

National Bank of the Republic of Macedonia
Statistics Department



Methodological explanations on net external debt

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 External Debt

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

The external debt statistics is prepared in accordance with the External Debt Statistics Guide¹ (Guide).

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

¹ External Debt Statistics: Guide for compilers and Users, IMF, 2003

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 from 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 basic classification of debt is among the four basic institutional sectors of an economy:

- general government (government units that exist at each level—central and local—of government within the national economy and all social security funds operated at each level of government);
- monetary authorities - (the central bank or other institution carrying out the operations of a monetary authority);
- banking sector (financial intermediaries carrying out activities of taking deposits and extending credits);
- other sectors (non-bank financial intermediaries, non-financial corporations, households and non-profit institutions serving households).

Furthermore, within each of the sectors, debt is classified by maturity, on short term (with original maturity of one year or less) and long term (maturities of more than one year). On the third level of disaggregation, debt is distributed amongst the standard types of debt instruments, such as:

- trade credits - consist of claims or liabilities arising from the direct extension of credit by suppliers for transactions in goods and services, and advance payment by buyers for goods and services and for work in progress (or to be undertaken);
- 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;
- 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;
- currency and deposits - currency (notes and coins) are claims on a central bank or a government that have issued them, from the nonresident holders. Liabilities on deposits are liabilities of the financial institutions that take deposits to nonresident depositors, while claims on deposits arise from the funds deposited with nonresident financial institutions; and
- other - other claims and liabilities, not included under previous debt instruments. An important category within this item are arrears, that have a treatment of short-term claims/liabilities, as they are considered to be

immediately due and are a cumulative amount of arrears on all previously mentioned instruments.

Direct investment - intercompany lending claims or liabilities are shown separately. The separation of these claims/liabilities within net external debt is significant in view of the necessary compatibility with the IIP statement, where these claims/liabilities are incorporated within the item Direct investment (Other capital).

From the aspect of valuation, the Guide recommends the nominal value to be used for all debt instruments, except debt securities, where it is recommended to use the market value of debt. This is entirely consistent with the methodological recommendations for the 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 cut-off 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.

The stock of debt is a result of disbursements, decreased for the amortization (repayments of principal), increased for the amounts of capitalized interest in arrears, accrued interest and default interest. Having in mind the fact that stock data are converted using the end period exchange rate, while the flow data are converted using the transaction date exchange rate, discrepancies between debt stock at end-period and beginning of period differ from the net flows, as they include the exchange rate differentials as well.

3. Data sources and methodology for compiling net external debt of the Republic of Macedonia

Data sources for the net external debt of the General Government sector

- for the category debt securities (bonds and money market instruments) - for debt securities issued abroad and bought by nonresidents, data from the reporting system on external debt (ED) and data for debt securities market value at the cut-off date;
- for the category debt securities (bonds and money market instruments) - for debt securities issued domestically and bought by nonresidents, data from the data base of the Central Securities Depository are used, while for calculation of the market value of the securities, data on the market prices from the Macedonian Stock Exchange are used.
- for the category loans the data are used from the reporting system on external debt (ED) -the credit records statistics is conveyed by the NBRM and is based on a loan-by-loan data base containing various elements. Various data can be obtained from this data base on the stock of external debt, disbursement, repayments, arrears, accrued interest etc.; and the reporting system on external claims (EC) -the credit records statistics is conveyed by the NBRM and is based on a loan-by-loan data base containing various elements. Various data can be obtained from this data base on the stock of external claims, disbursement, repayments, arrears, accrued interest etc.;

Data sources for the net external debt of the Monetary Authority sector

- for the category debt securities (bonds and money market instruments) - data from reports of the NBRM on the official foreign reserves of the Republic of Macedonia;
- for the category currency and deposits - data from reports of the NBRM on the official foreign reserves of the Republic of Macedonia;
- for the category loans the data are used from the reporting system on external debt (ED) and data from NBRM' reports on the official foreign reserves of the Republic of Macedonia
- for the category other the data are used from the reporting system on external debt (ED) and include a debt liability for SDR allocations.

Data sources for the net external debt of the Banking sector

- for the category loans the data are used from the reporting system on external debt (ED) and the reporting system on external claims (EC);
- for the category currency and deposits - data from reports of the banks on assets and liabilities - monthly monthly balance sheet of the commercial banks;
- for the category other - the data on arrears are used from the reporting system on external debt (ED) and the reporting system on external claims (EC);

Data sources for the net external debt of the Other sectors

- for the category debt securities (bonds and money market instruments) - for foreign debt securities issued abroad and bought by residents, data on the market value of the purchased debt securities at the cut-off date, is provided by the residents authorized for participation at foreign capital markets;
- for the category loans the data are used from the reporting system on external debt (ED) and the reporting system on external claims (EC);
- for the category currency and deposits - data from the monthly reports of resident accounts held abroad (MR);
- for the category 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 category long-term trade credits the data are used from the reporting system on external debt (ED) and the reporting system on external claims (EC);
- for the category other - the data on arrears are used from the reporting system on external debt (ED) and the reporting system on external claims (EC), as well as data from the survey on debt/claims takeovers among residents and nonresidents (POZ);

Data sources for the net external debt Intercompany lending (Direct investment)

- a basic data source for the claims and liabilities based on intercompany lending data are used:
 - for intercompany lending in the form of loans data are used from the reporting system on external debt (ED) and the reporting system on external claims (EC), that contain information on relations between creditors and debtors with regard to ownership;

- for intercompany lending in the form of 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 other claims and liabilities, data from the annual direct investment survey - inward (DI 22 up to 2011 and VS 22 starting from 2012) and outward (DI 11 up to 2011 and VS 11 starting from 2012), which all resident legal entities submit to the NBRM on annual basis, are used. For the item "Arrears" data from the reporting system on external debt (ED) and external claims (EC) are used, while for the item "Other liabilities" data from the survey on debt/claims takeovers among residents and nonresidents (POZ) are used.

Data for the period 2004-2005 are disseminated annually, while starting with 2006 data are disseminated quarterly, in Euro and US Dollars. Starting as of January 01, 2010, data include accrued interest.

Public and Private Sector Debt Data

The memo items in the gross external debt table, separately identify data on external debt of the public and private sector.

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

The Government of the Republic of Macedonia comprises of the 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 level—central and local—of government 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 Macedonia.

Public corporation is defined as a non-financial corporation that is subject to control by government units, with control over a corporation defined as the ability to determine general corporate policy by choosing appropriate directors, if necessary. Control can be established 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 established and controlled by the Government, but are institutional units separate from the Government.

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