

National Bank of the Republic of Macedonia

Statistics Department



METHODOLOGICAL EXPLANATIONS

Monetary Statistics

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METHODOLOGICAL EXPLANATIONS

Monetary Statistics

INTRODUCTION

The National Bank compiles and publishes monetary statistics and interest rate statistics data. Within the monetary statistics, the data are compiled and published on a monthly and/or quarterly basis. Balance sheets and surveys of depository corporations (the NBRM, banks and savings houses), as well as data on the money supply and its components are also compiled and published on a monthly basis. Data from balance sheets and surveys of depository corporations are also used to prepare other monetary reports: deposits and loans to other depository corporations (banks and savings houses) and bank loans to households. Until 2009, the data were compiled pursuant to the old Chart of Accounts of banks. As of January 2009, the data are compiled pursuant to the new Chart of Accounts.

Besides the balance sheets and surveys of depository corporations, the total balance sheets and surveys of other financial institutions and balance sheets and surveys of investment funds, pension funds, insurance companies, companies providing financial leasing, financial companies, investment funds management companies and pension funds management companies, as well as the survey of the financial institutions are also compiled and published on a quarterly basis.

Data are presented in the national currency (in millions of denars).

1. Applied methodological concept

Compilation and presentation of monetary statistics data are based on the international recommendations and standards, in particularly:

- ✓ Monetary and Financial Statistics Manual, IMF, 2000;
- ✓ Monetary and Financial Statistics Compilation Guide, IMF, 2008;
- ✓ System of National Accounts - SNA 93, UN.

2. Reporting units

For the purposes of compiling monetary statistics data, financial corporations that are residents of the Republic of Macedonia are considered reporting units. They include the depository corporations, i.e. the National Bank of the Republic of Macedonia (the NBRM), the banks, the savings houses and other financial corporations, such as investment funds, pension funds, insurance companies, financial leasing companies, financial companies, investment funds management companies and pension funds management companies.

3. Legal framework, reporting methods and sources of data

For the purposes of monetary statistics, reporting units submit data and reports to the NBRM, as required by Articles 35, 36 and 37 of the Law on the National Bank of the Republic of Macedonia ("Official Gazette of the Republic of Macedonia" no. 158/2010) and Article 101 of the Banking Law ("Official Gazette of the Republic of Macedonia" no. 67/2007, 90/2009 и 67/2010).

Data and reports of the reporting units are obtained on a monthly and a quarterly basis, electronically, through electronic applications. The data from the depository corporations shall be submitted on a monthly basis, while the quarterly data from the other financial corporations shall be submitted on a quarterly basis.

Sources of data on monetary statistics include:

- Monthly data on the outstanding stock of assets and liabilities of depository corporations (KNJ-BIFO) and

- Quarterly reports on the stock and the flow of assets and liabilities of the other financial corporations (OFI-1 Form).

4. Data dissemination and revision policy

4.1. Data dissemination policy

The monetary balance sheets and surveys of the financial corporations are disclosed on the web site of the NBRM on a regular monthly and quarterly basis, in line with the set deadline provided in the Advance Release Calendar (on the NBRM's web site - <http://www.nbrm.mk>). Also, the monetary balance sheets and surveys of the financial corporations are on users' disposal also in the quarterly publication of the NBRM "Quarterly Report of the NBRM - Statistical Appendix", which can also be found on the NBRM' web site.

4.2. Data revision policy

December data are revised regularly on an annual basis within a period of t+52 days after the end of the month, based on the data that the banks re-submit within the deadline specified in the Banking Law and the relevant bylaws for submitting unaudited annual financial statements.

Also, if needed, published data can be revised more often in cases of:

- obtaining new and/or corrected information and data from the reporting units; or
- changes in sources of data or methodology for compilation of a separate statistical survey.

In accordance with international recommendations, an adequate explanation is given for the significant changes in the data made during revisions, in a footnote or press releases.

Historical time series data is revised from the moment of occurrence of the event that led to change in data, or if inapplicable, for as long as possible period of time. If there is a change in the presentation of data (publication of a new indicator - sector, instrument, etc.), the historical time series is revised starting from the moment of introducing the new indicator, if appropriate conditions exist.

5. Types of statistical reports

Based on received data and reports, two types of data are prepared and published:

- monthly data on the monetary statistics, i.e. statistics of depository corporations (balance sheets and surveys of depository corporations - NBRM, banks and savings houses, broad money and components, other monetary reports),
- quarterly data on the monetary statistics, i.e. statistics of the financial corporations, by preparing the survey of financial corporations which consolidates the data on depository corporations (balance sheets and surveys of depository corporations - NBRM, banks and savings houses) with the data on other financial institutions (balance sheets and surveys of other financial corporations investment funds, pension funds, insurance companies, companies providing financial leasing, financial companies, investment funds management companies and pension funds management companies).

5.1. Statistics of financial corporations

The manner of compilation of monetary data of the statistics of financial corporations covers two levels:

- 1) The first level encompasses compiling data on the outstanding amount of the assets and liabilities of the reporting units and their aggregation into analytical reports (balance sheets). These analytical reports

contain detailed on-balance sheet data on the depository corporations, i.e. the NBRM and the other depository corporations (banks and savings houses) and other financial corporations - investment funds, pension funds, insurance companies, companies providing financial leasing, financial companies, investment funds management companies and pension funds management companies).

As a result of this process, the following balance sheets are prepared:

- NBRM's Balance Sheet (monthly and quarterly);
- Other Depository Corporations' Balance Sheet (monthly and quarterly);
- Other Financial Corporations' Balance Sheet (quarterly).

2) The second level encompasses consolidation of data from the analytical reports (balance sheets) in monetary surveys. The purpose of compiling these surveys is the simplified sketching (presentation) of the assets and liabilities of financial corporations, in a manner that is suitable for conducting monetary analyses. They show the mechanisms of multiplying the monetary base into aggregate broad money throughout the entire economy. Thus, the surveys are the basic tool of the monetary policy makers in the process of formulating and controlling monetary policy guidelines.

As a result of this process, the following surveys and monetary reports are compiled and published:

- NBRM Survey (monthly and quarterly);
- Other Depository Corporations Survey (monthly and quarterly);
- Depository Corporations Survey (monthly and quarterly);
- Other Financial Corporations Survey (quarterly);
- Financial Corporations Survey (quarterly);
- Broad Money and Components (monthly);
- Nongovernment sector deposits with other depository corporations (banks and savings houses) (monthly);
- Nongovernment sector loans granted by other depository corporations (banks and savings houses); (monthly) and
- Bank loans and bank and savings house loans granted to households.

5.1.1. Rules and principles for compilation of the monetary balance sheets and surveys

The compilation of monetary balance sheets and surveys relies on the following main principles:

- **All categories of monetary balance sheets are presented in Denars.** The standard unit for presenting the stocks of the assets and liabilities in the monetary statistics is the national currency. Accordingly, foreign currency-denominated stocks are converted into national currency. The stocks denominated in foreign currency are converted into Denars by applying the middle exchange rate of the respective currencies at the end of the reporting period.
- Fundamental principle of **valuation** of financial assets and liabilities in the monetary balance sheets is the use of market prices, or approximation to the market prices (fair value). Financial assets and liabilities which are not for trade on the financial markets or are traded infrequently are valued at fair value. Fees, commissions, taxes and similar payables are regarded as income flows and accordingly they are excluded from the valuation of the instruments. The stocks of the financial assets and liabilities are valued on the basis of market prices prevailing at the balance sheet date.
- The assets and liabilities in the form of currencies, deposits and loans (and most categories of other accounts receivable and payable) and liabilities in the form of shares and other forms of equity are valued at book value. For example, loans should be valued at book value of creditor's claims (principal and accrued interest) without adjustments for expected losses. Data on expected losses,

for loan provisions and other impairments of fixed assets are recognized at their book value, excluding the accumulated depreciation which is included in the category of other accounts payable.

According to the IMF Monetary and Financial Statistics Manual, the accrued interest on deposits, loans and securities other than shares are incorporated in the book value of the financial asset or liability, instead of being treated as a part of other accounts receivable i.e. payable.

- **Residency** of the client is determined on the basis of the rule for economic center of interest of the institutional unit, rather than the rule of nationality, transaction currency, or legal definition, i.e. as defined by the Balance of Payments and International Investment Position Manual¹. All institutional units that have a location-dwelling, place of production, and fixed assets - on the territory of a certain country where they are engaged in relevant economic activities are treated as residents. Also, for the compilation of the monetary balance sheets, and especially for the monetary surveys, the following additional principles are applied:
- **Aggregation principle** which means data aggregation of all institutional units in sectors and sub-sectors, or all assets and liabilities within certain standard category.
- **Consolidation principle**, referring to elimination of claims and liabilities emerging among the institutional units (headquarters and branches) of institutional units, where the reporting units submit reports with consolidated data. Consolidation is also performed in the monetary surveys for the data referring to the intersector claims and liabilities.
- **Netting principle**. Core principle used in statistical researches, and accordingly, in monetary statistics, envisages data collection and presentation on a gross basis. However, there are deviations from the core principle, in instances when the data processing is more appropriate on a net basis, or no processing on a gross basis is feasible. Thus, some data categories in the monetary surveys (foreign assets, claims on the central government, other items) are presented on a net basis due to their larger usefulness for analytical purposes.

5.1.2. Compilation of monetary balance sheets

The monetary reports are prepared and published in three types of monetary balance sheets:

- The NBRM's Balance Sheet, which incorporates all assets and liabilities of the NBRM, classified in a standard manner;
- Other depository corporations' balance sheet which incorporates all assets and liabilities of the banks and savings houses, classified in a standard manner. The aim of this balance sheet is to capture assets and liabilities of all institutional units - residents of the depository corporations sector (except for the central bank) which create liabilities included in the national definition of broad money;
- Other financial corporations' balance sheet, which incorporates all assets and liabilities of the currently included reporters (investment funds, pension funds, insurance companies, companies providing financial leasing, financial companies, investment funds management companies and pension funds management companies) classified in a standard manner.

The monetary balance sheets state all assets and liabilities at the end of the reporting period. Financial assets and liabilities in the monetary balance sheets are presented in accordance with the standard classification of financial instruments given in the IMF Monetary and Financial Statistics Manual (consistent with the classification of financial instruments in the SNA93 and European System of Accounts ESA95). This classification distinguishes the following types of financial instruments:

Assets:

- Monetary gold and special drawing rights (SDRs)
- Currencies and deposits

¹ BPM6 (Balance of Payments and International Investment Position Manual, sixth edition (BPM6), 2009, IMF);

- Securities other than shares
- Loans
- Shares and other equity
- Technical insurance reserves
- Financial derivatives
- Other accounts receivable
- Nonfinancial assets.

Liabilities:

- Currency in circulation
- Deposits included in broad money
- Deposits excluded from broad money
- Securities other than shares (included in broad money)
- Securities other than shares (excluded from broad money)
- Loans
- Technical insurance reserves
- Financial derivatives
- Other accounts payable
- Allocation of special drawing rights (SDR)
- Shares and other equity

In the scope of each financial instrument disaggregation by sector is made, as defined in the IMF Monetary and Financial Statistics Manual (consistent with the classification of the financial instruments in the SNA93 and ESA95):

In general, there are two basic institutional sectors:

- Residents,
- Nonresidents.

Reporting units distinguish resident from nonresident business partners, using the definitions on residency included in the Law on Foreign Exchange Operations ("Official Gazette of the Republic of Macedonia" no. 34/01, 49/01, 103/01 and 51/03). Nonresidents are international institutional units involved in transactions with resident institutional units, or are otherwise economically related with the resident units. Transactions with nonresidents provide an overall understanding for the economic relations of the domestic economy with abroad.

Residents are further classified in the following basic sectors and subsectors:

- Financial corporations:
 - Central bank (NBRM),
 - Other depository corporations (banks and savings houses);
 - Other financial corporations (other financial intermediaries, except insurance companies and pension funds, financial auxiliaries, insurance companies and pension funds);
- Nonfinancial corporations;
 - Public nonfinancial corporations;

- Other nonfinancial corporations;
- Government:
 - Central government;
 - Local government;
 - Social security funds;
- Households
 - Individuals;
 - Self-employed individuals;
- Nonprofit institutions serving households.

For the purposes of monetary balance sheets, the household sector and the nonprofit institutions serving households are presented jointly in the subsector of other residents.

Further disaggregation has been made of financial instruments according to the criterion of currency of denomination (Denars or foreign currency).

5.1.3. Division of institutional sectors and subsectors

5.1.3.1. Financial corporations

The sector of financial corporations includes institutional units mainly engaged in financial intermediation and/or auxiliary financial activities. Financial intermediation is an activity where an institutional unit acquires financial assets and simultaneously assumes liabilities for its own account, through involvement in financial transactions on the market. Auxiliary financial activities are activities similar to financial intermediation used for its simplification, but as such do not represent financial intermediation.

Central Bank is the National Bank of the Republic of Macedonia.

Banks encompass all banks that were granted a founding and operating license by the Governor of the National Bank of the Republic of Macedonia. This definition also includes branches of banks from the European Union member-states and branches of foreign banks that were granted a license by the Governor of the National Bank of the Republic of Macedonia to open offices and to operate on the territory of the Republic of Macedonia.

Savings houses include savings houses founded and operating on the basis of a license granted by the Governor of the National Bank of the Republic of Macedonia.

Other financial intermediaries other than insurance companies and pension funds include various types of financial intermediaries that acquire funds by accepting long-term and specific assets, according to the activity they are engaged in and through the issue of equity and debt securities. These intermediaries are specialized for lending to special groups of debtors by using special financial arrangements such as leasing, financial derivative operations etc. Other financial intermediaries primarily include legal entities engaged in financial leasing, commission, dealers in securities and financial derivatives, companies that finance import/export of goods, holding companies, financial companies extending loans to non-financial corporations and households, investment funds (open, closed and private), brokers and dealers that operate for their account etc.

Financial auxiliaries include legal entities primarily engaged in auxiliary financial activities, i.e. activities similar to financial intermediation, but as such do not represent financial intermediation. Their function tends to facilitate the financial intermediation. This subsector encompasses pension funds management companies, investment fund management companies, stock exchange, brokerage houses, investment counselors, clearing houses, brokers and dealers operating for accounts of others, central securities

depository, accounting and other financial associations, Deposit Insurance Fund, National Insurance Bureau, etc.

Insurance companies include companies engaged in insurance and reinsurance.

Pension funds include corporations that insure group risks, pertaining to social risks and needs of the insured. They are established to provide benefits for retirement of specific groups of employees. They have their own assets and liabilities and execute financial transactions for their own account. This subsector also includes private voluntary pension insurance funds.

5.1.3.2. Nonfinancial corporations

Nonfinancial corporations include institutional units - legal entities with primary activity of production of commodities and/or providing nonfinancial services intended for the market.

Depending on whether they are controlled by the government, the nonfinancial corporations distinguish between two subsectors:

- public nonfinancial corporations (government-controlled) and
- other nonfinancial corporations (not controlled by the government).

Public nonfinancial corporations include all nonfinancial corporations controlled by government units. The control is defined as a possibility for the government to set up the general policy of the corporation, by holding more than 50% of the voting shares, specified by a regulation that confers the right to the government to decide on the corporation's policy or to appoint the management.

For monetary statistics reporting purposes, banks and savings houses are required to monitor changes in the ownership structure of their clients - public nonfinancial corporations, and once a corporation is privatized, it has to be redistributed to the subsector of other nonfinancial corporations.

5.1.3.3. Government

Government sector includes institutional units established to conduct the government policy using economic regulation instruments, transfer/reallocation of income from mandatory fees or which represent nonmarket producers with products intended for individual and joint consumption, primarily financed through mandatory payments made by other sectors.

Government sector consists of the following subsectors:

- Central government;
- Local government and
- Social security funds.

Central government encompasses government administration units and other central authorities with competencies that usually cover the entire economic territory, except for the social security fund management. Central government also includes nonprofit institutions controlled and mainly financed by the central government, enjoying competencies that cover the entire economic territory. This subsector consists of institutional units financed by the Budget of the Republic of Macedonia, such as the President of the Republic of Macedonia, the Government of the Republic of Macedonia, government ministries, the Constitutional Court of the Republic of Macedonia, public ombudsmen, government agencies financed by the Budget of the Republic of Macedonia etc.

Local government encompasses public services with competencies covering only local parts of the economic territory, i.e. within local government units, except for the local authorities of social security funds. This subsector also includes nonprofit institutions controlled and financed mainly by local administrations, enjoying competencies limited to the economic territory of local government units.

Social security funds include special institutional units able to operate at central or local level. They are special institutional units since they hold own funds, own assets and liabilities and execute financial transactions for their own account. This subsector consists of pension and disability insurance fund, health insurance fund, employment agency etc.

5.1.3.4. Households

Household sector includes persons and groups of persons in terms of consumers and self-employed individuals who produce goods intended for the market. Additionally, this sector includes persons and groups of persons who produce goods and provide nonfinancial services only for their own use. This sector includes individuals, self-employed individuals and individuals who, as specified by the Law on Trade Companies, are not considered vendors.

5.1.3.5. Nonprofit institutions serving households

The sector of nonprofit institutions serving households includes nonprofit institutions that constitute legal entities. Their main sources of funding are voluntary contributions in cash and in kind.

This sector encompasses institutional units that provide nonmarket goods and services to households: trade unions, professional and occupational associations, consumer associations, political parties, churches and religious associations (including those funded, but not controlled by the government) social, cultural, recreational and sports clubs, voluntary, humanitarian and assistance providing organizations (funded through voluntary transfers in cash or in kind by other institutional units).

5.1.4. Division of financial instruments in the monetary balance sheets

Given below is the structure of the monetary balance sheets, with explanation of the main items on the assets and liabilities side.

I. Assets

On the assets side, the main standard components of the monetary balance sheets are the following:

Monetary gold and special drawing rights

Monetary gold represents gold held by the central bank as part of official foreign reserves. The gold holdings that are not part of the official foreign reserves are classified as nonfinancial assets. The monetary gold is valued on the basis of the market price of gold.

Special drawing rights represent international reserve assets created by the IMF and allocated in the member states to supplement the existing official foreign reserves. They represent unconditional rights to obtain foreign or other reserve assets from the IMF members.

Monetary gold and special drawing rights, as financial instruments, are included only in the NBRM's Balance Sheet.

Currencies and deposits

Currencies encompass banknotes and coins with fixed nominal value, issued by the central bank as legal tender in the domestic economy. Gold or commemorative coins of numismatic value that are not in active circulation are classified as nonfinancial assets.

Currencies also include foreign currencies, i.e. banknotes and coins issued by non-residents, mostly central banks of foreign countries.

Deposits are classified into two main components:

1. The first group consists of transferable deposits which include deposits that are exchangeable on demand without restrictions or penalties and deposits that can be used on demand for payments by checks, bank orders, debt bills, current accounts etc.
2. The second group consists of other deposits which include:
 - Sight deposits - these deposits permit cash withdrawals, but not direct payments to third parties;
 - Term deposits - these deposits are not available on demand since they are conditioned upon certain fixed date of withdrawal, or upon a prior notice.

- Savings deposits, savings account books, savings bills and bills of deposits, all of which nonnegotiable or with very restricted negotiability.
- Other deposits.

Securities other than shares

Securities other than shares are financial assets that are negotiable and traded on the secondary markets. They do not entitle ownership to the holder of the institutional unit that has issued them, but give unconditional right to receive fixed or variable income in the form of coupon payments (interest) or a certain fixed amount that is paid on a specific date.

This instrument includes: CB bills, bonds, bills of deposits, commercial bills, encumbered bills and similar instruments. The securities can be short-term and long-term.

The short-term securities other than shares have original maturity of one year and are usually issued with a discount. They include the following instruments: CB bills and other short-term bills issued by the Government, short-term negotiable bills issued by financial and non-financial corporations, short-term securities issued within the possibilities of issuing promissory notes and bank guarantee acceptance.

The long-term securities other than shares have maturity over one year and are usually issued with coupons. They include the following instruments: bonds payable to the holder, subordinated bonds, bonds with alternative maturities, undated or fixed bonds (consoles), bills with variable rates and other long-term securities, Eurobonds and others.

Loans

Loans are financial instruments that:

- 1) are created when a creditor lends funds directly to a debtor;
- 2) are documented with nonnegotiable documents

This category includes all loans extended to various sectors by financial corporations. The category of loans includes: home purchase loans, consumer loans, loans for financing trade loans, revolving loans, loans serving as a guarantee for some liabilities, securities repurchase arrangements, financial lease and other types of loans. By maturity, the loans can be divided in short-term (with maturity up to one year) and long-term (with maturity over one year).

Shares and other equity

This category includes financial instruments that give the holder an ownership right of the company that issued these instruments. The holder of these securities has a right to the income share and to a part of the net assets in case of liquidation. This instrument includes the following two sub-categories:

- a) shares and other equity, except the investment funds units:
 - 1) shares listed on the stock exchange;
 - 2) shares that are not listed on the stock exchange;
 - 3) other equity
- b) investment funds units

The shares which are listed on the stock exchange, and the shares that are not listed on the stock exchange include the capital shares, redeemed shares, dividend shares and preferential shares. These categories do not include shares that are offered for sale, but not sold at issuance, award shares representing remittances of new shares to shareholders and other.

The sub-position "other equity" includes all forms that are different from those classified in the categories of

shares listed on the stock exchange, and the shares that are not listed on the stock exchange. The other equity includes all forms of capital other than shares, such as the stakes in limited liability companies.

The instrument "investment funds units" includes the units issued by investment funds, which can be open, closed or private.

Insurance technical reserves

The insurance technical reserves include prepayment for insurance premiums that relate to life and non-life insurance. They also include reinsurance, deposits insurance and pension insurance.

This category on the assets side covers the prepayment that insurance companies make to another insurance company, for example: the prepayment for fire insurance of a life insurance company in non-life insurance company.

The reinsurance, however, is insurance between reinsurance and insurance company with the reinsurance company committing to indemnify the insurance company for the losses arising from one or more of its contracts. In exchange, the insurance company pays a premium in order to transfer the risk completely or partially, while retaining obligations to policyholders.

Financial derivatives

Financial derivatives are agreements related to a specific financial instrument, indicator or goods, that serves for independent trade, with a certain financial risk on the financial markets (interest rate risk and exchange rate risk, price, capital and credit risks etc.), such as options and forward contracts, guarantees, futures, swap agreements etc., if they are valued on the basis of the market price, arising from the fact that they are subject to trading or their value is marked to market.

Other accounts receivable

The "other accounts receivable" category encompasses all financial claims created as a counter item of the financial and non-financial assets. This category includes the financial claims arising from the early or late payments for goods and services transactions, distribution or secondary trading with financial instruments.

The "other accounts receivable" category includes:

1) *Trade credits and advances* (advances for work in progress, or to be undertaken and advanced payment for goods and services). When trade credits are extended by financial corporations, they usually refer to financial services from other financial corporations and nonfinancial corporations. Unlike other loans, the trade credits are non-interest bearing instruments. If the data are available, it is preferable that the trade loans and advances extended to the Government include also VAT paid in advance.

2) *Other*, which incorporates all other items that are not included in other categories of financial instruments. This category includes: dividends, settlement accounts, data in the process of collection and other assets.

Dividends receivable arise from the recoding of dividend at the moment the decision on payment of dividend is made, rather than at the moment when the dividend is paid.

Settlement accounts encompass the accounts arising from difference in the time of recording (sales of financial assets on the dates when change of ownership occurs, and future collections for the financial assets sold). For example, financial corporation sales a security, but the collection is made two days afterwards. On the sales date decrease in the securities is recorded, with simultaneous increase on the settlement account.

Data in the process of collection include assets that are transferred directly on the depositor's account, but they are unavailable for use until the clearing process is completed. For example, the checks are sent directly to the depositor, but they are not available for use until the completion of the clearing process.

"Miscellaneous asset items" category includes all assets not classified elsewhere in the previous financial instruments. This category includes: suspense accounts, prepaid tax, prepaid rent, wages and fees or other operating expenses.

Nonfinancial assets

The nonfinancial assets encompass:

- 1) Fixed assets (both tangible and intangible) and
- 2) Other nonfinancial assets for which no adequate liabilities are recorded.

The fixed assets encompass the properties, equipment, inventories and other, as well as intangible assets and rights, i.e. those assets relate to the activity of the deposit institution. The fixed assets are presented at book value excluding the accumulated depreciation included in "other accounts payable" category.

The other intangible assets include gold which is not part of the official reserves, commemorative coins, works of art and other assets that are not financial instruments being acquired by the institution as a guarantee for certain claims. The land should be classified in this category.

II. Liabilities

Currency in circulation

The currency in circulation refers to the banknotes and coins with fixed nominal value issued by the NBRM as a legal tender in the domestic economy. When calculating the amount of the currency in circulation, the cash with the central bank is derived from the total value of issued money. This category is characteristic only for the NBRM's Balance sheet.

Deposits included in the broad money

The deposits included in the broad money encompass the transferable deposits and other deposits of the national depository corporations included in the national definition of broad money. Generally, this category incorporates the deposits of all institutional sectors defined above, except deposits of the government, depository corporations and nonresidents. Out of the government deposits, in this category, only the local government deposits are included.

Deposits excluded from the broad money

Deposits excluded from the broad money encompass the transferable and other deposits which are not included in the national definition of broad money.

Securities other than shares, included in broad money

This category includes all the negotiable financial instruments issued by the depository corporations, included in the national definition of broad money in accordance with the Manual for the IMF Monetary Financial Statistics. It encompasses liabilities based on issued securities, with the nonfinancial corporations, households, nonprofit institutions serving households, other financial corporations and local government as holders, except the liabilities to the Government (without local government), depository corporations and nonresidents.

Securities other than shares, excluded from broad money

Securities other than shares, excluded from the broad money represent negotiable financial instruments issued by the depository corporations that are excluded from the national definition of broad money.

Loans

Loans are financial instruments for borrowing funds from other institutional units - creditors, documented with nonnegotiable documents. This category encompasses all types of lending (except the trade credits and advances) to depository corporations.

Insurance technical reserves

The insurance technical reserves include: net equity of households in life insurance reserves, net equity of households in pension funds and prepayment of premiums and reserves against outstanding claims.

The net equity of households in life insurance reserves includes the reserves for life insurance pertaining to the household claims in life insurance contracts or investment schemes. This category is used to record the present value of estimated liabilities of insurance companies (actuarial value) for future claims by life insurance policyholders. *The net capital of the households in pension funds* consists of insurance reserves for the household claims arising from the pension plans. This category is used to record the present value of estimated liabilities of pension funds to pay current and future contributions to the retirees and other beneficiaries. Prepayment of premiums and reserves against outstanding claims consist of:

- The amount that is part of the gross written premium to be distributed in the following accounting period (prepayment to insurance premiums);
- The total estimated ultimate cost of settling all claims arising from events that occurred at the end of the accounting period, whether reported or not, reduced by the amounts already paid in connection with these claims (assets for non-collected claims).

Prepayment to insurance premiums that relate to non-life insurance stem from the fact that insurance premiums should mainly be paid at the beginning of the period covered by the insurance, but this period does not usually coincide with the accounting period. Therefore, at the end of the accounting period, when compiling the balance sheet, parts of the insurance premiums that are paid during the accounting period, are intended to cover the risk in the following period.

Prepayments to insurance premiums are financial assets for the policyholders.

Reserves are funds of insurance companies held to cover the amounts they expect to be paid as a result of claims that have not been settled, yet.

Financial derivatives

Financial derivatives are agreements related to a specific financial instrument, indicator or goods, that serves for independent trade, with a certain financial risk on the financial markets (interest rate risk and exchange rate risk, price, capital and credit risks etc.), such as options and forward contracts, guarantees, futures, swap agreements etc., only if they are valued on the basis of the market price, arising from the fact that they are subject to trading or their value is marked to market.

Other accounts payable

Other accounts payable consist of:

- 1) *Trade credits* (trade credits provided through purchase of goods and services) and advances (advances received for current operation or future operations); and
- 2) *Other* (provisions for losses - loss provisions on impaired financial assets, dividends, settlement accounts and other liabilities).

In accordance with the rules for compiling of the monetary balance sheets of the financial corporations, *provisions for losses and accumulated depreciation* are classified in the category Other accounts payable - other, even though this treatment contrasts with the national and international accounting standards, in which these categories do not appear as liabilities on the balance sheet, but rather are deducted from the outstanding amounts of the certain assets.

Dividends payable arise from the recoding of dividend at the moment the decision on payment of dividend is made, rather than at the moment when the dividend is paid.

Settlement accounts show the financial corporations' liabilities for payment on future settlement date for assets that were currently purchased.

"Miscellaneous liabilities items" include all liabilities that are not classified elsewhere in the previous financial instruments. Mainly, this category covers: the suspense accounts, provisions (unrelated to provisions for losses on impaired financial assets), deferred payment of tax liabilities, accrued wages, rent, accrued taxes and other operating costs.

Shares and other equity (including investment funds units)

This category is divided into the following components:

Shares and other equity include the primary issue, as well as the other issues of shares and other forms of equity (including investment funds units).

Retained earnings encompass the net profit (after taxation), which is not distributed to the owners as dividends, or distributed as reserves.

Current year result includes accumulated revenues reduced by the expenses for the current year (in case the profit or loss is not included in the category Retained) earnings.

The general and special reserve refers to allocated earnings in reserves.

Valuation adjustments are net value of all changes in the values of assets and liabilities, the financial corporations, except the valuation changes with profit and loss accounts. The valuation adjustment accounts are valued at market value.

5.1.5. Structure of the monetary surveys

Monetary surveys represent aggregated reports, where the assets and liabilities of financial corporations are primarily classified by the sector the counterparty belongs to, within which additional classification of the positions (stocks) by individual financial instruments is made. Exception from this principle is aggregation on liabilities side, such as the monetary base category with the NBRM survey and *deposits* category with the survey of other depository corporations, which primarily show the instrument, and then the sectors of the institutional units. Some of the monetary surveys additionally show certain significant monetary categories, such as the net foreign assets, money, domestic credits, monetary base, etc.

For the needs of the monetary statistics the following standard forms of monetary surveys are compiled:

- NBRM Survey;
- Other Depository Corporations Survey;
- Depository Corporations Survey;
- Other Financial Corporations Survey;
- Financial Corporations Survey; and
- Broad money and components.

5.1.5.1. NBRM Survey

In the NBRM Survey, the NBRM assets and liabilities are presented primarily classified by sectors (nonresidents, Government, other depository corporations, other financial corporations and private sector). Further on, within each sector, assets and liabilities are classified by standard definition of financial instruments.

I. Assets

In the NBRM Survey, the assets side encompasses the NBRM claims on nonresidents (foreign assets), Government, private sector, other depository corporations and other financial corporations.

The NBRM claims on nonresidents form the item foreign assets, which from the aspect of their liquidity are divided into two groups: official reserves assets and other foreign assets.

The NBRM claims on central government refer mostly to the NBRM claims on the Government mainly based on securities, issued by the central government and other claims.

NBRM claims on the private sector encompass the NBRM claims on the nongovernment sector. This category includes claims on specific banks which are in the process of liquidation (they are reallocated from the depository corporations sector to other nonfinancial corporations).

NBRM claims on other depository corporations consist of NBRM claims on banks based on: Lombard loans, liquidity loans, auctions of loans, repurchase agreements, etc.

Unclassified assets encompass fixed and other nonfinancial assets of NBRM, as well as other NBRM claims that emanate from other business relations of NBRM and the resident sector.

II. Liabilities

On the NBRM liabilities side the major items are: reserve money, NBRM liabilities to nonresidents (foreign liabilities), liabilities to other depository corporations, liabilities to central government, capital accounts, other unclassified liabilities and other items, net.

Reserve money includes: currency in circulation, banks and savings houses' accounts with NBRM, banks' cash in vaults, banks' and savings houses' reserve requirement in Denars, allocated banks' reserve requirements in foreign currency, as well as the accounts of the local government and other financial corporations with NBRM.

Other NBRM liabilities to other depository corporations encompass mostly NBRM liabilities based on the issued CB bills.

Foreign liabilities include NBRM liabilities to nonresidents (mainly based on utilization of IMF loans).

NBRM liabilities to central government refer mainly to central government deposits with NBRM (in Denars and in foreign currency). The liabilities to central government include also the other liabilities to the central government.

Capital accounts encompass the following categories in accordance with the IMF methodology: NBRM own funds, retained earnings, current year financial result, general and specific impairment and special reserves, valuation adjustments.

The category unclassified liabilities encompass the other NBRM liabilities emanating from different business processes with the resident sector, and not being classified in the previous items.

5.1.5.2. Other Depository Corporation Survey

This survey encompasses the assets and liabilities of banks and savings houses, primarily classified by institutional sector. Further on, within each sector assets and liabilities are classified by standard definition of financial instruments.

Assets

The assets side encompasses the following main categories: foreign assets, banks and savings houses' reserves, claims on NBRM, claims on Government, claims on public nonfinancial corporations, claims on other financial corporations, claims on the private sector, and unclassified assets.

Foreign assets refer to other depository corporations' claims on nonresidents. Considering that savings houses are not engaged in foreign exchange relations, this category entirely emanates from the banks' balance sheet.

Reserves refer to banks and savings houses' accounts with NBRM (which include also the amount of reserve requirement in Denars and foreign currency) and the cash in vault.

Claims on NBRM refer mainly to the claims based on placements in CB bills.

Claims on Government encompass claims based on loans, securities and overdue claims.

Claims on public nonfinancial corporations and claims on other financial corporations refer to claims based on granted loans, placements in securities, other placements and overdue claims based on Denar and foreign currency loans.

Claims on private sector consist of the total placements of the banks in the private sector based on granted loans, placements in securities, other placements and overdue claims based on placements. The claims on the private sector encompass: claims on nonfinancial corporations, claims on households and claims on nonprofit institutions serving households.

Claims that comprise the category of other placements refer to given advances, claims based on granted bills of guarantees and other guarantees.

Category unclassified assets mainly encompasses inter-bank assets (lending to other banks, deposits with other banks, claims on bank branches, claims based on securities), fixed assets, other nonfinancial assets and other claims of banks and savings houses which emanate from other business relations with the resident sector, and not being classified in the mentioned items.

II. Liabilities

On the liabilities side in the Other Depository Corporations (banks and savings houses) Survey, the main items are: foreign liabilities, deposits classified by type and liquidity (included in the definition of broad money), central government deposits, loans from NBRM, liabilities to other financial corporations, capital accounts and other unclassified liabilities.

Foreign liabilities refer to other depository corporations' liabilities to nonresidents. Considering that savings houses are not engaged in foreign exchange relations, this category entirely emanates from the banks and savings houses' balance sheet. This category includes liabilities based on nonresidents' deposits, loans from abroad, etc.

Deposits are divided into: demand deposits, time deposits, savings deposits, foreign currency deposits and restricted deposits, while the data within the individual deposits are shown by the depositor's sector.

The government deposits are represented separately, taking into consideration that these deposits are excluded from the standard definition of broad money.

Credits from NBRM mainly refer to loans which banks receive from NBRM.

Liabilities to other financial corporations refer to loans and shares which banks receive from other financial corporations.

Capital accounts include the funds contributed by owners, retained earnings, current year result, general and special reserves, as well as the valuation adjustments.

Category *unclassified liabilities*, encompasses: inter-bank liabilities (borrowings from other banks, deposits placed from other banks, liabilities to bank branches, liabilities based on issued securities) and other liabilities (bank activities on the behalf of and for the account of others and settlement accounts, etc.), not being classified in the previous items.

5.1.5.3. Depository Corporations Survey

This Survey encompasses assets and liabilities of all institutions included in the depository corporations sector: NBRM, banks and savings houses. Depository corporations survey is compiled by aggregation of the NBRM survey and the survey of the other depository corporations (banks and savings houses). This survey represents a consolidated balance sheet of the monetary system which is appropriate for the analysis of the banking sector flows. Main components of this survey are: net foreign assets, domestic credits, money, deposits breakdown by type, capital accounts and other accounts, net.

Net foreign assets represent the difference between the foreign assets of NBRM and other depository corporations (banks and savings houses) and foreign liabilities of NBRM and other depository corporations (banks and savings houses). This indicates that all foreign assets and liabilities of NBRM and other depository corporations are aggregated and presented on net basis.

Domestic credits consist of depository corporations (NBRM, banks and savings houses) claims on central government (represented on net basis), while the claims on local government, public nonfinancial corporations, private sector and other financial corporations are presented on gross basis.

Money encompasses currency in circulation (currency outside banks and savings houses), demand deposits of other financial corporations and local government from the NBRM survey, as well as demand deposits from the Banks and Savings Houses Survey.

Other deposits include time, savings and foreign currency deposits with NBRM, banks and savings houses. Restricted deposits and liabilities to other financial corporations are presented separately.

Capital accounts in the depository corporations survey incorporate capital accounts from the NBRM Survey and Other Depository Corporations (banks and savings houses) Survey.

Category *Other items*, net, presents all categories not encompassed with NBRM Survey and Banks and Savings Houses Survey, as well as all unclassified assets and liabilities from these surveys.

5.1.5.4. Other Financial Corporations Survey

This Survey encompasses the assets and liabilities of the other financial corporations (investment funds, pension funds, insurance companies, companies providing financial leasing, financial companies, investment funds management companies and pension funds management companies), preliminary classified by institutional sectors. Within each sector the assets and the liabilities are classified according to the standard definition of financial instruments.

II. Assets

The assets side encompasses the following main categories: foreign assets, reserves of other financial corporations, claims on Government, claims on private sector, claims on other financial corporations, and unclassified assets.

Foreign assets refer to other financial corporations claims on nonresidents.

Reserves refer to the cash in domestic currency in the vault of the other financial corporations.

Claims on Government refer to the claims based on placements in securities and settlement accounts.

Claims on private sector consist of the total placements of the other financial corporations in the private sector based on granted loans, placements in shares, other placements and overdue claims based on placements. The claims on the private sector encompass: claims on other nonfinancial corporations, claims on households and claims on nonprofit institutions serving households.

The claims on other depository corporations refer to the claims of other financial corporations arising from deposits, shares and on other bases.

Category unclassified assets mainly encompasses: inter- sector assets (placements in shares of other financial corporations and settlement accounts), fixed assets, other nonfinancial assets and other claims of the other financial corporations, which emanate from other business relations with the resident sector, and not being classified in the mentioned items.

II. Liabilities

Main items on the liabilities side in the Other Financial Corporations Survey are: foreign liabilities, central government deposits, loans from other depository corporations, capital accounts, insurance technical reserves and other unclassified liabilities.

Foreign liabilities refer to other financial corporations' liabilities to nonresidents. This category includes liabilities based on loans from abroad, etc.

Deposits of the Central Government refer to the prepayment of insurance premiums.

Loans from the other depository corporations mainly refer to the loans that the bank extends to the other financial corporations.

Capital accounts include the funds contributed by owners, (retained earnings, current year result, general and specific impairment and the special reserves, as well as the valuation adjustments.

Insurance technical reserves consist of: households' net equity from the life insurance reserves, households' net equity in the pension funds and prepayment of premiums and reserves against outstanding claims with the non-life insurance.

Category unclassified liabilities, encompasses: inter- sector liabilities (loans from other financial corporations and prepayment premiums and reserves) and banks and other liabilities (loans, trade loans and advances, liabilities in settlement, etc.) not being classified in the previous items.

5.1.5.5. Financial Corporations Survey

This Survey encompasses the assets and liabilities of all institutions included in the financial corporations sector: depository corporations and other financial corporations. The Financial Corporations Survey is obtained by aggregation of the Depository Corporations Survey and Other Financial Corporations Survey. It is a consolidated survey of the financial system, in order to obtain clear and conceivable picture for the financial intermediation in a national economy. Key components of this survey are: net foreign assets, domestic credits, liquid liabilities, other monetary liabilities, restricted deposits, capital accounts, insurance technical reserves and other items, net.

Net foreign assets represent the difference between foreign assets and foreign currency liabilities of NBRM, other depository corporations and other financial corporations. This means that all foreign assets and liabilities of NBRM, the other depository corporations and of other financial corporations are aggregated and presented on a net basis.

Domestic credits include: claims of depository corporations (depository corporations and other financial corporations) on the Central Government (presented on a net basis), and claims on the local government, public non-financial corporations, private sector (presented on a gross basis).

Liquid liabilities include monetary liabilities, other monetary liabilities and reserves. The monetary liabilities refer to funds that encompass the currency in circulation (cash outside banks and savings houses), demand deposits of other financial corporations and the local government from the NBRM Survey, as well as demand deposits from the banks and savings houses survey. The funds amount is reduced by the Denar transferable deposits of other financial corporations with other depository corporations, for inter-sector netting purposes.

Other monetary liabilities refer to other deposits that include the term, the savings and the foreign currency deposits with the NBRM, banks and the savings houses. The amount of other monetary liabilities is reduced by transferable deposits of other financial corporations in foreign currency, as well as other deposits of other financial corporations in Denars and foreign currency with the other depository corporations in order to make inter-sector netting.

The restricted deposits of the financial corporations are presented separately.

Capital accounts in the Financial Corporations Survey unify the capital accounts from the Depository Corporations Survey and the Other Financial Corporations Survey.

The Financial Corporations Survey also presents the insurance technical reserves of the other financial corporations.

Other items, net category presents all categories that are not included in the above categories of the Depository Corporations Survey and the Other Financial Corporations Survey, as well as all unclassified assets and liabilities thereof.

5.1.5.6. Broad money and components

Broad money, as sum of different financial instruments classified according to their liquidity degree is defined in line with the internationally accepted definitions and criteria (pursuant to the Methodology for monetary and financial statistics of IMF). Monetary aggregates include deposits of the following sectors: other financial corporations, local government, nonfinancial corporations (public and other), households (individuals and self-employed individuals) and nonprofit institutions serving households.

Broad money M1 includes currency in circulation and demand deposits. Demand deposits refer to current accounts with banks and savings houses and current accounts of the other financial corporations with the NBRM.

The currency in circulation is the difference between the total amount of banknotes and coins and the amount of cash in the bank's vault, the NBRM vaults and the dispersed vaults.

Broad money M2 (liquid assets) includes the monetary aggregate M1 and the short-term deposits. The short-term deposits are defined as deposits that include: sight deposits, time deposits with maturity up to one year in Denars and in foreign currency.

Broad money M4 (total deposit potential of the monetary system) includes the monetary aggregate M2 and the long-term deposits i.e. deposits with maturity over one year, in Denars and in foreign currency.

5.1.6. Other monetary reports

Besides the monetary surveys, for the purpose of improving the base of available information for the needs of the data users, also other reports are compiled and disseminated, such as: nongovernment sector deposits with other depository corporations (banks and savings houses), nongovernment sector loans granted by other depository corporations (banks and savings houses) and banks' loans granted to households.

5.1.6.1. Nongovernment sector deposits with banks and savings houses

They refer to demand deposits (current accounts), sight deposits, time deposits (maturity up to three months, over three months, up to one year, over one year) received by other financial corporations, nonfinancial corporations (public and other), other residents referring to households (individuals and self-employed individuals), and nonprofit institutions serving households and local government.

The deposits are carried according to their currency structure in Denar (in both Denars without and with currency clause) and in foreign currency.

According to the maturity, Denar deposits are divided into demand deposits, short-term and long-term deposits. The deposits in foreign currency are divided in short-term and long-term deposits.

5.1.6.2. Nongovernment sector loans granted by banks and savings houses

The loans are carried by the sectors of the credit users, such as: other financial corporations, nonfinancial corporations (public and other), other residents referring to households (individuals and self-employed individuals) and nonprofit institutions serving households and local government.

The loans granted in Denars (with and without currency clause) and in foreign currency are presented.

The claims based on loans of the nongovernment sector from banks and savings houses refer to the claims based on loans, accrued interest based on loans, as well as overdue, doubtful and contested claims based on loans.

The loans are divided from the aspect of maturity into short-term and long-term loans.

5.1.6.3. Bank loans and bank and savings houses loans granted to households refer to the claims based on loans, accrued interest based on loans and overdue, doubtful and contested claims based on lending to households (individuals and self-employed individuals). All categories are divided by currency (in Denars and in foreign currency).

The loans extended to individuals are also divided by purpose of the loans into the following groups: consumer loans, lending for home purchase, auto loans, revolving loans (credit cards and overdrafts) and other loans.