

National Bank of the Republic of Macedonia
Statistics Department



**International Investment Position
of the Republic of Macedonia for 2017**

September 2018

Information on the International Investment Position of the Republic of Macedonia for 2017

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.

Net international investment position is the difference between financial assets and liabilities of the country relative to the rest of the world, and can be positive or negative. 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 exceed the financial claims on non-residents.

The dynamical analysis of the IIP structure allows monitoring of the change in the net position of individual institutional sectors, as well as the preference of economic agents for certain types of financial instruments, as a reflection of the global and macroeconomic developments in the country. The significance of this indicator has been especially pronounced in the post crisis period, when the IIP statistics information, besides as an indicator for the financial situation of the country and its integration in the global financial trends, started to be widely used for analyzing the sustainability, as well as the vulnerability of certain sectors. Accordingly, the IIP indicator became one of the key macroeconomic indicators monitored on a regular basis.

The preparation of the IIP of the Republic of Macedonia 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 2017

At the end of 2017, the Republic of Macedonia has a negative net international investment position of Euro 5,823 million, or 57.8% of GDP. As of 31 December 2017, the Republic of Macedonia holds non-resident financial assets of Euro 5,157 million and financial liabilities to non-residents of Euro 10,980 million.

Compared with the end of 2016, the negative IIP increased by Euro 247 million due to the growth in financial liabilities (of Euro 233 million) and fall in financial assets (of Euro 14 million).

The decrease on the **assets** side, during 2017, reflects the fall in foreign reserves that fully offset the increase in almost all financial instruments (with the highest contribution of direct investments).

Analyzing the structure by financial instrument, the **official foreign reserves** continue to have a dominant share of Euro 2,336 million or 45.3% of total assets. The decrease in foreign reserves of Euro 277 million compared to 2016 was the crucial factor for the annual fall of total financial assets. Analyzing other instruments, **direct investment assets** follow with a share of 18.8% in total assets. At the end of 2017, they reached Euro 968 million (with the highest share of debt instruments of 87.5%), registering an annual increase of Euro 156 million. Claims on commercial operation i.e. **trade credits and advances**, also increased by Euro 49 million, reaching Euro 859 million (16.7% of total assets). **Currency and deposits** registered an annual increase of Euro 8 million and reached Euro 635 million (share of 12.3%). Increased investment activities of the domestic financial institutions in the foreign markets (almost entirely in equity instruments) of Euro 45 million resulted in increased investments in the form of **portfolio investments** that reached Euro 300 million (5.8% of total assets) at the end of 2017. **Loans** increased by Euro 4 million in 2017, reaching Euro 56 million (1.1% of total assets).

In 2017, financial **liabilities** increased, with the largest contribution made by direct and portfolio investments. On the other hand, domestic agent's borrowings from non-residents significantly decreased.

Analyzing the IIP composition by instrument, **direct investments** still have a predominant share of Euro 5,598 million (51% of total liabilities), which in 2017 increased by Euro 206 million. Such increase in liabilities on direct investments in 2017 reflects the increase in debt instruments and equity (including the reinvestment of earnings) of Euro 115 million and Euro 91 million, respectively. In spite of the annual decrease of Euro 143 million, **loans** prevail as the second most significant financial instrument on the liabilities side with Euro 2,872 million (share of 26.2% in total liabilities). This decrease is a result of the smaller disbursements of loans, mostly in the government sector and depository-taking institutions. The stock of liabilities by **portfolio investments** reached Euro 1,476 million (share of 13.4%), amid annual growth of Euro 114 million. The rise in liabilities in this instrument is entirely due to the changes in the market price of debt securities i.e. Eurobonds issued by the government, whereas liabilities on equity securities decreased by Euro 10 million. Liabilities on **trade credits and advances** to non-residents amounted to Euro 758 million (6.9% of total liabilities) and in 2017 increased by Euro 43 million. **Currency and deposits, other equity** and **special drawing rights** are less important financial instruments on the liabilities side, aggregately making up 2.5% of the total external liabilities (Euro 276 million).

The analysis of ***institutional sectors*** shows that the central bank and the government sector are main drivers for the increase in the negative net IIP. On the other hand, changes in other sectors and deposit-taking institutions, with the exception of the central bank, reduce the negative net IIP.

The ***government*** sector is a net debtor to abroad, and in 2017, the negative net IIP increased by Euro 54 million, entirely due to the increase in liabilities.

During 2017, ***other sectors*** contributed to decreasing the negative net IIP by Euro 63 million. Assets registered an annual increase of Euro 257 million, amid significant increase in direct investments, trade credits and portfolio investments of Euro 156 million, Euro 49 million and Euro 45 million, respectively. Liabilities registered an increase of Euro 195 million, mainly based on direct investments (Euro 166 million).

In 2017, the ***sector of deposit-taking corporations except the central bank*** registered a decrease in the negative net IIP of Euro 17 million given the increase in assets (of Euro 6 million) and decrease in liabilities (of Euro 11 million). Assets increased entirely due to the changes in other investments, where the increase in currency and deposits (of Euro 8 million) was partially netted by the decrease in loans (of Euro 2 million). Liabilities decreased primarily due to the fall in liabilities on other investments by Euro 30 million (where loans fell by Euro 51 million, and currency and deposits rose by Euro 21 million) and portfolio investments by Euro 21 million that were partially netted by the increase in liabilities on direct investments (of Euro 40 million).

The ***Central Bank*** as a net creditor to the rest of the world registered a decrease of the net IIP (of Euro 272 million) in 2017, entirely due to the decrease in foreign reserves (of Euro 277 million), which in part are netted by decreased liabilities on special drawing rights (by Euro 5 million).

Net international investment position of individual countries

Country	2016		2017		Differences	
	in billions of Euros	% of GDP	in billions of Euros	% of GDP	IIP, net (in billions of Euros)	% of GDP (p.p.)
Croatia	-32,5	-69,7	-30,7	-62,6	1,8	7,0
Bulgaria	-22,3	-46,2	-20,4	-40,5	1,9	5,8
Hungary	-68,6	-60,3	-67,7	-54,8	0,8	5,5
Euro zone	-740,2	-6,8	-241,9	-2,2	498,2	4,7
Slovenia	-14,9	-36,8	-13,9	-32,3	1,0	4,6
Serbia	-34,9	-100,7	-35,7	-97,1	-0,8	3,7
Romania	-83,8	-49,0	-85,8	-45,7	-2,0	3,4
Macedonia	-5,6	-57,3	-5,8	-57,8	-0,2	-0,5
Greece	-242,6	-139,3	-250,5	-140,9	-7,9	-1,7
Turkey	-350,1	-44,8	-382,6	-50,7	-32,5	-5,8
Kosovo	0,1	1,6	-0,4	-5,8	-0,5	-7,4

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, primarily of the region, suggest that Greece, Serbia and Croatia are countries with the highest share of the net IIP indicator to GDP. Analyzed dynamically, in 2017, a more intensive decrease of this indicator was registered in Croatia, Bulgaria, Hungary, Slovenia, Serbia and Romania, whereas in Kosovo, Turkey, Greece and Macedonia it increased.

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

- **Greece** reported an increase in the negative international investment position in 2017, primarily due to more intensified decrease of assets relative to liabilities. In relation to GDP, the net negative IIP increased by 1.7 percentage points. On the assets side, a more significant decrease was registered in portfolio and other investments, whereas direct investments register a minor increase. On the liabilities side, the more significant decrease in other investments was only partially netted to the growth in direct and portfolio investments. On a net basis, the increase in other investments was in part netted by the decrease in portfolio and direct investments.

- **Turkey** reported an increase in the negative international investment position of 5.8 percentage points to GDP as a result of the decrease in assets and increase in liabilities, as well as the decrease in GDP. Assets registered a decrease in all significant categories, except direct investments. The fall in assets largely stems from the lower foreign reserves in 2017. On the liabilities side, the increase mainly arises from direct and portfolio investments, amid reduced other investments. Such trends on the liabilities side are the main determinant for the growth of the negative net investment position of Turkey.

- From the countries under observation, **Croatia** reported the fastest decrease in the negative net IIP (of 7 percentage points to GDP) due to the increase in assets and GDP. In terms of instruments, on a net basis, the increase in foreign reserves and lower net liabilities on other and portfolio investments have the greatest impact on the decrease in the negative net IIP, which is partially offset by the increase in liabilities on direct investments and decrease in assets based on financial derivatives.

- The negative net IIP of **Bulgaria** registered a decrease in the share of GDP of 5.8 percentage points given the increase in assets and insignificant fall in liabilities. In terms of instruments, a more significant net growth was registered in portfolio investments (mostly due to the higher assets in debt instruments) and other investment.

- **Serbia** registered lower net negative IIP by 3.7 percentage points of GDP, despite the absolute increase in the negative net IIP. The increase arises from the faster increase on the liabilities side, compared to assets. Regarding financial instruments, the increase in net liabilities on direct investments was partially offset by the decrease in net liabilities on portfolio investments.

- **Euro area** registered lower net negative IIP by 4.7 percentage points of GDP. The main determinant for such changes is the increase in net assets based on portfolio investments during 2017.

Net direct investments, by country

Country	2016		2017		Differences	
	in billions of Euros	% of GDP	in billions of Euros	% of GDP	DI, net (in billions of Euros)	% of GDP (p.p.)
Bulgaria	-37,2	-77,4	-37,5	-74,4	-0,3	2,9
Hungary	-44,1	-38,8	-45,3	-36,7	-1,1	2,1
Romania	-69,4	-40,6	-72,8	-38,7	-3,4	1,9
Macedonia	-4,6	-47,1	-4,6	-46,0	-0,1	1,1
Slovakia	-39,0	-48,0	-40,5	-47,7	-1,6	0,3
Slovenia	-7,2	-17,9	-7,8	-18,1	-0,5	-0,1
Croatia	-21,4	-45,9	-23,0	-47,0	-1,6	-1,1
Greece	-5,6	-3,2	-8,2	-4,6	-2,5	-1,4
Kosovo	-1,9	-32,0	-2,2	-34,0	-0,2	-2,0
Serbia	-25,9	-74,9	-28,3	-77,0	-2,4	-2,0
Turkey	-101,0	-12,9	-118,2	-15,7	-17,2	-2,7
Cyprus	-3,3	-18,0	-8,0	-40,7	-4,6	-22,7

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

The comparative analysis of the net stock of direct investments of some countries from Southeastern Europe shows that Serbia and Bulgaria are countries with the highest share of net foreign direct investments in GDP (over 50%). Macedonia belongs to the group of countries with 30%-50% share in GDP, together with Slovakia, Croatia, Cyprus, Romania, Hungary and Kosovo, whereas Slovenia, Turkey and Greece reported a share significantly under 30%.

During 2017, few countries reported a decrease in net liabilities on direct investments as a percentage of GDP: Bulgaria, Hungary, Romania, Macedonia and Slovakia. On the other hand, Cyprus, Turkey, Serbia, Kosovo, Greece, Croatia and Slovenia reported an increase in net liabilities as a percentage of GDP.

ANNEX TABLES AND CHARTS

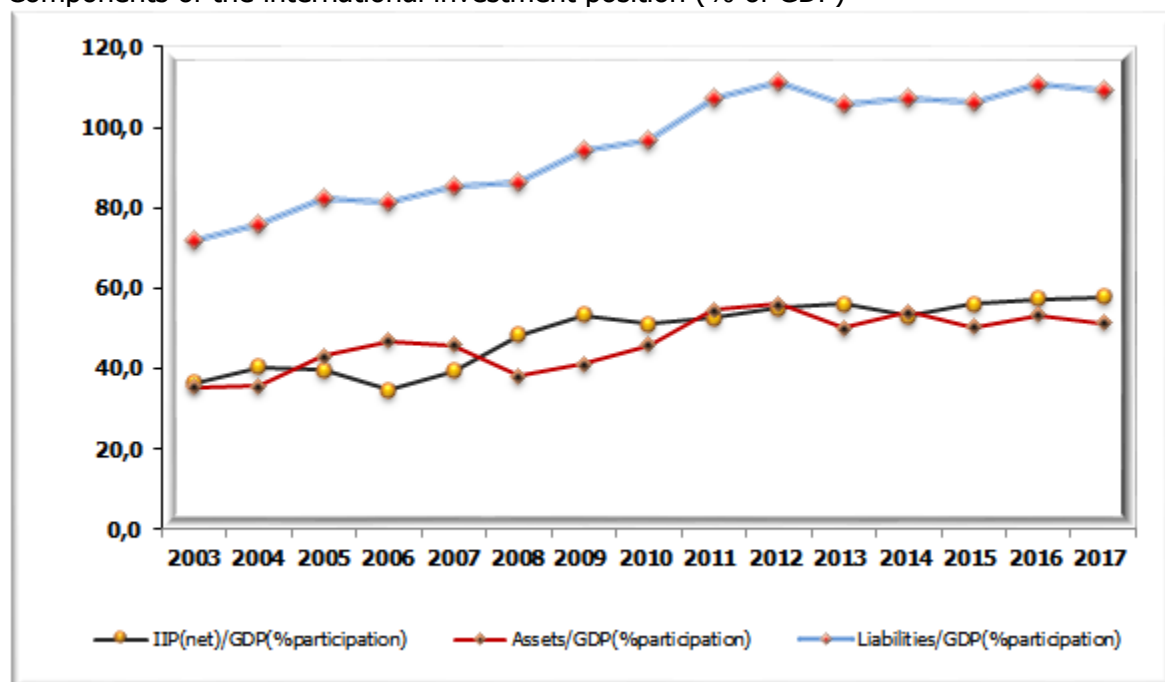
Table 1
International investment position for 2003-2017
(in millions of euros)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
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	-5.822,5
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	5.157,3
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	10.979,8
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	8.562,3	9.072,5	9.722,9	10.065,7
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	-56,0	-57,3	-57,8
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	50,4	53,2	51,2
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	106,4	110,5	109,1

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

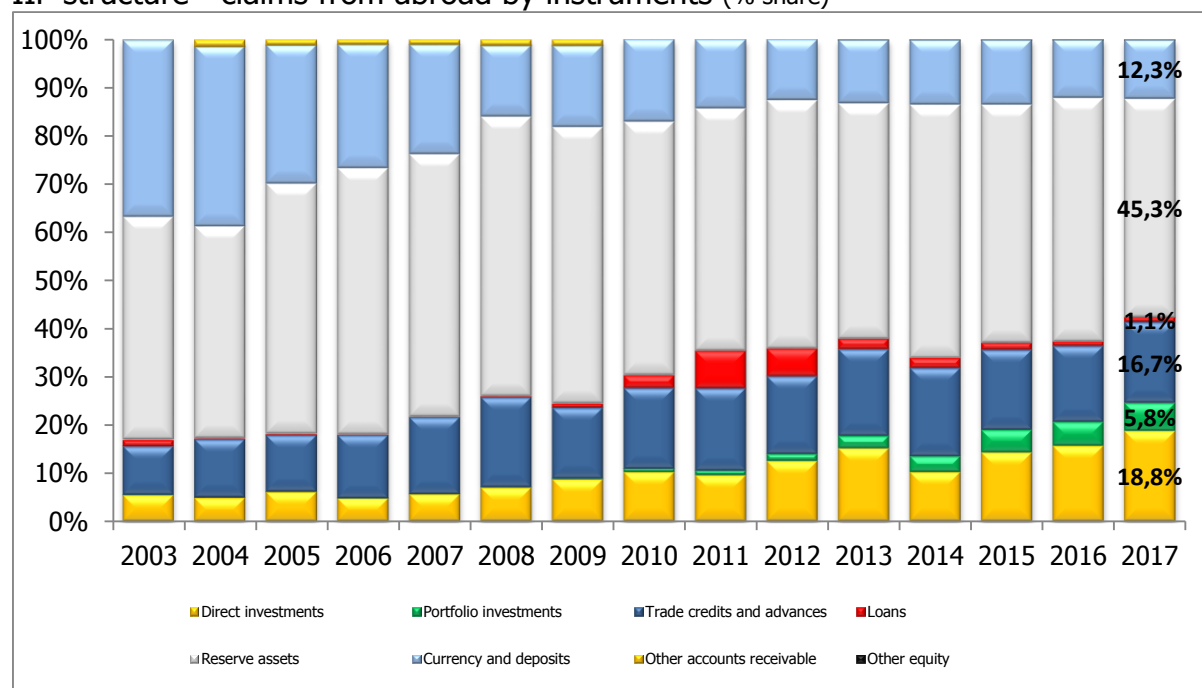
IIP, by institutional sector
(in millions of euros)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
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	-2.562,0
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	2.258,7
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	-557,2
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	-4.962,0
Net IIP	-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	-5.822,5

Source: National Bank of the Republic of Macedonia.

Chart 2

IIP structure - claims from abroad by instruments (% share)



Source: National Bank of the Republic of Macedonia.

Annex 1

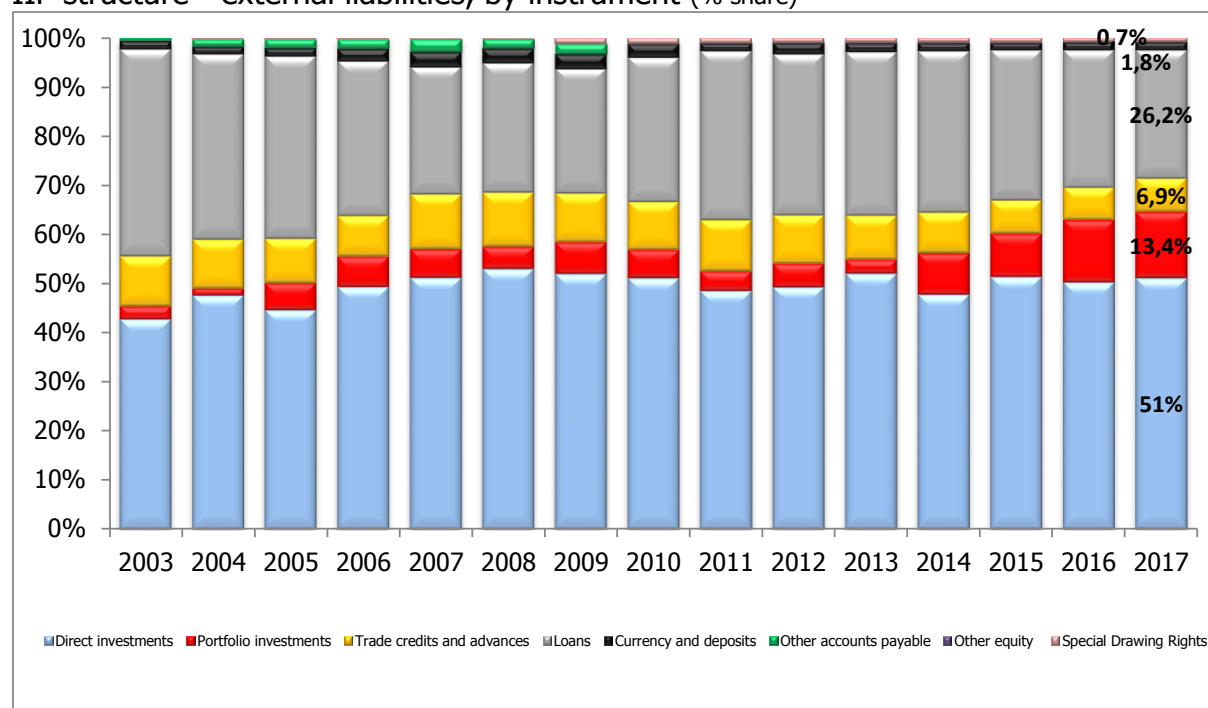
Classification of the international investment position, by type of investment:

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 (% share)



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).

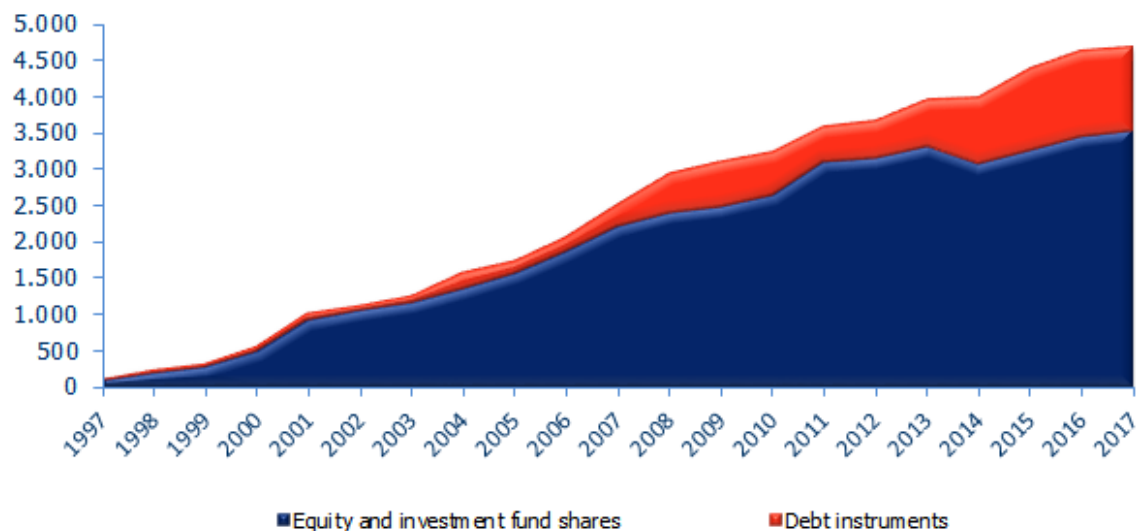
Table 3: Stock of the foreign direct investments in the Republic of Macedonia
(in millions of euros)

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
2017	4.697,8	3.525,0	0,0	5,5	3.530,5	1.515,0	563,0	215,3	1.167,3

Source: National Bank of the Republic of Macedonia.

Chart 4

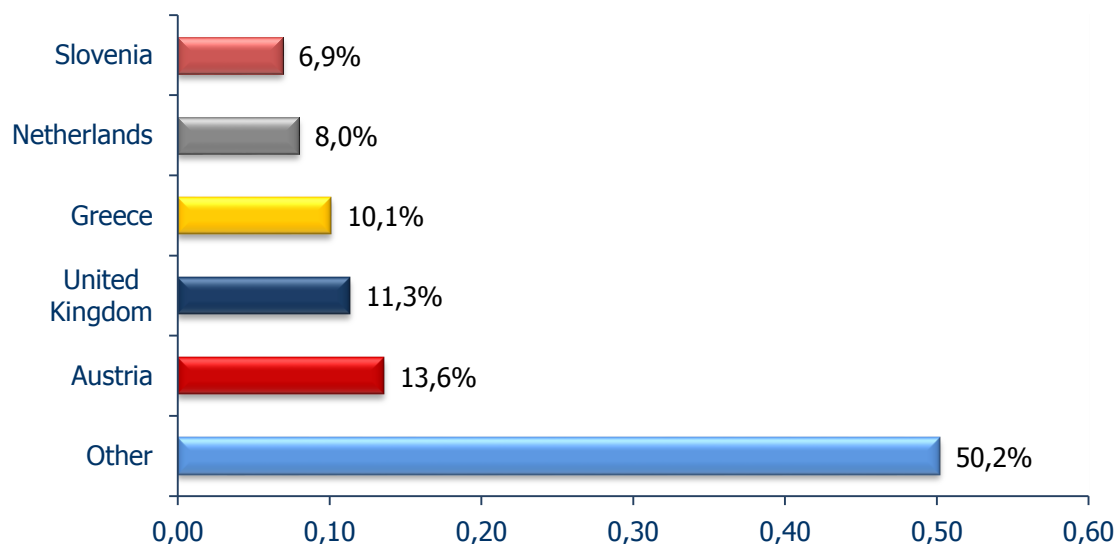
Foreign direct investments in the Republic of Macedonia
(in millions of euros)



Source: National Bank of the Republic of Macedonia.

Chart 5

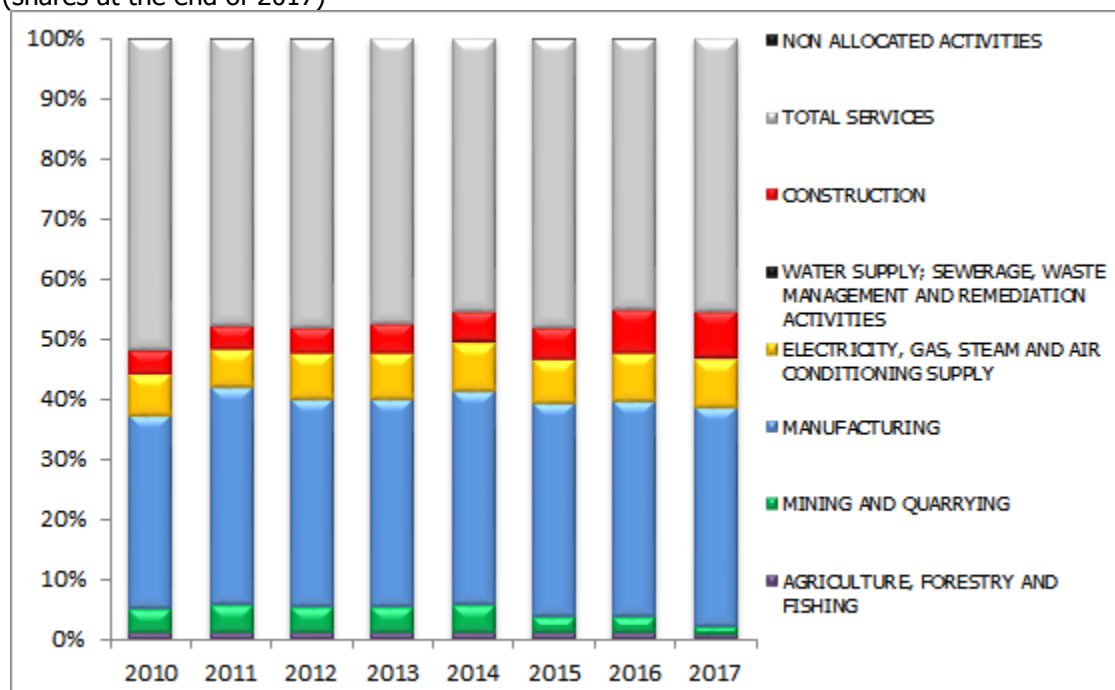
Foreign direct investments in the Republic of Macedonia, by country of foreign investors (shares at the end of 2017)



Source: National Bank of the Republic of Macedonia.

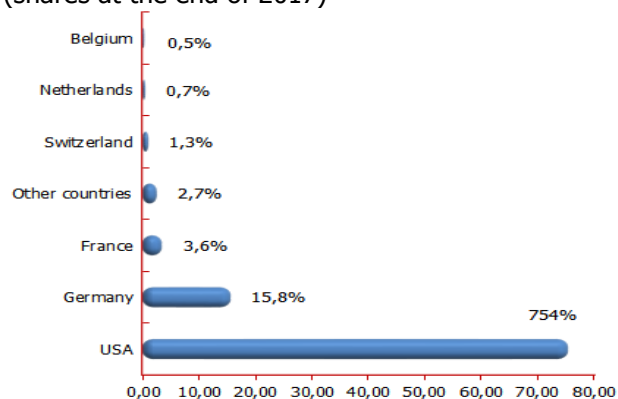
Chart 6

Foreign direct investments in the Republic of Macedonia, by activity (shares at the end of 2017)



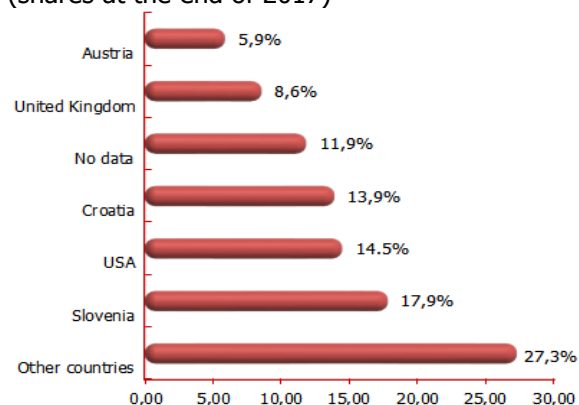
Source: National Bank of the Republic of Macedonia.

Chart 8
Portfolio investments, by country - **assets** - equity securities
(shares at the end of 2017)



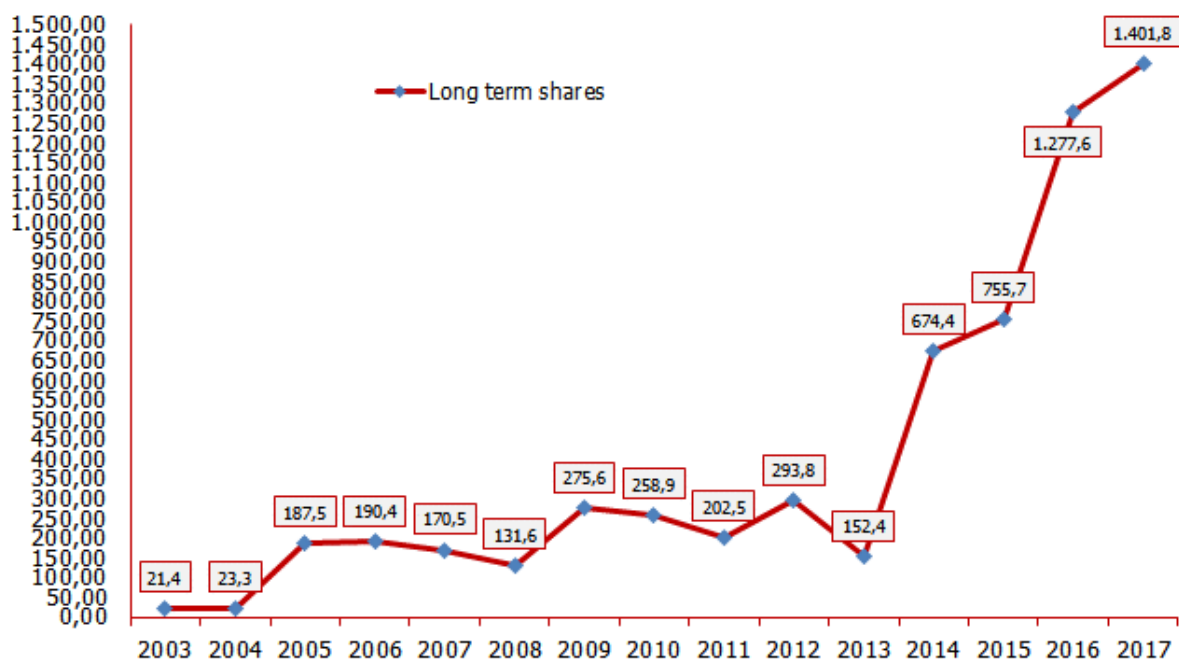
Source: National Bank of the Republic of Macedonia.

Chart 7
Portfolio investments, by country - **liabilities** - equity securities
(shares at the end of 2017)



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)



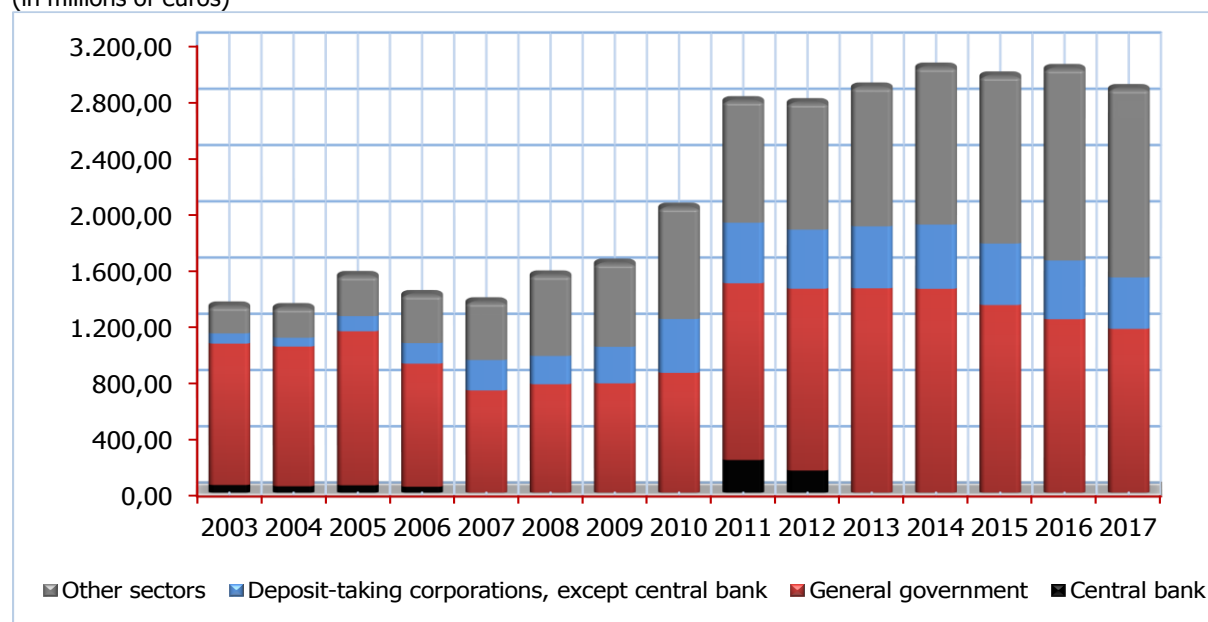
Source: National Bank of the Republic of Macedonia.

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	2017
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	58,99
- 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	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	0,55
- 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	58,44
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	2.812,97
- 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	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	1.164,83
- 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	365,53
- 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	1.282,61
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	2.871,96
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	9.072,48	9.722,89	10.065,69
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	2,05
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	97,95
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	32,65	31,01	28,53

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.