1. METHODOLOGICAL EXPLANATIONS FOR EXTERNAL STATISTICS

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

Within it's continuious 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

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 country[1].

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, inward and outward capital investments, 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.nspx).
The methodologies on external statistics are also disseminated on the NBRNM's website.

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.

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[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.

2. General methodological explanations for Direct Investments

Direct Investment (hereinafter DI) reflects the objective of establishing a lasting interest between a direct investor (resident in one economy) and a direct investment enterprise (resident in another economy). Direct investments consist of investments by which the investor intends to achieve a long-term economic relationship and/or to acquire managing right of the legal entity in which they invest. Thereby, direct investments are defined in accordance with the international recommendations and standards in which the criterion is minimum 10% capital share (direct or indirect) in the entity in which the capital is invested. Direct investments, apart from the initial investment transaction, also incorporate all subsequent investments between the direct investor and the direct investment enterprise. Also, within this category, reverse investments (investments of the direct investment enterprise in the direct investor below 10%) and investments between fellow enterprises (below 10%) are included.

Direct Investments consist of assets and liabilities based on:

- Equity which arises from:

  - Investments of the direct investor in the direct investment enterprise – including capital investments of the direct investor in the direct investment enterprise of 10% or more than 10% (direct or indirect).
  - Investments of the direct investment enterprise in the direct investor (reverse investment) – reverse investment includes capital investment of the direct investment enterprise in the direct investor of less than 10%.
  - Investments between fellow enterprises - fellow enterprises are enterprises that are under the control or influence of the same immediate or indirect investor within the chain of ownership and the capital relation between them does not exceed 10%.

- Debt instruments which include: loans, trade credits and advances, debt securities, financial lease and other debt claims and liabilities which arise from:

  - Investments of the direct investor in the direct investment enterprise;
  - Investments of the direct investment enterprise in the direct investor (reverse investment) and
  - Investments between fellow enterprises.

Debt claims and liabilities between deposit corporations and other financial intermediaries (except insurance corporations and pension funds) are excluded from the debt instruments.

3. Data sources and methodology for compiling Direct Investments stocks and transactions data

The statistics of the National Bank of the Republic of North Macedonia on direct investments cover data on both direct investment stocks and transactions. "Stocks" represent the amount of direct investments at the end of a specific period of time.

"Transactions" consist of transactions between affiliated entities based on direct investments that occurred during a specific period of time.

Depending on the direction of the investment, the NBRNM's Statistical Survey on direct investments covers data for stocks and flows of **Direct Investments abroad** (Outward Direct Investments) and **Direct Investments in the country** (Inward Direct Investments).

Direct Investments abroad include investments of a resident direct investor (legal entity or individual) in a nonresident direct investment enterprise.

Direct Investments in the country include investments of a nonresident direct investor (legal entity or individual) in a resident direct investment enterprise.

Depending on the DIs structure, the Statistical Survey of the NBRNM for direct investments in the country covers stock data of **new, existing and other investments**.

The new investments present the amount of equity (including reinvestment of earnings) which arises from investment in new entities (Greenfield investments).

The existing investments present the amount of equity (including reinvestment of earnings) which arises from investment in existing entities by mergers or acquisitions.

The other investments present the amount of equity (including reinvestment of earnings) which arises from establishment of branches, foundations etc.

According to the International and European standards, direct investments **stock** data include assets and liabilities based on:

- Equity (including reinvestment of earnings) and
- Debt instruments, which cover assets and liabilities between affiliated entities from abroad, as follows:
    - Loans between affiliated entities,
    - Trade credits and advances between affiliated entities,
    - Assets and liabilities between affiliated entities based on other debt instruments.

For the subcategory **equity,** annual surveys for inward and outward direct investments (VS - 22 for inward investments and VS 11 for outward investments) are used as main data source.

In methodological terms, the reinvestment of earnings includes:

- Portion of gain allocated to capital;
- Portion of gain allocated to reserves;
- Portion of gain allocated to cover losses from previous period;
- Unallocated gain; and
- Uncovered loss.

For the subcategory **debt instruments** the following data sources are used:

- for loans between affiliated entities, data are used from the reporting system on external debt and claims (EDEC),
- for trade credits and advances between affiliated entities, data are used from the quarterly reports on the claims and liabilities on the basis of international commercial operations of residents (KIPO Form),
- for other assets and liabilities between affiliated entities, the survey on debt/claims takeovers among residents and nonresidents (POZ), as well as the annual reports for inward and outward investments (VS 22 and VS 11)are used as a data source.

Direct investments **transactions** data are presented in accordance with the standard components of DI and cover the flows based on:

- Equity;
- Reinvestment of earnings and
- Debt instruments, which cover assets and liabilities between affiliated entities from abroad, as follows:
    - Loans between affiliated entities,
    - Trade credits and advances between affiliated entities,
    - Assets and liabilities between affiliated entities based on other debt instruments.

For the subcategory **equity** for the current year, the source of data for the investment in financial assets is the system for reporting on the banks' international payment operations (ITRS), while for the investment in goods, it is the Single Administrative Document (SAD) for the foreign trade of the Republic of North Macedonia. Data for the previous years are revised on a yearly basis, based on the data from the annual Direct Investment Survey (VS 22).

The subcategory **reinvestment of earnings** for the current year is estimated on the basis of the results from the quarterly questionnaire on the realized and planned income for the current year (KVS). Data for the previous years are revised on a yearly basis, based on the data from the annual Direct Investment Survey (VS 22).

For the subcategory **debt instruments,** the following data sources are used:

- for loans between affiliated entities, data are used from the reporting system on external debt and claims (EDEC),
- for trade credits and advances between affiliated entities, data are used from the quarterly reports on the claims and liabilities on the basis of international commercial operations of residents (KIPO Form),
- for assets and liabilities between affiliated entities based on other debt instruments, the survey on debt/claims takeovers among residents and nonresidents (POZ) is used as a data source. Data for the previous years are revised on a yearly basis, based on the data from the annual Direct Investment Survey (VS 22).

3.1 Valuation method

Direct investments stock data are valued at book value, while direct investment transactions data are calculated at market value.

Changes in stocks between two reporting periods may arise from transactions, price changes and/or exchange rate changes and other changes in volume.