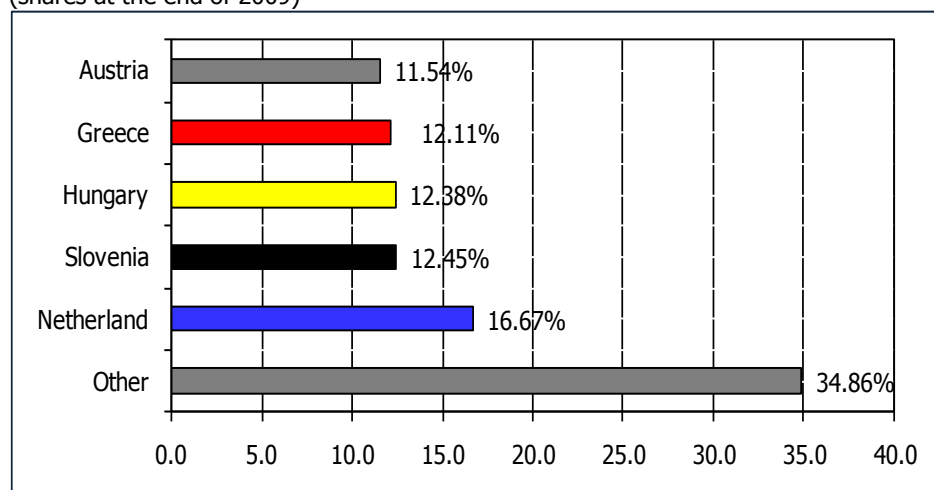
Reinvested and undistributed earnings and dividends paid to direct investment enterprises in the Republic of Macedonia  
(in euros)



Source: National Bank of the Republic of Macedonia

Figure 3

Foreign direct investments by country  
(shares at the end of 2009)

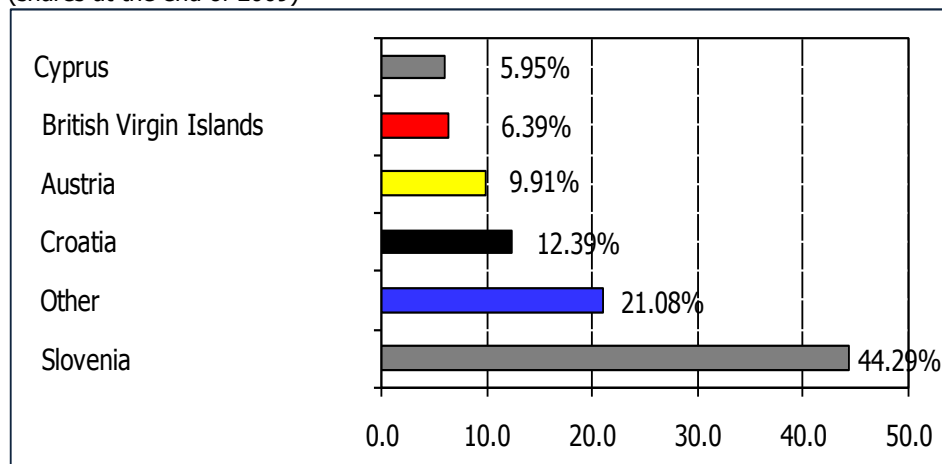


Source: National Bank of the Republic of Macedonia



Figure 4

Portfolio investments by country - liabilities based on equities owned by nonresidents  
(shares at the end of 2009)

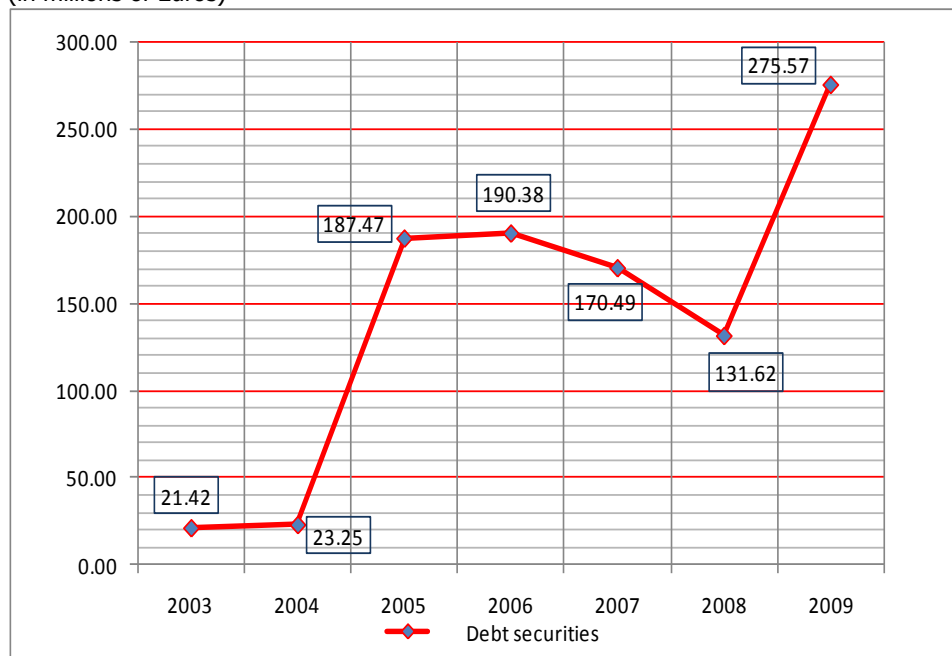


Source: National Bank of the Republic of Macedonia

Figure 5

Portfolio investments - liabilities based on domestic debt securities owned by nonresidents

(in millions of Euros)



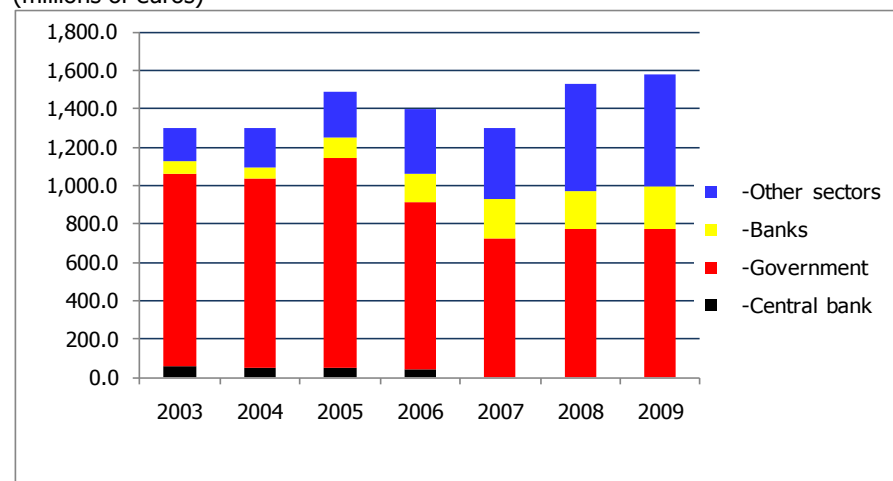
Source: National Bank of the Republic of Macedonia

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

	2003	2004	2005	2006	2007	2008	2009
Short-term loans	25.90	11.80	54.30	11.70	55.80	14.90	47.60
-Central bank	0.00	0.00	0.00	0.00	0.00	0.00	0.00
-Banks	8.70	7.00	1.30	0.00	16.50	0.00	40.00
-Other sectors	17.20	4.80	53.00	11.70	39.30	14.90	7.60
Long-term loans	1,300.20	1,302.60	1,488.60	1,395.60	1,300.00	1,532.00	1,583.10
-Central bank	54.70	46.00	52.70	42.40	0.00	0.00	0.00
-Government	1,005.50	993.20	1,095.40	875.20	727.20	771.20	777.60
-Banks	64.00	55.80	106.40	146.30	199.80	201.10	220.10
-Other sectors	175.90	207.60	234.10	331.70	372.90	559.70	585.40
Total	1,326.20	1,314.40	1,542.90	1,407.20	1,355.80	1,546.90	1,630.70
GDP	4,217.00	4,442.00	4,814.00	5,231.00	5,965.00	6,720.00	6,677.00
Short-term loans/Total loans (%)	2.00	0.90	3.50	0.80	4.10	1.00	2.90
Long-term loans/Total loans (%)	98.00	99.10	96.50	99.20	95.90	99.00	97.10
Total loans/GDP (%)	31.40	29.60	32.10	26.90	22.70	23.00	24.40

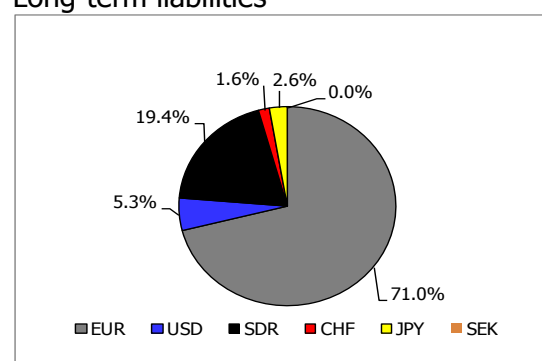
Source: National Bank of the Republic of Macedonia

**Figure 6**  
**Long-term loans by sector**  
(millions of euros)

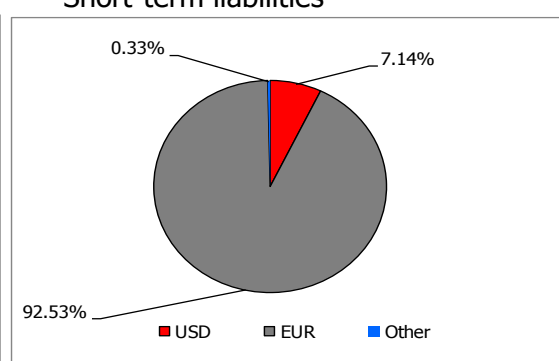


Source: National Bank of the Republic of Macedonia

**Figure 7**  
**Currency structure of the debt based on loans (in %)**  
**Long-term liabilities**



**Short-term liabilities**



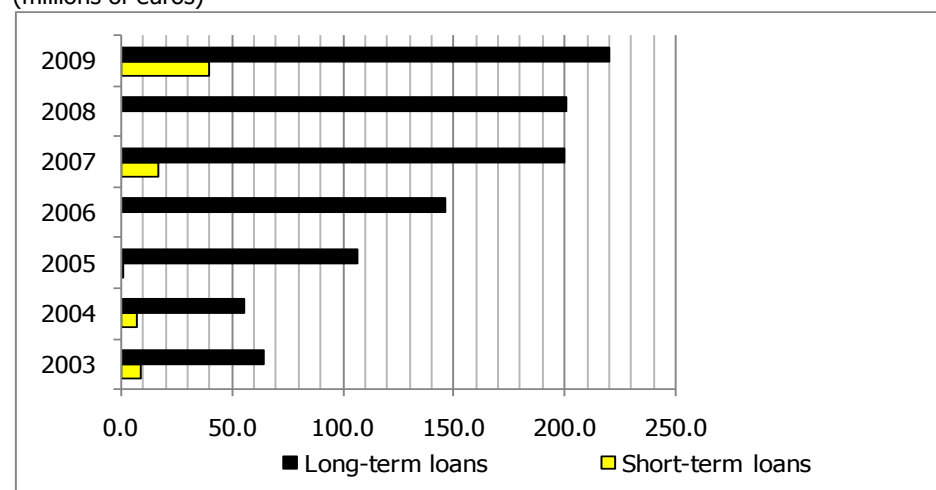
Source: National Bank of the Republic of Macedonia

**Table 5**  
**Banking sector liabilities based on loans from abroad**  
(in millions of euros)

	2003	2004	2005	2006	2007	2008	2009
Loans/banking sector	72.80	62.80	107.70	146.30	216.30	201.10	260.10
-Short-term	8.70	7.00	1.30	0.00	16.50	0.00	40.00
-Long-term	64.00	55.80	106.40	146.30	199.80	201.10	220.10
Total loans	1,326.20	1,314.40	1,542.90	1,407.20	1,355.80	1,546.90	1,630.70
Loans-banking sector/Total loans (%)	5.50	4.80	7.00	10.40	16.00	13.00	15.90
Loan -banking sector/GDP (%)	1.70	1.40	2.20	2.80	3.60	3.00	3.90

Source: National Bank of the Republic of Macedonia

**Figure 8**  
**Short-term and long-term loans of the banking sector**  
(millions of euros)



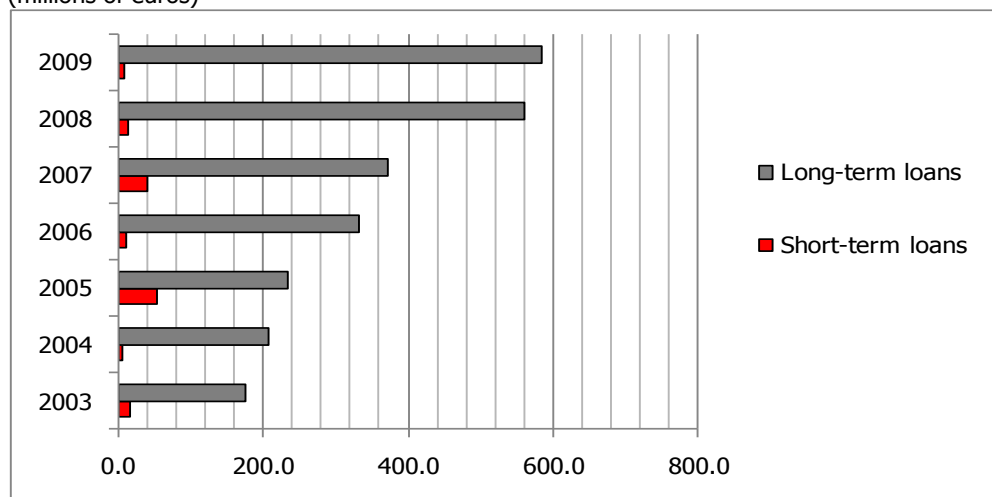
Source: National Bank of the Republic of Macedonia

**Table 6**  
**Other sector liabilities based on loans from abroad**  
(in millions of euros)

	2003	2004	2005	2006	2007	2008	2009
Loans-other sector	193.20	212.40	287.20	343.30	412.20	574.60	593.00
-Short-term	17.20	4.80	53.00	11.70	39.30	14.90	7.60
-Long-term	175.90	207.60	234.10	331.70	372.90	559.70	585.40
Total loans	1,326.20	1,314.40	1,542.90	1,407.20	1,355.80	1,546.90	1,630.70
Loans-other sector/Total loans (%)	14.60	17.40	20.20	24.40	30.40	37.10	36.40
Loans-other sector/GDP (%)	4.60	4.80	6.00	6.60	6.90	8.60	8.90

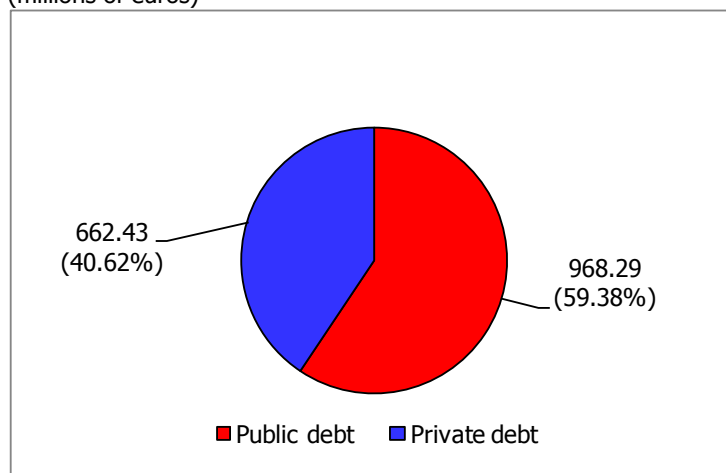
Source: National Bank of the Republic of Macedonia

Figure 9  
Short-term and long-term loans of other sectors  
(millions of euros)



Source: National Bank of the Republic of Macedonia

Figure 10  
Liabilities structure based on used loans from abroad  
(millions of euros)



Source: National Bank of the Republic of Macedonia