



National Bank of the Republic of Macedonia Statistics Department

Skopje, 28 February 2018

Press Release

Significant developments in the balance of payments¹ in the fourth quarter of 2017

In the fourth quarter of 2017, current transactions with non-residents registered deficit of Euro 69.6 million. In the last quarter of the year, financial transactions with non-residents are marked by the net inflows from direct investments (Euro 178.1 million), which were sufficient for funding the current account deficit and net outflows based on other financial account components, and contributed to a new accumulation of funds in foreign reserves (an increase of Euro 82.4 million).

Main components of the balance of payments of the Republic of Macedonia

(in millions of euros)

	current year					previous year		quarterly change		annual change		cumulative change	
	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1-Q4.2017	Q4 2016	Q1-Q4.2016	millions of euros	%	millions of euros	%	millions of euros	%
Current account	-145,2	-99,4	180,5	-69,6	-133,7	-115,5	-265,0	-250,0	...*	46,0	-39,8	131,3	-49,6
Goods	-464,0	-418,4	-412,2	-505,4	-1.800,0	-482,0	-1.808,9	-93,3	22,6	-23,4	4,9	8,9	-0,5
Services	99,9	44,5	191,9	63,4	399,7	37,5	347,2	-128,5	-67,0	25,9	68,8	52,5	15,1
Primary income	-104,7	-107,7	-108,6	-103,0	-424,0	-97,0	-383,9	5,6	-5,1	-6,0	6,2	-40,1	10,4
Secondary income	323,6	382,2	509,3	475,5	1.690,6	425,9	1.580,5	-33,9	-6,6	49,6	11,6	110,0	7,0
Capital account	1,4	2,6	0,4	2,9	7,3	0,2	10,7	2,5		2,7		-3,4	
Financial account	-137,0	-112,2	175,2	-74,5	-148,6	-102,1	-266,1	-249,8		27,6		117,5	
Direct investment	-111,4	10,0	50,5	-178,1	-229,1	-126,1	-316,9	-228,5		-52,0		87,8	
Portfolio investment	-20,3	5,9	39,6	-8,0	17,3	2,5	-429,2	-47,6		-10,5		446,4	
Currency and deposits	34,5	19,8	158,2	36,5	248,9	126,6	279,0	-121,7		-90,1		-30,1	
Loans	28,6	-24,4	43,4	-14,7	33,0	19,7	-106,1	-58,2		-34,4		139,1	
Trade credit and advances	-1,9	-61,9	-15,9	7,4	-72,2	-23,5	-30,3	23,3		30,9		-41,9	
Reserve assets	-66,5	-61,3	-100,6	82,4	-146,0	-101,3	338,2	183,0		183,7		-484,1	

* the percentage change is above 100.

Note: In the financial account, the sign (-) denotes net external inflows. In foreign reserves, the sign (+) denotes increase, whereas the sign (-) denotes decrease in foreign assets. Foreign reserves data exclude price changes and exchange rate differentials.

Source: NBRM.

Current account

Observing the developments in the individual current account components, in the fourth quarter of 2017, the trade deficit in goods (Euro 505.4 million) and the primary income (Euro 103 million) exceed the surplus in the secondary income and the trade in services (Euro 475.5 million and Euro 63.4 million, respectively).

Despite the current account surplus in the third quarter of this year (Euro 180.5 million), usual for this quarter, the fourth quarter registered a deficit of Euro 69.6 million, indicating an increase in the net outflows in the current account of Euro 250 million. Such changes mainly reflect the

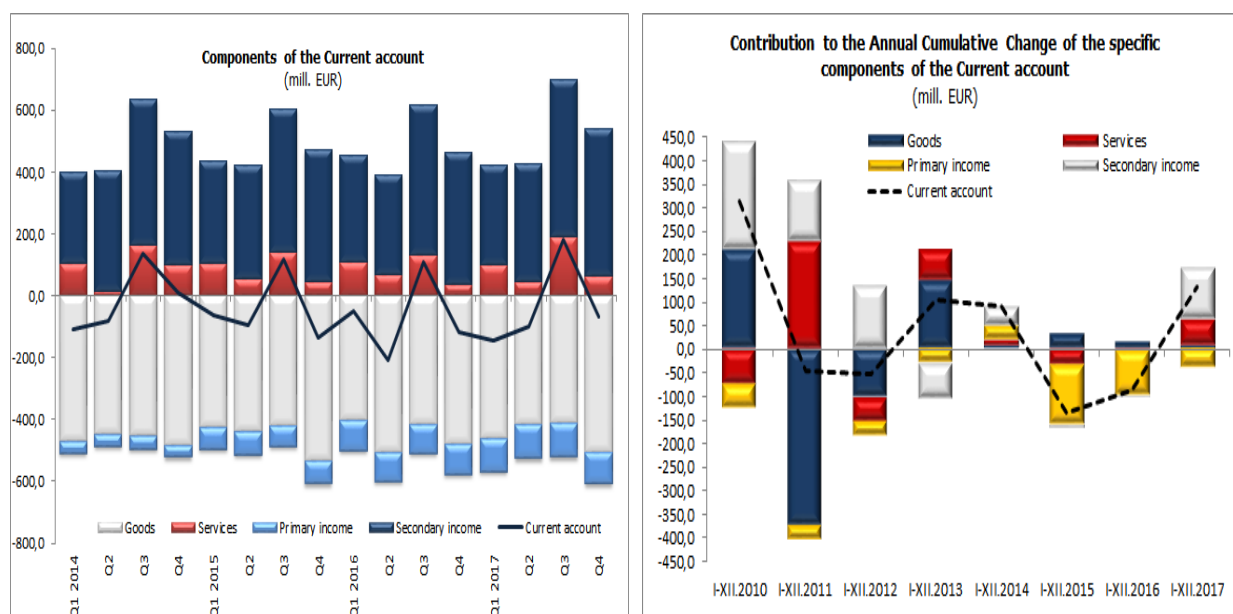
¹ The balance of payments is a statistical report that systematically summarizes all international economic transactions of the Republic of Macedonia within a certain time frame, i.e. it summarizes current, capital and financial transactions between residents and non-residents.



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lower net inflows from the trade in services and in the secondary income (by Euro 128.5 million and Euro 33.9 million, respectively), as well as the higher net outflows in the trade in goods (by Euro 93.3 million).

During 2017, the current account registered an almost twice lower deficit compared to 2016 (lower by Euro 131.3 million or 49.6%). The reduction of the deficit is primarily due to the performances in the secondary income (inflows increased by Euro 110 million, primarily due to the lower base effect especially pronounced in the second quarter of 2016), but also in trade (better net effect of the trade in goods and services, by Euro 52.5 million and Euro 8.9 million, respectively), despite the changes in the primary income, where a higher deficit compared to the previous year was registered (by Euro 40.1 million).



Source: NBRM.

Financial account

In the fourth quarter of 2017, there were net inflows of Euro 74.5 million from financial transactions with non-residents. Most of the amount of net inflows derives from direct investments (Euro 178.1 million), and to a lesser extent also in the form of loans (Euro 14.7 million) and portfolio investments (Euro 8 million), while net outflows are registered in currency and deposits (Euro 36.5 million) and trade credits (Euro 7.4 million). Foreign reserves increased by Euro 82.4 million.

On a net basis, in the fourth quarter of 2017, direct investments registered more intense net inflows, distributed among all direct investment components, in the total amount of Euro 178.1 million, based on equity capital (Euro 45.1 million), reinvestment of earnings (Euro 79.2 million) and intercompany debt (Euro 53.7 million). For the whole of 2017, net inflows in the amount of Euro 229.1 million are registered from direct investments, which is by Euro 87.8 million (27.7%)



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less compared to 2016. Lower net inflows mainly reflect intercompany debt (by Euro 70.5 million) and equity capital (by Euro 29.3 million), only partially offset by the higher net inflows from reinvestment of earnings (by Euro 12 million).

In the fourth quarter of 2017, liabilities on direct investments² increased by Euro 116.2 million, amid net inflows of equity (Euro 49 million) and reinvestment of earnings (Euro 80.1 million), which are partially netted by the net outflows in intercompany debt (Euro 13 million). Cumulatively in 2017, liabilities to direct investors increased by Euro 395.1 million, which is by Euro 100.2 million (or 20.2%) less compared to 2016.

In the fourth quarter, direct investment assets decreased by Euro 61.9 million, mainly as a result of the reduced claims on debt instruments. Cumulatively, in 2017, assets increased by Euro 166.1 million, which is by Euro 12.4 million (or 7%) less compared to 2016.

In the last quarter of 2017, net inflows based on loans of Euro 14.7 million mostly derive from the net inflows in other sectors³ (Euro 43.9 million), offset by the net outflows in the depository corporations sector in the amount of Euro 32.8 million. Cumulatively, in 2017, there were net outflows based on loans of Euro 33 million, which mostly derived from the net outflows of the government and depository corporations sectors (Euro 50.1 million and Euro 49.5 million, respectively), partially netted by the inflows in other sectors (Euro 69.2 million).

The largest amount of net outflows in the financial account, on both quarterly and annual basis, was recorded in the category currency and deposits (Euro 36.5 million and Euro 279 million, respectively). Such changes are mostly due to the changes in currency and deposits of other sectors (including the households sector).

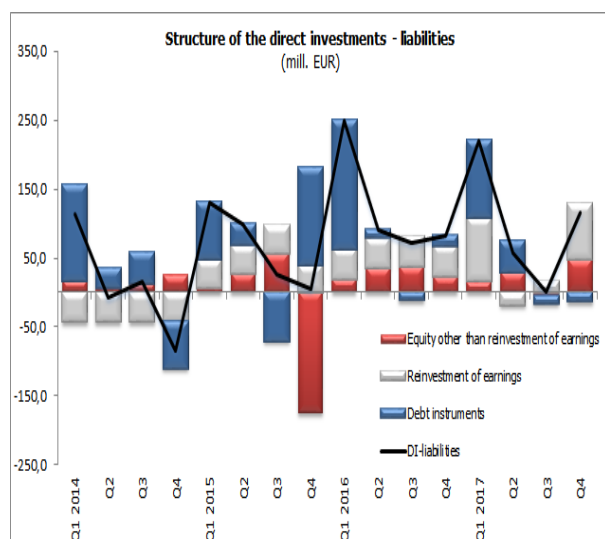
During 2017, net inflows from direct investments and trade credits (Euro 229.1 million and Euro 72,2 million, respectively), together with the reduced foreign reserves (Euro 146 million), secured the funding of the current account deficit (Euro 133.7 million), as well as of the net outflows of other financial account instruments.

² It shows direct investment depending on whether financial transactions create a liability to or claim (assets) on abroad.

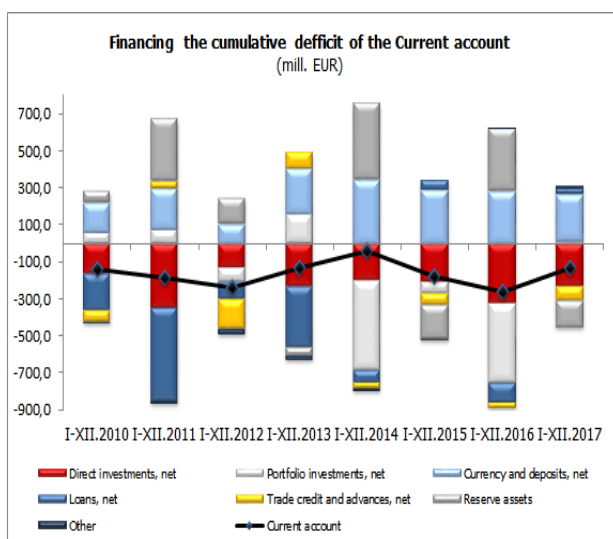
³ Other sectors include: other financial institutions, non-financial corporations, households, and NPISHs.



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Source: NBRM.



Data revisions

Balance of payments data in this press release contain regular data revision for the period January – September 2017, aimed to improve their quality. In the current account, the increased deficit in the primary income (by Euro 6.9 million), amid a reduction of the trade deficit (of Euro 3.9 million), increased the current account deficit by Euro 3.5 million.

In the financial account, net inflows increased by Euro 2.3 million, mainly due to the upward correction of net liabilities on trade credits.

Supporting information

Time series of data: annual, quarterly and monthly data on the balance of payments:
http://www.nbrm.mk/platen_bilans-en.nspix

Methodological explanations: http://www.nbrm.mk/platen_bilans-en.nspix

Next publications: Advance Release Calendar
http://www.nbrm.mk/kalendar_na_objavuvanje_na_podatoci-en.nspix

Quarterly balance of payments: 31 May 2018 (reference period as of March 2018).

We kindly ask journalists to contact the Governor's Office for any queries.

For more information regarding the disseminated statistical data, please contact us at: contact.statistika@nbrm.mk or phone: 02 3215 181 extension 103 (or 110/108).