

## VI. NOTES ON METHODOLOGY FOR THE FOREIGN EXCHANGE SECTOR TABLES

### Balance of payments (Tables 40–51)

Balance of payments is a statistical statement that systematically summarizes, for a specific time period, the economic transactions of the Republic of Macedonia with the rest of the world.

In accordance with the Law on the National Bank of the Republic of Macedonia and the regulations from the external sector, the National Bank of the Republic of Macedonia (NBRM) is an institution responsible for the compilation of the balance of payments.

In the Republic of Macedonia, the balance of payments statistics is mainly prepared in accordance with the methodology of the International Monetary Fund (Balance of Payments Manual, fifth edition – BPM5). The data are compiled on monthly basis and are presented in USD million. Transactions denominated in other currencies are converted in US Dollars, equivalent to the exchange rate on the date of 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 Macedonia;
- the system for reporting on the banks' international payment operations (ITRS);
- the system for reporting on the external debt (from the credit indebtedness);
- the bank's reports on the deposit money banks' book-keeping stocks;
- additional NBRM's reports on the realized turnover in exchange offices and on the official foreign exchange reserves stock of the Republic of Macedonia.

### Balance of payments: separate items

#### CURRENT ACCOUNT

##### Goods

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

In accordance with the methodology on recording the foreign trade in the trade statistics, the State Statistical Office is publishing the data for the exports on the **f.o.b.** basis, while regarding the imports, on the **c.i.f.** basis.

Adjustment for the coverage and classification are made for good's item in the balance of payments in line with the recommendations given in the BPM5, especially regarding the following:

- coverage: regarding the return of goods and the invoiced value of the performed service for the repair of goods;
- 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 Macedonia adjusted to the overall imports.

##### Services

**Transportation:** The data that refer to the transportation are taken from the ITRS. There is a possibility for making 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.

**Other services:** The data are taken from the ITRS for the receipts from and payments to non-residents on the basis of type of services: telecommunication, construction, insurance, business, government and other services. The 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.

##### Income

The 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 represent a capital *gain* from the direct investment, portfolio investment and other investment (dividends, loan and credit interests, etc.).

**Direct investment income:** The data include only receipts and payments for dividends through the ITRS. The reinvested earnings are not included.

**Other investment income:** The data include received and paid interest on the deposits, short-term, medium-term and long-term loans and credits. The received interest consists of the inflows of interest on foreign currency deposits on the foreign accounts (interest on the foreign exchange reserves and on the foreign exchange assets of the banks). The data sources are the ITRS and the NBRM's reports on the official foreign exchange reserves stock. The paid interests refer to

the due current liabilities on disbursed medium-term and long-term foreign loans and credits. The source of data is external debt reports, which are obligatorily recorded in the NBRM (credit indebtedness).

### **Current transfers**

The *official transfers* mainly refer to the assistance in financial assets and goods received by foreign governments and international organizations. The source of the data for the transfers in financial assets is the ITRS, while regarding the transfers in goods is the customs administration documents.

The *private transfers* consist of: remittances, cash exchanged and other transfers of which the most are compensations of employees. The source of data is the ITRS.

Cash exchanged on the exchange market in accordance with the BPM5 should be classified in the capital and financial account of the balance of payments. However, regarding the fact that the largest part of these assets originates from the residents' receipts from non-residents on the basis of 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 (private transfers).

## **CAPITAL AND FINANCIAL ACCOUNT**

### **CAPITAL ACCOUNT**

This account encompasses the **capital transfers** for which source of data is the ITRS.

### **FINANCIAL ACCOUNT**

**Direct investment:** The direct investment include the investment in goods and in financial assets. The source of data for the investment in financial assets is the ITRS, while regarding the investment in goods is the customs administration documents. The reinvested earnings are not included. The trade credits between the affiliated entities are not recorded separately, but they are subscribed in the item other investments in the balance of payments.

**Portfolio investment:** The source of data for the portfolio investment is the ITRS.

### **Other investment:**

**Trade credits:** The trade credits (extended to and received from foreign countries) represent a differential between the exports/imports of goods and the corresponding settlements. The estimated data for the trade credits are derived from the foreign trade data in the administration customs documents and corresponding settlements from the ITRS. If the value of the exported goods is higher than the value of receipts on exports, the difference is recorded as an extended trade credits (with a negative sign). If the value of imported goods is higher than the payments on the imports, the difference is recorded as a received trade credits (with a positive sign).

**Loans:** Within the "loans" category, disbursements and amortization on medium-term and long-term loans and credits are recorded. Principal and interest arrears are also recorded as a counter-entry in the category other investment – other. The data are based on the reports on medium-term and long-term public and private external debt prepared by the NBRM, which are obligatorily recorded in the NBRM.

**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 are the monthly bank's reports on the deposit money banks' book-keeping stocks and the ITRS. The changes of foreign exchange assets and foreign exchange liabilities of the banks are showing with partly excluding of valuation changes.

The changes of foreign exchange assets of individuals includes 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 imports of goods is the SAD.

**Gross official reserve assets:** The data refer to the changes in the stock of the official foreign exchange reserves. The source of data are the reports of the NBRM regarding the foreign exchange reserves stock calculated according to the exchange rate on the date of the reporting period.

### **Foreign trade (Tables 52 and 53)**

The source of the data regarding the foreign trade is the State Statistical Office of the Republic of Macedonia. The data on the international trade of goods of the Republic of Macedonia is prepared in accordance with the main statistical standards, definitions and recommendations of the UN regarding the concepts and definitions of the foreign trade statistics.

The data relating to the exports are published on **f.o.b.**, while those relating to the imports, on **c.i.f.** basis.

### **Inward direct investment (Tables 54; 55; 56 and 57)**

The sources of the data are the ITRS and the customs administration documents.

The data on the inward direct investment include the investments and withdrawals in financial assets, and investments in goods.

#### **Average exchange rates and exchange rates - end of the month (Tables 58 and 59)**

The average annual exchange rates are calculated as an arithmetical average of the monthly average rates.

The average quarterly exchange rates are calculated as an arithmetical average of the average monthly exchange rates in the given quarter.

The average monthly rates are calculated as an arithmetical average of the average daily exchange rates.

The exchange rates at the end of the month represents the daily middle exchange rate at the exchange rates list of the NBRM for the last day of the month.

#### **External debt (table 60)**

In accordance with the regulation for foreign exchange operations, the NBRM is responsible institution for recording the international credit indebtedness and reporting on the amount of the external debt of the Republic of Macedonia.

In reports on the amount of the external debt, the NBRM uses the methodology of the International Monetary Fund, the World Bank, the Bank for International Settlements, the Commonwealth Secretariat, the Eurostat, the Organization for Economic Cooperation and Development, the Paris Club Secretariat and the United Nations Trade and Development Conference – Manual on the external debt statistics, the World Bank methodology – Manual on systemic debtor reporting.

The data are prepared on a monthly basis, in US Dollar. The amount of the external debt, the overdue liabilities and the repayment plan for the following period recorded in the genuine currency are converted in US Dollar at the exchange rate as of the date on which the amount of the external debt is presented.

Major sources of data for preparing the reports on the external debt are the banks in the Republic of Macedonia authorized to perform international operations and which on their behalf, if they are debtors to abroad, or on behalf of their clients, if the clients are debtors to abroad, inform the NBRM on the credits taken from abroad, and the operations based on them.

The table presenting the external debt shows the debt of the residents of the Republic of Macedonia by foreign creditors. The amount of the debt includes the total principal, the overdue interest at an interest rate on the date of concluding the credit agreement and the deferred interest calculated from the maturity date of the liability to the date of preparing the report on the amount of the external debt. The overdue liabilities based on principal and interest are liabilities which were due in the previous period and which are not paid until the date of presenting the amount of the external debt, while the repayment plan based on principal and interest contains the payments due in the following period.

#### **External debt outstanding: item-by-item**

##### **1. OFFICIAL CREDITORS**

###### **Multilateral creditors**

The multilateral item shows the debt of the residents of the Republic of Macedonia to each multilateral creditor, as well as the overdue liabilities and projection of the payments in the following period.

###### **Bilateral creditors**

**Rescheduled debt:** Data on the agreed reschedule of the liabilities of the Republic of Macedonia to the Paris Club of Creditors concluded in July 1995.

**Non-rescheduled debt:** Data on the liabilities the Republic of Macedonia accepted with the reschedule with the Paris Club of Creditors dated July 1995, pertaining to the credits used by the former SFRJ. These liabilities are accepted with the original terms of payments, i.e. they are not rescheduled.

**Newly concluded credits:** This category includes data on the credits concluded after the Republic of Macedonia gained its independence on the basis of bilateral agreements.

##### **2. PRIVATE CREDITORS**

**Commercial banks (London Club):** The data show the liabilities of the Republic of Macedonia to the London Club of creditors on the basis of the reschedule agreed with this group of creditors in March 1997. This reschedule reorganized the debt of the residents of the Republic of Macedonia to the private commercial banks – foreign creditors.

**Other:** This category shows the liabilities of the residents of the Republic of Macedonia to the foreign companies – creditors and the liabilities towards the foreign banks – creditors.