

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



**Methodological explanations on the  
International Investment Position**

## **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, 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=D537DAB6F15C774DB7BDE486246D06C5>).

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. International Investment Position***

IIP is a statistical report which presents the stock and structure of financial claims (assets) of residents from non-residents and the financial liabilities of residents to non-residents, arising from their operations. In other words, the IIP is a balance sheet of the international financial assets and liabilities of a country at a certain date.

This statement allows the evaluation of the financial state of the country, as well as the economic integration of the domestic economy at the international level.

The international financial assets of the country comprise of the claims from direct and portfolio investments, investments in financial derivatives, other investments (in the form of trade credits, loans, currency and deposits and other accounts receivable), as well as the official reserve assets.

The international financial liabilities of the country comprise of the liabilities based on direct and portfolio investments, investments in financial derivatives, liabilities on the basis of other investments (in the form of trade credits, loans, currency and deposits and other accounts payable).

The difference between the total international financial assets and liabilities presents the net-international investment position of a country.

### ***– IIP components and methodology for compiling the IIP of the Republic of Macedonia***

IIP contains standard components, classified in three levels:

The first level of classification is Assets and Liabilities.

The second level of classification is by functional categories, fully consistent with the financial account of the balance of payments. In accordance with this classification the assets and liabilities are divided into: Direct Investments, Portfolio Investments, Financial Derivatives, Other Investments and Reserve Assets.

1. Direct investments are the form of international capital flows reflecting the purpose of achieving long - term interest relationship between the direct investor and the direct investment company and/or the right to manage the direct investment company. Thereby the direct investments are defined in accordance with international recommendations and standards in which the criteria is the minimum 10% capital share or the voting right in which the capital is invested. Direct investments include: Equity Capital, Reinvested Earnings and Intercompany Lending between affiliated entities.
2. *Portfolio investments include investments in debt securities and equity participation less than 10% or without voting power in the entity in which the capital is invested.*
3. *Financial derivatives* are financial instruments which involve specific financial risks linked to another underlying financial instrument or indicator or commodity and which can be traded independently from the underlying

instrument on the financial markets. The value of a financial derivative derives from the price of the underlying financial instrument.

4. *Other investments* contain assets and liabilities based on short - term and long - term loans and trade credits, currency and deposits and other accounts receivable/payable.
  - trade credits - consist of claims or liabilities arising from the direct extension of credit by suppliers for transactions in goods and services, as well as advance payment by buyers for goods and services and for work in progress;
  - 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;
  - currency and deposits - currency (notes and coins) are claims on the central bank that has issued them, from the non-resident holders. Liabilities on the basis of deposits are liabilities of the financial institutions that take deposits of non-resident depositors, while claims on the basis of deposits arise from the funds deposited with non-resident financial institutions;
  - other - other accounts receivable/payable, arising from debt instruments not included under previous categories.
5. *Official reserve assets* are those external assets that are readily available to and controlled by the monetary authorities, for direct financing of balance of payment`s imbalances and indirectly regulating the magnitudes of such imbalances through intervention in exchange markets to affect the exchange rate, and/or for other purposes.

The third level of classification is the disaggregation of financial instruments by institutional sectors (general government, monetary authorities, banks and other sectors).

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

Furthermore, components of other investments (loans and trade credits) are classified by maturity: short - term (maturities of one year or less) and long - term (maturities of more than one year).

#### *Valuation of instruments within functional categories*

For the annual IIP, *direct investments* are valued at book value. *Portfolio investments*, on the assets and liabilities side, are calculated at market value, with the exception of the equity on the liability side which is valued at book value.

Nominal value is used for all other instruments.

## **2.1 Data sources and methodology for compiling International Investment Position**

IIP is a complex statistical report the compilation of which is based on direct or indirect reporting systems for data collection within the NBRM.

### *Data sources by functional categories*

#### Direct investment

- For the subcategory "Equity capital and reinvested earnings"- for the purposes of the annual IIP, reports on stocks and flows between affiliated entities (DI - 22 and DI - 11 up to 2011; VS 22 and VS 11 starting from 2012) are used as a data source. For the purposes of the Quarterly IIP, the stock is calculated by adding up the BOP flows for the current quarter to the stock of equity capital and reinvested earnings at the end of the previous quarter.
- For the subcategory "Other capital"- for loans between affiliated entities, data are used from the reporting system on external debt (ED) and the reporting system on external claims (EC), while 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). The survey on debt/claims takeovers among residents and nonresidents (POZ) is used as an additional data source.

#### Portfolio investments

- For the subcategory "Equity securities"
  - on the assets side:
    - for the annual and quarterly IIP - for the other sectors, quarterly report on traded securities on foreign markets, is provided by the residents authorized for participation in foreign capital markets, while for the banking sector, reports of the banks on assets and liabilities balance (KNJ-BIFO) - the monthly banks reports on their book - keeping stocks are used.
  - on the liabilities side:
    - for the annual IIP for the banking sector and other sectors, reports on stocks and flows between affiliated entities (DI - 22, VS 22 starting from 2012) are used as a data source
    - for the quarterly IIP, for the banking sector and the other sectors, stocks are calculated by adding up the BOP flows for the current quarter to the stock of equity securities at the end of the previous quarter.
- For the subcategory "Debt securities" - for the annual and quarterly IIP the same data sources are used.
- on the assets side, for other sectors, a quarterly report on traded securities on foreign markets is used, provided by the residents authorized for participation in foreign capital markets, while for the banking sector, reports

of the banks on assets and liabilities balance (KNJ-BIFO) - the monthly banks reports on their book - keeping stock are used.

- on the liabilities side, data on debt securities issued on the domestic market and purchased by non-residents are taken from Central Securities Depository, while data on the prevailing market prices are used from the Macedonian stock exchange. For debt securities issued abroad and bought by non-residents, data from the reporting system on external debt (ED), as well as quarterly report on traded securities on foreign market, provided by the residents authorized for participation in foreign capital markets, are used.

#### Other investments

##### Trade credits

- for the subcategory long-term trade credits - for annual and quarterly IIP the data from the reporting system on external debt (ED) and the reporting system on external claims (EC) are used

- for the subcategory short-term trade credits - for annual and quarterly IIP data from the quarterly reports on the claims and liabilities on the basis of international commercial operations of residents (KIPO Form) are used.

##### Loans

- for the category loans, for the annual and quarterly IIP, data from the reporting system on external debt (ED) and the reporting system on external claims (EC), as well as data from NBRM's reports on the official foreign reserves of the Republic of Macedonia are used

##### Currency and deposits

- for the category currency and deposits, for the annual and quarterly IIP, the data from reports of the banks on assets and liabilities balance (KNJ-BIFO)- the monthly bank's reports on the banks' book - keeping stock are used, whereas for other sectors data from the monthly reports of resident accounts held abroad (MR) are used;

##### Other accounts receivable/payable

-for the annual and quarterly IIP, data from the direct reporting system on external debt (ED) and reporting system on external claims (EC), as well as data from the survey on debt/claims takeovers among residents and nonresidents (POZ) are used;

##### Reserve assets

-for the annual and quarterly IIP, data from reports of the NBRM on the official foreign reserves of the Republic of Macedonia are used.