

OECD
ECONOMIC SURVEYS

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

YUGOSLAVIA

ORGANISATION DE COOPÉRATION ET DE DÉVELOPPEMENT ÉCONOMIQUES

MAY 1980

BASIC STATISTICS OF YUGOSLAVIA

THE LAND AND THE PEOPLE

Total area (1 000 sq. km)	256	Net increase in population, 1968-1978 (1 000), annual average	193
Agricultural area (1 000 sq. km) 1977	99.5	Total paid employment (1979, 1 000)	5 617
Forest area (1 000 sq. km) 1974	90	<i>of which:</i>	
Population (30.6.1978, 1 000)	21 968	Industry	2 102
Republics:		Building	602
Serbia	9 028	Agriculture (social sector)	188
Croatia	4 578	Active population in private agriculture (31.3.1971 census, 1 000)	3 892
Bosnia and Herzegovina	4 133		
Macedonia	1 835		
Slovenia	1 812		
Montenegro	582		
Major cities (31.3.1971 census):			
Belgrade	1 209		
Zagreb	602		
Skoplje	389		
Sarajevo	292		
Ljubljana	258		

PRODUCTION

Gross national product at factor cost (1978, billion dinars)	962.8	Origin of GDP in 1978 (per cent of GDP):	
Gross domestic product per head (1978, US \$)	2 140	Agriculture, forestry and fishing	14.7
Gross fixed asset formation: 1978 (billion dinars)	357.3	Mining and manufacturing	37.9
1978 (per cent of GNP)	33.7	Building	11.0
		Other	36.4

GOVERNMENT

Collective consumption (1978, per cent of GDP)	17.4	General government revenue, including social security (1978, per cent of GDP)	37.8
Federal current revenue (1978, per cent of GDP)	7.1		

FOREIGN TRADE

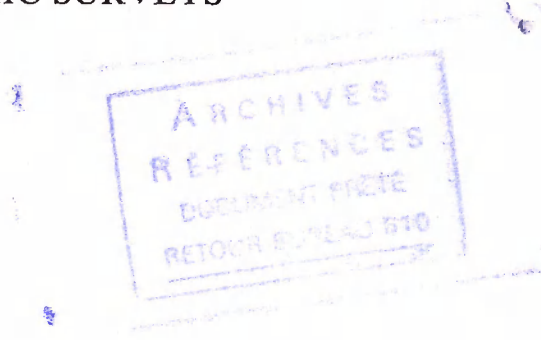
	Structure of exports in 1979 (per cent)	Structure of imports in 1979 (per cent)
Food, drinks, tobacco	10.6	7.0
Raw materials and semi-finished goods	46.1	52.8
Finished manufactures	43.3	40.2

THE CURRENCY

Monetary unit: Dinar	Currency units per US \$, average of daily figures:	
	Year 1979	18.98
	March 1980	20.14

NOTE An international comparison of certain basic statistics is given in an annex table.

OECD ECONOMIC SURVEYS



YUGOSLAVIA

MAY 1980

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

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- to contribute to sound economic expansion in Member as well as non-member countries in the process of economic development;
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*The annual review of Yugoslavia
by the OECD Economic and Development Review Committee
took place on 17th April 1980.*

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INTRODUCTION

Despite the marked slowdown in the average growth of GDP in the OECD area and of world trade since 1974, the Yugoslav economy has maintained almost the same high rate of growth as before the 1973 oil crisis (more than 6 per cent per annum) with a particularly rapid expansion of investment. The resulting fast increase of non-agricultural employment has helped to curb the rise in unemployment during a period when the earlier substantial emigration of workers was partly reversed. The continued application of development-oriented policies has raised average living standards (although considerable differences persist between regions) and brought about important socio-economic transformations. Today, almost half the population lives in urban settlements, while agricultural employment is about one third of the total compared with more than two thirds in the early post-war period. The volume and range of industrial production have increased very substantially. Education, health and social services have been expanded significantly. And with higher personal living standards, new types of labour-intensive service activities have acquired macro-economic importance in recent years¹.

Rapid growth of the economy has in the past come up against the balance-of payments constraint, but periodic phases of stabilisation and adjustment were not too prolonged in an environment of high medium-term growth in the industrialised world. However, the external constraint has become more important after the early 1970s because of slower expansion in the country's major foreign markets and the sharp rise in energy prices. Large current account deficits in 1974 and 1975 and mounting inflationary pressures led to policies of restraint and a marked deceleration of total output growth in 1975 and 1976. But as soon as the current deficit was eliminated (in 1976) rapid growth was resumed. The average volume increase of the Social Product in the three years to 1979 exceeded somewhat the rather ambitious 7 per cent target of the 1976-1980 Plan and the average rise of total domestic demand was nearly 9 per cent. This inevitably created both external and domestic strains. The volume of exports fell slightly over the last three years while the volume of imports rose appreciably. Bottlenecks have appeared in certain sectors. And the rise in oil prices had both enlarged the current account deficit and contributed to an acceleration of inflation.

Current economic policies have been progressively adjusted to cope with the imbalances that have emerged. A series of measures were taken in the course of 1979 and early 1980 to reduce domestic demand pressures and prevent too large increases of nominal incomes. And the growth target for 1980 has been set at 5 per cent—a rate distinctly below the performance of recent years

¹ A summary quantitative description of medium-term economic trends was given in the 1979 OECD Economic Survey of Yugoslavia, pp. 5-7.

but still quite appreciable in the context of slower expansion both in the Eastern European countries which absorb some 40 per cent of Yugoslav commodity exports and in the OECD area. There are already indications that last year's sizeable deficit of the current balance of payments may diminish in 1980—a process that should be helped by the recent agreement concerning trade relations with the European Economic Community. But the expected beneficial effects of the recent measures on the rate of inflation may take some time to become apparent. Apart from short-term adjustments to changing circumstances, economic policies have continued to aim at medium-term objectives. As elsewhere, important measures have been taken or are being prepared in the energy field. Further institutional reforms have been introduced within the general principles of extensive decentralisation of economic decisions and an enhanced role of market forces in the functioning of the economy. And work is proceeding for the preparation of a new medium-term plan that would take account of changes in the world economic environment over the last several years.

Part I of the present Survey analyses recent domestic economic developments and balance of payments trends. Part II discusses monetary, fiscal and other policy measures and also briefly reviews some of the institutional aspects of income determination as well as energy trends and policies. The official targets and policies for 1980 and the short-term prospects for the economy are examined in Part III. The concluding paragraphs contain both short-term and longer-term policy considerations.

I RECENT DEVELOPMENTS

For the third year in succession the Social Product grew rapidly in 1979, and was accompanied by an 8 per cent increase in industrial production and a strong rise in employment (4½ per cent). These favourable developments, however, were clouded by the acceleration of inflation and the increase in the current external deficit. In last year's annual Survey of Yugoslavia² attention was drawn to the strong inflationary forces at work and to the momentum of growth early in 1979 which made it likely that the moderate targets in the 1979 Economic Resolution would be exceeded³. The Survey's concluding paragraphs placed particular emphasis on the problems of inflation and of the balance of payments which, both in the short and longer run pose difficult problems. The rise in retail prices during 1979 of 24 per cent was about two-thirds higher than the rate during the previous year. Similarly, the current external deficit more than doubled to \$3.4 billion in 1979. The sizeable rise in the price of oil explains part of the deterioration in these two areas, but domestic factors also played a role.

2 OECD Economic Survey of Yugoslavia, June 1979, Part IV, "Prospects and Policy Considerations", pp. 41-48.

3 In each year's Economic Resolution the authorities give detailed targets on growth, investment, consumption, production, inflation, balance of payments, trade, etc., and also indicate the policies to be pursued in order to achieve them. The targets and policies of the successive Economic Resolutions should, in principle, be consistent with the Five Year Plan.

Table 1 Demand and output

	Billion dinars Current prices		Percentage changes at 1975 prices					
	1977 ¹		1975	1976	1977	1978	1979	
	SNA definitions	Yugoslav definitions					Policy résolution	Outcome ²
Private consumption	429	398	3.4	4.4	7.0	7.0	4.1	5.5
General government consumption	148	73	1.8	3.4	7.4	5.3	5.0	5.9
Gross fixed investment	268	267	12.3	6.2	11.0	11.2	6.5	9.2
Business sector			14.3	6.1	14.1	11.9		9.4
Non-business sector			9.4	6.5	6.4	10.1		8.9
Final domestic demand	845	739	6.0	4.9	8.4	8.2	5.0	6.8
Stockbuilding	59	59	-2.3	-4.7	3.6	-1.5	0.4	0.4
Statistical discrepancy	-14	-4	0.2	-0.2	1.1	-0.05		1.3
Total domestic demand	890	794	3.2	-0.4	12.8	5.9	5.3	8.1
Foreign balance	-55	-60	0.1	4.2	-4.8	0.2	0.5	-1.4
Exports	136	130	2.5	10.6	-4.4	0.4	—	-0.3
Imports	191	189	-0.6	-5.0	12.5	-1.0	—	8.2
Social product	835	734	3.6	3.9	7.9	6.6	6.0	7.1
Agriculture		114	-3.3	7.4	5.7	-5.1	5.0	6.1
Other activities		620	5.0	3.2	8.3	8.9	6.2	7.3
Industry		283	5.1	3.6	9.5	8.6	7.0	7.9
Electricity		19	12.8	-4.3	12.6	5.9		
Mining		25	4.4	0.7	4.9	4.0		
Manufacturing		239	4.6	4.5	9.6	9.2		
Construction		79	11.0	4.9	9.5	11.2	5.5	7.5
Other services		258	3.5	2.4	6.7	8.7		6.6

1 1978 national accounts on OECD SNA basis do not exist.

2 Provisional estimates.

Source: Direct communication to the OECD.

The rate of growth of the Social Product⁴ accelerated to just above 7 per cent last year which—partly reflecting the upturn in agricultural production—was above what was envisaged in the Economic Resolution. However, what is more important is that the pattern of demand turned out to be unfavourable. The expansion was exclusively based on domestic demand and though there was some slowdown in relation to the previous year, all the main final domestic demand components expanded rapidly. This, coupled with considerable stock-building, resulted in a marked increase (8 per cent) of total domestic demand. Since 1977 domestic demand has been rising at an annual rate of 9 per cent which is considerably higher than the underlying growth of productive potential⁵ and this largely explains the aggravation of imbalances reflected in the recent marked deterioration in the rate of inflation. Furthermore, the volume of exports fell slightly in 1979 while the growth of import volumes was 8½ per cent. The weakness in exports continued the pattern of earlier years, export volumes in the four years to 1979 having risen at an average annual rate of about 1½ per cent. The corresponding figure in the Five Year Plan 1976-1980 is 7½ per cent. This shortfall is partly an inevitable consequence of the rapid growth of domestic demand and represents one of the more important issues to be addressed over the medium term.

The authorities, aware of the strong destabilising trends since the second half of 1978, tightened the stance of policy early in 1979. In particular, credit and monetary targets included in the Economic Resolution for 1979 were lower than in 1978 and fiscal policy was tightened somewhat. Faced with an acceleration in the growth of domestic costs and of import prices which risked putting too powerful a brake on economic activity, however, the credit and monetary ceilings were gradually adjusted upwards in the first half of the year. But with no signs of improvement in the balance of payments and inflation trends up to mid-year, policy became more restrictive and the authorities applied, in the second half-year, additional stabilisation measures. Following these, activity decelerated markedly and the rate of inflation eased somewhat in the second half of the year⁶.

Demand and output

Following the slowdown in 1976-1977 the annual rate of increase in net average earnings rose to 20½ per cent in both 1978 and 1979, which is only a little higher than the average rate of increase during the 1970s. But whereas in the previous three years there was an appreciable increase in real terms, especially in 1978 (about 5½ per cent), net real average earnings stagnated in 1979 as a whole and may even have fallen a little during the year. Similarly, while remaining high the growth of emigrants' remittances, which accounts for roughly

4 The main difference between the Social Product and GDP on a SNA basis (used by the OECD) is that public expenditure on wages and salaries as well as other payments to individuals for services rendered are not included in the Social Product. Collective and common consumption only include expenditure on goods. Hence, general and collective consumption is less than general government consumption on a SNA basis. In addition, private consumption on the basis of Yugoslavian definitions is somewhat lower than on a SNA basis. There are also some differences in the estimations of exports and imports of goods and services. In total, the level of GDP on a SNA basis is about 15 per cent higher than the Social Product.

5 Including the 1976 small decline, the annual rate of increase of total domestic demand was 6.8 per cent in the first four years of the 1976-1980 Five Year Plan period exceeding by nearly ½ percentage point the planned rise.

6 The annual rate of increase of industrial production fell from a little over 9 per cent in the first half of 1979 to 4½ per cent in the second half.

Table 2 Household account
Billion dinars, current prices

	1976	1977	1978	1979 Estimates
Net salaries and other personal income in the socialised sector	238.5	300.6	364.5	458.6
Social security transfers	63.5	79.1	99.6	125.9
Net wages and salaries in the private sector	42.5	47.7	49.2	59.0
Consumption in kind	30.8	35.7	39.5	49.7
Remittances from abroad	34.6	37.5	58.6	76.0
Other income	15.6	20.9	49.0	57.0
TOTAL INCOME	425.6	521.4	660.3	826.9
Less taxes and fees	9.6	13.0	16.4	20.6
DISPOSABLE INCOME	416.0	508.3	643.9	806.3
Current consumption	351.5	428.9	525.2	666.0
Savings	64.5	79.4	118.8	140.3
Money and savings deposits	40.3	52.2	86.9	80.0
Housing investment	30.2	35.4	43.9	55.9
Other	7.4	0.0	-1.2	10.4
Less net consumer credit	13.4	7.8	10.6	6.0
Savings ratio (per cent)	15.5	15.6	18.5	17.3

Source: Direct communication to the OECD.

10 per cent of disposable income was less than in 1978. However, other personal receipts⁷ from the socialised sector and private sector income (largely reflecting buoyant agricultural production, coupled with the marked rise in agricultural prices) as well as social security transfers continued to rise strongly⁸, and more than the rise in prices. In total, real disposable income grew by nearly 4 per cent in 1979 which is less than half the average rate of increase of the previous three years. In 1978 the increase in real disposable income was a strong 11½ per cent which, combined with special factors⁹ led to a marked rise in the personal savings rate by 3 percentage points to 18½ per cent. The small fall in the personal savings rate in 1979 reflected the lagged adjustment of expenditure to the substantial rise in real disposable income in the previous year. The consumer credit squeeze in 1979 may also have contributed to the decline in the savings rate¹⁰, the level of which was still much higher than the average of the 1970s.

Supported by the fall in the savings rate, the growth of private consumption was 5½ per cent in 1979, or somewhat less than in the previous two years.

7 Fees, premiums, food, travel and housing subsidies, etc. paid to workers by enterprises, socio-political units and self-managed communities of interest.

8 Between 1974 and 1978 old-age pensions increased at an annual rate of 24½ per cent, while the number of beneficiaries rose by 3 per cent per annum. These figures suggest a substantial rise in real terms, considerably more than real average earnings. Reimbursements for health insurance rose even faster, 31½ per cent, annual rate, during this period and the number of beneficiaries rose by 2½ per cent annually.

9 See OECD Economic Survey of Yugoslavia, June 1979, p. 10.

10 This is based on the assumption that the credit squeeze has a small effect on overall consumer demand and therefore consumers had to draw on their financial assets to finance a bigger part of their purchases.

Because of the easy access to credit up to the spring of 1979, the year-on-year increase in demand for durables was considerably faster in 1979 than that of total private consumption. The growth of consumption was particularly rapid in the first half-year¹¹. Strong inflationary expectations and a liberal credit policy during the first four months of the year boosted the volume of retail sales, which increased at an annual rate of 10 per cent in the first half of 1979. Consumer credit in the same period was about 28 per cent up over the same period of 1978¹² and other bank credit to households may have risen even faster. With the aim of curbing the growth of consumption, the authorities progressively took action after the first quarter of 1979. Consumer credit was restricted and down-payments on most consumer durables rose from 20 to 30 per cent at first and then to 45 per cent¹³. Net consumer credit growth in the five months to November was only 19 per cent up over the same period in 1978, implying a fall in real terms. The credit squeeze, coupled with the acceleration in the rate of inflation which eroded real income growth, resulted in an important decline in the volume of retail sales between the two halves of the year.

The growth of general and collective consumption¹⁴ accelerated to 6 per cent in 1979. This probably reflected higher spending by the Federal Government whereas the rise in expenditure by socio-political units and self-managed communities of interest for social services (education, health, etc.) may have been somewhat lower in real terms than in 1978. The growth of fixed investment, was somewhat slower than in the previous two years (Table 1). There was a big carryover from 1978; investment growth through the year was relatively moderate. The construction of new power plants was postponed and a somewhat smaller credit expansion, coupled with the steep rise in raw materials and import prices, led to a severe squeeze on company liquidity which appears to have caused an important cutback in investment expenditure. While programmes under way were continued, there was a big drop in new investment projects. Again, as in the previous few years, enterprise investment rose somewhat faster than total investment, but this was mainly due to a high rate of investment in trade, catering services and crafts.

Investment in priority sectors (defined in the 1976-1980 Five Year Plan¹⁵) also grew faster than total investment. However, since 1976 there have been some shortfalls in cumulative investment in these sectors¹⁶. The shortfalls were particularly important in oil and gas (including refining capacity), in basic chemicals, non-metallic minerals, agricultural projects and food processing industries, tourism and catering and in transport, whereas in electricity, coal, iron and steel, non-ferrous metals, machine building and in a few others total investment was higher than planned. The fast growth of the latter categories, mainly consisting of heavy industries, reflects the activities of enterprises (Organisations of Associated Labour) and their investment bias which is partly explained by the easy access to cheap domestic credit and to foreign loans by suppliers

11 When a half-yearly or quarterly growth is indicated, unless otherwise stated, it refers to the growth between the previous half-year or quarter and that indicated.

12 The increase of retail prices of industrial products was 19½ per cent over the same period, implying an increase in real terms of 7½ per cent.

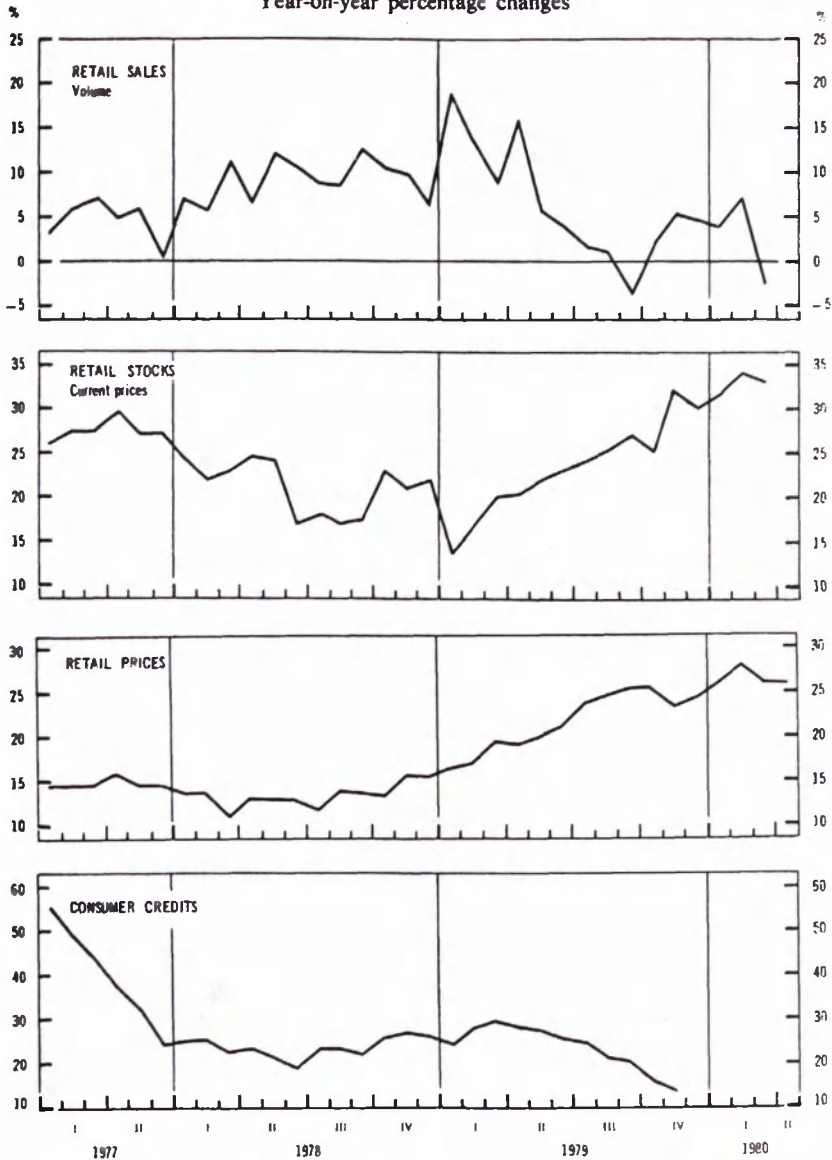
13 For automobiles, down-payments were increased from 30 to 45 per cent in April and to 67 per cent in July.

14 General and collective consumption is the general government consumption on a SNA basis excluding wages and salaries paid to public servants.

15 The principal priority sectors are power generating projects, coal, oil and gas, iron and steel, non-ferrous metals, non-metallic minerals, machine building, agricultural industries, transport and tourism.

16 Their share in total investment, however, rose from 55 per cent between 1971 and 1975 to 59½ per cent between 1976 and 1979.

Diagram 1 Indicators of personal consumption
Year-on-year percentage changes



Source: Indeks.

of capital equipment. Moreover, in a number of these sectors there has been an increasing foreign participation over the last few years in the form of joint ventures which has contributed to the introduction of new technology and the growth of investment. In contrast, in certain sectors such as transport and infrastructure investment and agricultural projects where the maturity period is long and in part depends on the local institutions for channelling the necessary funds, investment growth has been lagging.

In line with official policy, the growth of investment in "non-economic" sectors (mainly housing, social, educational, cultural and health sectors) grew a little slower (8½ per cent) than total investment. Within this total, investment in housing continued to be buoyant for the second consecutive year. In the first two years of the 1976-1980 Plan period, the growth of investment in housing lagged considerably behind the target rate of 8 per cent. However, this was largely made good in 1978 and 1979 when investment growth reached about 10½ per cent on average. On the basis of bank credit data, it appears that in both these years private housing investment was rising faster than housing investment financed by enterprises and other institutions for their own workers. Despite the upsurge in housing investment in 1978 and 1979, the number of dwellings completed fell a little in 1978 and there was probably only a small rise in 1979 from the low 1978 level¹⁷. The difference between the growth of investment and the growth in the number of dwellings completed reflects an increase in construction time, an increase in the size of dwellings and an improvement in the quality of apartments. In total, compared with the 1976-1980 Plan targets, there was by 1979 a 10 per cent shortfall (100 000 units) in the number of dwellings completed. A major bottleneck in this area for a number of years has been the shortage of building materials and especially cement.

The rate of growth of final domestic demand slowed down to 6½ per cent in 1979, compared with an average rate to 8½ per cent in the previous two years. However, there was an important turnaround in the contribution of stockbuilding to GDP (Table 1). Including the statistical discrepancy, which also contains some stockbuilding¹⁸ the swing was just over 3 percentage points, which boosted the growth of total domestic demand to 8 per cent last year. Stockbuilding is usually subject to fairly large fluctuations in Yugoslavia, due mainly to the importance of agriculture in GDP (about 17 per cent) combined with the sizeable fluctuations in output growth, and in 1979 a large part of the increase in agricultural production, particularly in private agriculture, seems to have been channelled to stocks. In addition, stocks at the retail level seem to have risen considerably; towards the end of the year especially, there was involuntary stockbuilding in the face of stagnant or declining consumer demand. The level of stocks at the industrial level does not seem to have changed significantly between 1978 and 1979.

Export volumes were roughly stagnant while, reflecting buoyant domestic demand, import volumes rose by 8½ per cent resulting in a substantial deterioration of the real foreign balance, equivalent to a loss of 1½ per cent of GDP. In total, the Social Product rose by just over 7 per cent which is roughly the average of the previous two years. Owing to favourable climatic conditions, agricultural production increased by 6 per cent compared with a fall of 5 per cent in 1978. Crop production was particularly buoyant (9 per cent increase) owing to a record maize harvest¹⁹. With the growth of all main components slowing down, the increase of non-agricultural output fell a little to 7½ per cent which is broadly in line with the longer-run trends. The growth of industrial production decelerated slightly to around 8 per cent which is the average rate of growth of the 1976-1980 Plan. Mining, and almost all main branches of manufacturing, recorded a slower rise in 1979 than in the previous two years, the principal

17 The number of dwellings completed in 1978 was the lowest since 1975.

18 The statistical discrepancy also includes stockbuilding, notably in the private agricultural sector.

19 Maize output rose by about one-third in 1979 whereas the production of wheat fell by 17 per cent.

exception being textile production whose growth rate more than doubled to almost 9 per cent in 1979²⁰. Part of the increase in production went into stocks.

Reflecting the pattern of demand, notably the investment boom, production of capital goods and equipment experienced the fastest rate of growth (11 per cent) followed by consumption goods (9 per cent), while production of raw materials and intermediate goods rose by only 6 per cent. The increase in industrial production was concentrated in the first eight months of the year and between October and December it was flat. This largely reflected weaker demand but also it seems that in the second half-year some supply bottlenecks occurred which adversely influenced production in certain sectors. On the basis of selected industrial surveys it appears that average capacity utilisation rose a little in 1977 and 1978 from the low 1976 level but remained unchanged at around 85 per cent in 1979. In a few sectors producing semi-manufactures (such as basic metals), capacity utilisation is fairly low. With investment in some sectors of raw material production lagging behind demand and with imports of raw materials restricted, shortages have emerged thus limiting the expansion of production in the more advanced stages. Reflecting the slack in demand, the capacity utilisation rate in shipbuilding seems to be about three-fourths. However, in cement and in some sectors producing building materials, capacity limitations were primarily responsible for the deceleration in the rate of growth of production to 8 per cent in 1979.

With construction activity also affected by supply shortages of certain building materials and reflecting the slowed growth of housing and infrastructure investment, its rate of growth fell to 7½ per cent in 1979. The growth of services was affected by the decline in the total number of tourists (2½ per cent), notably of foreign tourists (7½ per cent). Also, the slowdown in consumer demand affected the growth of trade services, especially in the second half of the year. The main expansion generally continued to be in banking and financial activities. In total, the growth of services was 7½ per cent.

Employment trends

Reflecting the steady and rapid growth of output since 1977, non-agricultural employment continued to increase at 4½ per cent in 1979, which is the longer-run rate of growth in the 1970s. Employment trends improved considerably in the 1970s compared with the 1960s. Firstly, the average rate of increase of non-agricultural employment in the 1970s was almost 1½ percentage points higher than in the 1960s and second, the annual rates of increase in employment were fairly regular in the 1970s. The deviations around the trend rate were relatively small in the latter period whereas in the 1960s the annual rate of increase of non-agricultural employment fluctuated considerably. The more favourable non-agricultural employment trends, notably the faster rise in employment in the 1970s, partly reflects the smoother pattern of growth of non-agricultural output during this period²¹, which compensated for the fact that the trend rate of growth of non-agricultural output was slower than in the 1960s. There was a small fall in non-agricultural productivity growth in the 1970s but this is difficult to measure²².

20 This was the fastest rate since 1972.

21 The annual rates of growth of non-agricultural output were 8½ in the 1960s and 7 in the 1970s and the coefficients of variation around the trend rate of growth were 0.5 and 0.3 respectively.

22 The Yugoslav national accounts statistics do not include output from education and cultural services, social services, part of government services (administration, etc.) and arts and crafts.

The faster growth of employment in the 1970s was also due to rapid expansion of demand for labour-intensive services. The Yugoslav economy towards the end of the 1960s had reached a stage of development where growth needed to be more widely based. Without an accelerated development of financial and marketing services, transport and communications, etc. the fast and sustained growth would have been difficult to continue. Also, the appreciable rise in living standards has been accompanied by a proportionately faster increase in household demand for services. Employment in services increased by 3½ per cent on average each year in the 1960s and by about 4½ per cent in the 1970s. Moreover, within services in the sectors where measured productivity growth is generally very small (culture, and education, health and social welfare and general government administration, etc.) and which account for a little less than one-fifth of total employment, the average annual rate of increase of employment rose from less than 3 per cent in the 1960s to almost 5½ per cent in the 1970s.

The growth of private sector non-agricultural employment slowed down markedly to just over 1½ per cent each year in recent years compared with a longer-run annual rate of growth of nearly 4½ per cent before 1973²³. This deceleration occurred despite the intentions of the Government to promote private sector employment and the fact that after 1975 there has been a substantial number of returning workers from abroad who in general brought their savings with them and a few went into private business. The continuing fast growth of employment in the socialised sector combined with a small slowdown in non-agricultural output led to some deceleration in productivity growth to 2½ per cent in 1979 compared with just less than 4 per cent in the previous two years. Owing to the lagged response of employment to output changes the year-on-year growth of employment in industry was slightly higher in 1979 than in 1978 which, combined with a small deceleration in output, led to a fall in productivity growth to 4 per cent in 1979 compared with 5 per cent in 1978 (and over 4½ per cent on average in the previous three years). Reflecting the deceleration in the growth of output there was an even stronger deceleration in the growth of productivity in construction from 4½ per cent in 1978 to 1½ per cent in 1979 (the increases in employment were 6½ per cent and 5½ per cent respectively). With the exception of banking, financial and other related services, where employment continued to rise at about the same high rate as in the previous few years, the growth of employment in other services slowed down to 3½ per cent in 1979 compared with 4½ per cent in the previous year.

Partly because of the moderate rise in agricultural incomes last year, the decrease (2.1 per cent) in 1979 of the active population in private agriculture was marginally slower than the longer-run trend rate of 2½ per cent in the 1970s. During the 1960s the annual rate of decrease was less than 1 per cent. The acceleration in the 1970s occurred despite the reversal of external emigration and is related to the aging structure of the agricultural population, the attraction of the fast rising living standards in urban areas and the greater employment prospects in the socialised sector. The latter has been absorbing about 225 000 persons net per annum over the last few years compared with 143 000 (net) ten years earlier. The higher rate of absorption at present is largely due to the fact that the socialised sector is considerably larger than ten years ago²⁴ and to a lesser extent to a higher rate of growth of employment in the socialised sector. Despite these important structural changes the share of the active

23 The share of private non-agricultural employment in total non-agricultural employment is only 6½ per cent.

24 In 1979 there were about 50 per cent more people working in the socialised sector compared with ten years earlier.

Table 3 The structure of employment
Thousand

	1955	1960	1970	1975	1976	1977	1978	1979 ¹
Total population	17 519	18 402	20 371	21 365	21 573	21 775	21 968	22 107
<i>Employment:</i>								
Socialised sector	2 159	2 903	3 765	4 667	4 833	5 065	5 280	5 506
of which: Female	538	784	1 169	1 586	1 663	1 751	1 840	
Economic activities ²	1 799	2 415	3 059	3 869	3 999	4 182	4 364	4 558
of which: Industry ³	722	1 054	1 418	1 802	1 872	1 961	2 022	2 102
Non-economic activities ⁴	360	488	706	798	834	870	916	950
Private non-agriculture	170	205	300	363	366	373	381	391
Total non-agricultural employment	2 329	3 108	4 065	5 030	5 199	5 425	5 661	5 879
Private agriculture	5 180	4 757	4 300	3 851	3 771	3 691	3 600	3 525
Total domestic employment	7 509	7 865	8 365	8 881	8 970	9 116	9 261	9 422
Employed abroad ⁵	—	8	783	940	870	825	815	800

1 Provisional.

2 All activities except non-economic activities; because of a break in series the data before 1970 and after 1970 are not strictly comparable.

3 Excluding construction.

4 Social welfare and cultural activities (including health and scientific activities) social organisations, economic chambers, banks, finance and insurance, social security and government.

5 The peak was reached in 1973 when 1 100 000 Yugoslavs were working abroad.

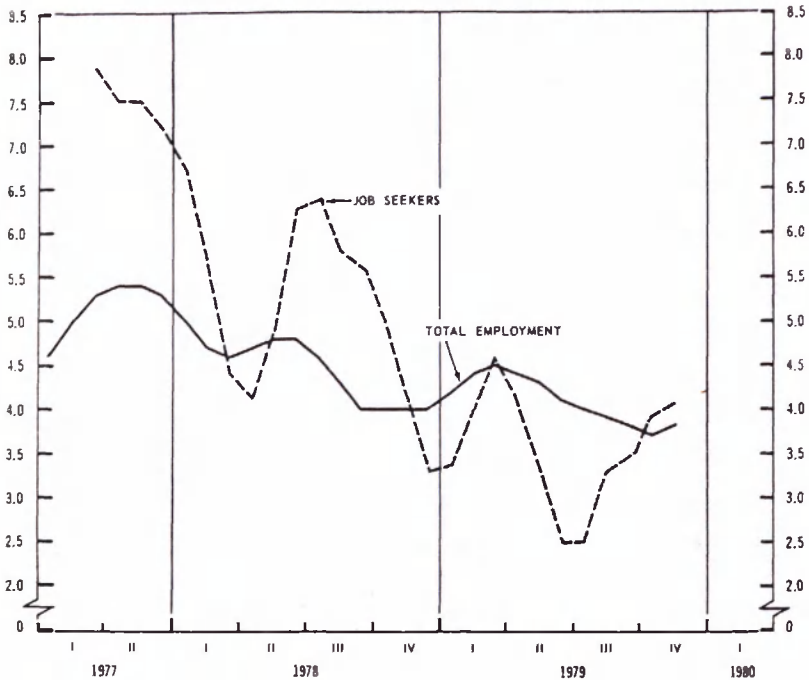
Sources: *Statistički Godišnjak Jugoslavije, 1979* and direct communication to the OECD.

private agricultural population in the total labour force is still 36 per cent (48 per cent in 1969), which provides scope for a continuing strong outflow over the longer run.

The annual average decline in the number of Yugoslavs working abroad fell gradually from about 80 000 in the three years to 1976, to about 15 000 in the two years to 1979, and from the peak of 1 100 000 Yugoslav workers abroad in 1973 there are at present a little less than 800 000. When account is taken of returning emigrants, the outflow from agriculture and the net natural increase in population, the non-agricultural sectors need to create about 5 per cent more jobs each year to absorb the net increase in employment demand. This is a high figure, which on the basis of existing investment trends, capital output ratios and productivity trends, seems unlikely to be achieved in the near future. Under these conditions, except for two periods (1963-1966 and 1970-1973) coinciding with sizeable emigration waves, unemployment has been continually rising since the early 1950s. In 1979, registered jobseekers increased by less than 4 per cent, which is the lowest rate of increase since 1972. Out of 765 000 jobseekers²⁵ in 1979 about one-third are already employed but register in order to change jobs. Over the last few years the increase in unemployment has been exclusively due to a rise in the number of persons seeking a job for the first time, whereas the number of those wishing to switch jobs has fallen a little. Within these overall trends in 1979, as in 1978; the number of women jobseekers rose much faster than men, also the number of educated and skilled

25 765 000 is about 8 per cent of total active population and 13 per cent of total non-agricultural population.

Diagram 2 Employment and job seekers
Year-on-year percentage changes¹



¹ 3 Months moving averages.

Source: Indeks.

persons as well as youth also increased faster than the average. There was an 11 per cent increase in vacancies in 1979 (14 per cent in 1978) which raised the total number of job vacancies to 82 000 (16 per cent of those actually unemployed). The increase in job vacancies at a time of rising overall unemployment suggests important mismatches which are mainly regional²⁶. Both unemployment and job vacancy trends indicate a considerable weakening in labour market conditions towards the end of the year. Between November 1978 and November 1979, job vacancies were stable whereas the annual rate of increase of jobseekers accelerated from 3½ per cent in 1979 year-on-year to just over 4½ per cent through 1979 and growth of employment in industry slowed down by about ½ percentage point.

Inflationary trends

After three years of moderation, inflation²⁷ gathered strength towards the end of 1978 reaching an annual rate of about 26 per cent in the summer of 1979

²⁶ In Slovenia, the republic with the highest standard of living, the unemployment rate is about 1½ per cent and is exclusively frictional; correspondingly, Slovenia has the highest relative job vacancies, which are usually filled by people coming from other republics. On the other hand, job seekers in the republics of Macedonia and of Serbia are about one-fifth and one-fourth respectively of the people employed in the socialised sector.

²⁷ Two indices can be used to indicate the rate of inflation; the retail price index and the cost of living index. The latter has a wider coverage and has, therefore, been used by the Secretariat as the principal indicator.

with little change thereafter. All principal price indicators accelerated strongly in 1979, especially import prices which in the previous four years had exerted a significant dampening influence on the rate of inflation. Producer prices of industrial goods rose by 13½ per cent in 1979 compared with 8 per cent, on average, in the previous three years. All the main components participated in the acceleration, particularly the prices of intermediate goods which rose twice as fast in 1979 (16 per cent) as in 1978. This was to a large extent due to the rise in the price of oil and to the accompanying though considerably smaller sympathetic rises in other energy products. Price rises of non-ferrous metals, reflecting the change in world market conditions, also contributed. There was also a marked acceleration in the rate of increase of the prices of products for which there was strong domestic demand, such as construction materials, electrical machinery and furs and leather products. Agricultural prices were mainly influenced by the fall in agricultural output in 1978 and accordingly, despite the substantial rise in agricultural output in 1979, agricultural producer prices rose by 25½ per cent in 1979 compared with about 12 per cent in the previous three years. The stronger price rise in 1979 was mainly due to the rise in the price of wheat (44 per cent in 1979) partly caused by the bad harvest but, in order to boost livestock and dairy production the administered prices of livestock and milk and dairy products also rose markedly in 1979 (22 per cent compared with 11 per cent in 1978).

Table 4 Prices and earnings
Percentage change from previous year

	1976	1977	1978	1979	Dec. 1979	Jan. 1980	Mar. 1980
					Dec. 1978	Jan. 1979	Mar. 1979
Producer prices							
Industrial goods, total	6.1	9.5	8.3	13.2	14.9	17.1	22.2
Investment goods	11.2	9.5	5.3	6.1	5.3	7.6	9.3
Intermediate goods	6.1	8.8	7.9	16.1	17.8	19.8	27.9
Consumer goods, total	5.3	10.7	9.7	11.1	13.1	15.5	17.4
Agricultural goods, total	14.4	12.1	10.0	25.6	27.3	28.5	..
Retail prices							
Total	9.4	13.3	13.4	21.9	23.9	26.1	25.8
Agricultural products	13.5	17.3	15.3	20.4	25.8	33.3	28.0
Industrial products	8.0	13.0	13.3	22.9	24.0	25.5	26.6
Services	13.0	13.4	13.9	21.7	24.0	23.5	22.5
Cost of living							
Total	11.6	15.0	14.3	20.4	23.0	26.2	25.8
Goods	11.5	15.2	14.2	20.4	23.2	26.9	26.9
Food	14.1	18.3	15.2	18.3	22.7	28.6	25.4
Durables	7.8	11.6	17.6	22.1	24.4	25.9	26.7
Services	12.4	13.4	14.5	20.5	21.6	21.4	19.7
Export prices	4	13	9	15	18.6	17	19
Import prices	3	14	5	19	27.9	21	20
Net average earnings in the the socialised sector	15½	18½	21	20½	24	19½	..

Sources: *Saopstenje*, No 13/1980, 37/1980; *Indeks* and direct communication to the OECD.

The rise in retail prices of nearly 22 per cent in 1979 was, with the exception of the big inflationary boost in 1974-1975, the highest since 1966 and more than one fourth higher than the average rate of increase during the 1970s. As in the previous four years, the rise in retail prices of industrial goods was substantially higher than that of producer prices and with the gap in absolute terms showing a steady tendency to rise each year since 1976²⁸. In 1979 the gap was 8½ percentage points, nearly 40 per cent of the rise in retail prices of industrial goods. Part of the difference, probably not more than 3½ percentage points, is explained by substantial growth in sales taxes (40 per cent up on 1978) as households shifted their expenditure to goods which carry higher tax rates (cars, radios, televisions and electrical goods) and also to a small rise in certain sales tax rates last year. The rest of the gap is probably due to the growing importance attached to trading and service activities and a corresponding increase in gross trading margins in part to cover higher expenditure on advertising, to improve shop premises and services to customers as well as to raise net profit margins²⁹. Probably reflecting the authorities' desire to alleviate the effect of the rise in prices on low income categories and also due to the time lags between the rise in producer and selling prices the year-on-year increase in food prices at the retail level was smaller than at the producer level. However, there was a strong acceleration in food prices at the retail level in the second half of 1979 with the result that end-year to end-year the rise at the retail level was higher than at the producer level.

With the aim of curbing the use of oil, the successive rises in oil prices were passed on to the consumer fairly quickly with the result that fuel for cars and lubricants experienced the highest price rise (54 per cent) of all the retail price index components. However, sympathetic rises of other energy prices—modest at first and with a considerable lag—resulted in the price of heating and electricity provided to households rising only a little faster than total retail prices (25 per cent and 22 per cent respectively). After the economic reform and the stabilisation measures in the mid-1960s and up to 1975, the rate of increase in the price of services slowed down considerably to somewhat below the rate of increase in other retail prices but since then service prices have risen a little faster. The relative acceleration since 1976 is partly due to a catch-up effect, but also it reflects the greater independence of self-managed service sectors. Pricing policy was probably more aggressive, aimed at improving the quality of services offered and at trying to keep the rise in average earnings in these sectors in line with those in the rest of the socialised sector.

In the four years to 1978, import prices had risen at a considerably slower rate than domestic costs (6½ per cent and 15½ per cent on average respectively). The gap narrowed last year and the appreciable increase in import prices of 19 per cent (5 per cent in 1978) was the principal factor behind the acceleration of inflation in 1979, contributing about 4 percentage points to the rate. The comparable figure in the previous four years was 1½ percentage points on average. The year-on-year rise in the price of imported oil and gas was 45 per cent in 1979 and almost 90 per cent between December 1978 and December 1979. After taking into account the parallel rise in the price of domestically-produced oil and gas, oil and gas prices contributed a little less than half of the acceleration of the rate of inflation of about 7 percentage points between 1978 and 1979. The rise in food prices from 15 per cent in 1978 to 19 per cent in 1979 con-

28 In the first half of 1970s producer prices rose only slightly slower than retail prices (18½ per cent and 20 per cent annual rates, respectively).

29 Net profit margins in trade were considerably lower than in production activities a few years ago.

tributed just over 1 percentage point while the increase in certain sales tax rates also reinforced inflation a little.

Net average earnings in 1979 rose at about the same rate as in 1978 (20½ per cent) but because of the deceleration in the growth of non-agricultural production the growth of unit labour costs (18-19 per cent) was a little higher (1½ percentage points) than in 1978 and even higher than between 1975 and 1978. Excluding higher profits owing to the rise of domestically produced energy prices, the contribution of net profits to the rate of inflation probably fell a little.

With the aim of curbing the steep rise in prices the authorities took a number of measures in early August 1979. These were lifted at the end of December 1979. A temporary generalised price freeze on goods and services was imposed. Firstly, prices covering about 10 per cent of products which are under direct Federal supervision were frozen at the level of 3rd August. The authorities undertook to examine each case separately up to the end of 1979 and accord selected price increases (mainly taking account of the rise in raw material and other input prices). Second, the prices of products and services determined on the basis of self-governing agreements and social contracts among producers were frozen unless there was unanimous agreement by a set number of producers to raise individual prices. The latter condition appears to have been an attempt to delay price increases and to try to align the average price increase to those of the more efficient producers. Third, the absolute level of distribution costs, mainly applying to the wholesale and retail trades were not allowed to increase, implying a decline in real terms. Finally, the absolute level of trading profits was frozen. These measures, which aimed at compressing gross trading profits and moderating wage and salary rises, helped to slow down the rate of inflation in the last four months of 1979, with the result that the year-on-year rise in the retail price index fell from 26 per cent in August 1979 to 24 per cent in December 1979.

Foreign trade and payments

Special factors (the rise in oil prices and bad harvests) and the overheating of the economy following three years of fast growth, accounted in about equal proportion for the marked deterioration of the current balance of payments position in 1979. After remaining stable in 1977 and 1978 at about \$4.3 billion, the trade deficit rose to almost \$6.4 billion in 1979. The rise in the oil bill was a little over \$700 billion or roughly one-third of the rise in the trade deficit. The remaining two-thirds (about \$1.5 billion) was roughly equally due, first to the fact that because of the higher level of merchandise imports than exports any rise in trade prices, even if the terms of trade remain unchanged, automatically leads to an increase in the deficit and, secondly due to a marked deterioration in the real foreign balance caused by sluggish merchandise exports (volume) and a considerable rise in the volume of merchandise imports. Excluding the rise in the price of oil, the terms of trade improved marginally. After a few years of a modest but steady rise, the invisible surplus stagnated in 1979. In total, the current account deficit rose from \$1.3 billion in 1978 to \$3.4 billion in 1979 (2½ per cent and 4½ per cent of GDP respectively)³⁰.

Following a period of relatively fast growth (8 per cent average annual rate) in the ten years to 1973 the underlying rate of growth of export volumes has since slowed down to barely over 1 per cent. The volume of merchandise

³⁰ In order to facilitate comparison with OECD countries using national accounts on a SNA basis, the Yugoslav Social Product has been raised by about 15 per cent to obtain the GDP estimate used to determine the proportion of the current external deficit.

Table 5 Balance of payments
U.S. \$ million

	1976	1977	1978	1979 ¹	1980 ²
Trade balance	-2 489	-4 380	-4 317	-6 371	-5 665
Imports, cif	7 367	9 634	9 988	12 862	13 082
Exports, fob	4 878	5 254	5 671	6 491	7 417
Balance on services and transfers	2 654	2 798	3 061	3 005	3 665
Inflow	4 404	4 820	5 775	6 585	7 385
Workers' and emigrants' remittances	1 884	2 097	2 645	3 280	3 790
Tourism	802	841	1 050	1 000	1 150
Transportation	894	1 051	1 150	1 250	1 315
Interest	90	123	155	155	110
Other	734	708	775	900	1 020
Outflow	1 750	2 022	2 714	3 580	3 720
Workers' and emigrants' remittances	469	670	1 176	1 550	
Tourism	77	90	120	130	
Transportation	466	488	565	620	
Interest	369	381	455	720	
Other	369	393	398	560	
Balance on current account	165	-1 582	-1 256	-3 366	-2 000
Long-term capital	1 093	1 402	1 350	1 360	
Short-term capital including errors and omissions	-243	67	-108	304	
Exceptional financing	50	75	350	250	
Reserve movements (net)	1 065	-38	336	-1 452	
<i>of which:</i>					
Foreign exchange	1 203	51	257	-1 172	
Use of Fund credit	-189	112	74	-280	

1 Preliminary data.

2 Official forecasts.

Sources: National Bank of Yugoslavia and direct communication to the OECD.

exports declined in both 1977 and 1978 by almost 3 per cent, annual rate, and stabilised in 1979 at the low 1978 level. The disappointing export performance in recent years owes as much to external conditions (notably the slowdown in the world trade, the recession in shipbuilding and protectionist measures in a number of industrialised countries) as to domestic factors caused by overheating, which diverted resources to the home market, and probably also to some loss of competitiveness. The unsatisfactory export growth in 1979 was again in part explained by the continuous substantial decline in exports of ships. Including a fall of 40 per cent in 1979, the exports of ships in real terms were about 75 per cent below the 1974 level. The negative impact on total exports from this decline was almost 3 percentage points in 1979. Similarly, there was a substantial decline in the volume of exports of crops, mainly wheat and corn, the former because of the bad harvest and the latter probably because farmers preferred to retain corn for cattle fodder as they considered the market price was not sufficiently high. Excluding ships and agricultural and forestry products, the volume growth of all other products was about 5 per cent, which in relation to world trade growth trends last year was still unsatisfactory. But within the total, exports of consumer goods—partly due to the buoyancy in domestic consumer demand—fell by about 4 per cent in real terms.

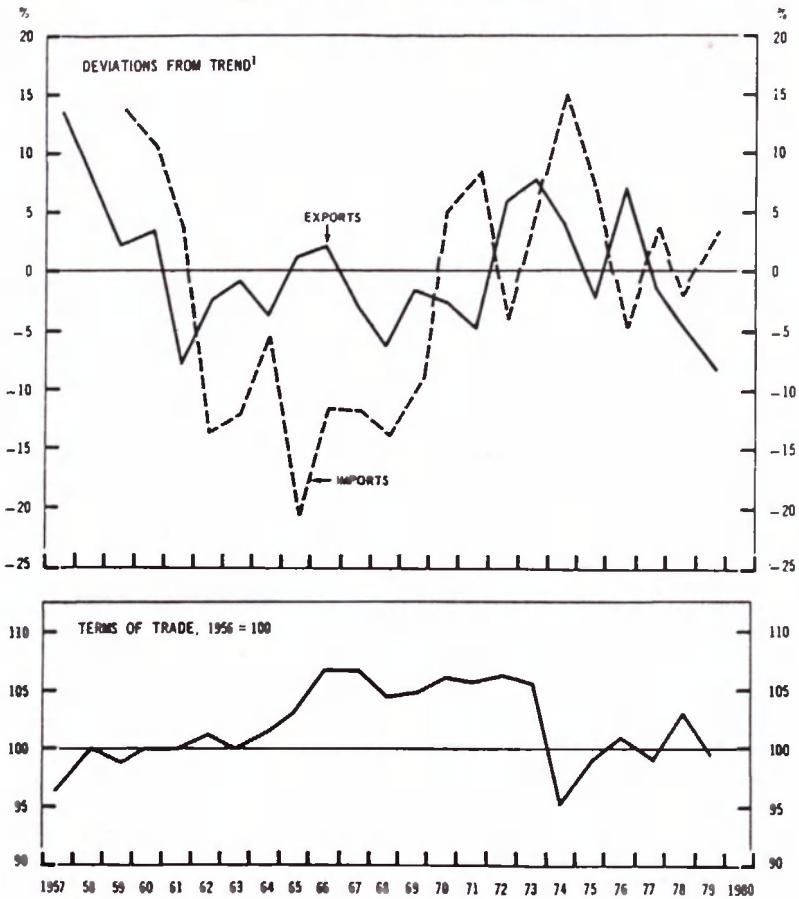
Table 6 Trade in selected items
Percentage changes

	1974	1975	1976	1977	1978	1979
EXPORT TOTAL						
Value	33.4	7.0	19.8	7.8	7.8	14.5
Volume	1.1	-1.8	15.2	-4.6	-1.1	-0.4
Non-ferrous metals						
Value	73.5	-22.1	0.2	-21.1	-4.9	36.8
Volume	6.9	-8.4	6.8	-28.2	-6.8	6.1
Machinery						
Value	74.5	20.8	38.5	43.8	3.1	28.5
Volume	42.8	4.4	23.3	30.9	-2.7	16.9
Metal manufacturing						
Value	64.9	36.7	22.3	8.3	12.9	9.1
Volume	43.5	9.9	15.7	-0.4	5.5	-7.5
Shipbuilding						
Value	38.9	23.0	-5.8	44.7	1.7	-37.4
Volume	51.5	-11.2	-15.2	-13.2	-29.8	-41.5
Electrical machines and appliances						
Value	20.1	18.5	16.3	13.3	7.6	17.9
Volume	-6.9	10.7	10.2	8.8	-10.3	8.1
Timber and furniture						
Value	12.7	-13.3	63.6	15.2	-3.4	12.3
Volume	-20.0	-9.6	53.4	1.9	-4.8	-2.3
IMPORT TOTAL						
Value	66.7	2.4	-4.3	30.8	3.6	28.8
Volume	19.6	-2.8	-7.2	14.7	-1.3	8.2
Oil and gas						
Value	208.9	-5.0	19.7	26.9	9.1	66.0
Volume	-9.5	-0.6	11.9	16.7	9.1	13.6
Ferrous metals						
Value	79.7	35.2	-31.6	20.6	0.6	27.3
Volume	17.4	23.7	-26.8	19.4	-5.1	6.1
Machinery						
Value	39.2	45.2	-4.7	31.8	10.1	22.8
Volume	19.3	26.3	-7.3	5.4	-9.8	9.6
Transport equipment						
Value	32.1	19.6	-7.5	29.5	9.7	35.2
Volume	19.7	8.9	-14.1	8.8	13.1	17.6
Chemicals						
Value	110.5	-2.6	-4.9	26.7	11.0	32.5
Volume	37.5	-4.5	-4.9	25.4	6.7	6.0
Crops						
Value	163.7	-59.0	84.7	1.5	4.4	75.2
Volume	94.7	-50.2	61.6	-18.8	4.4	70.1
Memorandum item:						
Gross fixed investment	8.9	9.6	8.1	11.1	11.2	9.4

Sources: SGJ, *Soapštenja*, N° 8/1980, 29/1980.

The rise in the value of exports was 15 per cent in 1979 compared with 7½ per cent on average in the previous two years. The acceleration was principally due to a stronger rise in export prices from about 10 per cent in 1977 and 1978 to 15 per cent last year. Almost all main categories of exports experienced a faster rate of price increase. This was the case especially for raw material and intermediate goods' prices—notably ferrous and non-ferrous metals and building materials—which benefited from buoyant world demand.

Diagram 3 Merchandise trade volumes



1 Percentage deviation from linear trend.

Source: SGJ.

Contrary to the pattern of the two previous years, exports to the OECD area rose in value in 1979 almost twice as fast as exports to the centrally planned economies. These figures suggest that there was a strong growth of export volumes to the OECD area whereas exports to centrally planned economies stagnated and may have fallen a little in real terms. The value of exports to the Soviet Union, which is the biggest export market and accounts for a little over one-fifth of total exports were flat implying a decline in volume (most of the trade with the Soviet Union is on a bilateral basis). The increase in the value of exports to less-developed countries was fairly small (2 per cent) indicating a fall in volume terms, this being accounted for by a fall in ship exports.

The rise in the value of imports was 29 per cent in 1979 of which a little over two-thirds was due to higher prices. The volume of imports rose by 8½ per cent which was not particularly strong when account is taken of the rate of growth of the Social Product (7 per cent) and the inevitable catch-up from the 1978 decline in the volume of imports. The restrictions of import credit

Table 7 Trade by regions¹
\$ million

	1960	1970	1975	1976	1977	1978	1979 ²
	Exports						
OECD	297	939	1 450	2 036	1 952	2 132	2 567
of which:							
United States	39	90	265	353	276	363	355
OECD Europe	257	841	1 152	1 641	1 636	1 728	2 155
EEC	190	655	930	1 326	1 296	1 279	1 625
Centrally planned economies	183	545	1 918	2 066	1 960	2 384	2 624
of which: USSR	53	242	1 012	1 142	1 058	1 365	1 346
Developing countries	86	195	704	763	970	1 035	1 045
TOTAL	566	1 679	4 072	4 886	4 882	5 551	6 236
	Imports						
OECD	502	1 948	4 675	4 039	5 094	5 506	7 080
of which:							
United States	89	160	416	370	507	603	1 008
OECD Europe	397	1 732	3 958	3 494	4 252	4 660	5 798
EEC	319	1 334	3 160	2 877	3 537	3 752	4 638
Centrally planned economies	212	594	1 893	2 190	2 580	2 916	3 397
of which: USSR	57	193	807	1 002	1 209	1 345	1 723
Developing countries	112	332	1 129	1 138	1 276	1 355	1 879
TOTAL	826	2 874	7 697	7 367	8 950	9 777	12 356

1 Largely because of small differences in the monthly exchange rate used and also due to the differences in definitions between customs and balances of payments basis, the total import and export figures differ slightly from the figures in Table 5.

2 Provisional figures.

Sources: Series A, *Statistics of Foreign Trade, Monthly Bulletin*, OECD and *Indeks, Savezni zavod za statistiku*.

may have helped to curb the rate of growth of imports in 1979. Imports of consumer goods rose rapidly (20 per cent in volume). This was due in part to a substantial rise of wheat imports (70 per cent in volume) owing to the bad harvest and also to continuing overall strong consumer demand for the fourth consecutive year. The rapid growth in industrial production led to a further substantial rise in the volume of imports of raw materials and intermediate goods of 7½ per cent. After taking into account the 1978 decline in the volume of imports of machinery and equipment, combined with the continuing strong investment trend in 1979 the rise of 5 per cent in the volume of imports in this category is surprisingly small and may be explained by a rising share of domestically-produced equipment and machinery, which is in line with the objectives set out by the authorities.

The rise in the price of oil accounted for a little over one-fourth of the total import price rise. As in the previous two years, the rise in the price of imported equipment and machinery was considerably higher than for the other import categories (excluding oil). This partly reflected the depreciation of the

dollar³¹ vis-à-vis the currencies of the main OECD European industrial countries which are by far the most important sources of supply of machinery and equipment to Yugoslavia. Imports from the OECD area grew by nearly 30 per cent in value. Because of wheat, imports from the United States grew by 70 per cent. From each of the main OECD European trading partners—Germany, Italy, France and Austria—the rise was about 30 per cent. The rise in imports in value from the Soviet Union was also substantial but this partly reflected the rise in the price of oil and also the higher oil imports to fill up the newly-constructed pipelines rather than for actual consumption.

The slight fall in the invisible surplus in 1979 was largely due to a substantial surge in net interest payments to abroad and also to a slight decline in tourist earnings. Following three years of moderate rise, interest payments to abroad rose by about 60 per cent in 1979. This reflects primarily the substantial rise in interest rates in the OECD area last year and to a lesser extent the fast growth in net foreign indebtedness during 1978 and 1979. Largely because of the earthquakes in Montenegro and the extensive destruction in one of the most important tourist areas, the number of foreign tourists fell by 7½ per cent in 1979 (compared with a rise of 13½ per cent in 1978) and overnight stays by 4 per cent. Gross tourist receipts declined by 5 per cent suggesting that expenditure per tourist night fell considerably, in real terms, in 1979 more than in the previous year. However, after the small deceleration in the rate of growth (9 per cent, annual rate) in the three years to 1978, gross emigrants' and workers' remittances increased considerably in 1978 (26 per cent) and again in 1979 (24 per cent). In part, the continuing strong growth is due to returning emigrants who bring along their savings and the possibility of opening foreign exchange deposits which gives significant advantages to the holders of such accounts³² and protects them from inflation. The stagnating net invisible surplus coupled with the surge in the trade deficit led to a significant decline in the coverage of the trade deficit by net invisibles from 70 per cent in 1978 to 50 per cent in 1979.

The rise in the current account deficit was to a large extent financed by a reduction in the gross reserve position (\$1.5 billion), of which \$1.2 billion was in official foreign exchange and gold reserves. In the previous three years the latter item had risen by \$1.5 billion. As a result, by the end of 1979 foreign exchange reserves amounted to \$1.3 billion and total reserves amounted to a little over \$2 billion. Long-term capital inflow was at approximately the same level as in the three previous years but allowing for inflation, net long-term capital movements have been declining in real terms since 1977, and financed only 40 per cent of the annual deficit in 1979, or less than half the 1977 share. A substantial part of the increase in the current account deficit in 1979 reflected a deficit on bilateral accounts caused by the unexpectedly sharp rise in certain raw material and fuel prices and accordingly, short-term capital (including bilateral balances) covered about 15 per cent of the increase in the deficit. At the end of 1979 net foreign indebtedness was about \$12½ billion.

31 The dinar was practically pegged to the dollar over the last few years.

32 Holders of such accounts are exempted from paying certain sales taxes when they convert them into dinars for the purchase of selected items (e.g. private motor cars, certain consumer durables, agricultural and other machinery).

II ECONOMIC POLICIES

Economic performance generally has been satisfactory in spite of considerable difficulties associated with structural and institutional adjustments³³ in the development process and external constraints. All the major longer-term objectives have been broadly achieved and the economy has expanded rapidly. And although development of the economy has been characterised by periodic short-term fluctuations in economic activity these were not significantly different from experience in most OECD countries during much of the 1960s and since the late 1960s, the variation of the real GDP growth rate around the trend has been below the OECD average³⁴. At the same time, the deceleration in the growth of real GDP since the 1973-1974 oil crisis has been considerably less than in the OECD area. To a marked extent, the fluctuations in economic activity in the past have stemmed from strong stabilisation measures.

As long as rapid growth did not lead to overheating; notably did not cause balance of payments difficulties the traditional pattern has been for fiscal policy to be broadly neutral but with monetary policy accommodating and flexible. Intervention in income formation was usually limited to the issuance of income guidelines within the framework of social agreements (one for the country as a whole and one for each of the constituent republics and autonomous provinces) which comply with the targets in the Annual Resolutions. But the system contains considerable flexibility and except for the small number of people actually working for the Federal and provincial governments where pay decisions can be imposed, the actual pay decisions are made at the enterprise (Organisations of Associated Labour), socio-political and self-managed unit levels which have discretionary power to vary within broad limits the pay rises according to their own particular conditions. As a result, the pay outcome has diverged somewhat from the guidelines incorporated in the social agreements. The authorities leverage on prices is more important, but again there has usually been a drift with the result that prices frequently rise more than implied in the Economic Resolutions. Certain prices are within the direct competence of the Federation and the republics while other prices are formed independently on the basis of market criteria but on the condition that they broadly comply with the overall objectives of the authorities, which gives great freedom for interpretation to individual producers³⁵ and results in an upward bias in the whole price formation process.

When it is judged that inflationary pressures have become excessive and the balance of payments unsatisfactory, the authorities usually react by imposing government measures to gain better adherence to the objectives in the Economic Resolution and, if necessary, resorting to direct stabilisation measures. Consequently, enterprises, socio-political units and self-managed communities of interest agree to sign income and price agreements which can be enforced. As a last resort, price and pay freezes are imposed, credit policy tightened and directives issued to cut back spending programmes in the public sector generally as well as at the enterprise level. Developments in the economy in 1978 and

33 There have been important institutional changes since the early 1950s, including two big reforms in the mid-1960s and again in the mid-1970s, largely with the aim of promoting decentralisation.

34 The coefficient of variation of the rate of growth of GDP between 1968 and 1978 was Yugoslavia: 0.36, OECD: 0.54, EEC: 0.60, United States: 0.81, Japan: 0.61, Greece: 0.60, Ireland: 0.45, Italy: 0.83, Portugal: 0.84 and Spain: 0.52.

35 For a more detailed analysis of the price mechanisms and institutional arrangements, see OECD Economic Survey of Yugoslavia, June 1979, pp. 32-33.

1979 and the policy responses last year and so far in 1980 have largely followed the earlier patterns described above, the most important difference being the strength of imported inflation. In the latter part of 1978, signs of overheating became apparent and the Economic Resolution for 1979, which set out economic and social objectives for 1979 in conjunction with the appropriate policies for their implementation, aimed at reducing somewhat the rate of growth of the Social Product and at easing inflationary pressures. However, when the Resolution was voted the authorities had underestimated the strength of existing inflationary pressures which were, moreover, greatly reinforced during 1979 by the unexpectedly large rise in oil prices. Under these conditions, especially when the marked deterioration of the current balance of payments became obvious, the policy stance was tightened a little in 1979 and then considerably in the 1980 Economic Resolution³⁶.

Monetary developments

With the aim of combatting inflation, which was in part fuelled by a strongly expansionary monetary policy in previous years, the authorities adopted a broadly neutral monetary programme for 1979, which was consistent with a planned rate of growth of GDP of 6 per cent and a rise in prices of 13 per cent. Credit ceilings allowed graduated increases in bank credits (including other bank investment) from December 1978 of 10 per cent to June 1979, 13 per cent to September 1979 and 19 per cent to December 1979. In 1978, total credit rose by 29½ per cent. The growth of M1 was forecast to decelerate from 28 per cent during 1978 to roughly 18 per cent in 1979 and reserve money creation was fixed at 24 billion dinars, somewhat lower than during 1978. Supporting measures were taken early in 1979 by lowering the National Bank rediscounting and collateral credit on commercial bills to 40 per cent of the face value of these bills and by issuing a National Bank directive to reduce import credits by 20 per cent. Following these measures the growth of most monetary aggregates slowed down considerably in the first half of 1979. The annual rate of increase in bank lending reached 21 per cent during the first half year, about 2 percentage points higher than the guidelines, but substantially lower than the increase during

Table 8 Money supply
Billion dinars

	Position end-1979	Changes during period							
		1977		1978		1979		1980 ¹	
		I	II	I	II	I	II		
Bank credits	1 210.3	63.8	82.1	101.0	115.1	95.5	157.7	255.0	
Credit to clients	1 118.5	58.5	72.3	85.6	99.0	91.8	139.4	..	
Securities	82.8	5.3	9.8	15.4	16.1	3.7	18.3	..	
Less: Non-monetary deposits	702.9	39.7	29.3	63.3	61.2	57.2	60.4	149.0	
Foreign exchange transactions	-112.0	-10.5	-7.4	-5.6	-13.8	-33.5	-45.1	-20.5	
Money supply (M1)	386.4	13.6	29.3	32.1	40.1	4.8	52.2	85.5	

¹ Forecasts.

Sources: Direct communication to the OECD; OECD estimates.

36 Economic policy for 1980 is described in detail in Part III below.

1978. Similarly, reserve money creation slowed down but was probably higher than the target. But reflecting the unforeseen substantial rise in the current external deficit and a shift of bank deposits from short to long-term deposits, the growth of M1 in the first half of the year decelerated to an annual rate of 3 per cent.

The slowdown in credit and M1 in the first half of the year combined with the effects of accelerating inflation³⁷, resulted in serious cash flow problems for a number of enterprises and especially those with heavy dependence on fuel and raw materials for which the rise in input prices had been the strongest. Accordingly, around mid-year the authorities eased somewhat the restrictions on credit to enterprises which led to a considerable increase in the second half, a development which was compounded by existing credit commitments for housing³⁸ and special credits associated with reconstruction after the earthquakes in Montenegro. In the second half of the year, total bank credit rose by an annual rate of just over 32 per cent, or about 11 percentage points faster than in the preceding six months. In total, the rise in 1979 was 26½ per cent which compares with the original target of 19 per cent and a revised target (in three steps during the course of the year) of 25 per cent.

The 7½ percentage point expansion of credit above the original target, however, was less than the difference between the price target and outturn (about 9 percentage points). Moreover, bank credits rose a little less than nominal GDP (in 1978 bank credit rose by about 7 percentage points faster than GDP). As in 1978 short-term credits rose somewhat faster than long-term credits, this development reflecting partly the acceleration in credit extended to enterprises in order to ease their cash flow difficulties. Also, bank credit to households for housing in 1979 continued to grow roughly twice as fast as total bank credit. However, the growth of consumer credit after the substantial rise in the level for downpayments, decelerated from 26½ per cent during 1978 to 15 per cent during 1979.

The strong rise in bank credits and some slowdown in deposits led in turn to a severe squeeze on the liquidity position of banks. The liquidity ratio³⁹ had steadily fallen from 6 per cent at the end of 1976 to 3.7 per cent at the end of 1978 and to less than 1½ per cent in early spring 1979, which is among the lowest, if not the lowest ratio in the 1970s. To ease this situation, the authorities decided to reduce the obligatory reserve requirements with the National Bank. The reserve ratio⁴⁰ was cut by a percentage point early in the year, by 3½ percentage points between June and September and by a further percentage point at the end of December. The cumulative reduction provided banks with additional funds of about 14 billion dinars or almost 6 per cent of net credit expansion during 1979. Some additional measures to ease the liquidity position of the banks were taken in the summer of 1979 by increasing the percentage of credits obtainable against treasury bills from 70 per cent to 100 per cent of their face value, and rediscount limits on collateral credit and commercial

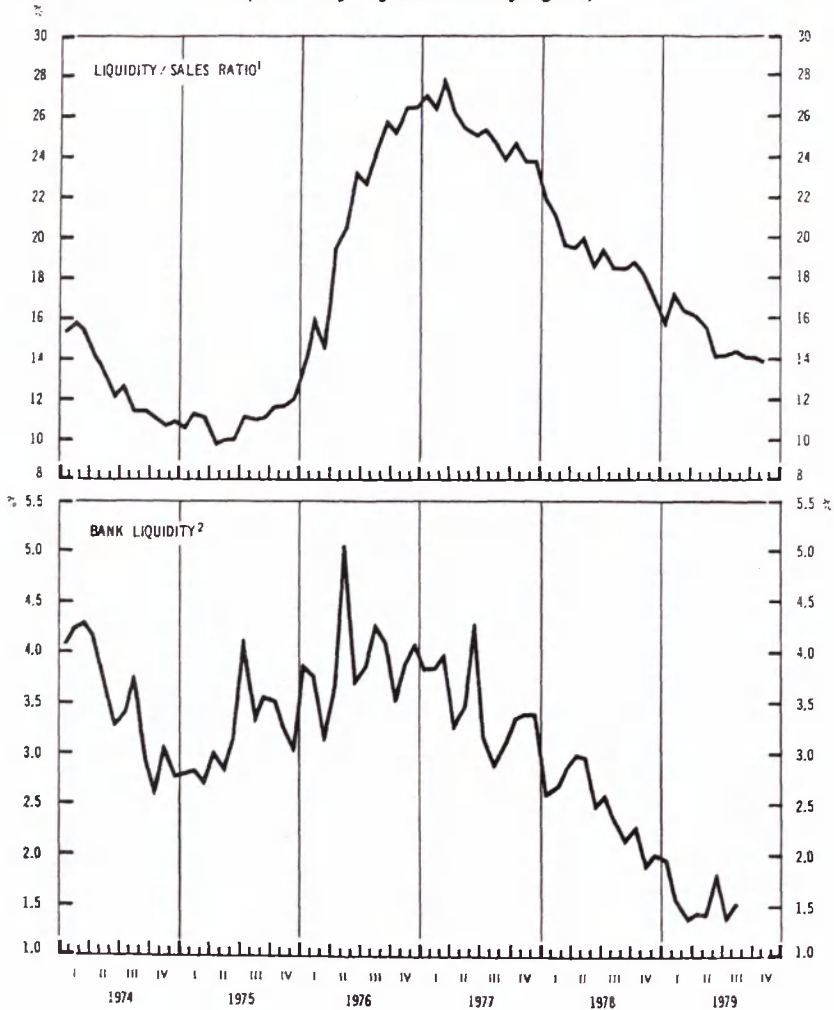
37 The major factor here was a rise of 40 per cent in business expenditure on goods and services (excluding labour costs) largely reflecting the increase in prices of raw and intermediate materials.

38 On the basis of special housing deposits individuals and business have the right to raise loans for the purchase and construction of dwellings.

39 The liquidity ratio is officially defined as bank's holdings on giro accounts with the National Bank as a per cent of their short-term deposits.

40 The reserve ratio is applied to sight deposits excluding savings and is calculated on the basis of the sight deposits, time deposits up to one year, deposits with up to one year's notice, and resources required by issuing securities with a maturity of up to one year, excluding deposits for housing construction.

Diagram 4 Liquidity indicators
(Seasonally adjusted monthly figures)



1 Balances of giro accounts in relation to sales proceeds.

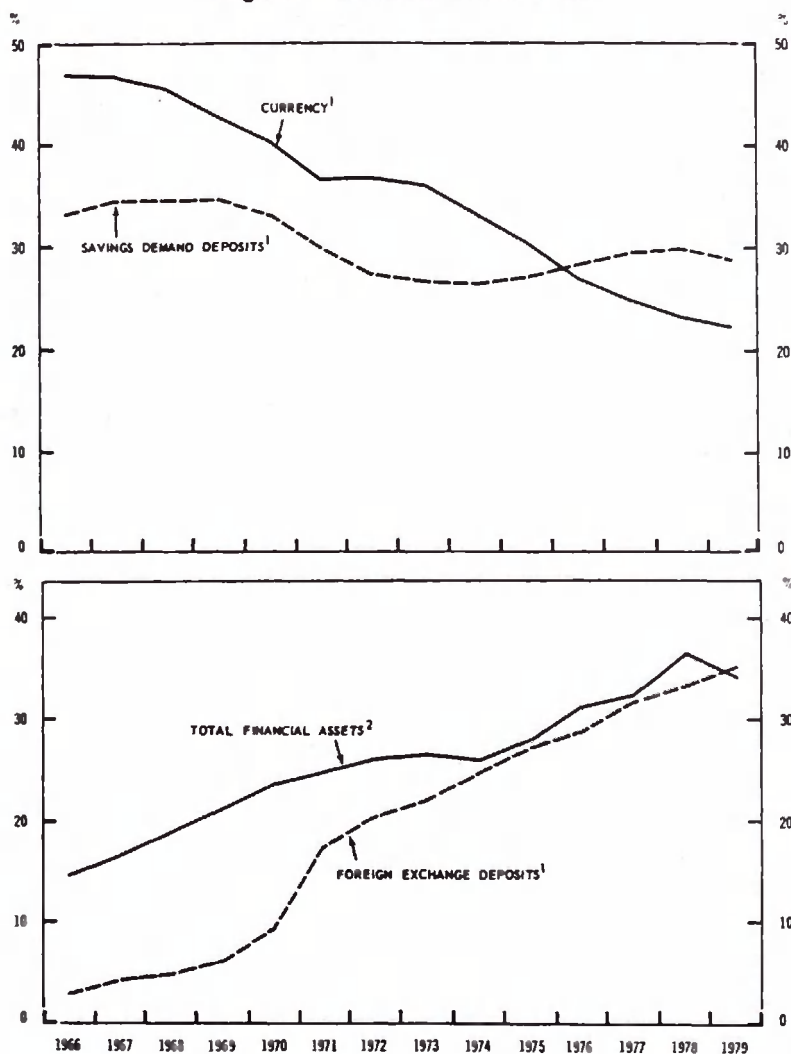
2 Giro accounts plus reserves of business banks in relation to total short-term liabilities.

Sources : Statisticki bilten SDK ; OECD.

bills was raised from 40 per cent to 50 per cent of their face value. Furthermore, due to the earthquakes, credits for Montenegro were extensively liberalised and credit ceilings to finance stocks of domestic agricultural goods, notably wheat, were considerably raised. Despite these measures credit policy, which in the previous few years was strongly expansionary, had a slight restrictive bias in 1979.

Even though credit expansion was substantial, money supply narrowly defined (M1) rose by a moderate 17½ per cent, less than the official objectives. But this owed much to the external deficit, and the expansion was concentrated in the second half of the year. External transactions drained about 79 billion dinars during 1979, compared with 20 billion dinars originally planned and

Diagram 5 Household financial assets



Note: Financial assets comprise cash, savings deposits in dinars, foreign exchange deposits and some small items on giro accounts.

- 1 As a percentage of total financial assets.
- 2 As a percentage of nominal social product.

Source: Statisticki bilten SDK.

19½ billion dinars in 1978. It is tentatively estimated that time deposits grew much faster than demand deposits, there having been a switch from the latter to longer-term and restricted deposits as the obligations for advance deposits with banks for selected imports items were reinforced. Another factor was the contractual needs for households and business to make advance deposits with banks in order to have subsequent access to bank credit. Whereas during 1978, short and longer-term household savings and deposits with banks had increased at about the same rate, longer-term deposits grew considerably faster in 1979.

In part, this is explained by the substantial rise in deposits on housing accounts both by enterprises and by individuals. Also households' longer-term foreign exchange deposits grew faster than short-term deposits. The rise in total household foreign exchange deposits was again much higher than other household deposits (36½ per cent and 27 per cent respectively) with the result that foreign exchange deposits presently account for a little less than one half of total household financial assets (excluding currency).

At the beginning of 1979 the National Bank, as noted earlier, had expected to create 24 million dinars of reserve money during the year, of which about 54 per cent would be used for selective credits and rediscounting. At that time it was forecast that foreign exchange transactions would produce a small negative contribution so that the proposed limit for rediscounting was considered sufficient without additional expansionary measures through minimum reserve requirements. In the event, gross reserve money increased by only 13.1 billion dinars, largely reflecting the negative contribution of foreign exchange transactions. Credits to business banks and other funds rose by over 28 billion dinars and, in addition, the reduction of minimum reserves contributed almost 14 billion dinars to reserve money creation. Offsets drained 7 billion dinars from primary money, substantially less than in 1978.

Table 9 Basic flows of reserve money creation
Billion dinars

	Position end- 1979	Changes during period		
		1977	1978	1979
I CENTRAL BANK OPERATIONS				
Domestic transactions				
1 Credits to business banks and funds	98.3	10.3	11.1	28.2
2 Credits to the Federal Government and other clients	107.2	12.5	10.4	9.1
Foreign exchange operations	18.6	-2.6	4.3	-38.2
Change in minimum reserves	—	—	1.7	14.0
TOTAL	186.6	20.2	27.5	13.1
II AUTONOMOUS OFFSETS				
1 Clients' deposits with the National Bank	20.9	0.2	1.5	-4.8
2 Float	11.2	1.9	-8.0	2.9
3 Currency in circulation	90.7	-9.2	-16.6	-15.8
4 Compulsory reserves	51.3	-12.3	-9.9	-4.5
5 Other deposits of business banks with the National Bank	18.5	-0.8	-6.5	-3.9
6 Treasury bills	5.1	-0.6	0.3	0.0
7 Other	-30.7	-0.4	12.3	19.2
TOTAL	167.0	-21.2	-29.9	-6.9

Source: Direct communication to the OECD.

In addition to the convertibility that foreign exchange deposits enjoy, interest rate policy has been partly responsible for the attraction of and hence the substantial rise in these deposits since the early 1970s. Interest rates on household deposits, whether in dinars or in foreign exchange, are the same and they range from 7 per cent for sight deposits to 10 per cent for time deposits. The rates on dinar deposits have consistently been lower than the

rate of inflation and the gap has widened since the acceleration of inflation early in 1979. In contrast, after taking into account the depreciation of the dinar vis-à-vis the Deutschmark (DM) (the currency in which the majority of foreign exchange deposits are held) of 14 per cent during 1978, there was a net real return on foreign exchange deposits of between 7 per cent and 10 per cent. During 1979, the depreciation of the dinar vis-à-vis the DM was again 14 per cent which, after taking into account the acceleration of inflation, still allowed for some positive real return for time deposits, whereas the loss on dinar deposits exceeded—on average—13 per cent.

Table 10 Interest rates
In per cent

	1977	1978				1979			
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Central Bank									
Official discount rate	8.6	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Rate of yield at issue									
Federal government bonds	8-10	8-10	8-10	8-10	8-10	8-10	8-10	8-10	8-10
Loan rates									
Short term	9.31	8.93	8.93	8.73	9.60	8.83	9.05	9.05	8.88
Medium and long term	8.58	9.26	9.07	9.08	8.99	7.76	6.52	6.52	6.91
Credit to households									
Consumer credits	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0
Credit for housing construction	6.24	5.91	5.08	5.18	5.21	4.73	4.64	4.64	5.57
Deposit rates									
Time deposits by OALs ¹									
Up to 1 year	3.42	5.05	4.48	4.58	4.55	4.62	5.41	5.41	5.09
Over 1 year	4.80	5.83	7.06	6.46	6.04	5.34	6.31	6.31	7.56
Deposit by household									
Sight deposits	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50
Time deposits									
From 1 to 2 years	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0
Over 2 years	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	9.93

1 Organisation of associated labour, "enterprises".
Source: Quarterly Bulletin of National Bank.

Certain household deposits, especially those on housing accounts, which are, however, still a fairly small part of total household deposits, are very attractive because they give the right after a few years to the depositors to raise a long-term housing loan at a preferential interest rate. This rate varies around 5 per cent which is substantially lower than the rate of inflation. In total, both bank lending and deposit rates are low in Yugoslavia which, under conditions of generalised inflation as in the 1970s, constitutes an important incentive to borrow. The authorities consider interest rates as a long-term development instrument and they tend to keep the rates relatively stable irrespective of the changes in the rate of inflation and the level of activity.

As in earlier years, credits ceilings were the main monetary policy instruments; ceilings on rediscount credit, the level of downpayments for consumer credit and import and investment credits. The existing arrangements allow

the authorities to monitor overall credit expansion and, if it is necessary, reduce or increase the rate of credit expansion. The decision to raise the level of advance deposits with banks before loans are granted mitigates some of the worst effects of low interest rates. Nonetheless, the maintenance of stable and low interest rates especially in the face of a doubling of the rate of inflation, as during 1979, resulted in negative real interest rates. This has complicated the problem of excessive investment demand and many enterprises have preferred investment rather than meeting their debt-servicing obligations.

Budgetary developments

As described in many earlier OECD Economic Surveys of Yugoslavia, only infrequent use is made of fiscal policy for counter-cyclical purposes and the role of the public sector—notably the central government budget—differs somewhat from and is more limited than in most OECD countries. Two important reasons for this are the multiplicity of public sector bodies and funds⁴¹ and the constitutional constraint on many of them not to incur surpluses or deficits⁴².

Table 11 Consolidated revenues and expenditures of the public sector¹
In billion of dinars

	1976	1977	1978 ²	1979 Estimate
Direct taxes ³	134.6	175.5	232.5	279.6
Indirect taxes ⁴	86.3	109.4	126.3	157.7
Other taxes and non-tax revenue	20.5	19.8	25.5	33.4
Current revenue, total	241.4	304.7	384.3	470.7
National defence and administration	57.5	71.5	83.9	
Education	38.1	43.7	57.4	
Social security and welfare	93.5	114.4	146.5	
Interventions in the economy	19.6	28.0	38.1	
Other expenditures ⁵	44.6	54.3	63.4	
Total expenditure	253.3	311.9	389.3	
Balance	-11.9	-7.2	-5.0	
Financing				
Foreign financing, net	-1.5	-0.1	-0.1	
Domestic financing, net	13.4	7.3	5.1	

1 Includes budgets, funds, and communities of interest at all levels of Government. Excludes the fund for the development of under-developed regions. Net of transfers among all public sector units.

2 Preliminary.

3 Includes taxes on incomes and profits of enterprises and individuals, social security contributions, employers' payroll or manpower taxes, and property taxes.

4 Includes taxes on goods and services and on international trade and transactions.

5 Includes expenditures for housing and communal services, investment and subsidies for consumption.

Source: Direct communication to the OECD.

41 The public sector consolidated account includes the Federal government budget, the republican and provincial government budgets, the accounts of the communes (which together with the Federal and republican government constitute the sociopolitical units) and the accounts of the self-managed communities of interest, and few other special funds.

42 Communes, many self-managed communities of interest and other junior levels of government are not expected to run surpluses or deficits. If a surplus (or a deficit) appears in one quarter this has to be corrected in the next quarter by reducing taxes and contributions and/or increasing expenditure (or vice versa).

In addition, the size of the public sector is smaller than in OECD but somewhat higher than that of the less industrialised OECD countries with comparable levels of income. Total public expenditure in Yugoslavia is about 38 per cent of GDP compared with about 44 per cent for OECD Europe. And although there is co-ordination on the federal level, extensive decentralisation and the large degree of independence of many public bodies means that the Federal Government has fairly limited control over public expenditure other than its own which accounts for only one-fifth of the total. It is also fairly inelastic since more than one-half is defence expenditure and one-third expenditure on administration and selected pension funds, the latter being closely related by law to the rise in national income. Federal Government revenue consists largely of indirect taxes which have a low elasticity with respect to activity and of contributions from republics and autonomous provinces (based on their respective level of income) also having an elasticity with respect to GDP of a little over 1. The Federal Government may run surpluses or deficits, which, however, are fairly small and do not fluctuate much and when they do are partly due to autonomous and cyclical factors (and not discretionary). Consequently, the changes of the Federal Government's Budget have little impact on economic activity in general.

The other socio-political units (excluding Federal Government) which number roughly 600 and range from republics to communes, account for a little less than one-fourth of total public sector accounts. Self-managed communities of interest and funds account for the rest or more than half of total public sector expenditure. In contrast to the Federal Government, these two categories have the right to impose direct taxes and other contributions. However, because income taxes are proportional and not progressive and as these units and communities do not have the right to run surpluses or deficits they cannot use their fiscal power for counter-cyclical purposes and, therefore, the whole public sector is deprived of an important means to regulate demand. The socio-political units and communities of interest provide certain services in the area of education, welfare, health, social security, etc. and the persons and enterprises which participate in financing and also benefit from these services vote each year on the level of taxation and contributions which constitute the main source of funds for these accounts. An important aim of fiscal policy is to maintain a fiscal balance between the different levels of government and between the different units and accounts which provide specific services. Another objective—mainly through the Federal Budget transfers—is to narrow the large income and development disparities between the various republics and autonomous provinces.

In 1978, the Federal Budget contracted significantly. This was largely associated with the redistribution of the sources of revenue between the Federal Government and the republics due to the transfer of some food subsidies to the republics and the transfer of export subsidies from the Federal Budget to newly created self-managed communities of interest for economic relations with the rest of the world. These changes, which permitted the Federal Government to receive about half of the sales tax receipts, also reduced the dependence of Federal Government revenues on the contributions of the republics and provinces to the Federal Budget. By 1979, these fiscal changes were largely completed and the Federal Budget began to expand again. Federal Budget expenditure increased by almost 25 per cent in 1979. This rise was slower than that of the Social Product but somewhat larger than had been budgeted. The overspending was to a large extent due to an unexpectedly strong rise (50 per cent) in grants to republics and autonomous provinces (largely due to expenditure associated with the earthquakes in Montenegro) and to some bigger than planned expenditure

Table 12 **Federal budget**
Billions of dinars

	1977	1978	1979 Revised plan	1980 Plan
Regular revenues	80.0	72.6	93.8	119.1
Customs duties	39.7	23.4	24.1	30.6
Percentage of basic sales tax	—	26.3	38.2	48.9
Contributions from republics and autonomous provinces	39.0	20.8	28.4	36.9
Other	1.3	2.2	3.1	2.7
Expenditures	89.0	77.8	97.0	125.2
National defence	38.1	42.6	55.0	73.6
Administration	10.9	13.1	15.1	17.5
Grants to republics and autonomous provinces	6.1	7.0	10.5	13.8
Investments	0.6	0.6	0.7	0.8
Supplement to pension funds	10.4	12.4	14.8	18.5
Subsidies and tax reimbursements	22.3	1.4	—	—
Other	0.6	0.7	0.9	1.0
Balance on regular account	-9.0	-5.2	-3.2	-6.1
Allocations	4.5	4.3	5.2	3.1
Budget reserves	0.3	0.3	0.2	0.2
Debt repayment and other	4.2	4.0	5.0	2.9
FINANCING				
Receipts	13.5	9.5	8.4	9.2
Borrowing from National Bank	9.5	9.5	8.4	9.2
Bond issues	4.0	—	—	—

Sources: Direct communication to the OECD: *Official Gazette SFR of Yugoslavia*, N° 67/1979.

risers on defence. However, buoyant imports led to a higher level of receipts from customs duties than had been forecast, which, together with the transfer of part of the receipts from the basic sales tax from the republics and provinces to the Federal Budget, resulted in a considerably faster increase in total Federal revenue. As a result, the Budget deficit of 8.5 billion dinars was exactly as had been planned and somewhat smaller than in 1978. The Federal deficit thus fell for the third successive year in 1979 to $\frac{1}{4}$ per cent of the Social Product compared with a cyclical peak of $2\frac{1}{4}$ per cent in 1976.

Some upward adjustment in certain sales tax rates combined with the faster rise in retail prices led to a strong acceleration in the rate of increase of sales tax receipts from just over 21 per cent in the previous two years to 40 per cent in 1979. This, together with the fast growth of customs duties resulted in total public sector indirect tax receipts rising by 25 per cent in 1979 compared with $15\frac{1}{2}$ per cent in 1978. However, there was a significant slowdown in direct taxes in 1979. This, in part, reflects the fall in taxes from business income in the enterprise sector because of the financial squeeze on enterprises. More importantly, the Economic Resolution for 1979 called for some deceleration in the growth of collective consumption, especially on social activities which are operated by socio-political units and self-managed communities of interest. Since revenues have to grow in line with the increase of these expenditure items there was a corresponding smaller increase in direct taxes (including contributions) so as to keep these accounts in balance. The

slower growth of direct taxes (20½ per cent in 1979 as against 31½ per cent in 1977 and 1978 on average) was the principal factor behind the deceleration in the rate of growth of total public sector revenues to 22½ per cent in 1979 (compared with an average 26½ per cent in the previous two years). The rise in total public sector expenditure appears to have also moderated a little with the result that the total public sector deficit may have fallen slightly to about ¾ per cent of GDP (1 per cent in 1978) suggesting a slight restrictive public sector impact on activity in 1979 as a whole.

Incomes policy

The arrangements for incomes policy were unchanged in 1979. The authorities have traditionally placed more emphasis on incomes policy for longer-term growth objectives than for demand management purposes. Their aim is to secure a high savings rate and hence to facilitate a rapid growth of productive investment. Originally, the distribution of enterprise income between the wage and salary bill and gross savings was fixed through special taxes and regulations. With the extension of self-management since the mid-1960s, administrative and fiscal intervention has been considerably reduced. However, enterprises still continue to maintain a high propensity to save. Total domestic savings have been about one-third of GDP on average over the last five years compared with between 20 and 25 per cent for the average of the OECD area. The social agreements between the trade unions, enterprises and government form the main institutional framework of incomes policy. In line with the decentralisation policy there is no central agreement covering all the country. There are eight agreements; six for republics and two for the autonomous provinces.

These social agreements—made annually—should conform with the national objectives as set out in each year's Economic Resolution. However, each republic enjoys great freedom in fixing the distribution of income in accordance with its own targets and characteristics. Social agreements usually define many criteria for the distribution of income between gross savings destined for productive investment, the total wage bill and parallel expenditure (special fees, daily allowances, over-time pay, holiday pay, travelling expenses, etc.) and finally expenditure on social activities (enterprise housing, etc.). However, the republican and provincial agreements are expressed in relatively general terms. Moreover, they do not specify the mechanisms to ensure the implementation of these agreements at lower levels. In fact, there are additional social agreements concerning the distribution of income in each activity and sector which are largely based on the economic and financial situation and on the desired development of each sector. In addition, the distribution of income by different enterprises within each sector and branch, and on the condition that they respect certain broadly defined guidelines, can and actually does depend on the situation of each enterprise. As a result, there are not only significant differences in the level of personal income in the same categories of enterprises between different republics and autonomous provinces but also between different enterprises of the same branch within the same republic and autonomous province.

The level and changes in average personal earnings in each enterprise largely depend on the economic situation and total income of each enterprise⁴³. Those with high total income, either because of a high level (or increase) in productivity and/or because of monopolistic elements can fix (raise) prices to a larger extent than others, usually pay higher (increase faster) average personal earnings than

43 The decision concerning the distribution of income, in line with the self-management principles, is taken by the persons working in each enterprise.

the average in the same branch at the republican level. As a result, considerable variations in net personal earnings exist for the same kind of work. In addition, it appears that there is a tendency for this ratio to rise suggesting enterprises with a high productivity growth have given higher pay rises in recent years than in those with slow productivity growth. In addition to productivity growth, cost of living developments are also taken into account and in certain cases explicit escalator clauses are included in the agreements, especially in the non-business sector. Separate agreements for administrative staff at both provincial and local government level as well as staff serving in non-business self-managed communities of interest (providing other public services and non-business activities) are also signed and the terms of the agreements are often closely related to those in the enterprise sector. However, since there is no uniformity of average earnings in the enterprise sector as a whole, the increase in these non-business activities depends importantly on local conditions and developments in the local enterprise sector. It also depends on the willingness of the republican or provincial governments to keep comparability in earnings between the enterprise and public sectors.

Table 13 Monthly earnings in selected activities
Average in economic sectors=100

	1974	1975	1976	1977	1978	1979
Electricity generation	136	136	137	132	133	130
Coal production	117	118	115	111	109	112
Oil processing	157	160	153	142	139	137
Ferrous metals	115	113	109	104	104	105
Non-ferrous metals	119	113	112	111	106	113
Chemical processing	112	111	109	107	103	102
Wood processing	91	86	85	88	87	87
Textiles	79	76	73	74	74	74
Food	97	96	96	95	95	92
Tobacco	92	96	97	93	91	90
Rail transportation	95	100	104	97	101	101
Retail trade	98	96	96	93	93	93
Banking	131	130	133	128	128	125
Insurance	135	134	137	131	128	129

Source: SGJ.

In order to contain the rise in earnings there is a system of checks and balances within each republic and autonomous province, which, however, depend to some extent on the self-discipline of enterprises and communities of interest. There is a minimum guaranteed net average personal income in each republic and province. All agreements are expected to respect the Associated Labour Act which requires enterprises with above average income per worker to allocate a higher proportion of their total income to savings. The Act also provides for those with lower income per worker to have a lower than average proportion of savings. However, this is not precisely defined with the result that the law is not always observed. In particular, when decisions are taken by those working in an enterprise about the distribution of income—and hence the rise of earnings—the average savings rate or average net personal earnings are not known since these averages are the result of a multitude of independent and largely uncoordinated decisions. Moreover, the enterprise may allocate an increasing part

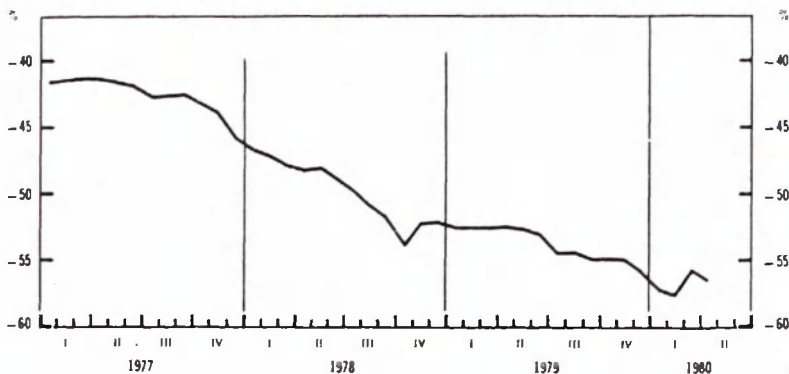
of their earnings to social activities, such as providing housing facilities for the workers, fringe benefits for annual leave, etc., which are not counted as personal earnings, nevertheless help to raise the standard of living of the people working in the enterprises.

A more important check against an excessively high share (or excessive rise) of personal incomes seems to be the pressure that the republican and local authorities can bring upon individual enterprises and/or whole branches of industry. A fine (a sort of tax) can occasionally be imposed or the units can be obliged to link the rise in the wage bill to gross savings. Nonetheless, the system of personal income formation has tended to have a strong inflationary bias. The sectors and enterprises with a rapid growth in productivity set the pace for the increase in average earnings in other sectors and enterprises which on occasions has given rise to a wage-price spiral, the strength of which depended on the excess of the rise in average earnings in the low productivity sectors over the growth in productivity in these sectors. Such a process may well have been happening in the last few years when the gap between the growth of average earnings and the rise in productivity steadily widened with the result that after the small pause in 1975 domestic inflationary pressures have since strengthened considerably and, especially in the eighteen months to the end of 1979.

External policy

With the view to maintaining competitiveness, foreign exchange policy has over the last few years aimed at continuously adjusting the dinar exchange rate in line with the inflation differential vis-à-vis Yugoslavia's main trading partners. However, the adjustment has not always been smooth. This is partly explained by the substantial differences in the rates and paths of inflation of Yugoslavia's main trading partners and the large fluctuations in the exchange rates of these partners vis-à-vis each other. Accordingly, the task of maintaining competitiveness over a very short period has been difficult as has probably been reflected in the irregular pattern of effective depreciation of the dinar over the last two years. A relative stability of the effective dinar rate during one or more quarters is usually followed by a sizeable adjustment after a short period. For example, during the eight months to mid-April 1979 the dinar's effective rate was stable, but then it declined by almost 5 per cent in the following two months. In total,

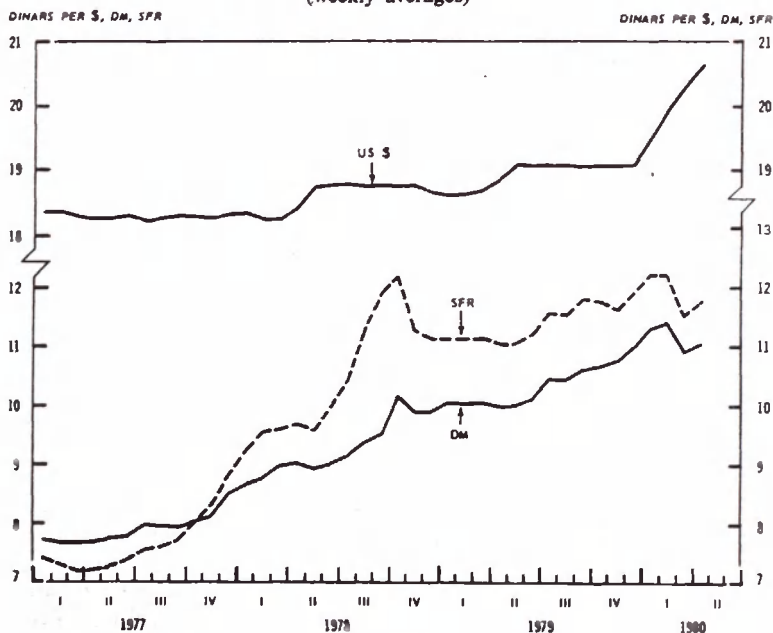
Diagram 6 Effective dinar exchange rate
Percentage deviation from 1970Q1



Source : OECD.

the effective depreciation of the dinar was approximately $7\frac{1}{2}$ per cent during 1979 compared with 11 per cent during 1978 despite the fact that in the former period the gap in the rate of inflation between Yugoslavia and its main trading partners probably widened more than in 1978 which, in principle, should have led to bigger depreciation in 1979 than in 1978. In order to restore competitiveness the dinar depreciated by approximately 7 per cent in the three months to February 1980.

Diagram 7 Selected spot rates of the dinar
(weekly averages)



Source: Weekly quotations of the National Bank.

In conformity with decentralisation policies, the institutional arrangements governing economic relations with foreign countries were changed in 1977⁴⁴. Whereas before 1977, the formulation and implementation of foreign trade policies rested with the government, "self-managed communities of interest for economic relations" at the Federal, republican and provincial levels are now jointly responsible for external economic policies. These communities include enterprises, other self-managed communities of interest and organisations (economic chambers, etc.), banking and financial institutions, co-operatives, and other social juridical bodies. Self-management agreements concerning the distribution of foreign exchange earnings are concluded between the direct exporters and the industries and other bodies which are not direct exporters but participate in the production of the exported goods. The criteria usually applied is the share of each body, plant, enterprise, etc., in the total value added of the exported goods. Under the previous arrangements the direct exporters

⁴⁴ Three laws relating to foreign trade, credit and payments and business activities abroad were passed by the Federal Parliament on 1st March, 1977. These laws were gradually implemented in 1977 and 1978.

obtained the biggest share of export earnings irrespective of their share in the value added. The individual members cannot sell their foreign exchange earnings but have to dispose of them to importers who have agreed to pool their resources and conclude self-managed agreements within the framework of the various "self-managed communities of interest for foreign relations". These communities through self-managed agreements between enterprises and other bodies, are also involved in determining the level of foreign indebtedness and in arranging foreign loans and credits (they also grant loans and credits to importers of Yugoslav products) and in distributing them between the members of these agreements. However, these credit and loan arrangements have to conform to the directives and policies of the annual Economic Resolution.

The objective of the new policies is to transfer part of the responsibilities for foreign trade and payments from the Federal and national levels to the republics and within the republics to provinces and individual economic agents. Accordingly, when the balance of payments plans for Yugoslavia are prepared, which involve negotiations and compromises among republics, individual foreign trade, service transactions and loan targets for each republic are also fixed. The republican governments are responsible for their implementation, but the Federal authorities are entitled to act and impose the policies adopted in the Economic Resolution if, at the republican level the necessary self-managed agreements have not been signed and if the balance of payments deviates considerably from the planned development. These arrangements also aim at discouraging certain republics from orienting excessively their production to the protected domestic market. However, there is a risk that this set-up may encourage unduly strong export-import linkages both at the republican and also at a provincial level which may create distortions, especially if these arrangements involve barter transactions. Accordingly, in each self-managed community of interest for foreign relations, the shadow foreign exchange rate may differ as well as diverging considerably from the official rate. In addition, it is recognised that this system may reinforce industrial relations within each republic and between individual republics and the outside world at the expense of an industrial co-operation at the national level, thus encouraging industrial duplication between republics, a problem which is of some concern to the authorities.

Energy trends and policies

Yugoslavia's development programme has been heavily dependent on energy, the consumption of energy having increased at an annual rate of about 6½ per cent in the twenty years to 1978, which gives an elasticity with respect to the social product of about 1. This is somewhat higher than the longer-run elasticity of total OECD but not significantly different to that in the less-industrialised OECD countries, which also experienced a fast rate of increase of industrial output and a rapid rise in the standard of living over the same period. Furthermore, Yugoslavia's domestic energy production meets a little more than one-half of total consumption (for oil and gas the share is just over one-fourth) whereas the share met by domestic resources in the less-industrialised OECD countries is slightly below one-third.

Though overall energy consumption trends were broadly the same as in total OECD, the pattern of consumption in Yugoslavia changed considerably more between the late 1950s and 1973 than in total OECD. In 1960, the share of solid fuels (mainly coal)⁴⁵ in total primary energy consumption was 85 per cent

45 Including wood. There are no data for OECD wood consumption, but on the whole the use of wood as a source of energy is negligible.

and that of oil and natural gas nearly 14 per cent; by 1973 the shares were 45 and 46 per cent respectively. In the OECD area, consumption of solid fuels fell from 36 to 20 per cent and that of oil and gas rose from 54 to 70 per cent respectively. These changes in Yugoslavia were combined with rapid industrial growth with the result that coal consumption per unit of industrial output fell by one-fifth between 1960 and 1973, whereas consumption of heavy oils per unit of industrial output rose 5½ times⁴⁶. Owing to the changing structure of demand, the annual rate of domestic coal production, which practically covers all domestic needs⁴⁷, decelerated from 5½ per cent in the ten years to 1966 to barely 1½ per cent in the seven years to 1973. These significant changes in both consumption and production trends, notably the three-fold increase in the share of oil in total energy consumption in such a short period, was partly policy induced and concentrated between the mid-1960s and 1973. Rapid industrial growth⁴⁸, the substantial increase in the number of private cars⁴⁹ and road transport in general, as well as extensive urbanisation were also responsible for the surge in oil consumption during this period. In addition, some new thermo-power plants were based on oil.

Table 14 Energy consumption in 1979
In per cent

Consumer	Electricity	Coal	Oil and derivatives
Industry ¹	60.0	84.3	41.6 ²
Households	30.0	14.8	25.4 ³
Transportation	2.0	0.7	22.6 ⁴
Agriculture	1.5	—	—
Other consumers	6.5	—	10.4
Total consumption⁵	54.5	42	16.6
	mill. kWh	mill. tons	mill. tons

1 Including consumption for energy generation.
2 Heavy fuel oil.
3 Gasoline and fuel oil.
4 Diesel fuel and kerosene.
5 Including insignificant exports.
Source: SGJ; direct communication to the OECD.

After the 1973-1974 oil crisis the authorities reconsidered their energy policy. At first, they relied principally on the effects of the steep rise in energy prices and also on exhortations and recommendations to curb the growth of energy consumption, notably oil. Since 1974, rises in the price of oil⁵⁰ have been passed on to the consumer and in order to encourage coal production, coal prices were also allowed to rise nearly as much as oil prices⁵¹. More

46 Between 1960 and 1973 the price of coal increased considerably faster than the rise in other energy prices, which discouraged coal consumption.

47 In 1978 net imports accounted for about 5 per cent of total domestic consumption.

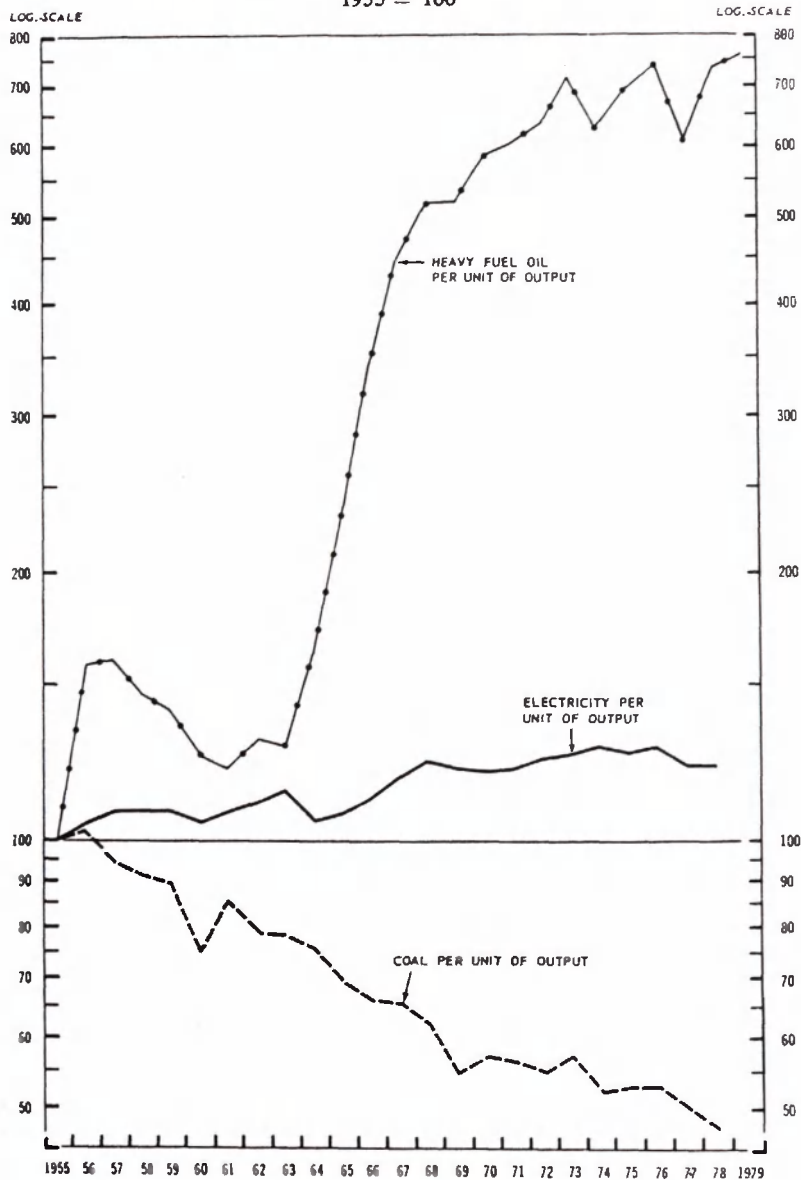
48 The big rise in oil consumption during the 1960s and early 1970s was in part due to a substantial expansion of aluminium and petrochemical production and other heavy energy consuming industries.

49 The number of private cars increased at an annual rate of 25 per cent between 1965 and 1973.

50 Domestic oil prices move in line with international oil prices.

51 Coal prices rose at an annual rate of 22 per cent between 1973 and 1979 compared with an annual rate of 25 per cent for oil prices at the producer level.

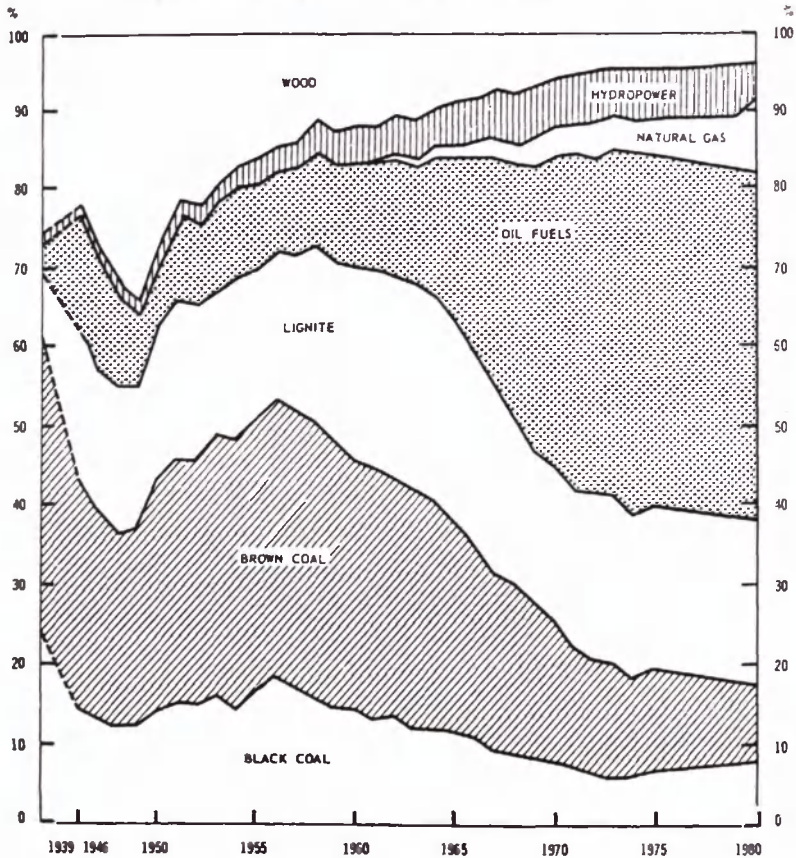
Diagram 8 Consumption of energy in industry
1955 = 100



Source : SGJ.

recently, especially after the second phase of the substantial oil price rises in 1979, restrictive measures were gradually introduced. The principal objectives are: energy conservation, promotion of coal production and hydro-electric power and the simultaneous reduction in dependence on oil. Differentiated pricing policy has been adopted with the aim of discouraging the use of oil by industry as a source of energy. Construction of power plants using oil is restricted and industrial projects heavily depending on energy in general and on oil in particular are also penalised. For investment projects with a heavy dependence on oil,

Diagram 9 The structure of primary energy consumption



Source: *Ekonomika politika*, II. febr. 1980.

advance payments amounting to 80 per cent of the value of the projects are required, which limits credits to 20 per cent. Heating temperatures in offices and dwellings should be lowered. Since early 1979, the use of passenger cars has been banned for about six days each month and where railway transport is available lorries and vans are not allowed to carry goods over distances exceeding 100 kilometers.

Because of the modest shift in policy up to the end of 1978, the existing structure of energy consumption and the commitments and work under way in a number of industrial projects, the overall energy trends did not change significantly after 1973. The elasticity of total energy consumption with respect to the social product fell only slightly in Yugoslavia from a little over 1 before 1973 to about 0.9 between 1973 and 1979, whereas the elasticity in the OECD area fell to 0.6-0.7. However, the decline in the elasticity of oil consumption was substantial—to just over 1 since 1973 compared with a longer-run elasticity of almost 2½ before 1973. This is largely explained by the marked deceleration in the growth of consumption of heavy oil per unit of industrial output after 1973 and the reversal of the upward trend in electricity consumption per unit of industrial output. At the same time, the authorities promoted coal consumption with the result that the growth of coal production more than doubled (compared with 1966-1973) to nearly 3½ per cent, annual rate, between 1973 and 1979. The

restrictive measures taken since 1979 are expected to further lower the growth of energy consumption over the medium term. In particular, the authorities should aim at reducing the elasticity of oil consumption and hence of oil imports with respect to the social product to well below 1 and additional restrictive measures should be taken if necessary to advance this aim.

III ECONOMIC OBJECTIVES FOR 1980 AND SHORT-TERM PROSPECTS

Economic policies for 1980 were formulated amid great uncertainties, especially with respect to international developments. Yugoslavia belongs to the group of countries which not only experienced a sizeable deterioration of their current balance of payments position in 1979 but after the further rise in oil prices at the end of the year could not expect to easily restore in the short run a sustainable current balance of payments deficit nor attract sufficient autonomous funds from the oil-producing countries to cover an important part of the deficit. Consequently the Economic Resolution for 1980 gave priority to the external sector, the objective being to reduce the current deficit to \$2 billion. Another, but closely related objective, is the easing of domestic inflationary pressures, which in part because they reinforce the external constraint but also because they encourage domestic imbalances, undermine the basis for a sustained growth over the longer run. Within this broad framework separate objectives for selected sectors (such as for energy, industry, housing, investment, etc.) were adopted and corresponding policies specified.

The stance of policy for 1980 is accordingly fairly restrictive and contrary to the previous few years when there was little intervention, the authorities have adopted a more active role in the management of the economy. Instead of the general recommendations included in the Economic Resolutions of previous years, many of the policies and targets in the Economic Resolution for 1980 are legally binding. Moreover, government intervention has been strengthened with the aim of ensuring that the policies and targets set for 1980 are implemented. Policies fall into two broad categories, those relating to aggregate demand management and those dealing with specific sectors, though, as is generally the case, the separating line is not always clear.

The most important initiative is, for the first time after many years, the reintroduction of a structured incomes policy which fixes legally binding and specific norms. In enterprises "basic organisations of associated labour", principally in industry, the rise in the total wage bill should be at least 5 percentage points lower than the rise in total value added in these sectors. In other sectors, such as banking, financial institutions, trade, self-management communities of interest, the rise in the total wage bill should be at least 8 percentage points slower than the rise in value added in the economy as a whole. For those working in socio-political units and self-managed communities of interest (i.e. in the different levels of government and also in sectors such as health, education, culture, etc.) the maximum allowable increase in average earnings is 16 per cent. In addition, with the exception of expenditure for housing, "collective consumption" provided by enterprises and other institutions is not allowed to increase by more than 14 per cent and 10 per cent respectively⁵².

⁵² The increase of this kind of expenditure, (principally consisting of expenditure on travel, food, health, holidays, etc.) which is equivalent to real income growth had tended over previous years to be faster than the increase in average earnings.

The Economic Resolution stipulates that self-management agreements in line with the above targets should be signed, and until those agreements are signed net average earnings in individual enterprises and other institutions are frozen at the November 1979 level. The Social Accounting Service, to which all revenue and expenditure accounts are submitted, usually at three months' intervals, will monitor the implementation of these policies. By imposing low targets for "collective consumption" the authorities desire not only to close certain loopholes and improve the financial situation of enterprises so as to be able to increase their investment expenditure, but also it seems that this is a first step of a longer-term policy designed to transfer part of the burden for these services to individuals.

The authorities have announced that monetary policy in 1980 will support the target growth of the Social Product. The projected growth for total bank credit and M1—money supply narrowly defined—is 22 per cent during 1980⁵³, or a little slower than the officially estimated rise in the Social Product in nominal terms (25 per cent). As in 1979, quarterly credit ceilings have been fixed⁵⁴. Primary money creation is set at 36.0 million dinars, which is roughly three times as high as during 1979; the difference is largely accounted for by a projected substantially smaller external deficit in 1980 than in 1979. Otherwise, the principal expansionary elements, credit to business bank and to the Federal Government will grow at about the same rate as during 1979⁵⁵. In addition, some debt repayments from Kosovo and Montenegro will be postponed to help the development efforts in the former and reconstruction in the latter. Interest rates are not expected to change significantly from the present fairly low levels. However, monetary policy has traditionally been flexible. The credit and monetary aggregates are generally used as broad targets and accordingly are adjusted in the course of the year in line with changes in economic policy goals with respect to inflation and developments in the real economy. However, in 1980, the authorities are expected to pay more attention to monetary developments, particularly since an easy monetary policy is incompatible with their over-riding short-term objectives of reducing the current external deficit and inflation to more acceptable levels.

Fiscal policy was tightened in 1980 with restrictions being imposed on the growth of public sector expenditure; the republican and local governments as well as certain public funds bear the main brunt of the restraint. Investment expenditure in a number of public service activities has been considerably reduced in real terms, while an upper limit of 16 per cent has been fixed for the increase in consumption expenditure in most public sector units. The projected rise in Federal expenditure, however, is 29 per cent, but as this expenditure accounts for only one fifth of the total, the rise in public sector expenditure as a whole will probably be less than 20 per cent. This is somewhat slower than in 1979 and considerably slower than the projected growth of the nominal Social Product. These estimates suggest a fall in public sector expenditure in real terms, other than Federal expenditure. An increase in Federal

53 Excluding special credit to Kosovo (the less-developed area in Yugoslavia), to Montenegro for reconstruction after earthquakes and for housing construction, the increase in other credit is fixed at 21 per cent.

54 Credit expansion (December 1979=100) targets are; March 1980: 104½; June 1980: 110; September 1980: 115; and, December 1980: 121.

55 25 billion dinars are allocated to rediscounting and selective credits (i.e. to exports, stocks of coal, agricultural production, imports from less-developed countries). Rediscounting is principally limited to short-term bills (90 days) and each bank has its rediscount limit fixed on the basis of its portfolio. Credits to government are projected to run at 10 billion dinars.

administration expenditure—mainly for wages and salaries—is planned, in line with that in other levels of government at 16 per cent. On the other hand, expenditure for defence and grants to republics and provinces (especially to Kosovo for development purposes) is forecast to rise by about one third implying a substantial rise in real terms.

As constitutionally, republican, local and public sector funds cannot accrue surpluses or deficits and given that an upper limit of 16 per cent has been imposed on the growth of expenditure⁵⁶ as has been mentioned above, the increase in revenues (taxes and contributions) should also adjust accordingly (i.e. the rise should be approximately the same as that of revenues)⁵⁷. Federal Budget revenues will rise by about 27 per cent. The increase in custom duties and sales tax rates of about 27-28 per cent is more than accounted for by the expected rise in the value of imports and activity trends and reflects the rise in certain tax rates. The contributions from the republics and autonomous provinces to the Federal Budget will rise faster than other revenue items (30 per cent) in 1980. The Federal Budget deficit is forecast to rise a little from 8.4 billion dinars 1979 to 9.2 billion dinars in 1980 but to fall slightly as a per cent of the Social Product (to $\frac{1}{3}$ per cent). Owing to certain well-established rules the Federal Budget is fairly rigid. Some expenditure items such as pensions to the disabled and war veterans, funds for development purposes are practically indexed to the rise in the Social Product in nominal terms. The same applies to selected defence expenditure items. Consequently, if the Social Product outcome differs from the assumption in the Budget plans—and usually the former exceeds the latter—then expenditure on the above categories has to be adjusted which gives an upwards bias in total expenditure. This is of concern to the authorities as it adds to inflationary pressures. At the same time the authorities are examining ways and means to improve the sources of finance, notably the Federal Government to lower its dependence on transfers from the republics⁵⁸ and raise directly through taxation a greater share of its revenues.

In addition to aggregate demand management policies, specific policies for a number of sectors—as noted above—were also incorporated in the Economic Resolution for 1980. Additional measures have since been announced. Reflecting the exacerbation of inflationary pressures emanating from the rapid growth of investment over the last few years, a number of measures were introduced aimed at curbing the growth of overall investment expenditure and the concentration of additional expenditure on priority sectors. In December 1979, a law was passed requiring downpayments for all investment projects of about 50 per cent of the value of non-economic investment⁵⁹ and downpayments ranging from 15 per

56 In fact given that investment expenditure will decline a little, as it will be explained below, and that consumption, because of the upper limit of 16 per cent on the increase in earnings (which accounts for the major part of consumption), will increase by 16 per cent approximately, total expenditure by republics, local authorities and other public sector funds should increase slower than 16 per cent.

57 The Constitution does not allow republics, local authorities and other public sector funds to accrue surpluses and deficits (if during one quarter a surplus or a deficit has been accrued this has to be corrected in the next quarter by adjusting either revenue or expenditure). Accordingly, if in 1980 the growth of expenditure is restrained to less than 16 per cent revenues will have to rise by approximately the same extent.

58 The transfers to the Federal Budget are calculated on the basis of the level of the Social Product in each republic.

59 Non-economic sectors are mostly service sectors: education, culture, entertainment, health and welfare, banks, insurance, economic chambers, justice, administration (excluding local communities, sport organisations, pharmacies and political organisations). The percentage of downpayment is reduced to 30 per cent for health investment, such as new hospitals, etc.

cent to 30 per cent⁶⁰ for business investment. In February 1980, policies were further tightened. Investments under way in the non-economic sectors whose degree of completion is less than 65 of the project value have to be discontinued⁶¹ (for buildings the required degree of completion is 80 per cent) while no new investment projects in these areas are to be commenced. It is also proposed to reintroduce the registration of investment intentions which would help to discourage duplication of investment projects. With a view to promoting the domestic machine-building industry and also of curbing the strong rise in this type of imports, advance deposits are required for imports of capital goods, in particular machinery and equipment.

The credit and administrative restrictions are all the more necessary since the counterpart of the strict incomes policy⁶² will be a pick-up in profits in 1980, which will be mainly used to finance increased capacity. In addition to limiting overall credit expansion for investment purposes, these policies seem also to be a part of a longer-term effort in favour of granting bank credit to those sectors, branches and enterprises which are the most efficient and hence have a high rate of saving. The authorities are concerned with enterprises which have low savings rates and primarily depend on bank credit for both working and fixed capital and who are gradually burdened with excessive debt servicing charges. Within this framework, the authorities have over the last few years promoted new institutional arrangements, a sort of joint venture, between a number of enterprises, "the association of labour and resources", which by pooling their resources to finance investment reduce their dependence on bank credit.

As noted above, important measures were taken last year in the energy field. In addition, it is planned to apply uniform energy prices at the national level and thus withdraw the right of each republic to fix its own electricity prices. The authorities also envisage promoting small business, mainly private business; up to now the emphasis being placed on large-scale industry in the socialised sector. Housing policy is being revised, both with respect to investment and to rents. It is proposed that households should raise their contributions for the purchase of dwellings and accordingly the part paid by enterprises, self-managed communities of interest and other units at all levels of government should be reduced. Rents are relatively low⁶³ and the authorities are studying the possibility of raising them so as to better reflect market forces. In order to speed up the construction of new apartments the Economic Resolution for 1980 also encourages investment in plants producing building materials.

The Economic Resolution recommends restraint in price rises in 1980, and on this basis agreements are to be concluded at the Federal, republican and junior government levels. At the end of January 1980, the price agreement signed by

60 A general downpayment for business fixed investment in building and structures is fixed at 30 per cent, and 20 per cent for equipment. Percentage for equipment is reduced to 15 per cent in investments that are predominantly export oriented or import substituting. Tourist projects are, in general, given this priority treatment. A downpayment of 80 per cent is required for investment in buildings and equipment conceived to use imported fuel oil. Finally, a 20 per cent share is also required for buildings used in communal activities and for equipment and instruments used in medical services and rehabilitation centres.

61 Limitations do not apply for school buildings in elementary education, homes for children and aged persons, investments in objects damaged in earthquakes, investments in national defence and security, customs offices, etc.

62 The allowable rise in the total wage bill of about 7 percentage points slower than the rise in gross value added will boost considerably profits in 1980.

63 For an average employed person in an urban area who lives in an apartment provided by his enterprise, or by the administration the rent is often less than 5 per cent of his family's total income. For the minority of persons who do not live in their own apartment or in an enterprise apartment, rents in relation to their income are fairly high.

the Federal and republican governments provides for a maximum rise in industrial producer prices of 13 per cent in the year to December 1980, and a corresponding rise in agricultural prices. It also stipulates that the rise in prices of services should not exceed 12 per cent and that of retail prices 19½ per cent during the same period. In the light of recent domestic trends and world price movements these targets seem optimistic. The expected benefits of the counter-inflationary measures will take time to work, and their effects will be mainly felt towards the end of 1980 and in early 1981. Price increases during most of 1980 will be influenced by the existing inflationary pressures in the pipe-line and by the effects of the rise in oil prices. The slower rise in average earnings in 1980 should largely be offset by a decline in productivity growth with the result that the growth of unit labour costs should be a little lower than in 1979. But profit rates seem likely to increase a little. In total, the growth of unit domestic costs may not be significantly lower than in 1979.

Anti-inflation policy is made difficult by the trend in energy prices. Even though no further important rises in oil prices are assumed during 1980, the sizeable increase in oil prices since last summer coupled with other sympathetic energy price rises may add up to 3 percentage points to the rate of inflation in 1980. On the assumption that the authorities, in line with their policy, try to make good the loss of competitiveness during 1979 the effective depreciation of the dinar should be stronger than during 1979. This would roughly offset the slower rise in import prices during 1980 with the result that the contribution of import prices (excluding oil) to the consumer price index is not expected to be significantly different from last year. All these forces make for a stronger rise in consumer prices than the authorities would have wished. Already, between December 1979 and March 1980 the actual increase in the cost of living was 9½ per cent which brought the year-on-year rise to 26 per cent to March 1980 compared with 23 per cent in the year to end 1979. The acceleration in industrial producer prices was even stronger, from 15 per cent in the year to end-1979 to 22 per cent in the year to March 1980. The acceleration in the first quarter was in part due to the lifting of the price restrictions at the end of 1979 and to energy price rises. Though some deceleration during the remaining nine months should take place, the rise in the cost of living during 1980 is likely to be higher than the target rate and perhaps much the same as in 1979.

With a rate of inflation at about 23 per cent (year-on-year), a rise in nominal earnings substantially slower than that, and less buoyant agricultural output, a marked decline in household earnings in real terms in 1980 is likely. Social security payments and emigrants remittances are expected to rise strongly but total real household disposable income is nevertheless expected to decline a little in 1980. However, this fall should be cushioned by a further small fall in the personal savings rate. Total private consumer demand may therefore stagnate or may even fall a little this year compared with an officially projected increase of about 3½ per cent⁶⁴. The growth of general government consumption in real terms is also expected to be fairly small.

The administrative measures, the need to use a greater part of internal financial resources for investment purposes should lead to a marked slowdown

64 The continuation of credit restrictions for consumer durables should also dampen private consumer demand. On the other hand, a further strong rise in inflationary expectations may lead to a continuing growth in consumer demand, notably for durables. However, this possibility, which is difficult to evaluate, has been discounted for forecasting reasons. Volume retail sales were in the first quarter of 1980 4½ per cent up on the same quarter of 1979 and in March 1980 about ½ per cent below March 1979.

Table 15 Official forecasts for 1980

		1979	1980
Social product	Percentage volume change	7	5
Private consumption	Percentage volume change	5½	3½
Fixed investment	Percentage volume change	9½	6
Merchandise exports	Percentage volume change	-½	6
Industrial production	Percentage volume change	8	6
Construction activity	Percentage volume change	7½	5½
Employment	Percentage change	4½	3
Industrial producer prices	December to december percentage increase	15	13
Prices of services	December to december percentage increase	22-24	12
Retail prices	December to december percentage increase	24	19½
Merchandise exports	\$ billion	6.5	7.4
Merchandise imports	\$ billion	12.9	13.1
Invisible surplus	\$ billion	3.0	3.7
Current balance of payments deficit	\$ billion	3.4	2
M1	Percentage change during the year	17½	22
Bank credits	Percentage change during the year	26½	22

in enterprise investment growth in the first half of 1980. However, an expected rise in profits in the first half of the year should allow a recovery in investment in the second half year. Nevertheless, this component of investment is expected to be less buoyant than in 1979. Owing to the discontinuation of investment in certain service sectors the deceleration in the growth of non-enterprise investment will be even stronger. In contrast, existing loan commitments, work under way and the strong private demand for housing, all point to strong housing investment. Fixed investment in total is expected to decelerate markedly in 1980 to about the official projected rate of 6 per cent, making investment the most expansionary domestic component again this year. Reflecting the fall in consumer demand, there may be some involuntary stockbuilding at the retail level but this could be partly offset by a slower rise in agricultural stocks. The growth of total domestic demand is thus expected to decelerate markedly in 1980, even below the rate of a little over 4 per cent (8 per cent in 1979) implicit in the Economic Resolution.

A number of favourable developments suggest a revival of export growth in 1980:

- i) The slackening of domestic demand combined with greater export promotion efforts and the effective depreciation of the dinar.
- ii) The steep decline in ship exports may come to an end in 1980. The appreciable rise in international freight rates over the last eighteen months had led to a pick-up in net export orders for ships.

- iii) A stronger rise in exports to EEC is expected after the agreement signed with the EEC in February 1980⁶⁵.

So despite the forecast deceleration in the growth of international trade in 1980, the volume of exports to the OECD area and to OPEC countries is expected to rise in 1980 and if trade developments with the centrally-planned economies are also favourable the official growth target of 6 per cent for the total volume of exports may well be reached. Sluggish demand coupled with the credit restrictions for imports should lead to a stagnation or even a small fall in the volume of merchandise imports. The authorities have not fixed any import growth target but they intend to monitor import growth and may take measures in the course of the year if they see that the balance of payments developments are not in line with the desired improvement. More recent indicators show a reversal of the unfavourable trade trends which persisted during 1978 and most of 1979. In the three months to January 1980 (compared with the previous three months), there was a strong acceleration in the growth of the value of exports which, after taking into account the steep upward trend in export prices, gave a rise in real terms in merchandise exports of about 7 per cent (annual rate) compared with a small decline between the second quarter of 1978 and the average of the three months to October 1979⁶⁶. Similarly, the volume of imports which had been rising at about 16 per cent, annual rate, between the second quarter of 1978 and the second quarter of 1979 has since declined a little. On this basis, the real foreign balance contribution to the growth of GDP can be expected to be fairly strong and reinforce the modest rise in domestic demand to give a growth of the Social Product somewhat slower than the target in the Economic Resolution of 5 per cent.

The growth of industrial production in 1980 is fixed at 6 per cent in the Economic Resolution⁶⁷ and agricultural production at 3 per cent, compared with 8 per cent and 6 per cent respectively in 1979. The implied growth rate of construction and of services is also officially expected to decelerate from about 6½ per cent last year to nearly 4 per cent in 1980. However, if overall demand, notably private consumption, falls short of the planned targets, as may well be the case, then all output components, and especially service activity, could decelerate. Reflecting the slowdown in the growth of the Social Product, the increase in employment is expected to weaken; because of the lags the change will be modest at first but gather pace towards the end of the year. In total, non-agricultural employment may increase by about 3 per cent in 1980 (year-on-year) compared with 4½ per cent in 1980 which entails a significant deceleration in the growth of productivity while the increase in job seekers, especially first time job seekers, could accelerate.

65 Yugoslavia obtained free access to the EEC for about 70 per cent of its industrial products. However, for some of its most important export products such as textiles and non-ferrous metals restrictions are still applied but which, however, allow substantial increases in export compared with 1979. Moreover, the quotas for agricultural goods have been revised upwards.

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	1979 1978	Jan.-March 1980 Jan.-March 1979 (Percentage change)	March 1980 March 1979
Volume merchandise exports	-½	18½	12½
Volume merchandise imports	8½	-1½	-9½

67 Industrial production in January-March 1980 was 5½ per cent and in March 1980 3½ per cent higher than in the same period in 1979 and on a seasonally adjusted level only 2½ and 3 per cent respectively above the average of the second half of 1979.

The expected favourable trends in the volumes of merchandise trade will in part be offset by a further small deterioration in the terms of trade⁶⁸. A big carry-over from the steep rise in the price of imported oil during 1979 and the delayed sympathetic price rises will boost average import prices. Also, the maintenance of relative competitiveness would, as noted above, probably entail a larger effective depreciation of the dinar than during 1979⁶⁹. Export prices, however, are likely to accelerate a little reflecting the rise in domestic costs. The possible price developments suggest that the planned small rise in the value of imports may be optimistic. However, the official forecast growth of the value of exports (14 per cent) may be too low. Overall the trade balance is expected to fall but probably by not as much as it is officially forecast. Invisibles will be adversely affected by a continuing sizeable rise in interest payments but a pick-up in tourist earnings is expected to be combined with some slowdown in private transfers abroad to give a growth of net invisible earnings a little lower than that officially projected. Accordingly, there should be a sizeable decline in the current external deficit to a level of a little over \$2 billion⁷⁰. Moreover, arrangements are in progress to ensure a significantly more favourable structure of capital inflows, notably to raise the share of medium to long-term loans.

IV CONCLUSIONS

Following two years of largely policy-induced rapid growth in domestic demand the economy showed clear signs of overheating in the early months of 1979. The policy posture was gradually tightened but, owing to the strong expansionary forces at work, demand pressures persisted during most of last year. Social Product grew between 1978 and 1979 by some 7 per cent—some-what above its potential rate—and non-agricultural employment continued to rise strongly. Domestic demand rose distinctly faster than output, spilling over into imports and contributing to the virtual stagnation of export volumes. This, combined with the sharp rise in oil prices and the unfavourable balance of payments effects of the Montenegro earthquakes, led to a marked increase in the current external deficit. Reflecting the acceleration of both domestic costs

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Prices	1979	Jan.-March 1980	March 1980
	(Percentage change from previous year)		
Exports	15	20	19
Imports	19	22	20

⁶⁹ In the three months to February 1980 the effective depreciation of the dinar was nearly 7 per cent, which is considerably bigger than the depreciation in the twelve months to November 1979.

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	1979	Jan.-March		March	
		1979	1980	1979	1980
Merchandise trade deficit (billion dinars)	116.2	35	35.6	11.6	10.4
Exports (billion dinars)	118.5	27.8	39.5	9.5	12.7
Imports (billion dinars)	234.7	62.8	75.1	21.1	23.1

and import prices the increase in consumer prices rose to about 25 per cent, annual rate, since the first half of 1979 compared with around 15 per cent during the two previous years.

The authorities, preoccupied with the balance of payments risks and the adverse effects on the long-term growth potential from the continuation of strong inflation, tightened considerably the overall stance of policy towards the end of 1979. Moreover, the Economic Resolution for 1980, contrary to the practice in previous years, is backed by legislation and other specific measures to ensure that the principal short-term objectives will be attained. Major immediate objectives are to ease inflationary pressures and reduce the current balance of payments deficit to about \$2 billion in 1980; this is expected to be achieved both by a marked deceleration in the growth of domestic demand and by specific measures (including exchange rate adjustments) designed to boost exports and to stem the growth of import volumes. The most important anti-inflationary measures are: firstly, the re-imposition of strict controls on nominal incomes and second, the introduction of administrative and credit measures to curb the growth of investment which has been the strongest expansionary factor during the last few years.

Present policies will positively influence developments in 1980 and there are good reasons to expect that some of the main official targets will be achieved. The growth of Social Product is likely to decelerate markedly, probably to less than the 5 per cent target; but the level of economic activity may still allow continued growth of non-agricultural employment though at a slower pace than in recent years. The underlying rate of inflation is unlikely to slow down as rapidly as is officially forecast but some significant improvement can be expected at a later stage. The crucial objective of reducing the current external deficit from some \$3.4 billion last year to about \$2 billion in 1980 may appear ambitious in view of the substantial increases in oil prices around the turn of the year and the expected weaker demand conditions in both the OECD area and in certain Eastern European countries. However, the probable very marked slowing down of domestic demand growth, the recent depreciation of the effective exchange rate and improved conditions of access of Yugoslav exports to the EEC countries should combine to permit a considerable transfer of real resources to the external sector. In the absence of unexpectedly unfavourable external developments, a substantial reduction of the current deficit in 1980 would seem feasible. On the domestic front an important uncertainty, as in a number of OECD countries, is the influence of inflationary expectations on spending and saving propensities, which might delay the desired adjustment of domestic demand.

Inflationary behaviour in Yugoslavia has considerably strengthened in recent years and it risks being reinforced by the oil price rise and the recent worldwide resurgence of high rates of inflation. If the present stabilisation policies were to be prematurely terminated, inflation would probably reaccelerate even if real demand and output levels had, in the meantime, weakened considerably. Under these conditions, it would seem eminently advisable to strengthen existing methods of preventing excessive demand and cost increases, including the improvement of the mechanisms to control the growth of nominal incomes. Such arrangements seem, in the specific circumstances of the Yugoslav economy, necessary in order to bring a steady reduction in the rate of increase in labour costs. Income differentials in the past have provided incentives to growth but it seems important that the high earnings in the fast growing high productivity enterprises do not become the norm in enterprises with much lower productivity. The present arrangements on incomes are intended to redress some of the earlier inflationary excesses, which allowed accumulation of debt by less efficient firms. It is important that the control of the growth of nominal incomes is

supported by appropriate monetary and credit policies. In particular, the present restrictive consumer credit policy should not be relaxed before a lasting improvement in inflation occurs. Moreover, the degree of appropriate relaxation should be judged, in due course, in the light of macro-economic considerations of saving and investment balances in the economy.

A high rate of investment will be required over the medium term both to permit overall development of the economy and to adapt the structure of output to the world-wide change in the relative cost of energy. This has two basic implications. Firstly, economic policies and institutional arrangements should promote sufficient *ex ante* domestic savings to prevent the investment being financed *ex post* through an excessive current external deficit or through very high inflation—which arbitrarily distorts the real value of incomes, expenditure and asset holdings of different social groups. Second, there is a need for permanent economic mechanisms to ensure that the investments undertaken will have the highest possible social rate of return.

The personal sector will probably play a significant role in the generation of domestic savings as the promotion of investment projects at the regional level relies to a large extent on the collection of personal savings. The authorities are studying at present various schemes concerning housebuilding which would both reduce subsidisation of rents and promote voluntary personal savings linked to the acquisition of dwellings. These schemes seem quite appropriate. However, care must be taken that savings are not discouraged by an undue differential between interest rates on dinar deposits and the rate of inflation. It seems that the existence of such a differential together with sizeable foreign exchange deposits have created a distortion in the savings pattern which may need to be considered by the authorities.

The share of investment in the Social Product has been on the average very high and there are indications that a significant part did not conform to appropriate criteria of efficiency. This has been an important factor behind the strengthening of inflationary pressures in recent years. The recently imposed administrative restrictions on investment in various sectors can only be considered as a temporary measure. More permanent methods have to be developed in order to ensure, first, that overall credit for investment purposes is kept within limits; and second, that both credit and internally generated funds of enterprises are mainly channelled to those sectors, branches and enterprises which have high social rates of return within the established economic goals and development priorities. While interest rates play some role in the selection of investment projects there is clearly scope for increasing their importance, especially in periods of high inflation so as to ensure that borrowing does not take place without proper evaluation of the longer-term viability of projects. The recent regulations obliging enterprises to make advance deposits with banks before obtaining credit represent, in effect, an increase in interest rates.

The disappointing export performance of the last few years coupled with the steep rise in oil prices has considerably reinforced the external constraint. Accordingly, in the preparation of the next Five-Year Plan, for 1981-1985, particular attention should be paid to the external sector, notably in relation to investment and industrial policies. Without a shift in policies in favour of export promotion the return to a high and sustained growth rate over the medium term is problematic. Yugoslavia has reached a level of technical development and has a sufficiently wide industrial base to diversify industrial exports and, because of its relatively small share in world trade, can achieve substantial gains in market shares and thus a high rate of export growth despite the weak world trade prospects. The efforts made to increase participation of foreign enterprises and know-how in new industrial projects should strengthen the export

sector. It is too early to judge certain other initiatives, notably the encouragement of "joint ventures" between domestic enterprises and the creation of "communities of interest for foreign economic relations". However, it seems desirable to monitor carefully their progress in order to keep their activities in line with development priorities between republics. In particular, it is important to limit the possibilities of import-export linkages and elements of barter trade emerging. However, these risks should be diminished by the recent shift to a more flexible and realistic exchange rate policy.

To sum up, after an extended period of strong expansion of the economy which led to overheating, stabilisation measures have been introduced which are expected to produce positive results in the course of 1980, notably a substantial improvement in the current balance of payments position. However, because of the oil price shocks and the emergence of strong imbalances in the economy over the last few years, continuation of tight demand and income policies will be required for some time if a lasting improvement in inflation is to be achieved. Moreover, given the weak prospects for international trade, more export-oriented industrial and commercial policies will be required to ease the balance of payments constraint on the resumption of a high rate of economic growth. And the principal criterion for new investment projects should be mainly their long-term viability in a highly competitive international environment with less emphasis being placed on short-term import substitution benefits. Despite the temporary difficulties and particular problems that have emerged, the medium-term overall performance of the Yugoslav economy has been in many ways remarkable. However, economic and social goals have to be adjusted to the present less favourable world economic environment; and economic policies need to be reviewed in the light of experience and changed circumstances. These are basic tasks for the 1981-1985 Plan now being prepared.

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STATISTICAL ANNEX

Table A Social product (Yugoslav definitions and concepts)

Millions of dinars

	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978
<i>Current prices</i>											
Consumers' expenditure	61 921	71 706	86 305	110 514	137 025	168 877	220 187	275 283	326 191	397 837	487 200
Collective consumption	11 689	13 409	14 689	17 508	21 286	26 708	35 962	49 620	60 265	72 556	86 439
Gross fixed capital formation	35 044	41 049	51 723	64 651	73 977	85 502	117 387	163 287	207 283	267 956	357 314
Change in stocks	3 913	7 297	13 638	21 983	14 500	31 957	57 827	44 760	30 286	59 100	28 767
Foreign balance	-2 778	-3 459	-9 723	-15 043	-8 024	-14 550	-44 698	-43 606	-25 897	-59 553	-73 768
Exports of goods and services	22 308	26 264	30 381	40 575	56 026	72 278	95 128	105 231	120 851	129 855	146 929
Imports of goods and services	25 086	29 723	40 104	55 618	64 050	86 828	139 826	148 837	146 748	189 408	220 697
Statistical discrepancy	2 183	1 958	575	4 863	6 631	7 832	20 555	13 651	-5 568	-3 592	15 863
Social product	111 972	131 960	157 207	204 476	245 395	306 326	407 220	502 995	592 560	734 304	901 815
<i>1972 prices</i>											
Consumers' expenditure	104 624	112 042	120 960	130 960	137 025	140 695	151 030	156 174	163 097	174 595	186 737
Collective consumption	18 065	19 602	20 269	20 256	21 286	22 160	23 774	25 980	28 448	30 553	32 540
Gross fixed capital formation	57 933	61 587	69 478	72 668	73 977	77 074	84 054	92 181	99 689	109 114	120 589
Change in stocks	6 632	11 401	18 941	25 967	14 500	21 344	31 095	19 132	15 380	22 123	9 683
Foreign balance	-4 416	-5 699	-16 828	-20 911	-8 024	-14 719	-24 866	-23 556	-9 075	-22 878	-22 521
Exports of goods and services	39 778	44 260	45 941	47 622	56 026	59 835	60 434	59 346	68 189	64 508	63 991
Imports of goods and services	44 194	49 959	62 769	68 533	64 050	74 554	85 290	82 902	77 264	87 386	86 512
Statistical discrepancy	5 335	7 406	5 127	6 600	6 631	11 130	14 598	19 982	3 652	11 814	20 771
Social product	188 173	206 339	217 947	235 540	245 395	257 684	279 685	289 893	301 191	325 321	347 799

Source: Direct communication to the OECD.

Table B National product and expenditure (Standardized definitions and concepts)
Millions of dinars, current prices

	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978
Consumers' expenditure on goods and services	63 406	69 238	79 944	95 593	121 722	151 687	187 146	244 100	294 900	351 500	428 950	528 400
Government current expenditure on goods and services	20 107	23 000	26 054	30 484	36 686	45 290	52 742	74 300	97 900	118 700	147 500	177 200
Gross fixed capital formation	30 283	35 044	41 049	51 723	64 651	74 107	85 324	117 400	163 400	206 600	267 900	357 314
Change in stocks	5 736	3 913	7 297	13 638	21 983	14 702	31 957	57 800	44 600	30 300	59 100	28 767
Exports of goods and services	22 184	23 212	27 383	31 841	42 909	59 206	76 436	101 100	111 200	129 500	136 400	153 600
less: Imports of goods and services	23 852	25 191	29 894	40 494	56 291	64 996	87 951	142 000	150 000	148 800	190 800	212 900
Statistical discrepancy	604	755	1 034	-867	3 651	3 166	8 010	20 000	15 200	-5 000	-13 850	-15 214
Gross domestic product at market prices	118 468	129 971	152 867	181 918	235 311	283 162	353 664	472 700	577 200	682 800	835 200	1 017 167
Income from the rest of the world	1 250	1 628	2 724	5 728	10 024	15 411	23 098	26 710	26 773	29 000	34 800	49 900
Income payments to the rest of the world	1 034	1 085	1 290	1 610	2 236	2 818	3 778	4 800	4 273	5 000	6 400	8 300
Gross national product at market prices	118 684	130 514	154 301	186 036	243 099	295 755	372 530	494 610	599 700	706 800	863 600	1 058 767
Indirect taxes	10 017	11 504	12 628	15 864	22 041	27 279	29 239	58 070	62 000	71 200	105 300	122 367
Subsidies	977	991	935	1 287	2 790	7 015	8 194	12 280	15 000	10 000	26 100	26 400
Gross national product at factor cost	109 644	120 001	142 608	171 459	223 848	275 491	351 485	448 820	552 700	645 600	784 400	962 800
Depreciation and funds for other purposes	9 845	12 041	14 238	16 644	21 180	27 979	36 290	50 840	61 000	70 000	83 600	102 300
Net national product at factor cost	99 799	107 960	128 370	154 815	202 668	247 512	315 195	397 980	491 700	575 600	700 800	860 500

NOTE: Due to institutional changes and to different classification since mid-1970 the figures for recent years have been revised.
Source: Direct communication to the OECD.

Table C **Gross product at factor cost by industry**
Millions of dinars, current prices

	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978
Agriculture, forestry and fishing	25 014	23 310	27 129	29 612	37 346	43 273	59 250	70 900	80 700	97 250	113 700	114 400
Mining and quarrying	3 217	3 425	3 460	4 103	5 503	6 860	8 900	13 740	17 600	20 700	25 200	29 900
Manufacturing	30 293	33 954	39 086	48 590	63 889	77 570	98 514	130 020	171 600	191 400	239 200	283 700
Electricity, gas and water	3 136	3 401	3 779	4 411	5 477	6 891	8 450	9 500	13 200	15 400	19 200	25 600
Construction	11 550	13 348	15 180	19 490	25 108	29 888	33 600	43 750	57 400	61 600	79 400	97 200
Transport and communication	7 588	8 108	9 463	12 391	16 281	19 254	23 600	28 400	34 300	44 800	53 700	73 800
Wholesale and retail trade	10 442	12 391	14 325	17 367	23 501	27 193	33 150	42 000	52 600	56 300	71 500	88 100
Income from finance, insurance and real estate (land not built upon)	1 792	1 980	2 432	2 811	3 666	4 846	6 500	7 600	8 700	9 800	14 200	17 500
Owner-occupied housing	829	1 036	1 230	1 464	1 860	2 300	3 000	3 600	4 200	5 000	5 900	6 700
Public administration and defence	5 529	6 217	6 951	7 762	9 611	11 757	15 000	23 500	27 200	32 600	41 100	49 400
Health and education	6 373	7 314	8 684	10 416	13 209	16 476	19 700	26 983	31 300	35 000	44 800	58 500
Other services	4 491	5 687	6 654	8 646	11 003	13 672	18 040	27 317	31 400	21 450	48 200	75 500
Gross domestic product at factor cost	109 428	119 458	141 174	167 341	216 060	259 980	327 704	426 910	530 200	591 300	756 100	920 300
Net payment of income payable to factors of production by the rest of the world	216	543	1 434	4 118	7 788	12 593	19 320	21 910	22 500	24 000	28 300	42 500
Gross national product at factor cost	109 644	120 001	142 608	171 459	223 848	275 491	351 485	448 820	552 700	615 300	784 400	962 800
Adjustment	-826	-713	2 801	278	-394	2 918	4 461	—	—	—	—	—

NOTE: Due to institutional changes and to different classification since mid-1970 the figures for recent years have been revised.

SOURCE: Direct communication to the OECD.

Table D Gross fixed investment
Millions of dinars, current prices

	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978
TOTAL	30 620	35 698	42 266	53 103	65 523	75 079	86 732	119 254	163 200	207 300	268 000	357 300
Private sector	5 795	6 589	7 423	9 657	13 064	16 281	22 304	28 375	30 900	36 300	45 700	53 600
Social sector	24 825	29 109	34 843	43 446	52 559	58 798	64 428	90 879	132 300	171 000	222 300	303 700
<i>by activity:</i>												
Productive	22 273	25 979	31 217	37 565	46 537	52 245	59 721	81 531	114 200	146 600	192 500	260 800
Non-productive	8 347	9 719	11 049	15 538	19 086	22 834	27 011	37 723	49 000	60 700	75 500	96 500
<i>by industry:</i>												
Agriculture and forestry	2 530	2 912	3 299	3 818	4 722	5 687	8 282	11 078	12 100	14 700	20 800	26 000
Industry	11 171	12 662	13 599	16 372	21 217	24 443	26 310	39 529	68 000	80 700	98 000	136 000
Building	728	881	1 365	1 642	2 049	2 563	2 722	4 881	6 900	4 800	9 300	10 900
Transportation	4 123	5 240	7 237	8 393	9 103	9 995	12 803	14 620	17 000	27 700	37 000	52 000
Trade, catering, tourism	2 537	3 175	4 274	5 791	7 291	6 464	5 818	7 457	9 400	10 400	15 900	20 000
Housing, communal activities	7 182	8 276	9 474	12 438	15 332	18 512	23 092	31 060	36 400	48 700	59 800	77 000
Other social sector	2 349	2 552	3 018	4 649	5 909	7 415	7 705	10 629	13 400	20 300	27 200	35 400
<i>by sector of asset:</i>												
Machinery and equipment	12 419	13 804	16 765	20 162	24 992	28 297	33 867	47 802	66 730	86 100	110 900	139 600
Domestic	7 009	7 862	9 620	11 742	13 840	16 525	18 894	27 091	35 530	50 200	64 900	85 600
Imported	5 410	5 942	7 145	8 420	11 152	11 772	14 973	20 711	31 200	35 900	46 000	54 000
Building	16 478	19 582	22 901	30 392	38 219	43 456	47 577	64 962	88 960	110 700	141 300	194 800
Other	1 723	2 312	2 600	2 549	2 412	3 326	5 288	6 490	7 510	10 500	15 800	22 900

NOTE: Figures include expenditures for already-existing assets and indicate realised investments independent of the dates of payment.

Source: Direct communication to the OECD.

Table E National income and the household account (Yugoslav definitions and concepts)

Millions of dinars

	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978
<i>National income:</i>											
Net wages and salaries of employees in productive enterprises and production of individual producers for own consumption	50 126	59 173	70 798	89 229	107 113	128 305	166 050	208 022	253 462	310 075	361 588
Taxes on income and Social Security payments	17 404	20 981	24 625	29 688	35 437	42 958	62 334	83 643	108 780	131 681	171 856
Interest and enterprise taxes	21 073	25 493	29 813	36 284	45 879	59 359	71 610	84 307	101 377	131 510	168 429
Accumulation of productive enterprises and individual producers	12 969	14 043	17 599	30 937	32 530	44 927	63 356	78 364	64 839	88 612	111 050
National income	101 573	119 690	142 835	186 138	220 959	275 549	363 350	454 336	528 458	661 878	812 923
plus: Depreciation	10 399	12 270	14 372	18 338	24 436	30 777	43 939	48 659	64 102	72 426	88 892
Social product	111 972	131 960	157 207	204 476	245 395	306 326	407 289	502 995	592 560	734 304	901 815
<i>Household account:</i>											
Net wages and salaries of employees in productive enterprises and production of individual producers for own consumption	50 126	59 173	70 798	89 229	107 113	128 305	166 050	208 022	253 462	310 075	361 588
Net wages and salaries of employees in non-productive enterprises	11 623	13 497	16 012	20 054	24 149	28 675	37 321	48 294	58 440	74 007	91 644
Receipts from Social Security and other welfare funds	10 461	12 448	14 556	18 146	23 688	30 338	38 329	49 890	63 548	79 102	99 600
Other domestic transfer receipts	304	894	781	964	1 067	800	1 268	1 778	2 651	3 666	4 881
Net transfers from abroad	2 209	3 388	6 599	11 452	17 403	25 395	29 839	31 248	34 615	37 513	58 582
Total income received	74 723	89 400	108 746	139 845	173 420	213 513	272 807	339 232	412 716	504 363	616 295
Consumers' expenditure on goods and services of productive sector	53 328	62 110	75 783	98 107	122 162	150 477	197 967	249 083	295 351	362 117	447 710
Consumption of self-produced commodities	8 593	9 596	10 522	12 407	14 863	18 400	22 220	26 200	30 840	35 720	39 490
Consumer payments to non-productive sector	5 793	7 044	8 384	10 127	12 018	14 829	19 836	26 129	34 912	44 069	54 318
Savings	7 009	10 650	14 057	19 204	24 377	29 807	32 784	37 820	51 613	62 457	74 777
Savings ratio (in %)	9.4	11.9	12.9	13.7	14.1	14.0	12.0	11.1	12.5	12.4	12.1

Source: FSO, Statisticki Godisnjak.

Table F Agriculture

	Unit or base	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
<i>Indices of agricultural output</i>	1951-1955 = 100													
Total		174	167	183	175	187	184	197	209	203	217	227	213	(224)
Crop production		177	166	190	167	180	179	195	199	193	205	212	186	(204)
Livestock production		173	171	173	190	194	197	209	235	235	244	263	268	(270)
<i>Production of selected commodities</i>														
Wheat	Mill. metric tons	4.8	4.4	4.9	3.8	5.6	4.8	4.8	6.3	4.4	6.0	5.6	5.4	4.5
Maize	—	7.2	6.8	7.8	6.9	7.4	7.9	8.3	8.0	9.4	9.1	9.9	7.6	10.1
Sugar beet	—	3.7	2.9	3.6	2.9	3.0	3.3	3.3	4.3	4.2	4.7	5.3	5.2	5.9
Meat	Thous. metric t.	751	818	770	811	880	817	839	1 000	1 031	1 034	1 144	1 237	(1 230)
Forestry cuttings	Mill. cubic metres	16.4	17.6	17.1	17.5	17.9	17.3	17.4	18.2	18.6	18.5	19.5	19.7	(20.0)
Number of tractors in use ¹	Thousand	55.9	61.7	68.2 ²	80.0	96.7	120.5	150.0	195.1	225.5	260.9	296.8	341.8	..
Consumption of fertilizers	Thous. metric t.	2 141	1 918	1 820	1 678	1 747	1 821	1 919	1 817	1 964	1 970	2 056	2 147	..

1 At end of year.

2 Based on census returns for private holdings and not strictly comparable with estimates for earlier years.

Source: Direct communication to the OECD.

Table G Industrial production

	Unit or base	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	
<i>Indices of industrial production</i>		1970 = 100													
Total	Original base	77	82	92	100	110	119	126	139	147	152	167	181	195	
Mining	1953 = 100	84	88	93	100	108	110	117	124	130	133	139	143	148	
Manufacturing		77	82	92	100	110	119	126	140	149	154	168	184	200	
Basic metals		76	82	91	100	108	121	132	150	157	158	171	188	196	
Metal products		76	83	89	100	109	107	123	140	154	157	175	199	219	
Chemicals		61	71	86	100	117	132	146	169	178	182	206	234	251	
Textiles		88	91	96	100	107	118	125	135	142	145	152	158	172	
Food, drinks, tobacco		85	85	91	100	111	119	126	136	137	147	160	173	187	
<i>Output of selected commodities</i>															
Electricity	Billion kWh	18.7	20.6	23.4	26.0	29.5	33.2	35.1	39.5	40.0	43.6	48.6	51.3	55.0	
Lignite and brown coal	Mill. metric tons	25.6	25.9	25.8	27.4	29.8	30.3	31.9	33.0	35.0	36.3	38.6	39.2	41.7	
Petroleum products ¹	—	4.5	4.5	5.7	7.1	7.8	8.4	9.1	10.4	10.9	11.7	13.8	14.2	15.8	
Copper ore	—	5.9	7.0	8.1	9.4	10.3	11.9	14.2	14.9	14.6	17.4	17.5	17.1	16.4	
Lead ore	Thous. metric t.	108	112	118	127	124	120	119	120	127	122	130	124	130	
Zinc ore	—	90	95	97	101	99	97	97	95	103	107	112	104	102	
Crude steel	Mill. metric tons	1.8	2.0	2.2	2.2	2.4	2.6	2.7	2.8	2.9	2.8	3.2	3.5	3.6	
Cement	—	3.3	3.8	4.0	4.4	4.9	5.8	6.3	6.6	7.1	7.6	8.0	8.7	9.1	
Metal and wood-working machines	Thous. metric t.	9.8	8.0	9.9	10.9	12.6	15.9	12.5	15.5	17.1	20.5	28.6	31.9	37.5	
Building machines	—	13.1	15.4	23.4	26.8	28.4	28.0	34.4	34.6	34.6	38.4	47.1	67.8	82.6	
Rotating machines	—	13.1	14.5	15.3	21.5	26.0	26.8	30.7	34.3	39.8	30.1	34.9	40.6	43.3	
Pulp and cellulose	—	455	468	475	450	489	517	527	560	527	495	584	612	608	
Cotton fabrics	Mill. sq. metres	478	401	415	390	391	374	361	365	376	385	384	410	418	

¹ Crude petroleum, refined.

Source: Direct communication to the OECD.

Table H Labour force and employment

	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
	<i>Thousand</i>												
Active population (mid-year estimate) ¹	8 670	8 725	8 780	8 834	8 890	9 014	9 034	9 087	9 147	9 206	9 242	9 286	9 324
Paid employment	3 561	3 587	3 706	3 850	4 034	4 210	4 306	4 514	4 758	4 925	5 148	5 383	5 617
Registered unemployment	269	311	331	320	291	315	382	449	540	635	700	735	762
Other labour force ¹	4 840	4 827	4 743	4 664	4 565	4 489	4 346	4 124	3 849	3 646	3 394	3 168	2 945
Worker emigration (net) ²	296	401	572	783	923	1 020	1 100	1 035	940	870	825	800	(800)
Yugoslav workers employed in Germany ³	96	119	265	423	478	475	535	470	410	390	375	360	(360)
Paid domestic employment by sector:													
Social sector ⁴	3 466	3 487	3 622	3 765	3 944	4 115	4 213	4 423	4 667	4 833	5 052	5 280	5 506
Productive activities	2 894	2 900	3 011	3 130	3 279	3 422	3 495	3 671	3 876	4 004	4 182	4 364	4 560
Non-productive activities	572	587	611	635	665	693	718	752	791	829	870	916	946
Private sector	95	100	84	85	90	95	93	91	91	92	96	103	111
Paid domestic employment by industry ⁴ :													
Agriculture	180	167	162	159	158	160	161	168	176	178	179	183	188
Industry	1 342	1 335	1 385	1 438	1 512	1 591	1 638	1 726	1 819	1 874	1 954	2 022	2 102
Construction	356	373	394	412	424	430	420	444	479	500	531	567	602
Transportation and communication	268	275	281	291	303	315	320	329	346	357	372	381	387
Trade	310	317	336	357	385	411	429	452	476	494	507	529	558

1 Including Yugoslav workers temporarily employed abroad.

2 According to the Federal Bureau of Employment.

3 September figures.

4 Data on workers in the social sector by economic activities from 1967-1976 have been changed on the basis of final revision of these data according to the uniform classification of economic activities which has been applied since January 1977.

Source: Direct communication to the OECD.

Table I Prices and wages
Indices, 1969 = 100

	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
Agricultural producer prices	95	91	100	115	145	180	225	257	291	333	373	417	529
Industrial producer prices	97	97	100	109	126	140	158	205	250	266	291	315	357
Materials	96	96	100	112	132	146	165	232	285	301	328	354	410
Capital goods	99	99	100	105	118	126	138	156	191	216	236	250	265
Consumer goods	96	96	100	107	121	136	154	188	227	239	265	291	323
Export unit values, in dollars	98	96	100	109	114	120	144	191	208	217	244	266	306
Import unit values, in dollars	95	95	100	108	112	119	142	207	218	225	255	267	318
Cost of living													
Total	88	93	100	111	128	149	178	216	268	299	345	394	474
of which:													
Food	90	93	100	112	131	156	190	220	273	312	369	425	503
Services	79	89	100	108	122	134	156	186	231	260	295	338	407
Wage per person employed in social sector	79	87	100	118	145	169	196	250	309	357	424	513	(613)

Source: Direct communication to the OECD.

Table J Balance sheet of the banking system
Millions of dinars, end of period

	1971	1972	1973	1974	1975	1976	1977	1978	1979
ASSETS									
Short-term, total	71 565	95 491	120 340	149 512	195 168	268 614	276 801	422 483	536 576
Gold and foreign exchange	6 032	15 600	26 944	27 047	21 318	47 301	49 030	56 672	34 031
Other foreign exchange assets	4 568	6 435	6 761	7 457	14 834	11 152	10 899	10 665	10 390
Short-term credit to enterprises	43 811	56 533	63 764	85 187	112 986	134 662	135 911	178 153	244 342
Short-term credit to governments and other public institutions	2 743	2 717	2 029	1 384	5 544	10 532	14 275	11 340	10 333
Consumer credit and other short-term credits to the public	6 970	6 309	8 032	12 384	18 674	32 108	4 784	5 243	6 764
Other short-term assets	7 441	7 897	12 810	16 053	21 812	32 859	61 902	160 413	230 716
Long-term, total	168 972	201 302	240 903	290 002	340 239	432 570	601 250	783 610	998 599
Foreign exchange claims	6 374	6 707	7 390	11 526	17 748	27 116	40 268	66 357	97 836
Credits to enterprises	104 920	121 093	142 030	165 186	203 910	265 570	336 041	420 550	535 274
Credits to governments and public institutions ¹	17 396	28 162	37 382	46 482	54 131	49 695	68 311	38 908	55 398
Loans for housing construction	25 869	30 480	35 215	43 345	48 706	59 113	64 856	97 001	136 034
Other	14 413	14 860	18 886	23 463	15 744	31 076	91 774	160 794	174 057
Total	240 537	296 793	361 243	439 514	535 407	709 326	878 051	1 206 093	1 535 175
LIABILITIES AND CAPITAL FUNDS									
Short-term, total	108 980	140 405	183 282	229 041	302 013	412 188	523 258	728 736	921 690
Foreign exchange liabilities	21 610	23 078	26 959	38 784	47 562	57 035	73 928	112 277	157 262
Money supply ²	42 546	60 541	82 774	104 378	137 761	214 344	257 159	329 207	386 362
Other short-term deposits	41 181	48 613	61 155	72 376	89 893	106 137	127 130	147 780	185 485
Other short-term liabilities	3 643	8 173	12 394	13 503	26 797	34 672	65 041	139 472	192 581
Long-term, total	108 859	129 804	147 833	176 646	207 256	259 330	309 780	412 065	541 694
Foreign exchange liabilities	12 977	20 778	29 473	39 226	53 287	72 044	99 291	144 610	197 081
Time deposits and securities ³	29 559	30 464	32 750	38 551	47 683	63 298	74 215	106 294	214 864
Special investment deposits	66 323	78 562	85 610	98 869	106 286	123 988	136 274	161 161	129 749
Capital and reserve funds	22 698	26 584	30 128	33 827	26 138	37 808	45 013	65 292	71 791
Total	240 537	296 793	361 243	439 514	535 407	709 326	878 051	1 206 093	1 535 175

1 Also contains small amount of loans to public.

2 Contains demand deposits, currency in circulation, and float.

3 Maturities greater than one year.

Source: Sluzba Drustvenog Knjigovodstva, *Statisticki Bilten*.

Table K Imports and exports by commodity groups
Millions of US dollars

		1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
SITC SECTIONS														
IMPORTS														
0 and 1	Food, drink and tobacco	182	128	147	207	296	308	508	666	420	637	784	605	977
	<i>of which:</i> Cereals and cereal preparations	36	18	26	18	100	73	57	213	17	142	92	20	271
2	Raw materials	199	198	264	314	312	336	486	1 004	739	693	940	995	1 205
	<i>of which:</i> Textile fibres and waste	105	97	135	110	118	137	193	419	255	248	335	348	376
3	Mineral fuels	85	98	104	138	193	176	358	951	943	1 082	1 296	1 431	2 248
5	Chemicals	167	188	221	267	297	349	450	811	834	791	989	1 140	1 653
6	Semi-manufactures	402	427	544	826	917	844	1 081	1 806	1 747	1 364	1 763	1 698	2 243
	<i>of which:</i> Base metals	195	184	254	427	469	427	521	881	963	700	841	835	1 151
7 and 8	Finished manufactures	642	738	846	1 102	1 187	1 170	1 598	2 239	2 899	2 731	3 791	4 058	5 637
	<i>of which:</i> Machinery	396	464	516	629	768	785	981	1 382	1 987	1 935	2 580	2 833	3 993
	Transport equipment	175	181	208	326	250	233	434	576	628	548	814	796	1 038
4 and 9	Other	31	19	8	20	51	49	30	65	115	69	70	56	56
	Total	1 707	1 796	2 134	2 874	3 253	3 232	4 511	7 542	7 697	7 367	9 633	9 983	14 019
EXPORTS														
0 and 1	Food, drink and tobacco	336	261	289	314	319	392	459	412	478	618	607	687	720
	<i>of which:</i> Live animals and meat	175	142	159	159	176	247	251	148	222	261	267	313	300
	Cereals and cereal preparations	54	26	20	21	11	8	62	73	36	103	86	80	23
2	Raw materials	106	127	142	157	149	184	275	360	282	429	510	451	619
	<i>of which:</i> Wood	50	54	63	64	66	84	157	183	140	248	315	265	318
5	Chemicals	74	77	91	97	129	143	176	384	380	353	331	469	636
6	Semi-manufactures	281	324	431	492	494	603	814	1 245	1 180	1 337	1 204	1 259	1 606
	<i>of which:</i> Base metals	122	155	208	256	246	308	444	748	579	603	492	497	606
7 and 8	Finished manufactures	429	460	503	595	698	886	1 088	1 342	1 712	2 077	2 409	2 598	2 939
	<i>of which:</i> Machinery	149	148	165	192	242	301	365	491	622	802	1 000	1 030	1 329
	Ships	59	82	101	142	136	162	178	248	304	287	415	421	252
3, 4 and 9	Other	27	15	18	24	26	29	41	62	40	64	195	204	274
	Total	1 252	1 264	1 474	1 679	1 814	2 237	2 853	3 805	4 072	4 878	5 256	5 668	6 794

Source: Direct communication to the OECD.

Table L Imports and exports by area
Millions of US dollars

	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
	<i>Imports, cif</i>												
OECD countries	1 075	1 147	1 379	1 981	2 140	2 113	2 820	4 562	4 677	4 038	5 481	5 890	7 402
EEC	754	796	963	1 334	1 435	1 423	1 905	3 016	3 162	2 876	3 806	3 829	4 828
Italy	228	269	317	378	396	400	531	889	869	760	1 029	827	1 089
Germany	286	320	389	567	617	604	856	1 356	1 437	1 233	1 571	1 801	2 309
United States	124	90	93	160	198	198	185	357	417	370	546	615	1 049
Other	197	261	323	487	507	492	730	1 189	1 098	792	1 129	1 446	1 525
Centrally planned economies ¹	459	489	511	593	778	802	1 117	1 755	1 907	2 259	2 781	2 498	3 555
of which: USSR	164	188	168	193	281	283	408	752	807	1 002	1 301	1 375	1 794
Developing countries	173	160	245	300	336	316	574	1 225	1 112	1 070	1 371	1 595	1 904
in Africa	49	48	72	78	85	100	146	292	159	258	323	397	559
in America	54	44	51	81	78	93	189	275	185	212	327	222	314
in Far-East	40	38	65	71	83	65	63	114	180	118	164	440	170
in Middle-East	31	30	57	70	90	57	176	544	588	482	555	536	861
Total	1 707	1 796	2 134	2 874	3 253	3 232	4 511	7 542	7 697	7 367	9 633	9 983	12 861
	<i>Exports, fob</i>												
OECD countries	646	656	822	942	960	1 272	1 588	1 773	1 452	2 040	2 101	2 437	2 726
EEC	422	418	563	655	645	809	1 018	1 044	930	1 327	1 395	1 305	1 691
Italy	225	177	226	255	226	308	465	432	372	596	664	531	684
Germany	96	122	162	198	210	264	319	364	316	426	390	472	597
United States	80	89	93	90	109	150	233	316	265	354	297	371	370
Other	144	148	166	197	206	313	337	413	258	359	409	761	665
Centrally planned economies ¹	454	434	455	545	666	807	970	1 581	1 924	2 069	2 109	2 180	2 744
of which: USSR	219	207	206	242	267	329	407	668	1 012	1 142	1 138	1 394	1 401
Developing countries	153	173	198	192	188	158	295	451	696	769	1 046	1 051	1 021
in Europe	1	1	1	10	1	1	1	1	3	4	6	3	4
in Africa	45	52	57	60	68	55	113	170	289	307	469	467	504
in America	18	20	39	22	42	43	66	62	68	57	122	47	34
in Far-East	52	65	63	65	41	20	55	90	161	203	151	300	122
in Middle-East	37	35	37	35	36	39	60	128	175	198	298	234	357
Total	1 252	1 264	1 474	1 679	1 814	2 237	2 853	3 805	4 072	4 878	5 256	5 668	6 491

¹ Countries of Mutual Economic Assistance (CMEA), P.R. of China, and Albania.
Source: Direct communication to the OECD.

Table M Balance of payments
Millions of US dollars

	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979 ²
Trade balance	-659	-1 195	-1 435	-992	-1 658	-3 715	-3 625	-2 489	-4 380	-4 317	-6 371
Exports, fob	1 475	1 678	1 817	2 241	2 853	3 805	4 072	4 878	5 254	5 671	6 491
Imports, cif	-2 134	-2 874	-3 252	-3 233	-4 511	-7 520	-7 697	-7 367	-9 634	-9 988	-12 862
Services and private transfers	594	847	1 079	1 412	2 144	2 532	2 622	2 654	2 798	3 061	3 005
Transportation	171	211	224	240	323 ¹	396	473	428	563	585	630
Foreign travel	168	144	141	219	589 ¹	644	702	725	751	930	870
Investment income	-90	-119	-139	-155	-181	-198	-281	-279	-258	-300	-565
Private transfers and workers' remittances	284	544	789	1 049	1 413	1 379	1 310	1 415	1 427	1 469	1 730
Other services	61	66	64	59		311	418	365	315	377	340
Official transfers	2	1	-1	-1	-1	—	—	—	—	—	—
Current balance	-63	-348	-357	419	485	-1 183	-1 003	165	-1 582	-1 256	-3 366
Non-monetary capital (including errors and omissions)	138	279	132	-14	301	731	1 203	1 046	1 383	..	..
Long-term net	216	190	579	557	596	679	1 076	1 093	1 402	1 350	1 360
Other (including errors and omissions)	-78	89	-447	-571	-295	52	127	-47	-19		
Allocation of SDR's	—	25	22	24	—	—	—	—	—		
Monetary movements	-75	44	203	-429	-786	-452	200	1 211	-199		
Bilateral balances	63	71	—	-113	—	-195	137	146	-161		
Net gold and foreign exchange position	-117	118	-73	-538	-508	-257	63	1 065	-38		
National Bank and commercial banks' credit, net IMF account, SDR's	-21	-145	276	222	-278	n.a.	n.a.	n.a.	n.a.		

1 Due to changes in coverage, figure for 1973 is not fully comparable with those for earlier years.

2 Preliminary estimates.

Sources: IMF, *Balance of Payments Yearbook*, and direct communication to the OECD.

BASIC STATISTICS :
INTERNATIONAL COMPARISONS

BASIC STATISTICS: INTERNATIONAL COMPARISONS

	Reference period	Units	Australia	Austria	Belgium	Canada	Denmark	Finland	France	Germany	Greece	Iceland	Ireland	Italy	Japan	Luxembourg	Netherlands	New Zealand	Norway	Portugal	Spain	Sweden	Switzerland	Turkey	United Kingdom	United States	Yugoslavia ¹	
POPULATION	Mid-1978	Thousands	14 249	7 510	9 841	23 499	5 105	4 755	53 302	61 310	9 360	223	3 221	56 697 ^a	114 898	355	13 937	3 107	4 060	9 820	37 109	8 278	6 337	43 144	55 895	218 548	21 968	
	"	Number	2	90	323	2	119	16	97	247	71	2	46	188	304	137	412	12	13	107	74	18	153	55	229	23	86	
	Mid-1968 to Mid-1978	%	1.7	0.2	0.2	1.3	0.5	0.3	0.7	0.3	0.7	1.0	1.0	0.7	1.3	0.6	0.9	1.3	0.6	0.7	1.2	0.5	0.4	2.5	0.1	0.9	0.9	
EMPLOYMENT	1978	Thousands	5 975	3 015	3 711	9 972	2 414 ²³	2 074	20 921	24 679	(3 167) ²³	98 ²³	1 033	19 932	54 080	147 ²³	4 569	(1 204)	1 854	3 808	12 091	4 115	2 839	14 151 ²³	24 610	94 373	9 276 ^a	
	"	% of total	6.4	10.9	3.2	5.7	9.1	12.3	9.1	6.5	(28.4)	13.7	22.2	15.5	11.7	5.9	6.2	(11.8)	8.7	30.7	20.2	6.1	8.4	55.8	2.7	3.7	36.8	
	"	"	31.6	40.6	36.7	28.7	30.4	34.4	37.1	45.1	(30.3)	38.0	30.9	38.3	35.0	45.1	32.5	(34.1)	31.6	35.3	37.3	33.0	42.7	13.6	39.7	31.2	21.8	
	"	"	62.0	48.5	60.1	65.6	60.5	53.3	53.8	48.4	(41.3)	48.3	46.9	46.2	53.3	49.0	61.3	(54.1)	59.7	34.0	42.5	60.9	48.9	30.6	57.6	65.1	41.4	
GROSS DOMESTIC PRODUCT at market prices	1978	US \$ billion ¹¹	110.2	58.1	96.1	206.0	55.5	32.2	470.5	639.2	31.4	2.1	12.2	237.0	980.4	3.4	130.5	18.0	39.7	18.3	147.2	87.2	84.4	48.7	308.2	2 098.6	47.1 ^b	
	Average annual volume growth ⁶	%	2.6	2.8	2.2	3.4	1.7	1.7	2.9	1.9	3.6	2.6	3.7	2.1	3.7	0.7	2.4	0.6	4.5	2.4	3.1	1.2	-0.9	6.7	0.9	2.4	6.1	
	1978	US \$ ¹¹	7 734	7 736	9 818	8 766	10 872	6 772	8 827	10 426	3 355	9 417	3 788	4 180	8 533	9 859	9 364	5 753	9 778	1 864	3 967	10 534	13 319	1 129	5 514	9 602	2 140	
GROSS FIXED CAPITAL FORMATION	1977	% of GDP	23.1	27.2	21.2	22.7	23.3	26.7	22.6	20.9	23.0 ⁹	27.3	25.0	19.8	29.9	26.0	21.1	22.7 ⁹	36.6	17.0 ¹⁴	20.8	20.5	20.7	25.8	18.1	17.5	34.3	
	"	"	7.4 ¹⁰	10.6	6.4	7.6	7.4	10.3	9.3	8.6	8.4	7.6	13.3	8.5	13.8	9.2	8.6	..	13.3	5.5 ¹⁴	..	8.5	6.9	..	9.0	7.3	..	
	"	"	4.6 ¹⁰	..	7.1	6.0	7.7	6.9	6.9	5.9	7.1	5.8	11.7	5.5	6.9	6.6	5.8	..	4.9	2.8 ¹⁴	..	4.2	..	3.7	3.3	4.8	..	
	Average annual volume growth ⁶	%	1.0	2.1	2.9	4.5	-0.3	-0.2	1.5	-1.1	-1.4	4.9	1.8	-0.2	4.4	-0.8	0.9	..	8.1	-1.6 ²¹	2.5	-0.4	-5.0	10.3	-0.6	0.3	7.1	
NATIONAL SAVINGS RATIO ¹²	1977	% of GNP	18.3	24.6	21.7	21.3	18.8	27.2	23.4	24.2	19.9	27.1	17.0	22.1	32.2	39.4	23.5	23.6	23.2	11.0	19.8	16.7	26.5	17.2	20.3	17.7	35.2	
GENERAL GOVERNMENT	1977	% of GDP	16.3	17.3	17.3	20.3	23.9	20.4	14.9	20.0	15.9	11.2	18.6	13.7	19.1	15.0	18.3	18.7	18.7	14.2 ¹⁴	10.3	28.5	12.9	14.5	20.8	18.4	17.4	
	"	"	9.6	20.6	22.0	12.4	15.8	14.5	24.8	19.5	11.6	..	13.3	22.7	9.2	29.3	30.9	..	24.6	15.8 ¹⁴	12.7	24.4	15.3	9.2	15.3	11.6	..	
	"	"	25.9	43.0	41.8	36.4	47.7	43.5	42.2	43.5	29.4	..	35.6	37.4	24.5	53.9	54.0	..	51.2	28.3 ¹⁴	26.7	60.9	34.3	21.6	40.5	32.0	43.1	
NET OFFICIAL DEVELOPMENT ASSISTANCE	1978	% of GNP	0.5	0.3	0.6	0.5	0.7	0.2	0.6	0.3	..	..	..	0.1	0.2	..	0.8	0.3	0.9	..	..	0.9	0.2	..	0.4	0.2	..
INDICATORS OF LIVING STANDARDS	1977	US \$ ¹¹	4 000	3 660	5 000	4 870	5 080	3 250	4 450	4 690	1 890	5 200	1 900	2 220	3 510	4 760	4 480	2 590 ⁹	4 940	1 260	2 251	5 140	6 100	810	2 580	5 600	849	
	1976	Number	366	243	279	388 ²⁰	265	218	300	308	55	298	175	283	163	367	273	383	253	107	148	350	281 ²⁰	11	255	505	80	
	1977	"	395 ¹⁴	304 ¹⁴	313	596 ¹⁴	493	409 ¹⁴	374	293 ¹⁴	238 ¹⁴	411 ¹⁴	163	285	408	522	422	515 ¹⁴	366 ¹⁴	118 ¹⁴	239 ¹⁴	689 ¹⁴	634 ¹⁴	28 ¹⁴	415	718 ¹⁴	71	
	1977	"	274 ²⁰	247 ¹⁸	286	411 ²⁰	338	306 ²⁰	308	308	126 ²⁰	234 ²⁰	193	224	235 ²⁰	279	259 ²⁰	255 ²⁰	273 ²⁰	65 ²⁰	184 ²⁰	352 ²⁰	273 ²⁰	12 ¹⁸	324	571 ¹⁸	161 ¹⁴	
	1976	"	1.4 ¹³	2.2	2.0	1.7	1.9	1.5	1.5	2.0	2.1	1.6 ¹⁰	1.2	2.2	1.2	1.1	1.7	1.3 ²⁰	1.8	1.2	1.8	1.7 ²⁰	1.9	0.6	1.3	1.6	1.4	
	1977	% of age group	45.0	32.0	61.3 ²⁰	66.4 ²⁰	57.4	60.8 ²⁰	54.6	41.5	45.4 ²⁰	..	50.0 ¹⁴	40.8 ²⁰	70.9	33.5 ²⁰	62.7	44.8	63.6	33.4 ¹⁴	35.5 ¹⁴	56.3 ¹⁴	68.2 ²⁰	12.7 ²⁰	44.6 ²⁰	72.0 ²⁰	..	
	1977	Number	13.8 ¹⁴	16.8	15.3 ¹⁴	14.3 ²⁰	8.7	12.0	11.4	15.5	20.3	9.6	15.7	17.7	8.9	10.6	9.5	14.2	10.5 ¹⁴	38.9 ²⁰	15.9	8.0	9.8	..	14.1	15.2 ¹⁴	36.7 ¹⁴	
	WAGES AND PRICES	Average annual increase	%	15.7	10.4	13.5	12.2	14.7	14.7	15.2	7.5	24.9	40.5	19.4	22.7	12.0	..	10.5	14.3	14.4	20.0 ¹⁴	27.5	11.7	5.5	27.5 ²³	16.9	8.6	20.5
		1973 to 1978	%	12.8	6.9	9.2	9.2	11.0	13.8	10.7	4.8	15.5	39.8	15.3	17.0	11.3	7.9	7.8	13.8	9.5	19.8	18.8	10.3	4.1	30.0 ²³	16.1	8.0	17.4
	FOREIGN TRADE	1978	US \$ million ¹¹	14 364	12 132	44 808 ⁷	46 152	11 844	8 556	76 464	142 092	3 336	648	5 676	55 956	97 543	—	50 016	3 751	10 044	2 436	13 059	21 720	23 364	2 280	71 676	143 664	5 668
"		% of GDP	13.0	20.9	46.6	22.4	21.3	26.6	16.3	22.2	10.6	30.9	46.5	23.6	9.9	—	38.3	20.8	25.3	13.3	8.9	24.9	27.7	4.7	23.3	6.8	12.0	
Average annual volume increase		%	2.8	6.5	3.1	3.5	3.4	2.7	5.3	3.8	9.5	8.0	8.9	8.2	9.2	—	2.5	2.9	7.2	3.2	10.3	-0.3	3.7	-4.6	4.8	3.7	1.4	
1973 to 1978		%	3.3	4.9	3.4	3.2	1.0	-2.0	4.4	4.3	1.4	2.8	4.8	0.8	-0.2	—	2.7	-3.0	3.0	5.7	0.5	0.5	1.8	1.0	1.4	4.8	3.7	
TOTAL OFFICIAL RESERVES ²⁵	End-1978	US \$ million	2 418	6 007	5 908 ⁷	4 569	3 219	1 266	13 929	53 883	1 171	138	2 689	14 826	33 500	—	7 585	453	2 878	1 845	10 774	4 398	21 561	1 001	17 067	19 584	2 462	
	In 1978	%	17.3	37.6	12.2	10.5	21.8	16.1	17.1	44.7	15.5	20.2	37.8	26.3	42.2	—	14.3	13.0	25.2	35.7	57.7	21.5	91.2	22.0	21.7	11.3	25.2	

1 Partly from national sources.
 2 Total resident population.
 3 Private and socialised sector.
 4 According to the definition used in OECD: Labour Force Statistics: mining, manufacturing, construction and utilities (electricity, gas and water).
 5 Social product.
 6 At constant prices.
 7 Including Luxembourg.

8 Excluding ships operating overseas.
 9 Fiscal year: beginning April 1st.
 10 1973.
 11 At current prices and exchange rates.

$$\left[\frac{\text{GNP} - (\text{Priv. cons.} + \text{Pub. cons.})}{\text{GNP}} \right] \times 100$$

 12
 13 1972.
 14 1976.

15 Children aged 15-19.
 16 1974.
 17 Deaths in first year per 1 000 live births.
 18 Figures are not strictly comparable due to differences in coverage.
 19 Private.
 20 1975.
 21 1971 to 1976.
 22 1977.
 23 1972 to 1977.

24 Hourly wage rate in industry and transportation in Lisbon.
 25 Gold included in reserves is valued at 35 SDR per ounce (see IMF, International Financial Statistics, series Total Reserves).

Note: Figures within brackets are estimates by the OECD Secretariat.
 Sources: Common to all subjects and countries: OECD: Labour Force Statistics, Main Economic Indicators, National Accounts, Observer, Statistics of Foreign Trade (Series A); Office Statistique des Communautés Européennes, Statistiques de base de la Communauté; IMF, International Financial Statistics; UN, Statistical Yearbook.

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