

1. METHODOLOGICAL EXPLANATIONS FOR EXTERNAL STATISTICS

External statistics are a sublimite of several individual statistical surveys for compiling, processing and disseminating data on stocks and/or transactions with non-residents, such as Balance of Payments, Foreign Direct Investments, International Investment Position, Official Foreign Reserves, Gross External Debt and Gross External Claims.

Within it's continuous efforts for alignment with the international statistical standards and producing internationally comparable data, the National Bank of the Republic of North Macedonia primarily focuses its activities on harmonization with the international standards and applying the latest manuals in the area of Balance of payments, Foreign direct investments, Gross external debt and claims, as well as Official foreign reserves statistics.

1.1 Harmonization with the European and international statistical standards

The harmonization of statistical reports on external statistics is achieved through the implementation of international manuals and EU Regulations and their incorporation in the national statistics.

The international manuals applied for compiling and processing the data are the following:

- Balance of Payments and International Investment Position Manual (BPM6), 2009, IMF;

- International Reserves and Foreign Currency Liquidity: Guidelines for a Template, IMF 2013;

- External Debt Statistics: Guide for Compilers and Users, IMF, 2013;

- OECD Benchmark Definition of Foreign Direct Investment 4th edition BD4;

- Regulation (EC) No 184/2005 of the European Parliament and of the Council;

- Commission Regulation (EC) No 601/2006, implementing Regulation (EC) No 184/2005;

- Commission Implementing Regulation (EU) No 228/2014, amending Regulation (EC) No 601/2006;

The following classifications apply for compiling and processing the data from these surveys:

- National activity classification - compatible with NACE Rev.2

- National classification of institutional sector - compatible with ESA 2010;

- ISO country and currency codes.

The national legislation defining the scope of data compiled for the needs of external statistics is consistent with the Law on the National Bank of the Republic of Macedonia (Official Gazette of the Republic of Macedonia No. 158/10, 23/12, 43/14, 153/15 and 6/16) and the Law on Foreign Exchange Operations (Official Gazette of the Republic of Macedonia No. 34/01, 49/01, 103/01, 51/03, 81/08, 24/11, 135/11, 188/13, 97/15, 153/15 and 23/16). Residency of institutional units is defined under the Law on Foreign Exchange Operations, where natural persons staying temporarily in the Republic of

Macedonia on the basis of a valid residence permit or work permit for a period of at least six months are treated as residents of the country¹.

The **reporting units** are legal entities and natural persons that have economic transactions with non-residents, and depending on the type of transactions, are obliged to report on their claims on and liabilities to non-residents, based on debt instruments, capital investments from and to abroad, claims on and /or liabilities to non-residents based on other financial instruments etc. The reporting on transactions with non-residents can be direct (by the resident reporting units) and indirect (performed by other entities that have at their disposal information on particular types of transactions).

1.2 Dissemination and revision policy

1.2.2 Dissemination policy

The data on external statistics are disseminated in accordance with the Advance Release Calendar (available on the NBRNM's website - http://nbrm.mk/kalendar_na_objavuvanje_na_podatoci-en.nspix).

The methodologies on external statistics are also disseminated on the website of NBRNM.

1.2.3 Revision Policy

The data are revised on a regular annual basis, within a period of T+270 days after the end of the reporting year.

Additionally, if needed, revisions of disseminated data can be done more frequently in the following cases:

- provision of new, updated and / or corrected information and data from the reporting units;
- or
- data source changes or changes in the methodology for the compilation of a specific statistical survey.

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

The historical time series data is revised from the moment of occurrence of the event that led to change in data, or if not applicable, for the longest possible time period back forward. If there is a change in the presentation of data (publication of a new indicator - sector, instrument, etc.), the historical time series is revised beginning from the moment of introducing the new indicator, if appropriate conditions exist for this matter.

2. General methodological notes for Balance of Payments

Balance of payments is a statistical statement that systematically summarizes, for a specific time period, the economic transactions of the Republic of North Macedonia with the rest of the world. "Transactions" in BOP include only transactions between residents and nonresidents arising on the basis of mutual agreement and involve exchange of value or transfer.

¹ Such definition of residency of natural persons and its application in the process of creating statistical data is an exception to the recommendation given in the international statistical standards, according to which a criterion for determining residency is a stay or intention to stay in a country for a period of one year or more.

According to the Law on the National Bank of the Republic of North Macedonia and the regulations in the area of foreign exchange operations, the National Bank of the Republic of North Macedonia (NBRNM) is responsible for compiling and monitoring of the execution of the Balance of Payments.

The data are disseminated (issued) on a quarterly basis, in millions of euros and U.S. dollars. The transactions which are denominated in other currencies are converted in euros and U.S. dollars equivalent to the exchange rate on the day of the transaction.

The main sources of data for compiling the balance of payments are the following:

- the single administrative document (SAD) for the foreign trade of the Republic of North Macedonia;
- the system for reporting on the banks' international payment operations (ITRS);
- the system for reporting on the external debt and claims (from the credit indebtedness);
- the banks' reports on the stock of assets and liabilities (the banks' report on the deposit money banks book keeping stock);
- the monthly reports on stocks and flows (changes and stocks) on the accounts abroad of the residents which are not authorized banks and the stock and flow on settlement accounts (monthly reports-MR);
- additional NBRNM's reports on the official foreign exchange reserves stock of the Republic of North Macedonia;
- data from the annual direct investment survey - VS 11 and VS 22;
- quarterly reports for realized and planned financial result for the current year (KVS);
- survey on debt/claims takeovers among residents and nonresidents (POZ);
- quarterly reports on claims and liabilities based on international commercial operations of residents (KIPO form);
- reports for stocks and flows data on investments in equity and investment fund shares (VHV-1) and reports for stocks and flows data on investments in debt securities (VHV-2).

Convention on the use of signs in the Balance of Payments

In the current and capital account, credits and debits are presented with a positive sign, while in the financial account, increase in assets and liabilities is presented with a positive sign, while decrease is presented with a negative sign.

Table 1. Convention on the use of signs

	BPM6
<i>Current and capital account</i>	
Credit	+
Debit	+
Net	(Credit - Debit)
<i>Financial account</i>	
<i>Assets</i>	
Increase	+
Decrease	-
Net	(Increase + Decrease)
<i>Liabilities</i>	
Increase	+
Decrease	-
Net	(Increase + Decrease)
<i>Financial account: Net lending (+) / net borrowing (-)</i>	<i>(Assets - Liabilities)</i>

Institutional sectors

Institutional units are grouped into institutional sectors. The classification in institutional sectors applies only to the resident units. The institutional sectors classification has the same sectors and subsectors as the SNA 2008², but with higher level of aggregation.

The resident units are classified within the following sectors and subsectors:

- Central bank
- *Monetary authorities*
- General government
- Deposit-taking corporations, except central bank
- Other sectors, divided to:
 - Other financial corporations and
 - Nonfinancial corporations, households, and NPISHs.

The **Central bank** is the National Bank of the Republic of North Macedonia.

The **General government** sector includes unique kinds of legal entities established by political processes and has legislative, judicial, or executive authority over other institutional units within a given area. The Government sector consists of the following subsectors: Central government, Local government and Social security funds.

Deposit-taking corporations, except central bank have financial intermediation as their principal activity. To this end, they have liabilities in the form of deposits or financial instruments that are close substitutes for deposits. This sector includes all banks that were granted a founding and operating license by the Governor of the National Bank of the Republic of North Macedonia, as well as branches of foreign banks that were granted a license by the Governor of the National Bank of the Republic of North Macedonia to open offices and to operate on the territory of the Republic of North Macedonia.

Other financial corporations consist of non-deposit financial corporations and other financial auxiliaries, as well as insurance corporations and pension funds.

Nonfinancial corporations, households, and NPISHs: Nonfinancial corporations are corporations (public or private) whose principal activity is production of market goods or nonfinancial services. A household is defined as a person or a group of persons who share the same living accommodation, who pool some or all of their income and wealth, and who consume certain types of goods and services collectively. NPISHs are entities mainly engaged in providing goods and services to households or the community at large, free of charge or at prices that are not economically significant.

2.1 Methodological notes for separate items of Balance of Payments

CURRENT ACCOUNT

Goods

The main source of data on the foreign trade of the Republic of North Macedonia is the SAD, which is prepared by the Customs Administration of the Republic of North Macedonia, and processed and published by the State Statistical Office of the Republic of North Macedonia and the NBRNM.

² System of National Accounts 2008, European Commission, International Monetary Fund, Organization for Economic Co-operation and Development, United Nations, World Bank, 2009 (<https://unstats.un.org/unsd/nationalaccount/sna2008.asp>).

In accordance with the methodology on recording foreign trade in the trade statistics, the State Statistical Office publishes exports data on f.o.b. basis, and imports data on c.i.f. basis.

Adjustment for the coverage and classification are made for goods item in the balance of payments in line with the recommendations given in the BPM6, especially regarding the following:

- coverage: regarding the return of goods and the goods that are imported/exported by migrants;

- classification: regarding the c.i.f./f.o.b. factor and processing of goods. In the balance of payments, both the exports and the imports are presented on f.o.b. basis, because of which an adjustment of the c.i.f. imports for c.i.f./f.o.b. factor is necessary. In the period from 1993 to 1997, the c.i.f./f.o.b. factor was determined on the basis of the average internationally set rates for calculation of these expenses. Since 1998, the c.i.f./f.o.b. factor is calculated on the basis of established methodology based on the SAD data on transport and insurance of the parities with a destination in the Republic of North Macedonia adjusted to the overall imports.

Additional component of the goods account is the item goods under merchanting. The main source of data for this item is the ITRS. Merchants' margins are recorded on the export side, by recording the acquisition of goods by merchants as a negative export of the economy of the merchant and the sale of goods as a positive export of the economy of the merchant.

Services

Manufacturing services on physical inputs owned by others: main data source for this item is the Single Administrative Document (SAD) for the foreign trade of the Republic of North Macedonia.

Transportation: The data that refer to transportation are taken from the ITRS and the monthly reports (MR). There is a possibility to make a desegregation by the type of transport (air, sea, railway and road), and on the basis of the category of services (freight, passengers and other). The adjustment is made for the outflow of transportation services (transport of goods) regarding the c.i.f./f.o.b. factor that refers to the costs of transport of goods provided by non-residents.

Travel: The data originate from the ITRS and the monthly reports (MR).

Other services: The data are taken from the ITRS for receipts from and payments to non-residents on the basis of type of services: construction, insurance services, financial services, charges for the use of intellectual property, telecommunications, computer, and information services, other, business services, personal, cultural, and recreational services and government services. An adjustment is made for the insurance outflow regarding the c.i.f./f.o.b. factor that refers to the costs insurance of the transport of goods. An adjustment is made in financial intermediation services, by redistribution of part of Other Investment Income, on the basis of the calculation of exports and imports of financial intermediation services indirectly measured (FISIM). Additional source of data for certain types of services are the data from the monthly reports – MR.

Primary income

The primary income as a balance of payments' component originates from compensation of employees (residents employed with non-residents and vice versa) and investment income. Investment income represents a capital gain from direct investment, portfolio investment, other investment and reserve assets.

Direct investment income: The data include dividends and distributed branch profits, as well as reinvested earnings and undistributed branch profits (for the direct investments in the R. Macedonia), as well as data on intercompany lending. Dividends for the current year are recorded at the moment of their payment/receipts, while for the previous years (starting from 2012) dividends are recorded when declared payable. Major data source for the receipts and payments of dividends is the ITRS. Main data source for reinvested earnings and dividends declared payable for the previous years is the annual direct investment survey. The reinvested earnings for the current year are estimated on

the basis of the results from the quarterly reports for realized and planned financial result for the current year (KVS).

Within the direct investment income, dividends and interest are presented separately depending on the type of direct investment: direct investor in direct investment enterprises, reverse investment (direct investment enterprises in direct investor) or between fellow enterprises.

Portfolio investment income: this item includes dividends on equity excluding investment fund shares, investment income attributable to investment fund shareholders and interest. Until 2015, data source for the payments and receipts of dividends is the ITRS. Starting from January 2015, data source for the receipts of dividends is the reports for stocks and flows data on investments in equity and investment fund shares (VHV-1).

Data on interest include interest receipts on residents' investments in foreign debt securities and interest payments on nonresidents' investments in domestic debt securities. Data source is the ITRS and the reports for stocks and flows data on investments in debt securities (VHV-2).

Other investment income: The data include received and paid interest on the deposits, as well as accrued interest on short-term and long-term loans. The data sources are the ITRS and the system for reporting on the external debt and claims, for loans which are obligatorily recorded in the NBRNM. An adjustment is made in the interest from deposits and loans item, by redistributing part of this income in the financial services item, on the basis of the calculation of exports and imports of financial intermediation services indirectly measured (FISIM).

Reserve assets: this item includes accrual interest from investments in foreign debt securities within the reserve assets, as well as interest receipts from deposits within the reserve assets. Main data sources are the NBRNM reports for official reserve assets.

Secondary income

General government transfers mainly refer to the assistance in financial assets and goods received by foreign governments and international organizations. The source of data on the transfers in financial assets is the ITRS, while on the transfers in goods it is the customs administration documents. Additional source of data for the previous years on the item current taxes on income and wealth is the annual direct investment survey VS 22.

Transfers to the sector financial corporations, nonfinancial corporations, households, and NPISHs consist of personal transfers (current transfers between resident and nonresident households), and other transfers (cash exchanged, current taxes on income and wealth, social benefits, social contributions, nonlife insurance premiums and claims). Main data sources are the ITRS and the single administrative document (SAD), for the transfers in goods. According to the BPM6, cash exchanged on the exchange market should be classified in the capital and financial account of the balance of payments. However, considering the fact that the largest part of these assets originates from residents' receipts from non-residents based on provided goods and services (unrecorded transactions) and transfers received in cash foreign currency, these transactions are recorded as a part of the balance of payments' current account (secondary income).

CAPITAL ACCOUNT

This account encompasses gross acquisitions/disposals of nonproduced nonfinancial assets and capital transfers, on a gross basis, for which the main data sources are the system for reporting on the banks' international payment operations (ITRS) and the system for reporting on the external debt and claims.

FINANCIAL ACCOUNT (NET LENDING/NET BORROWING)

Direct investment: Direct investments are recorded on an assets and liabilities basis. Within this category, the investments are recorded separately as investments from direct investor in direct investment enterprises, reverse investments and investments between fellow enterprises. The direct

investments include equity, reinvestment of earnings and debt instruments. Debt instruments consist of trade credits, loans and other debt instruments between affiliates. Debt claims and liabilities between deposit corporations and other financial intermediaries (except insurance corporations and pension funds) are excluded from the debt instruments within the direct investments category and are included in the appropriate financial instrument.

The source of data on the investment in financial assets is the system for reporting on the banks' international payment operations (ITRS), while on the investment in goods it is the single administrative document (SAD) for the foreign trade of the R. Macedonia. For the current year, data on reinvested earnings are estimated on the basis of data from the quarterly reports on realized and planned financial result for the current year (KVS) and on the basis of the reports on realized financial result for the previous year (VS 11 and VS 22). Data for the previous years are revised on a yearly basis, on the basis of the data from the annual direct investment survey (VS 22). Loans within debt instruments are based on the system for reporting on the external debt and claims (NDNP), while the trade credits are based on the quarterly reports on claims and liabilities based on international commercial operations of residents (KIPO form). Data on other claims and liabilities between affiliated entities are based on the survey on debt/claims takeovers among residents and nonresidents (POZ) and the annual direct investment survey (VS 11 and VS 22).

Portfolio investment: Up to 2015 data, the source of data on the portfolio investments - assets is the ITRS. Starting from January 2015, the source of data are the reports for stocks and flows data on investments in equity and investment fund shares (VHV-1) and reports for stocks and flows data on investments in debt securities (VHV-2). The main source of data on the portfolio investments - liabilities is the ITRS.

Other investment:

Other equity: Other equity is comprised of investments, below 10%, that are not in the form of securities. Main data source is the ITRS.

Currency and deposits: The data primarily refer to the changes in the foreign exchange assets and foreign exchange liabilities of the banks. The sources of data include the bank's monthly reports on the deposit money banks' book-keeping stock and the ITRS. The changes in foreign exchange assets and foreign exchange liabilities of the banks are showed with partial exclusion of valuation changes. The changes of foreign exchange assets of individuals include net cash deposited on foreign exchange accounts with the banks, reduced for the imports of goods by the individuals. The source of data for net cash deposited on foreign exchange accounts with the banks is the ITRS and for the imports of goods, it is the SAD. Additional source of data on currency and deposits for other sectors are data for transactions made through the accounts held abroad by the other sectors units, for which the NBRNM has issued an approval in accordance with the positive laws (monthly reports – MR).

Loans: The "loans" category includes disbursements and amortization on short-term and long-term loans. The data are based on the reports on medium-term and long-term public and private external debt prepared by the NBRNM, which are obligatory recorded in the NBRNM.

Trade credits and advances: Short-term trade credits and advances (as net liabilities for trade credits extended to and received from foreign countries) represent a differential between the exports/imports of goods and services and the corresponding settlements. The estimated data on the trade credits are derived from the foreign trade data in the administration customs documents and the corresponding settlements from the ITRS, as well as from the monthly reports for settlement accounts-MR. If the value of exported goods is higher than the value of receipts on exports, the difference is recorded as an extended trade credit. If the value of imported goods is higher than the payments on imports, the difference is recorded as a received trade credit.

Data source on the long-term trade credits is the system for reporting on the external debt and claims (NDNP).

Reserve assets: Transactions are calculated as changes in the stock of the particular components of reserve assets, excluding price changes and exchange rate differentials. The sources of data are the reports of the NBRNM.