

1. Methodological explanations for External Statistics

External statistics are a subliminate of several individual statistical surveys for compiling, processing and dissemination of data on economic transactions with non-residents. They include: 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 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).

Reporting units are legal entities and natural persons that enter into 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 resident reporting units) and indirect (performed by other entities that hold 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 NBRM website.

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 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. Methodological explanations for Direct Investments

Direct investments (hereinafter DI) are a form of international capital flow reflecting the purpose of achieving long-term interest between the direct investor (resident of an economy) and the direct investment company (resident of another economy). Direct investments consist of investments by which investor intends to achieve long - term economic relationship and/or to acquire managing right of the legal entity in which it invests. Thereby, direct investments are defined in accordance with the international recommendations and standards in which the criteria is minimum 10% capital share or voting right in the entity in which the capital is invested. Direct investments, apart from the initial investment transaction, also incorporate all subsequent investments among direct investor and direct investment enterprise.

3. Data sources and methodology for compiling Direct Investments stock and flows data

The statistics of the National Bank of the Republic of Macedonia for direct investments cover data on both direct investment stocks and flows. "Stocks" represent the amount of direct investments at the end of a specific period of time. "Flows" consist of transactions between affiliated entities based on direct investments that occurred during a specific period of time.

Depending on the direction of the investment, the NBRM's statistical survey on direct investments covers data for stocks and flows of **Direct Investments abroad** (Outward

Direct Investments) and **Direct Investments in the country** (Inward Direct Investments).

Direct Investments abroad include investment of a resident direct investor (legal entity or individual) in a nonresident direct investment enterprise.

Direct Investments in the country include investment of nonresident direct investor (legal entity or individual) in a resident direct investment enterprise.

Depending on the DIs structure, the statistical survey of the NBRM for direct investments in the country covers stock data of **new, existing and other investments**.

The new investments present the amount of equity and reinvested earning which arises from investment in new entities (Greenfield investments)

The existing investments present the amount of equity and reinvested earning which arises from investment in existing entities by mergers or acquisitions.

The other investments present the amount of equity and reinvested earning which arises from establishment of branches, foundations etc.

According to the International and European standards, direct investments **stock** data include:

- Equity capital and reinvested earning; and
- Other capital, which covers claims and liabilities on/to affiliated entities from abroad, as follows:
 - Loans between affiliated entities,
 - Trade credits between affiliated entities,
 - Other claims and liabilities between affiliated entities.

For the subcategory **equity capital and reinvested earning**, reports on stocks and flows between affiliated entities (DI - 22 for inward investments, i.e. VS 22 starting from 2012, DI - 11 for outward investments, i.e. VS 11 starting from 2012) are used as a main data source.

In methodological terms, the reinvested earning includes:

- Portion of gain allocated to capital;
- Portion of gain allocated to reserves;
- Portion of gain allocated to cover losses from previous period;
- Unallocated gain; and
- Uncovered loss.

For the subcategory **other capital** the following data sources are used:

- for loans between affiliated entities, data are used from the reporting system on external debt and claims (EDEC),
- for trade credits between affiliated entities, 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 between affiliated entities, the survey on debt/claims takeovers among residents and nonresidents (POZ) is used as a data source, as well as the annual reports for inward and outward investments (DI - 22 and DI - 11, i.e. VS 22 and VS 11 starting from 2012).

Direct investments **flows** data are presented in accordance with the standard components of DI and cover the transactions based on:

- Equity capital;
- Reinvested earning; and
- Other capital, which covers claims and liabilities on/to affiliated entities from abroad, as follows:
 - Loans between affiliated entities,
 - Trade credits between affiliated entities,
 - Other claims and liabilities between affiliated entities.

For the subcategory **equity capital** for the current year, 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, it is the Single Administrative Document (SAD) for the foreign trade of the Republic of Macedonia. Data for the previous years are revised on a yearly basis, based on the data from the annual direct investment survey (DI 22, i.e. VS 22 starting from 2012).

The subcategory **reinvested earning** for the current year is estimated on the basis of the results from the quarterly questionnaire on the realized and planned income 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, i.e. VS 22 starting from 2012).

For the subcategory **other capital**, the following data sources are used:

- for loans between affiliated entities, data are used from the reporting system on external debt and claims (EDEC),
- for trade credits between affiliated entities, 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 between affiliated entities, the survey on debt/claims takeovers among residents and nonresidents (POZ) is used as a data source. Data for the previous years are revised on a yearly basis, based on the data from the annual direct investment survey (DI 22, i.e. VS 22 starting from 2012).

3.1 Valuation method

Direct investments stock data are valued at book value, while direct investment flows data are calculated at market value.

Changes in stocks between two reporting periods may arise from flows, price changes and/or exchange rate changes and other changes in volume.