

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



**International Investment Position  
of the Republic of Macedonia for 2016**

September 2017

## **Information on the International Investment Position of the Republic of Macedonia for 2016**

### **General remarks**

The international investment position (IIP) is a statistical report which presents the balances of the external financial assets and financial liabilities of the Republic of Macedonia on a specific date, i.e. receivables from and liabilities to nonresidents based on financial instruments.

The **net international investment position** of the country relative to the rest of the world is displayed as the final result of the report. The positive net international investment position shows that the country has more claims on net basis relative to liabilities to the rest of the world, whereas the negative net international investment position means that the financial liabilities overcome the financial claims of non-residents.

The analysis of the IIP structure through time allows monitoring the change of the net position of individual institutional sectors, as well as the change in the needs for financing entities of individual institutional sectors and preference of certain types of financial instruments, and in terms of macroeconomic developments in the country and in the surrounding. Hence, especially in the post crisis period, the IIP is treated as a type of indicator for the financial situation of the country and its integration in the global financial trends, therefore it represents one of the key macroeconomic indicators which are being monitored on regular basis.

IIP preparation requires various sources of data and the applied methodology is consistent with the international standards and recommendations. This methodology is publicly available on the website of the National Bank of the Republic of Macedonia.

## Analysis of changes in the international investment position in 2016

At the end of 2016, the Republic of Macedonia had a negative net international investment position of Euro 5,576 million which represents 56.5% of GDP. As of 31 December 2016, the Republic of Macedonia holds non-resident financial assets in the amount of Euro 5,171.3 million and financial liabilities to non-residents in the amount of Euro 10,747.3 million.

Compared to the end of 2015, the negative international investment position increased by Euro 493.3 million, as a result to the more pronounced increase in financial liabilities (of Euro 1,092.7 million) compared to the increase in financial assets (of Euro 599.4 million).

On the **assets** side, during 2016, increase is recorded in almost all financial instruments with the highest contribution of foreign reserves and direct investments.

In terms of the structure by individual financial instruments, the **official foreign reserves** continue to have a dominant share in the amount of Euro 2,613.4 million or 50.5% of total assets, whereby during 2016, foreign reserves have the most significant contribution in the annual growth (Euro 351.7 million). **Direct investment assets** have a share of 15.7% in total assets, and by the end of 2016 reached a balance of Euro 811.9 million (with the highest share of debt instruments of 87%), given the annual increase of Euro 157 million. Claims on commercial operation i.e. **trade credits and advances**, in 2016 registered an increase of Euro 52.2 million and amounted to Euro 809.6 million (or 15.7% of total assets). **Currency and deposits** in the amount of Euro 627.3 million (or share of 12.1%), registered an annual increase of Euro 11.9 million. At the end of 2016, investments in the form of **portfolio investments** amounted to Euro 255.2 million (4.9% of total assets), and the annual increase of Euro 42.7 million mainly arises from the investment activities of the domestic financial institutions in the foreign markets, almost entirely in equity instruments. **Loans** amounted to Euro 52.1 million (1% of total assets), amid annual decrease of Euro 14.9 million, primarily due to the higher payments of the "government" sector and "deposit-taking institutions, except the central bank".

**Liabilities** increased in all financial instruments during 2016, where portfolio and direct investments have the highest contribution to the increase.

Analyzing the IIP composition by instrument, **direct investments** still have a predominant share in the amount of Euro 5,392.2 million (50.2% of total liabilities), which in 2016 increased by Euro 440.9 million. Such increase in liabilities is based on direct investments in 2016 is explained with the increase in debt instruments and equity (including the reinvestment of earnings), of Euro 267.5 million and Euro 173.4 million, respectively. **Loans** prevail as the second most significant instrument on the liabilities side in the amount of Euro 3,014.7 million (share of 28.1% in total liabilities), amid annual increase of Euro 53 million. The stock of liabilities by **portfolio investments** reached Euro 1,362.2 million (or share of 12.7%), amid annual growth of Euro 513.4 million. The rest of the liabilities in this instrument arise entirely due to the changes in debt security i.e. Eurobonds issued by the government (of Euro 522 million), whereas liabilities on equity securities register a decline (of Euro 9 million). Liabilities based on **trade credits and advances** to non-residents amounted to Euro 714.6 million (6.6% of total liabilities), which in 2016 increased by Euro 57.9 million. **Currency and deposits, other equity and special drawing rights** are less important financial instruments on the liabilities side, aggregately making up 2.5% in total external liabilities i.e. Euro 263 million.

The analysis in terms of **institutional sectors** shows that in all sectors, except the central bank, changes realized during 2016 act towards increasing the negative net IIP.

The **"government"** sector is a net debtor to abroad and during 2016 the negative net IIP increased by Euro 436 million, mainly due to the increase on the liabilities side.

During 2016, **"other sectors"** registered an increase of the negative net IIP by Euro 375.9 million. Increase of Euro 632.2 million is registered on the liabilities side, mainly based on the direct investments (of Euro 402.2 million). On the assets side, an annual increase of Euro 256.3 million is registered, amid more significant increase of direct investments and trade credits by Euro 157 million and Euro 52.2 million, respectively.

In 2016, the sector of **"deposit-taking corporations, except the central bank"** registered an increase in the negative net IIP of Euro 33.1 million. The largest portion of the change arises from the increase of liabilities (of Euro 39.6 million) primarily due to the growth of liabilities from direct investments (of Euro 38.7 million), whereas the growth of liabilities based on other investments (of Euro 5.7 million) is almost entirely netted with the decrease of liabilities in portfolio investments (of Euro 4.8 million). Increase of currency and deposits by Euro 25.8 million is registered within other investments, amid simultaneous decrease of liabilities based on loans (primarily long-term) by Euro 20 million.

**"Central Bank"** as a net creditor to the rest of the world, during 2016 registered an increase of the net IIP, (of Euro 351.7 million), entirely due to the increase of foreign reserves.

**Net international investment position of individual countries**

Country	2015		2016		Differences	
	in billions of Euros	% of GDP	in billions of Euros	% of GDP	IIP, net (in billions of Euros)	% of GDP (p.p.)
Bulgaria	-28.8	-63.6	-24.3	-51.3	4.4	12.3
Croatia	-34.0	-77.5	-32.5	-71.3	1.4	6.1
Hungary	-69.9	-63.8	-66.6	-59.3	3.3	4.5
Euro zone	-1,054.3	-10.1	-629.9	-5.9	424.4	4.2
Slovenia	-14.9	-38.6	-13.7	-34.5	1.1	4.1
Romania	-81.7	-51.1	-82.9	-49.1	-1.1	2.0
Turkey	-346.2	-44.7	-337.9	-43.6	8.3	1.2
Kosovo	0.0	0.3	0.0	0.0	0.0	-0.3
Macedonia	-5.1	-56.1	-5.6	-56.5	-0.5	-0.4
Serbia	-34.5	-103.0	-35.5	-104.1	-1.1	-1.2
Greece	-235.6	-134.3	-240.1	-136.5	-4.5	-2.3

Source: World Bank, IMF, websites of central banks and NBRM calculations.

The comparative analysis of net IIP of the Republic of Macedonia and other countries of the region suggest that countries with the highest share of the net IIP indicator to GDP are Greece, Serbia and Croatia. Thus, in 2016, a more intensified decrease of this indicator is registered in Bulgaria, Croatia, Hungary and Slovenia, whereas Greece, Serbia and Macedonia registered an increase.

Analyzing the structure of changes in net IIP of individual countries, mainly in the region, we could summarize the following:

- **Greece** reported an increase of the negative international investment position during 2016, primarily due to more intensified decrease of assets relative to liabilities. In relation to GDP, the net negative IIP increased by 2.3 percentage points. On the assets side, a more significant decrease is registered in other and direct investments, whereas portfolio investments register an increase. On the liabilities side, the more significant decrease in other investments are only partially netted to the growth in direct investments. In terms of instruments, the changes in other and portfolio investments are netted, thus the increase in direct investments has greatest net effect which influenced the increase of net liabilities of Greece to rest of the world.

- **Turkey** reported a decrease of the negative international investment position of 1.2 percentage points relative to GDP. Thus, the increase on the assets side is more pronounced, compared to liabilities. Assets registered an increase in all instruments, except portfolio investments and foreign reserves. On the liabilities side, the increase mainly arises from other and portfolio investments, amid reduced direct investments. In terms of instruments, on net basis, the decrease of net liabilities based on direct investments is the main determinant for the decline of the negative net investment position of Turkey.

- **Croatia** reported a decrease of the negative net IIP, almost entirely due to the decline in liabilities. In terms of instruments, on net basis, other investments (primarily loans) and portfolio investments have the greatest impact on the decrease of the negative net IIP, which partially is compensated with the increase in liabilities, which registered a more significant increase based on direct investments.

The negative net IIP of **Bulgaria** registered a decrease in the share of GDP of 12.3 percentage points amid more pronounced increase of assets compared to liabilities. In terms of instruments, a more significant increase is registered in foreign reserves and other

investments (mostly based on currency and deposits of the sector "deposit-taking institutions except the central bank")

- **Serbia** registered higher net negative IIP by 1.2 percentage points of GDP. The increase arises from the intensified increase on the liabilities side, compared to assets. Regarding financial instruments, the increase of net liabilities based on direct investments is partially compensated by the decrease of net liabilities on portfolio investments.

- **Euro area** registered a decrease of the net negative IIP by 4.2 percentage points of GDP. The main determinant for such changes is the increase of net assets based on portfolio investments during 2016.

### Net direct investments, by country

Country	2015		2016		Differences	
	in billions of Euros	% of GDP	in billions of Euros	% of GDP	DI, net (in billions of Euros)	% of GDP (p.p.)
Bulgaria	-37,6	-83,2	-38,0	-80,2	-0,4	2,9
Cyprus	0,3	1,8	0,8	4,3	0,5	2,5
Slovakia	-37,8	-48,1	-37,0	-45,7	0,9	2,4
Turkey	-105,2	-13,6	-90,0	-11,6	15,2	2,0
Macedonia	-4,3	-47,4	-4,6	-46,4	-0,3	1,0
Euro zone	1.714,9	16,4	1.840,0	17,1	125,1	0,7
Romania	-63,7	-39,8	-67,3	-39,8	-3,6	0,0
Hungary	-41,8	-38,1	-43,1	-38,4	-1,3	-0,2
Kosovo	-3,0	-52,3	-3,2	-53,1	-0,2	-0,8
Slovenia	-6,1	-15,8	-6,6	-16,7	-0,6	-0,9
Greece	4,1	2,3	-1,7	-1,0	-5,8	-3,3
Serbia	-24,0	-71,8	-25,9	-75,9	-1,9	-4,1
Croatia	-18,8	-42,8	-21,4	-47,0	-2,7	-4,2

Source: World Bank, IMF, websites of central banks and own calculations.

The comparative analysis of the net stock of direct investments, of part of the countries from Southeastern Europe, shows that countries with the highest share of net foreign direct investments in GDP are Bulgaria, Serbia and Kosovo (over 50%). Macedonia belongs to the group of countries with a share from 30% to 50%, together with Croatia, Slovakia, Hungary and Romania whereas Slovenia, Turkey and Greece have a significant share under 30%. From the group of analyzed countries, only Cyprus has net claims based on direct investments (4.3% of GDP)

During 2016, decrease of net liabilities based on direct investments is registered in few countries, expressed as a percentage of GDP, such as: Bulgaria, Slovakia, Turkey and Macedonia. Contrary to this, Croatia, Serbia, Turkey, Slovakia, Kosovo and Hungary registered increase in net liabilities as a percentage of GDP.

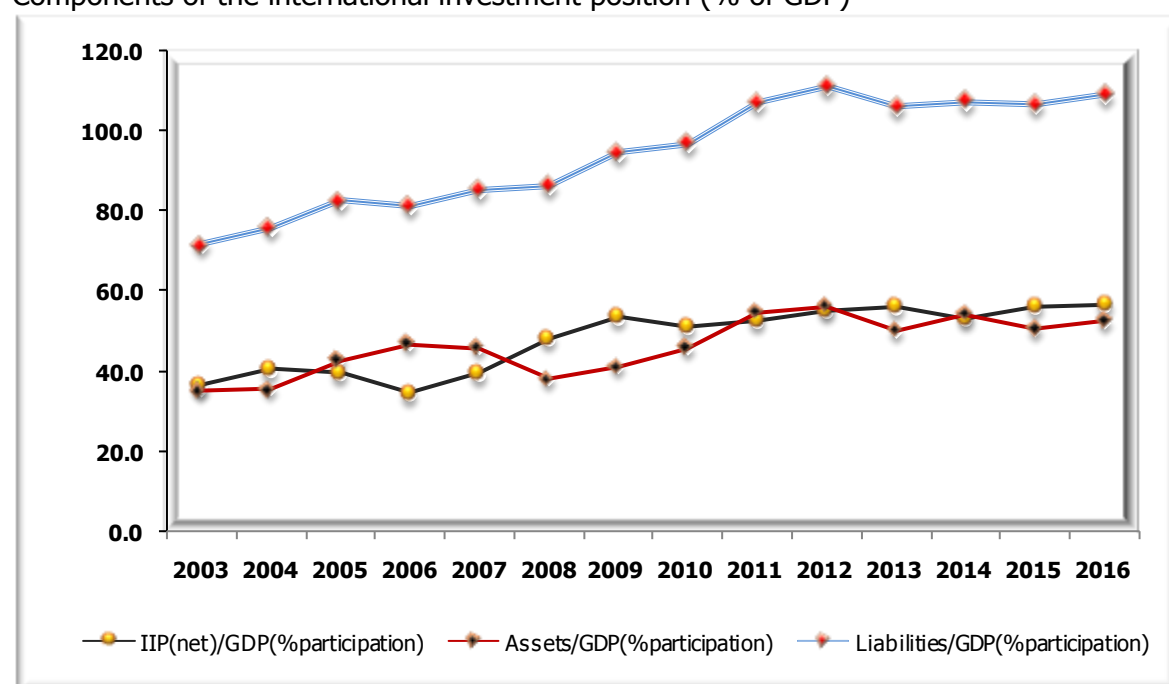
## ANNEX TABLES AND CHARTS

Table 1  
International investment position for 2003 - 2016  
(in millions of euros)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
IIP net	-1,599.7	-1,846.2	-1,990.8	-1,887.5	-2,401.2	-3,265.1	-3,612.5	-3,629.5	-3,965.8	-4,177.6	-4,558.4	-4,549.0	-5,082.7	-5,576.0
Assets	1,546.9	1,629.5	2,161.8	2,565.8	2,799.0	2,579.8	2,785.5	3,258.4	4,113.2	4,257.5	4,082.5	4,634.0	4,571.9	5,171.3
Liabilities	3,146.6	3,475.7	4,152.6	4,453.3	5,200.2	5,844.9	6,398.0	6,887.9	8,079.0	8,435.1	8,640.8	9,183.0	9,654.6	10,747.3
GDP	4,385.9	4,577.7	5,031.9	5,472.3	6,094.6	6,772.0	6,766.8	7,108.8	7,544.2	7,584.9	8,149.9	8,562.0	9,060.9	9,862.0
IIP(net)/GDP(%participation)	-36.5	-40.3	-39.6	-34.5	-39.4	-48.2	-53.4	-51.1	-52.6	-55.1	-55.9	-53.1	-56.1	-56.5
Assets/GDP(%participation)	35.3	35.6	43.0	46.9	45.9	38.1	41.2	45.8	54.5	56.1	50.1	54.1	50.5	52.4
Liabilities/GDP(%participation)	71.7	75.9	82.5	81.4	85.3	86.3	94.6	96.9	107.1	111.2	106.0	107.3	106.6	109.0

Source: National Bank of the Republic of Macedonia, State Statistical Office

Chart 1  
Components of the international investment position (% of GDP)



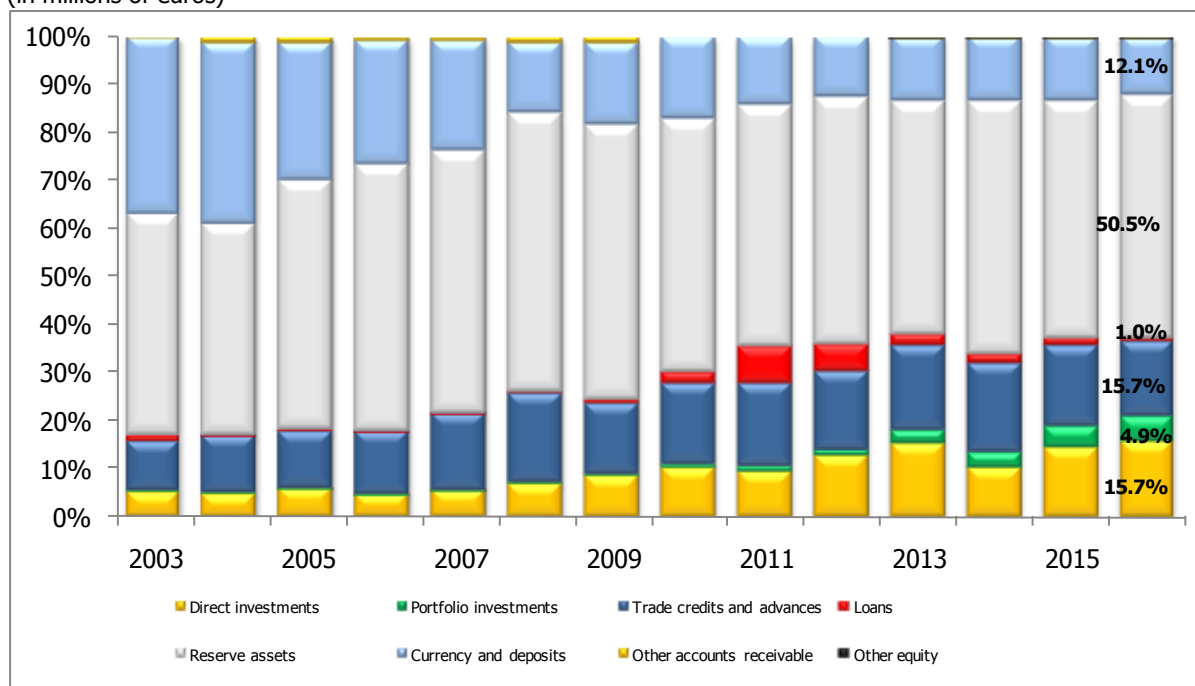
Source: National Bank of the Republic of Macedonia, State Statistical Office

Table 2  
IIP, by institutional sector  
(in millions of euros)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net IIP - General Government	-1,027.0	-1,016.5	-1,282.8	-1,065.6	-897.7	-906.3	-1,055.8	-1,067.8	-1,417.4	-1,539.9	-1,561.0	-2,071.9	-2,072.0	-2,508.0
Net IIP - Central Bank	693.4	673.3	1,073.3	1,382.6	1,532.5	1,486.9	1,526.7	1,638.8	1,991.8	2,095.8	1,920.4	2,358.9	2,179.2	2,530.9
Net IIP - Deposit-taking corporations, except central bank	270.5	335.5	254.6	131.2	-51.7	-363.9	-361.5	-416.8	-420.6	-536.6	-580.1	-534.5	-541.2	-574.3
Net IIP - Other Sectors	-1,536.7	-1,838.5	-2,035.9	-2,335.8	-2,984.3	-3,481.8	-3,721.9	-3,783.8	-4,119.5	-4,196.8	-4,337.6	-4,301.6	-4,648.7	-5,024.6
<b>Net IIP</b>	<b>-1,599.7</b>	<b>-1,846.2</b>	<b>-1,990.8</b>	<b>-1,887.5</b>	<b>-2,401.2</b>	<b>-3,265.1</b>	<b>-3,612.5</b>	<b>-3,629.5</b>	<b>-3,965.8</b>	<b>-4,177.6</b>	<b>-4,558.4</b>	<b>-4,549.0</b>	<b>-5,082.7</b>	<b>-5,576.0</b>

Source: National Bank of the Republic of Macedonia.

Chart 2  
IIP structure - claims from abroad by instruments  
(in millions of euros)



Source: National Bank of the Republic of Macedonia.

## Annex 1

### Classification of the international investment position, by type of investment:

Divided into assets and liabilities, IIP consists of five functional investment categories and subcategories, where stocks have been classified by type of investment, as follows:

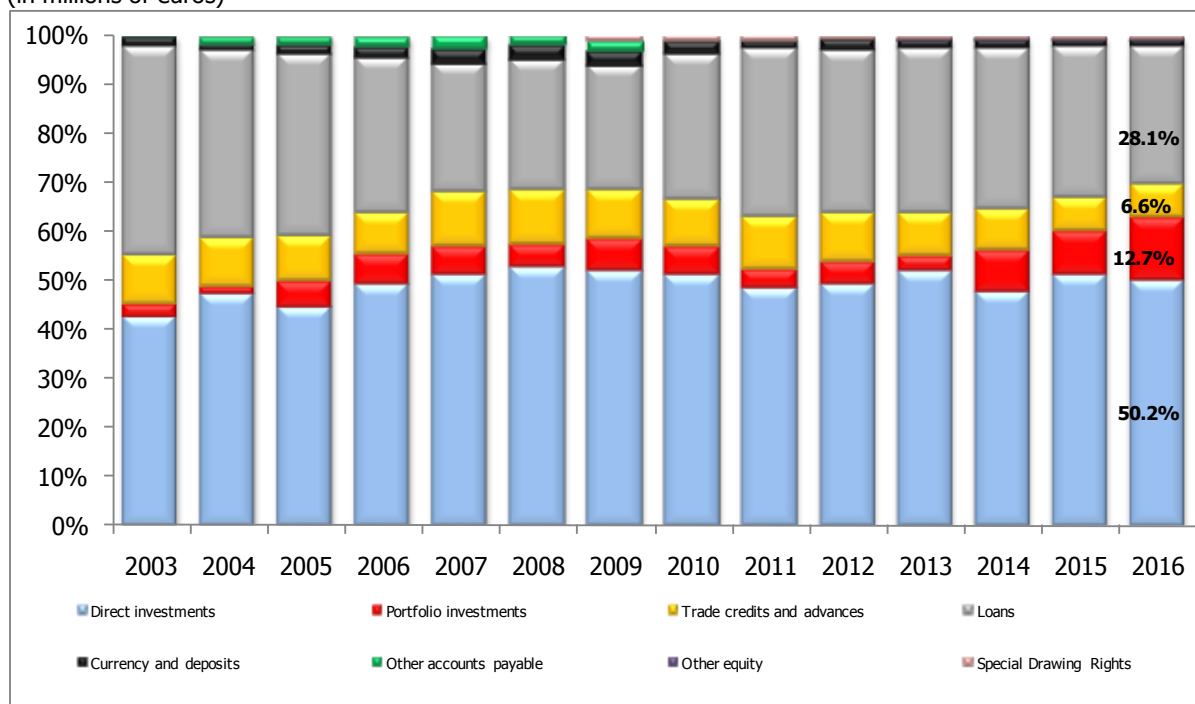
- **Direct investments** are presented on the basis of "assets-liabilities" principle and include the following instruments:
  - equity and investment funds shares/units (including reinvestment of earnings) and
  - debt instruments.
- **Portfolio investments** are divided into equity investment funds shares/units, and debt securities;
- **Financial derivatives (other than reserves) and employee stock options**
- **Other investments** are divided into: other equity, currency and deposits, loans, insurance schemes, pension and standardized guarantees, trade credits and advances, other accounts receivable/payable and allocation of special drawing rights
- **Foreign reserves** are classified by type of instruments.



Chart 3

## IIP structure - external liabilities, by instrument

(in millions of euros)



Source: National Bank of the Republic of Macedonia.

**Annex 2**Foreign direct investments

Direct investments reflect the objective of achieving a long-term interest between the direct investor (resident of an economy) and the invested enterprise (resident of another economy). Direct investments include investments where an investor intends to establish a long-lasting economic relation and/or acquire the right to manage the invested legal entity. A minimum share of 10% (directly or indirectly) in equity is a criterion for defining direct investments, as specified by international recommendations and standards of the sixth edition of the Manual on Balance of Payments and International Investment Position of the International Monetary Fund. Direct investments, despite initial investment transaction, also incorporate any subsequent investment between the direct investor and the invested company. This category also includes reverse investment (investment of a enterprise with direct investments in the equity of direct investor of below 10%) and investment between fellow enterprises within the same group (of below 10%). Annual questionnaires submitted by resident companies with foreign capital to the NBRM are the main source of direct investments data in the Republic of Macedonia. Questionnaires, inter alia, contain data on the initial investment, the financial results and intercompany debt.

Portfolio investment:

Portfolio investments, according to the recommendations of the sixth edition of the Manual on Balance of Payments and International Investment Position of the International Monetary Fund, are defined as investments in equity investment funds shares/units where the investor holds below 10% of equity, and investments in debt securities (excluding those included in foreign direct investments).

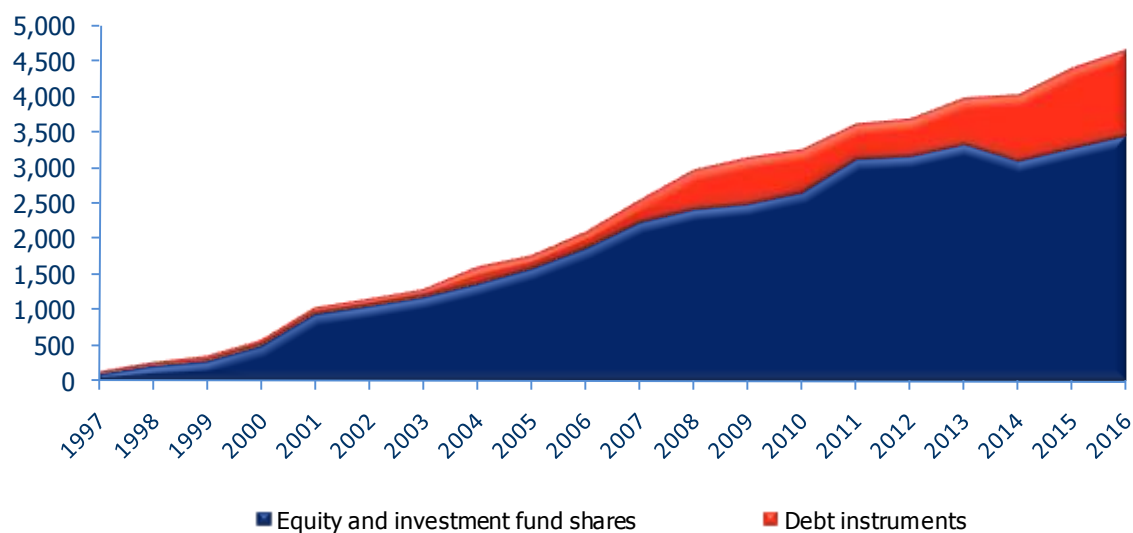
Table 3: Stock of the foreign direct investments in the Republic of Macedonia  
(in millions of euros)

YEAR	Direct Investment in the reporting economy								
	TOTAL	Equity				Debt instruments			
		Direct investor in direct investment enterprises (liabilities)	Reverse investment (assets)	Between fellow enterprises (net-liabilities)	TOTAL	Direct investor in direct investment enterprises (liabilities)	Reverse investment (assets)	Between fellow enterprises (net-liabilities)	TOTAL
	1=5+9	2	3	4	5=2-3+4	6	7	8	9=6-7+8
1997	141.2	102.9	0.0	0.0	102.9	50.5	12.1	0.0	38.3
1998	270.4	219.5	0.0	0.0	219.5	63.7	12.8	0.0	50.9
1999	359.9	284.3	0.0	0.0	284.3	91.3	15.7	0.0	75.6
2000	580.1	497.7	0.0	0.0	497.7	99.3	16.9	0.0	82.3
2001	1,039.2	946.3	0.0	0.0	946.3	133.7	40.8	0.0	92.9
2002	1,160.7	1,056.6	0.0	0.0	1,056.6	150.5	46.3	0.0	104.1
2003	1,292.1	1,182.0	0.0	0.0	1,182.0	158.1	48.0	0.0	110.2
2004	1,610.2	1,366.1	0.0	0.0	1,366.1	280.8	36.7	0.0	244.1
2005	1,769.0	1,579.6	0.0	0.0	1,579.6	263.9	74.5	0.0	189.4
2006	2,098.6	1,863.3	0.0	0.0	1,863.3	316.1	80.9	0.0	235.2
2007	2,545.2	2,226.6	0.0	0.0	2,226.6	424.7	106.1	0.0	318.5
2008	2,968.8	2,407.4	0.0	0.0	2,407.4	675.3	114.0	0.0	561.3
2009	3,141.4	2,481.3	0.0	0.0	2,481.3	830.1	170.0	0.0	660.1
2010	3,256.0	2,642.5	0.0	0.0	2,642.5	860.3	246.9	0.0	613.5
2011	3,615.1	3,110.2	0.0	0.0	3,110.2	789.5	284.5	0.0	504.9
2012	3,685.5	3,148.9	0.0	0.0	3,148.9	980.1	443.4	0.0	536.7
2013	3,980.0	3,311.6	0.0	4.7	3,316.3	1,143.3	479.7	0.0	663.7
2014	4,023.6	3,079.4	0.0	4.8	3,084.2	1,085.2	296.5	150.8	939.5
2015	4,400.1	3,261.6	0.0	5.0	3,266.6	1,218.0	292.8	208.4	1,133.5
2016	4,657.3	3,434.7	0.0	5.3	3,440.0	1,391.5	428.0	253.9	1,217.3

Source: National Bank of the Republic of Macedonia.

Chart 4

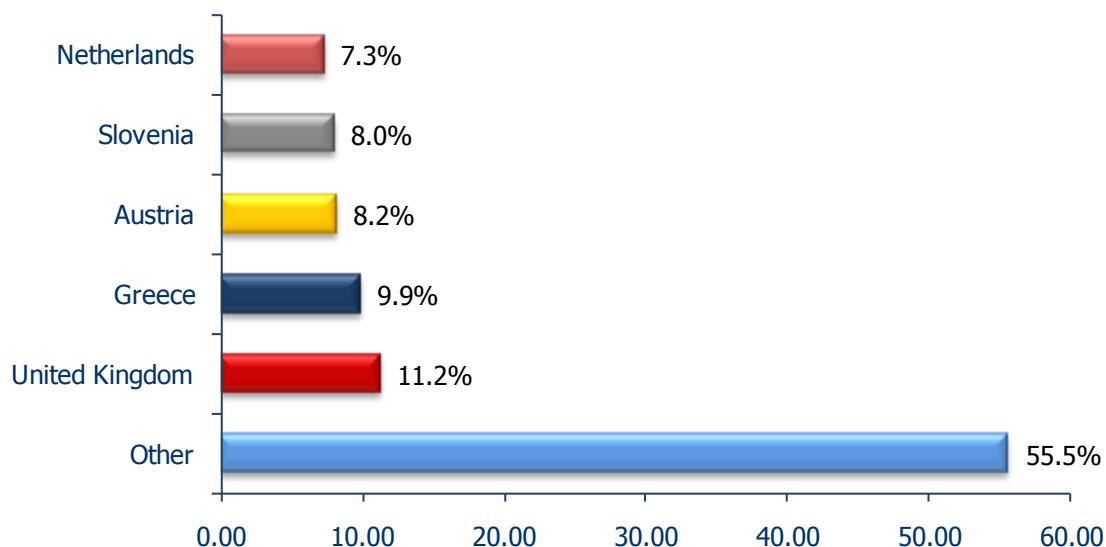
Foreign direct investments in the Republic of Macedonia  
(in millions of euros)



Source: National Bank of the Republic of Macedonia.

Chart 5

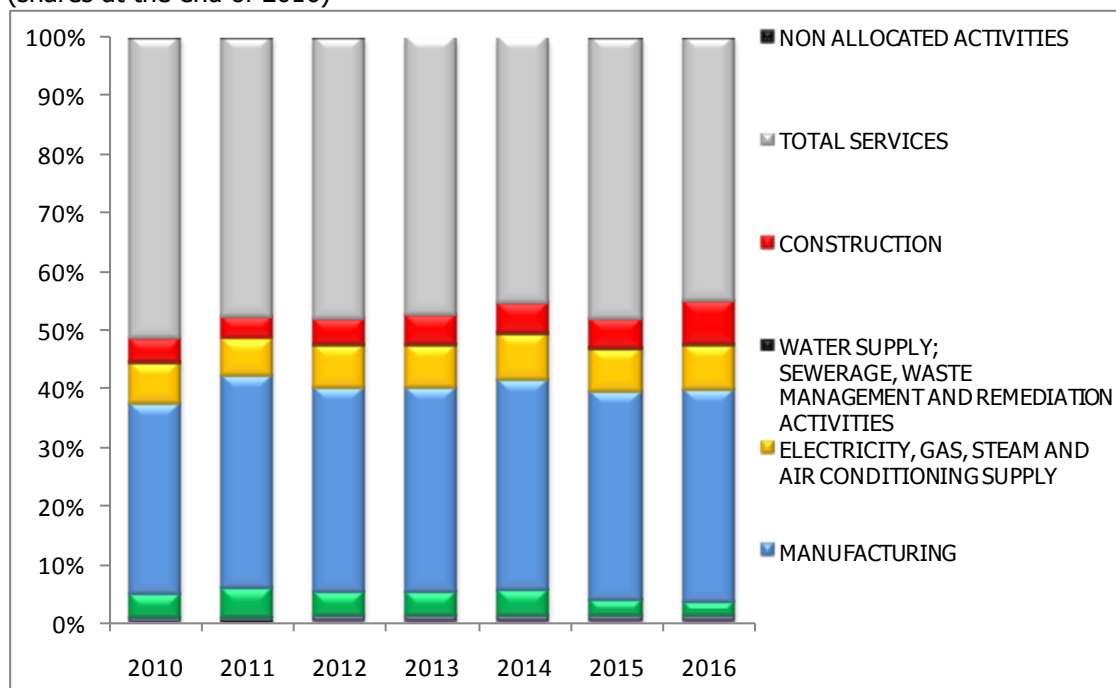
Foreign direct investments in the Republic of Macedonia, by country of foreign investors (shares at the end of 2016)



Source: National Bank of the Republic of Macedonia.

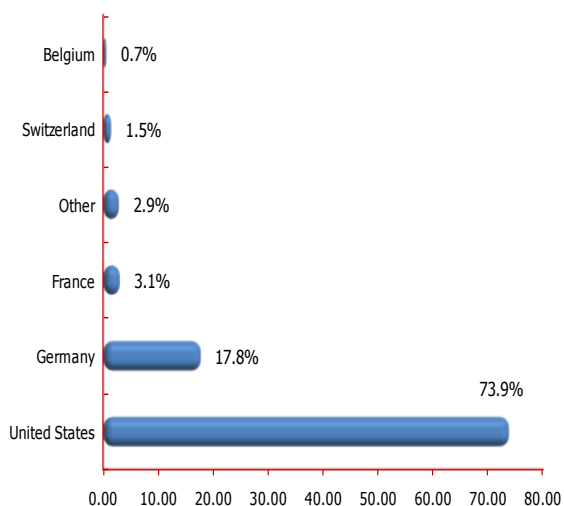
Chart 6

Foreign direct investments in the Republic of Macedonia, by activity (shares at the end of 2016)



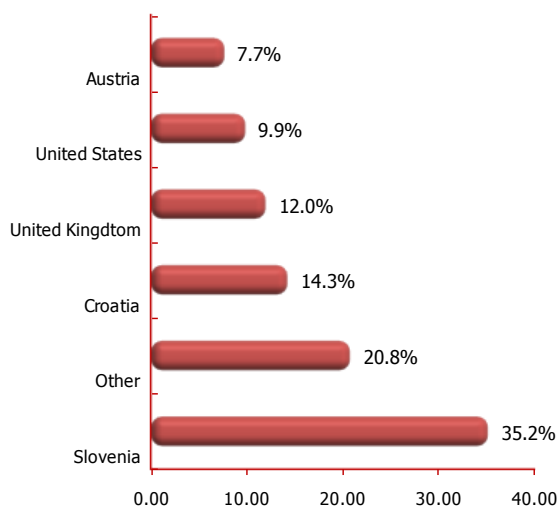
Source: National Bank of the Republic of Macedonia.

Chart 8  
Portfolio investments, by country - **assets** - equity securities  
(shares at the end of 2016)



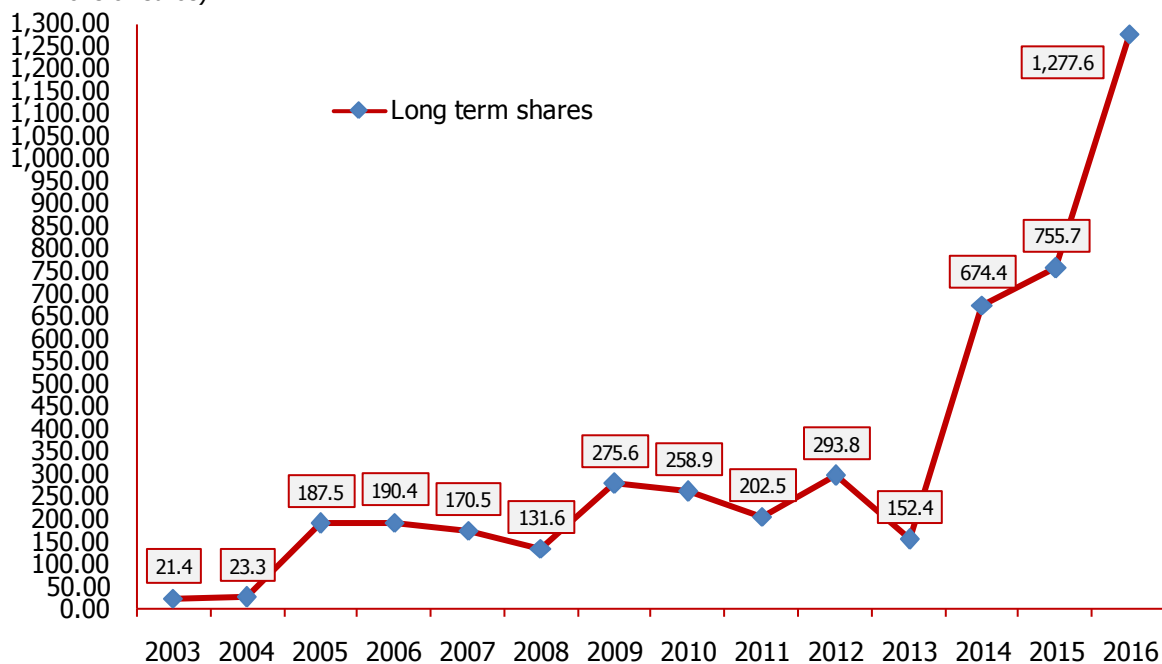
Source: National Bank of the Republic of Macedonia.

Chart 7  
Portfolio investments, by country - **liabilities** - equity securities  
(shares at the end of 2016)



Source: National Bank of the Republic of Macedonia.

Chart 9  
Portfolio investments - liabilities based on domestic debt securities owned by nonresidents  
(in millions of euros)



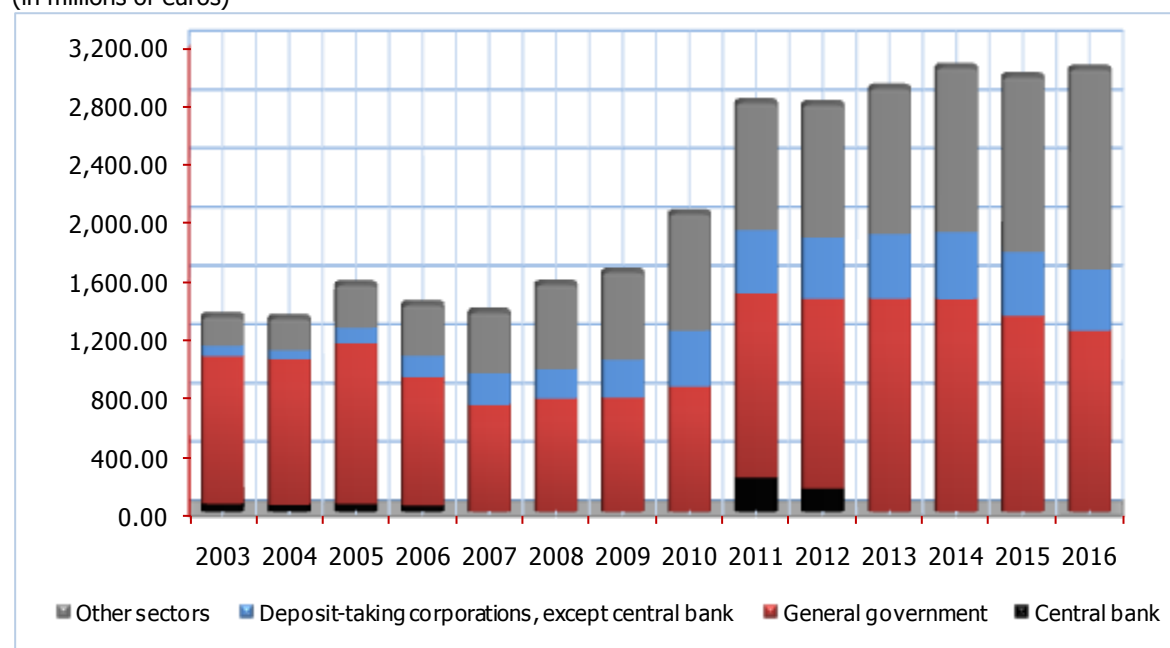
Source: National Bank of the Republic of Macedonia.

**Table 4**  
**Liabilities based on loans from abroad, by debtor**  
(in millions of euros)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Short-term Loans	25.93	11.81	54.33	11.65	55.82	14.91	47.59	71.99	258.23	214.03	48.81	53.99	55.68	68.82
- Central bank	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	232.53	157.57	0.00	0.00	0.00	0.00
- Deposit-taking corporations, except central bank	8.71	7.04	1.30	0.00	16.50	0.00	40.00	3.71	0.00	0.00	0.00	0.00	2.01	2.37
- Other sectors	17.22	4.78	53.03	11.65	39.32	14.91	7.59	68.28	25.70	56.47	48.81	53.99	53.68	66.44
Long-term Loans	1,300.22	1,302.60	1,488.56	1,395.56	1,299.95	1,532.02	1,583.12	1,956.46	2,527.67	2,557.80	2,834.32	2,970.46	2,906.05	2,945.87
- Central bank	54.70	45.97	52.66	42.39	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- General government	1,005.54	993.20	1,095.36	875.19	727.22	771.22	777.60	852.57	1,256.76	1,292.88	1,453.20	1,449.85	1,334.56	1,233.87
- Deposit-taking corporations, except central bank	64.04	55.79	106.40	146.31	199.81	201.14	220.10	379.26	430.71	420.16	440.95	456.76	435.46	415.07
- Other sectors	175.94	207.63	234.14	331.68	372.92	559.66	585.43	724.64	840.20	844.76	940.17	1,063.85	1,136.04	1,296.93
Total Loans	1,326.15	1,314.41	1,542.89	1,407.22	1,355.77	1,546.93	1,630.72	2,028.45	2,785.90	2,771.83	2,883.12	3,024.45	2,961.74	3,014.69
GDP	4,217.00	4,577.71	5,031.87	5,472.27	6,094.57	6,772.02	6,766.81	7,108.76	7,544.20	7,584.92	8,149.87	8,562.27	9,060.90	9,862.04
Short-term Loans/Total Loans (%)	1.96	0.90	3.52	0.83	4.12	0.96	2.92	3.55	9.27	7.72	1.69	1.78	1.88	2.28
Long-term Loans/Total Loans (%)	98.04	99.10	96.48	99.17	95.88	99.04	97.08	96.45	90.73	92.28	98.31	98.22	98.12	97.72
Total Loans/GDP (%)	31.45	28.71	30.66	25.72	22.25	22.84	24.10	28.53	36.93	36.54	35.38	35.32	32.69	30.57

Source: National Bank of the Republic of Macedonia, State Statistical Office

**Chart 10**  
**Liabilities based on loans from abroad, by debtor**  
(in millions of euros)



Source: National Bank of the Republic of Macedonia.