

OECD
ECONOMIC SURVEYS

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

YUGOSLAVIA

ORGANISATION DE COOPÉRATION ET DE DÉVELOPPEMENT ÉCONOMIQUES

MAY 1981

BASIC STATISTICS OF YUGOSLAVIA

THE LAND AND THE PEOPLE

Total area (1 000 sq. km)	256	Net increase in population, 1969-1979 (1 000), annual average	195
Agricultural area (1 000 sq. km) 1979	99.2	Total paid employment (1980, 1 000)	5 798
Forest area (1 000 sq. km) 1974	90	<i>of which:</i>	
Population (30.6.1979, 1 000)	22 160	Industry	2 162
Republics:		Building	622
Serbia	9 107	Agriculture (social sector)	191
Croatia	4 597	Active population in private agriculture (31.3.1971 census, 1 000)	3 892
Bosnia and Herzegovina	4 178		
Macedonia	1 863		
Slovenia	1 826		
Montenegro	589		
Major cities (31.3.1971 census):			
Belgrade	1 209		
Zagreb	602		
Skoplje	389		
Sarajevo	292		
Ljubljana	258		

PRODUCTION

Gross national product at factor cost (1979, billion dinars)	1 214.2	Origin of GDP in 1979 (per cent of GDP):	
Gross domestic product per head (1979, US \$)	3 070	Agriculture, forestry and fishing	12.8
Gross fixed capital formation: 1979 (billion dinars)	447.6	Mining and manufacturing	36.8
1979 (per cent of GNP)	33.3	Building	10.9
		Other	39.5

GOVERNMENT

Government consumption (1979, per cent of GDP)	17.6	General government revenue, including social security (1979, per cent of GDP)	36.4
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FOREIGN TRADE

	Structure of exports in 1980 (per cent)	Structure of imports in 1980 (per cent)
Food, drinks, tobacco	11.4	6.6
Raw materials and semi-finished goods	44.1	62.4
Finished manufactures	44.5	31.0

THE CURRENCY

Monetary unit: Dinar	Currency units per US \$, average of daily figures:	
	Year 1980	24.91
	March 1981	31.40

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

OECD ECONOMIC SURVEYS

YUGOSLAVIA

MAY 1981

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

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- to achieve the highest sustainable economic growth and employment and a rising standard of living in Member countries, while maintaining financial stability, and thus to contribute to the development of the world economy;
- to contribute to sound economic expansion in Member as well as non-member countries in the process of economic development;
- to contribute to the expansion of world trade on a multilateral, non-discriminatory basis in accordance with international obligations.

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*The annual review of Yugoslavia
by the OECD Economic and Development Review Committee
took place on 26th March 1981.*

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INTRODUCTION

Three years of rapid growth of output—7 to 8 per cent for the Social Product¹—based on a strong expansion of domestic demand culminated in a serious deterioration of the current balance of payments in 1979 and in mounting inflationary pressures, which were aggravated by the sharp increase in oil prices. A marked tightening of economic policies since late 1979, and a substantial devaluation of the dinar in June 1980, have brought about a sharp slowdown in the growth of the Social Product last year (around 3 per cent) and a considerable reduction in the current external deficit from \$3.7 billion in 1979 to about \$2 billion. In line with the main policy objectives, domestic demand bore the brunt of the deflationary impact with, in particular, an important turnaround in fixed investment. Also, as inflation accelerated and exceeded the rise in wages, real personal incomes stagnated leading to sluggish private consumption. Reflecting declining domestic demand, limitations of imports and the effects of the devaluation, the volume of imports fell sharply while export volumes rose markedly. These essential adjustments in the economy were marred, however, by a strong acceleration in inflation with a rise in retail prices of around 40 per cent in the course of last year.

In order to reduce inflationary pressures and further unwind the distortions built up over recent years, the policy stance will remain restrictive in 1981, the first year of the 1981-1985 Five Year Plan. The growth of output should thus be moderate in 1981. A further, but relatively small, reduction in the current external deficit is envisaged this year. Reflecting the exceptional measures taken in March 1981 and the priority given to anti-inflationary policy, some deceleration in prices seems likely in the remainder of the year, but the average rate of increase in prices is expected to remain high. For the 1981-1985 Plan, the authorities have adopted moderate growth targets by past standards, with the object of reducing considerably the current external deficit and improving the debt-servicing ratio by the mid-1980s. Substantial changes in the structure of demand and output are also envisaged. A current review of a number of important institutional arrangements and policy instruments will, however, have an important influence on developments in 1981 and over the next five years.

Part I of the present Survey discusses recent trends in the domestic economy and balance of payments developments. Selected medium-term issues both with respect to economic performance in the past and to future development needs—especially in relation to the 1981-1985 Plan—are briefly analysed in Part II. Part III reviews short-term policies and institutional arrangements and also examines the likely developments in 1981. The concluding paragraphs summarise the main economic problems and related policy issues.

¹ Social Product according to Yugoslav definitions measures only "productive" activities and consequently excludes social and cultural services, liberal professions, administrations, certain arts and crafts and domestic services. GDP on OECD definitions is roughly 15 per cent higher than Social Product.

I DEVELOPMENTS IN 1980

The sharp weakening of domestic demand in 1980, the shift of resources to the external sector and the substantial reduction of the current external deficit accorded largely with the principal objectives of the Government's stabilisation policies. The other main plank of stabilisation—a reduction in the rate of inflation—did not materialise, however, and price rises were much stronger than expected. In part, this reflected the effects of the large devaluation against the United States dollar in June 1980 and a higher than estimated increase in oil prices. But despite the limitation on the rate of increase of nominal wages and salaries, there was a redistribution of income towards gross savings (profits) notably in the enterprise sector², which resulted in a faster rise in producer prices than in 1979. In addition, there was an emergence of inflationary forces which had earlier been suppressed. Although considerable progress was made in reversing a number of the accumulated imbalances in the economy, the over-riding problem of inflation became more acute.

Table 1 Demand and output¹

	Billion dinars, current prices	Percentage volume changes, 1972 prices				
	1979	1976	1977	1978	1979	1980 ²
Private consumption	622.4	4.4	7.0	7.0	5.6	0.8
Collective consumption	110.9	9.5	7.4	6.5	4.5	0.5
Fixed investment	447.6	8.1	9.5	10.5	7.0	-2.0
Final domestic demand	1 180.9	6.2	7.9	8.1	6.0	-0.2
Stockbuilding ³	82.2	-1.2	2.2	-3.8	3.2	-0.6
Statistical discrepancy ³	20.8	-5.6	2.7	2.6	0.6	
Total domestic demand	1 283.9	-1.0	12.2	6.4	9.0	-0.8
Foreign balance ³	-118.5	5.0	-4.6	0.1	-2.6	4.0
Exports	201.3	14.9	-5.4	-0.8	-0.4	9.1
Imports	319.8	-6.8	13.1	-1.0	10.0	-10.0
Social Product	1 165.4	3.9	8.0	6.9	7.0	3.0
Social sector	1 020.0	3.8	8.6	9.1	7.1	
Private sector	145.4	4.6	4.9	-4.6	4.7	
of which: Excluding agriculture	44.0	2.7	7.3	4.3	2.5	
Agriculture	149.2	7.0	5.5	-5.6	5.7	-2.5
Other activities	1 016.2	3.3	8.5	9.2	6.9	3.8
Industry	428.0	3.4	9.5	8.4	8.0	4.2
Mining and quarrying	35.3	2.8	4.0	2.8	3.3	4.6
Electricity	32.0	8.4	11.7	5.5	6.0	8.3
Manufacturing	360.7	3.0	9.8	9.2	8.6	3.9
Construction	127.5	4.9	9.3	11.3	9.4	-1.0
Services	460.7	2.7	7.2	9.5	5.0	4.1

1 This table is on the basis of Yugoslav definitions and concepts (see Annex for differences between Yugoslav and OECD Standardized definitions and concepts).

2 Preliminary estimates.

3 Percentage point contribution to the growth of the Social Product.

Source: Direct communication to the OECD.

2 Basic Organisations of Associated Labour in industry, mining, construction, transport, trade and other productive services.

Demand, output and activity

With the exception of agricultural incomes, all the main domestic categories of personal incomes increased at a lower rate than prices and thus fell in real terms in 1980. Despite some overshooting of the targets at the various government levels³, real net average earnings in the socialised sector declined by as much as 8 per cent in 1980 as a whole and by probably somewhat more in the year to end-1980. Total social security transfers, which had been rising considerably faster than prices during the 1970s⁴, also experienced a small decline in real terms in 1980. In contrast, real agricultural incomes—benefiting from the upsurge in agricultural prices—recorded a small rise. Total real disposable income was about flat in 1980 as a whole and may have fallen by as much as 3 per cent in the year to end-1980. But due to a small decline in the personal saving rate, private consumption rose by approximately $\frac{3}{4}$ per cent in 1980 as a whole. The fall in real wages, inflationary expectations and the fears about the purchasing power of the dinar may help to explain the decline in the saving ratio. In fact, the fall in the saving ratio is fully attributable to a decline in household dinar deposits which in real terms were about one-fourth lower at the end of 1980 than they had been a year earlier⁵. Household deposits in foreign exchange, however, rose by almost one-half⁶ or by 6-8 per cent in real terms, despite the fact that there was also substantial cashing-in of these deposits to

Table 2 Household account
Billion dinars, current prices

	1976	1977	1978	1979	1980 Estimates
Net salaries and other personal income in the socialised sector	238.5	300.6	364.5	459.4	571.9
Social security transfers	63.5	79.1	99.6	128.5	161.9
Net wages and salaries in the private sector	42.5	47.7	49.2	59.0	74.9
Consumption in kind	30.8	35.7	39.5	49.7	64.2
Remittances from abroad	34.6	37.5	58.6	146.8	210.0
Other income	15.6	20.9	49.0		
TOTAL INCOME	425.6	521.4	660.3	843.4	1 082.8
Less taxes and fees	9.6	13.0	16.4	22.4	28.0
DISPOSABLE INCOME	416.0	508.3	643.9	821.0	1 054.8
Current consumption	351.5	428.9	525.2	670.2	869.5
Savings	64.5	79.4	118.8	150.8	185.4
Money and savings deposits	40.3	52.2	86.9	87.6	103.4
Housing investment	30.2	35.4	43.9	57.9	74.4
Other	7.4	0.0	-1.2	9.2	11.4
Less net consumer credit	13.4	8.2	10.6	3.9	3.8
Savings ratio (per cent)	15.5	15.6	18.5	18.4	17.6

Source: Direct communication to the OECD.

3 The rise in net average earnings in most government agencies was fixed at 16 per cent compared with an outcome of close to 19 per cent for 1980 as a whole.

4 Real social security payments to households grew at an average rate of almost 7½ per cent during the 1970s.

5 In the twelve months to December 1979 household dinar deposits rose by 2 per cent in nominal terms.

6 Including the effects due to the devaluation in June 1980.

buy household durables because of the 10 per cent discount on purchases of a range of household durables (including motor cars) paid for in foreign exchange. Data on the volume of retail sales suggest that the increase in private consumption occurred mainly prior to mid-1980; thereafter, with real disposable incomes declining and consumer credit restrictions taking effect, retail sales volumes fell by the end of the year to somewhat below the level of a year earlier (Diagram 1).

In line with the official guidelines, the growth of collective (government) consumption also decelerated markedly in 1980 (Table 1). However, government policy was most successful in containing fixed investment which fell by 2 per cent in real terms. The restrictions on building in non-economic sectors⁷ which provided for a discontinuation of construction in a number of areas and the increase in down-payments to 50 per cent of the value of projects led to a 5 per cent decline in such investments. Similarly, credit restrictions, certain shortages of imported materials and equipment and the adherence to policy guidelines for reducing net indebtedness to banks led to a decline in productive investment in the socialised sector of almost 3 per cent. The decline in investment was widespread and affected even certain priority sectors with the exception of energy projects and a few others. The only sector which showed a continuing—though slow—growth of investment was the private sector, including investment in housing⁸. Inventory accumulation continued but at a lower rate than in 1979 so that there was a negative contribution to the growth of Social Product in 1980. In the face of rapidly falling domestic demand, notably consumer demand, there appears to have been some involuntary stockbuilding. In addition, fears of import restrictions and shortages of raw materials and capital goods, which in fact occurred in 1980, may have induced business to hold more stocks than weakening activity and weak growth prospects in 1981 would have warranted. Strengthening of inflationary expectations may have also contributed. Accordingly, despite the slower rate of stockbuilding, stock/output ratios increased in 1980.

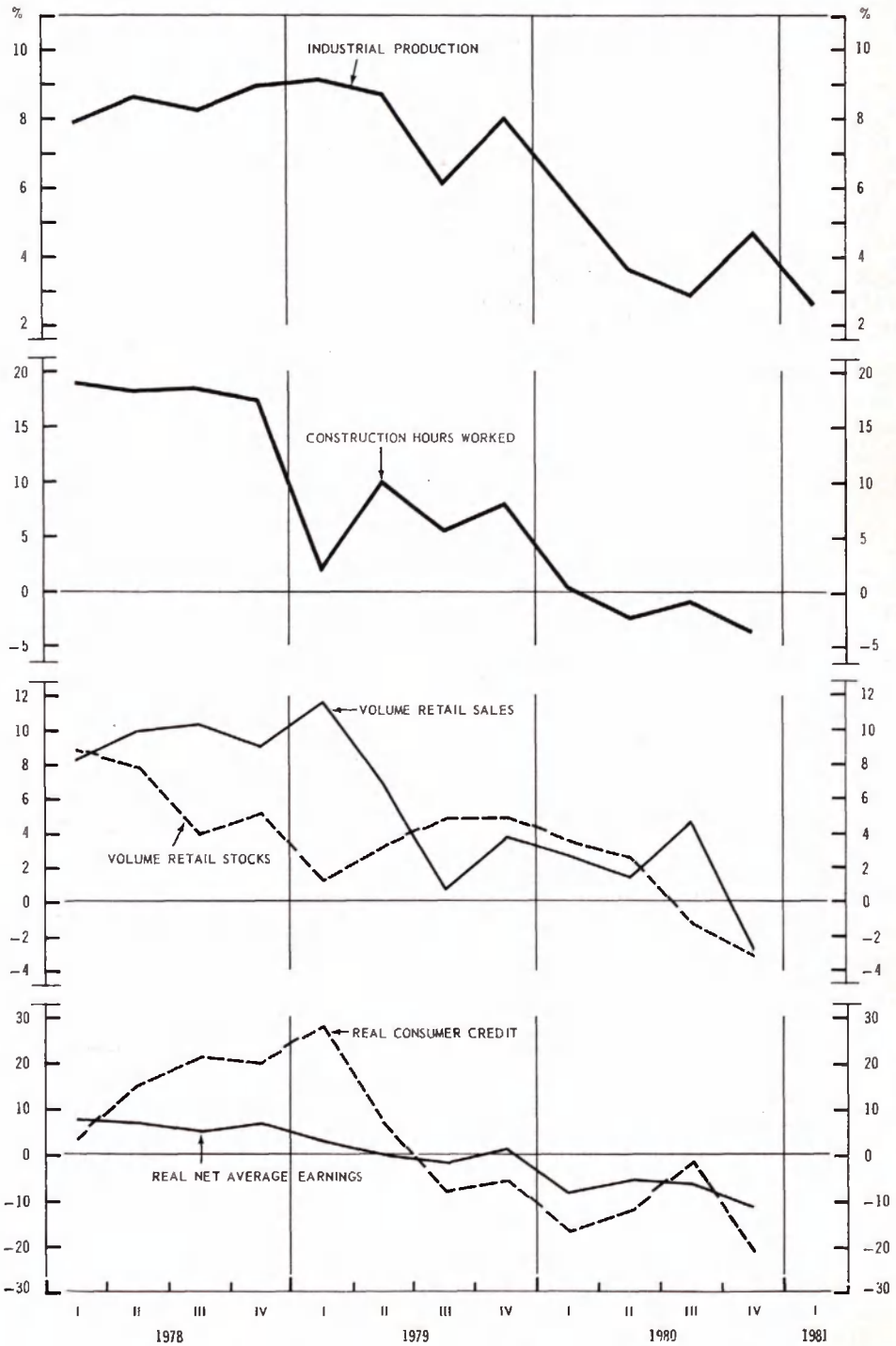
Total domestic demand declined by about $\frac{3}{4}$ per cent in 1980 compared with a rise of over 9 per cent on average over the previous three years, but with a large positive contribution from the real foreign balance Social Product grew by roughly 3 per cent. Unfavourable climatic conditions resulted in a decline in agricultural production. The growth of output in other sectors decelerated markedly. Table 1 shows a small decline in construction activity while industrial production rose at the second slowest rate over the last decade ($4\frac{1}{4}$ per cent). The main exception to the general trend was services which mainly because of a favourable tourist season were relatively buoyant. Although industrial production, broadly stagnant between the fourth quarter of 1979 and the third quarter of 1980, rose a little in the fourth quarter of last year, the available indicators suggest that most of the growth of Social Product occurred in the first half of the year and probably levelled off in the second half.

The weakening of activity was reflected in a deceleration in the growth of non-agricultural employment from $4\frac{1}{4}$ per cent in 1979 to $3\frac{1}{4}$ per cent last year. The slowdown was more marked in male employment which grew at less than half the rate of female employment. Although female employment has been growing faster for some time than male employment, the divergence was larger in 1980 than in earlier years. This may be explained by the continuing

7 See OECD Economic Survey of Yugoslavia, May 1980, pp. 45-46, for details. "Non-economic sectors" according to Yugoslav definitions are: i) government administrations, ii) education, cultural and social activities, iii) health services and iv) other communal and local activities.

8 Private sector housing investment in real terms rose by about 2 per cent, or around one-third of the rate in the previous four years.

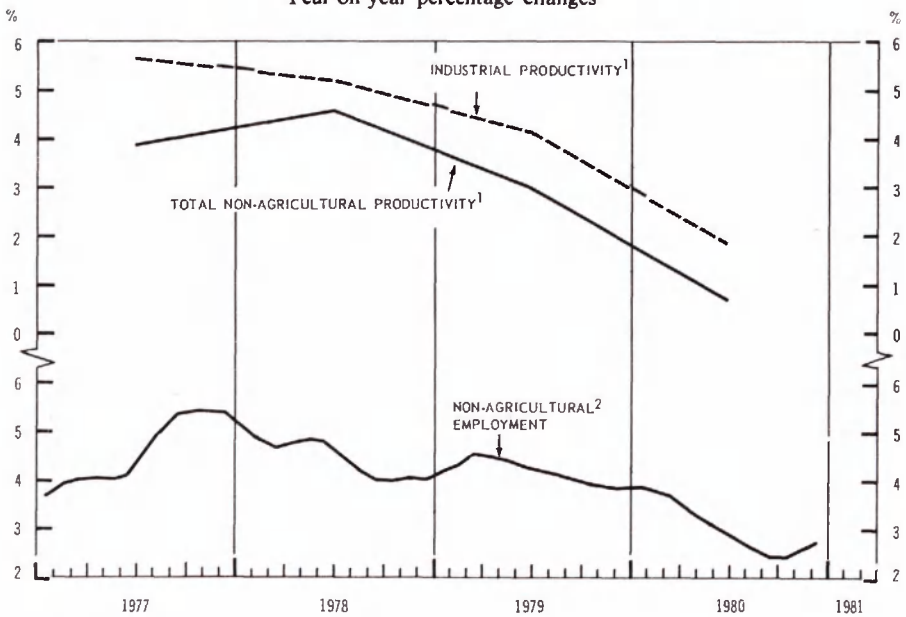
Diagram 1 Conjunctural indicators
Year-on-year percentage changes



Sources: Indeks, OECD Main Economic Indicators and OECD estimates.

sizeable increase in services, mainly in financial and associated services which experienced an increase in employment of over 7 per cent in 1980. In addition, light industries (such as textiles, clothing, footwear, furs and leather goods, beverages, etc.) in which females predominate, experienced a considerably faster growth in 1980 than the other industrial sectors. Heavy industries, which employ proportionally more men (iron mining, iron and steel industries, shipbuilding, metal industries, etc.) were, however, generally stagnant or at best experienced a slight rise in output in 1980. After rising a little in the first quarter of 1980, employment was broadly unchanged for the rest of the year. The easing in labour conditions was also evident in the small decline in unfilled vacancies after mid-1980 and by a continuing rise in the number of people seeking employment for the first time, though the increase in the latter was somewhat less than would have been expected. This suggests that, reflecting sluggish conditions, participation rates may have stopped rising as rapidly as was the case in previous years. Productivity, excluding agriculture, bore the main brunt of the deceleration of output in 1980; its rate of growth was a bare $\frac{3}{4}$ per cent in 1980 compared with a longer-term rate of almost 4 per cent in the 1970s.

Diagram 2 Employment, unemployment and productivity trends
Year-on-year percentage changes



1 Annual data.

2 3 months moving average.

Source: Indeks.

Balance of payments

The successive steep rises in oil prices in the two years to 1980 were a severe burden on the economy. Reducing the current external deficit received top priority and all planks of policy were geared to this objective. Despite the

73 per cent year-on-year rise in oil prices⁹ in 1980, which alone added some \$1½ billion to the import bill, the authorities were successful in almost reaching the target of a \$2 billion current external deficit, some \$1½ billion less than in 1979. This was mainly achieved through visible trade and came about through a sharp reversal of the three previous years' trend of falling export volumes and rising import volumes. After the marked deterioration in 1979, the terms of trade seem to have remained roughly stable (\$ terms); certain raw material export price rises and moderate rises in the price of imported consumer and capital goods broadly offset the steep rise in the price of oil. The increase in the invisible surplus was fairly small.

Table 3 Balance of payments
US \$ million

	1976	1977	1978	1979	1980 ¹	1981 ²
Trade balance	-2 489	-4 380	-4 317	-7 225	-6 086	-6 025
Imports, cif	7 367	9 634	9 988	14 019	15 064	16 475
Exports, fob	4 878	5 254	5 671	6 794	8 978	10 450
Balance on services and transfers	2 654	2 798	3 061	3 564	3 795	4 225
Inflow	4 404	4 820	5 775	7 732	9 322	9 810
Workers' and emigrants' remittances	1 884	2 097	2 921	3 393	4 050	
Tourism	802	841	1 050	1 183	1 500	
Transportation	908	1 071	1 150	1 405	1 669	
Interest	90	123	155	188	197	
Other	720	688	499	1 563	1 906	
Outflow	1 750	2 022	2 714	4 168	5 527	5 585
Workers' and emigrants' remittances	469	670	1 176	1 683	2 511	
Tourism	77	90	120	155	130	
Transportation	479	503	565	674	837	
Interest	369	381	455	821	1 281	
Other	356	378	398	835	768	
Balance on current account	165	-1 582	-1 256	-3 661	-2 291	-1 800
Long-term capital	1 093	1 402	1 350	1 084	1 923	
Short-term capital (including bilateral acc. and errors omissions)	-243	67	-108	853 ³	298	
Exceptional financing	50	75	350	250	250	
Reserve movements (net)	1 065	-38	336	-1 474	180	
of which:						
Foreign exchange	1 203	51	257	-1 188	523	
Use of IMF credit	189	-112	-74	286	343	

1 Preliminary data.

2 Official forecasts.

3 Of which: bilateral acc. 665 million dollars.

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

Since the buoyancy of domestic demand was in part responsible for the decline in exports between 1975 and 1979, domestic policies were shaped in 1980 with the aim of curbing domestic demand so as to allow a transfer of

9 Except where otherwise stated prices are in dollar terms.

resources to exports. In addition, after being devalued by about 3½ per cent vis-à-vis the United States dollar in each year in the four years to May 1980, the dinar was devalued by 23 per cent in early June¹⁰. A further but smaller depreciation of the dinar followed in the second half year resulting in an effective depreciation of about 28 per cent in the twelve months to December. As foreign exchange was relatively scarce in 1980, the bargaining power of holders of foreign exchange increased, thus providing an incentive to exporters. In addition, fiscal and credit measures were used to stimulate exports of goods and services. Reflecting these factors, the volume of merchandise exports surged by some 11 per cent in 1980 to a level almost 5 per cent above that of 1976.

Table 4 Foreign trade
Percentage changes

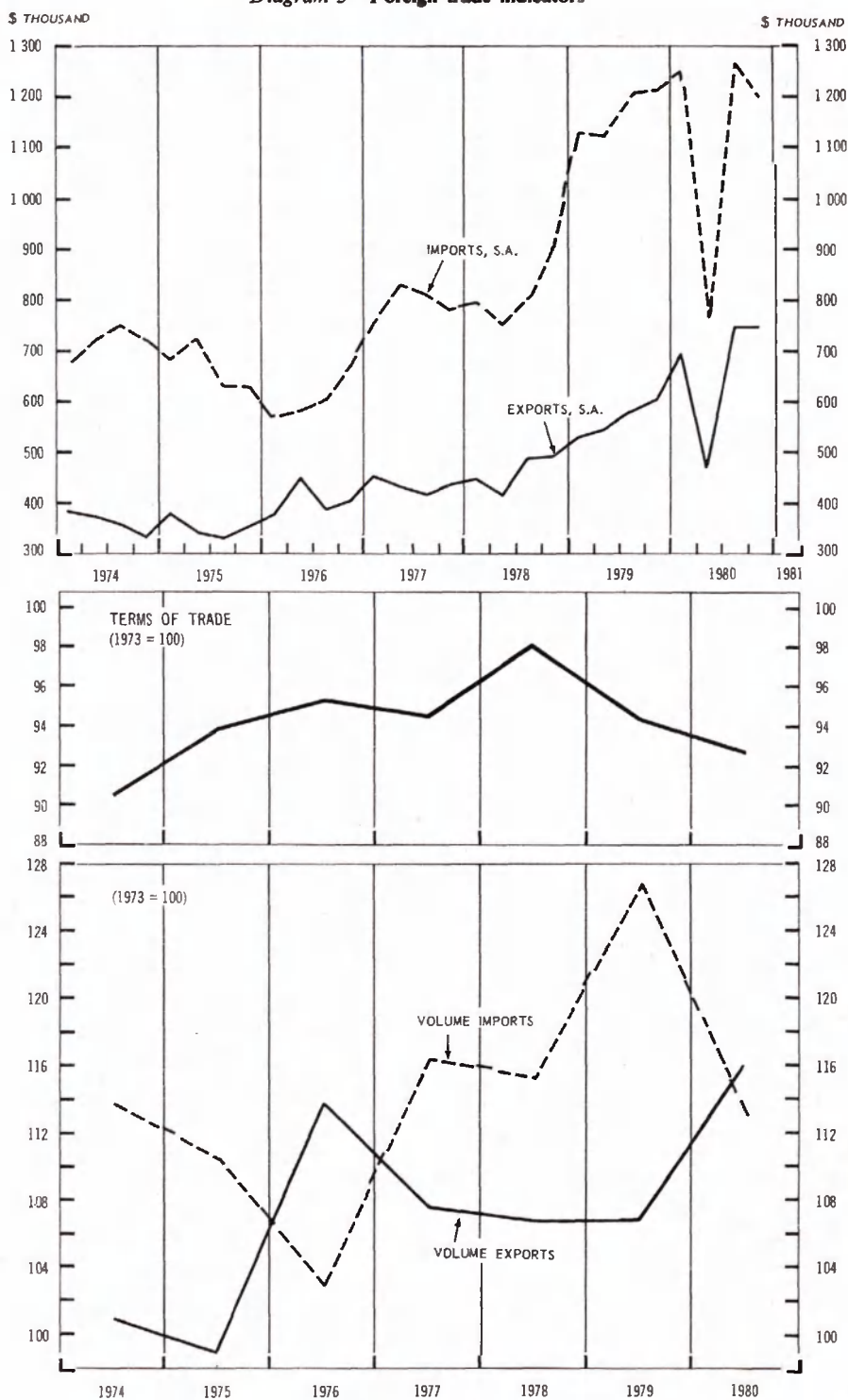
	1974	1975	1976	1977	1978	1979	1980
<i>Volumes¹</i>							
Exports	1	-1½	15	-5½	-¾	-½	11
Imports	14½	-2½	-6½	13	-1	8	-11
<i>Prices (in US dollars)</i>							
Exports	32	9½	4½	14	8½	15	19
Imports	46½	5	2½	15	4½	19½	20
Terms of trade	-9½	3½	1½	-1	4	-3½	-¾
<i>Value of trade by region (in US dollars)</i>							
Exports, total	33½	7	19½	7½	7½	19½	32½
OECD countries	11½	-18	40½	3	16	22½	12½
of which: EEC	2½	-11	42½	5	-6½	47½	22½
US	35½	-16	33½	-16	25	—	5½
Centrally planned economies	63	21½	7½	2	3½	25½	51½
of which: USSR	64	51½	12½	-½	22½	½	77½
Developing countries	53	54½	20½	36	½	2½	37½
Imports, total	67½	2	-4½	30½	3½	40½	7½
OECD countries	61½	2½	-13½	35½	7½	44½	-6½
of which: EEC	58½	4½	-9	32½	½	48½	-8½
US	93	16½	-11½	47½	12½	72½	-4½
Centrally planned economies	57	8½	18½	23	-10½	41½	27½
of which: USSR	84½	7½	24½	29½	5½	30½	50½
Developing countries	113½	-9½	-3½	28	16½	22	32½
<i>Value of trade by commodity groups (in US dollars)</i>							
<i>Exports</i>							
Raw and intermediate materials		-5	20	3	5	29	26
Equipment		35	19	31	4	2	18
Consumer goods		20	20	3	15	16	51
<i>Imports</i>							
Raw and intermediate materials		-4	-7	27	6	41	19
Equipment		45	-7	38	5	40	-18
Consumer goods		-22	20	33	-9	38	-1

1 1972 prices.

Source: Direct communication to the OECD.

10 On June 6, 1980 the dinar was devalued vis-à-vis the US dollar by 23 per cent; i.e. from 1 dinar=0.048 US dollar to 1 dinar=0.037 US dollar (in terms of dinars the dollar appreciated by 30 per cent or from 1 US dollar=21 dinars to 1 US dollar=27.3 dinars). Between end-1979 and end-1980 the depreciation of the dinar vis-à-vis the US dollar was 35½ per cent and the corresponding appreciation of the US dollar was 52½ per cent.

Diagram 3 Foreign trade indicators



Source: OECD, *Main Economic Indicators* and OECD estimates.

The volume of exports of consumer goods rose by almost one-third, machinery and equipment by some 3 per cent, while raw and intermediate materials stagnated. The latter may have partly reflected the diversion of some goods from exports to stockbuilding in order to forestall shortages arising from import restrictions, especially towards the end of the year. The increase in consumer goods exports is explained by the sluggishness in consumer demand at home and also by the easier access to EEC markets following last year's agreement which relaxed certain restrictions on Yugoslav industrial exports and revised upwards certain quotas for agricultural products. The effects of this agreement were mainly felt in the last few months of 1980 when there was a strong pick-up in exports to EEC countries leading to a year-on-year rise of almost 23 per cent in value. The three largest markets—Italy, Germany, France—recorded a 20 per cent rise in value (suggesting broadly unchanged levels in real terms). Exports in value to the United States, which account for some 5 per cent of total exports, stagnated, while exports to the rest of the OECD area fell somewhat, suggesting a substantial fall in volumes and a continuing loss of market shares in the more competitive world markets. The increase in exports to the Centrally Planned Economies and to developing countries was considerably faster than that to the OECD area; in particular, the increase to the USSR was a record 77 per cent. This rapid growth was to a large extent import-induced to pay the sizeable increase in the oil bill to countries with which Yugoslavia has bilateral trade agreements¹¹.

The decline in import volumes last year was larger than could have been forecast from the trend in output and the devaluation effects. Following the 20 per cent rise in the volume of imports of equipment in 1979 and with restrictions on business investment, some decline in imports of capital goods was expected, but the 23 per cent fall suggests that there were some voluntary postponements in this category. Also, in order to achieve the current balance of payments target of \$2 billion set in the Economic Resolution for 1980, the companies and institutions involved in foreign trade¹² agreed after a drawn-out process of bargaining under Federal supervision, to reduce imports substantially. Among other measures, import restrictions were temporarily imposed on a few commodities—mainly on certain raw and intermediate materials as well as on some food products. These measures appear to have led to some shortages affecting both industrial production and consumer demand. The decline in import volumes of raw materials was 5 per cent and that of consumer goods 11 per cent. In order not to hamper industrial production some recovery in raw material imports took place towards the end of 1980. The fall in imports of both capital and consumer goods, however, became more pronounced in the fourth quarter; the latter were 20 per cent lower (volume) than a year earlier.

Imports in value from OECD countries declined a little suggesting a substantial decline in volume. Imports in value from the USSR and developing countries rose considerably, largely reflecting the marked rise in oil prices which again indicates a considerable fall in volume. The rise in prices of imported oil and gas including derivatives was 72 per cent year-on-year. However, as there was a decline in the volume of imports of oil and gas of 5 per cent, the oil and gas bill increased by \$1.2 billion to \$3.1 billion in 1980 as a whole or

11 With most centrally planned economies and with a number of developing countries, Yugoslavia has bilateral trade agreements, mainly on a clearing basis. Exports on a clearing basis accounted for about 37 per cent of total exports in 1980.

12 These are single companies, groupings of similar companies, economic chambers and "self-managed communities of interest" for economic relations with the rest of the world at the local, Republican and Federal level.

a little over one-fifth of total imports¹³. Non-oil imports actually declined in value to give a fall in volume of almost 12 per cent, the biggest for many years.

Buoyant tourist receipts was the principal factor behind the small rise in the invisible surplus in 1980. Following the 1979 decline (mainly due to the earthquakes in Montenegro) which had led to a substantial fall in overnight stays (a bare 4½ per cent above that of six years earlier), they rose by some 11 per cent in 1980, while net foreign exchange receipts grew by nearly one-half to \$1½ billion. In line with the small recovery in world freight rates there was also a modest rise in net transportation receipts. Although there may be uncertainty about the recording of emigrant remittances, there was a recorded decline of net emigrant remittances of almost 10 per cent in 1980. The substantial rise in the current account deficit in 1979 and steeply rising interest rates led to a growth of almost two-thirds of net interest payments to just over \$1 billion in 1980. Including capital repayments, debt servicing was \$3¼ billion, which gives a debt servicing ratio of 20 per cent with respect to current gross export (goods, services and emigrant remittances) receipts. In order to better co-ordinate borrowing policies both with respect to markets, maturities and interest rates, the National Bank of Yugoslavia (the Central Bank) in 1980 played a more dominant role than in previous years in financing the balance of payments deficit¹⁴; borrowed funds (including Euro-loans) amounted to some \$1.3 billion, IMF credit accounted for an additional \$343 million, while official reserves rose by about \$500 million. Borrowing by commercial banks was around \$500 million.

Inflationary trends

The recorded acceleration in inflation in 1980 reflected partly inflationary pressures in the pipeline and was due in about equal proportion to domestic and external factors (Table 6). Among the former, the rise in agricultural prices was particularly important. Between 1973 and 1979, agricultural producer prices rose substantially less than retail prices¹⁵ with adverse effects on agricultural output and farmers' real net income which remained roughly unchanged over the period. Accordingly, a catch-up was to be expected and there were in addition, some administered price increases for a number of products in an attempt to boost farm production. In contrast to agricultural and other prices shown in Tables 5 and 6, the increase in the price of services in 1980 was relatively small being dampened by the ceiling placed on the rate of growth of average earnings and the weakening of domestic demand. The service sector may also have been less influenced by the changing distribution of income which was the other important domestic factor contributing to the acceleration of price rises in 1980.

13

	1978	1979	1980
	\$ billion (per cent change)		
Total imports	9.98	14.02 (40.5)	15.06 (7.4)
Oil and gas	1.14	1.89 (65.8)	3.11 (64.5)
Other	8.84	12.13 (37.2)	11.95 (-1.5)
Trade deficit	4.32	7.23 (67.4)	6.08 (-15.9)

14 Up to 1979 the National Bank of Yugoslavia borrowed mainly short to meet extraordinary financial needs while commercial banks, enterprises and other bodies had direct access to capital markets also for financial borrowing. Since 1980 the latter three should only borrow medium to long-term capital on a project basis, principally for productive investment purposes.

15 The annual average rates of increase were 12½ and 15½ per cent respectively.

Table 5 Prices and earnings
Percentage change from previous year

	1976	1977	1978	1979	1980	Dec. 80
						Dec. 79
Producer prices						
Industrial goods, total	6.1	9.5	8.3	13.2	27.3	39.8
Investment goods	11.2	9.5	5.3	6.1	12.3	22.2
Intermediate goods	6.1	8.8	7.9	16.1	34.3	46.7
Consumer goods	5.3	10.7	9.7	11.1	21.1	33.7
Agricultural goods, total	14.4	12.1	10.0	25.6	34	40.7
Retail prices						
Total	9.4	13.3	13.4	21.9	30.4	39.2
Agricultural products	13.5	17.3	15.3	20.4	34.1	42.2
Industrial products	8.0	13.0	13.3	22.9	31.6	41.7
Services	13.0	13.4	13.9	21.7	22.7	24.3
Cost of living						
Total	11.6	15.0	14.3	20.4	30.3	37.3
Goods	11.5	15.2	14.2	20.4	31.8	39.6
Food	14.1	18.3	15.2	18.3	31.5	40.3
Durables	7.8	11.6	17.6	22.1	29.4	37.0
Services	12.4	13.4	14.5	20.5	20.5	22.7
Export prices ¹	4	13	9	15	19	15
Import prices ¹	3	14	5	19	20	16
Net average earnings in the socialised sector	15½	18½	21	20½	21	27

1 In US dollars.

Sources: *Indeks; Saopstenje*, No. 1, 2 - 1981; No. 355, 356 - 1980.

Table 6 Contributions to consumer price increases
Percentage points

	1975	1976	1977	1978	1979	1980 ¹
Unit labour costs excluding agriculture	6½	5½	6½	4½	6	6½
Profits and other non-labour costs	-½	1½	3½	4	4½	6½
Agricultural producers' prices	2½	2½	2½	2½	5½	7
Total domestic costs	9½	9½	12½	10½	15½	19½
Import prices	6½	2½	2½	2½	3½	7½
Sales tax	1½	1	1	1½	2	½
Total above	17½	13½	15½	14	21	27½
Residual	3½	½	-1½	½	-½	½
Consumer prices ²	20½	13½	14	14½	20½	28½
Memorandum item:						
Unit labour costs (excluding agriculture, percentage change)	20½	15½	19½	13½	18	20

Note: The weights used to calculate the contributions have been derived from input-output tables and from national accounts statistics. The rise in import prices is estimated to pass on to consumer prices in the same and in the next year in roughly equal proportions. The residual reflects variations in both weights and lags.

1 Preliminary estimate.

2 National accounts implicit price deflator.

Sources: *Statistical Yearbook of Yugoslavia*; direct communication to the OECD and OECD estimates.

For the first time for many years, firm guidelines on incomes which fixed legally binding and specific norms were reintroduced in 1980. These undoubtedly contributed in an important way in limiting the average rise in wages and salaries. The rules governing incomes, however, were primarily viewed as a means of transferring resources away from personal incomes to gross business savings, emphasis being placed on the "relative" increase of nominal earnings. A maximum increase of 16 per cent in nominal earnings was imposed on government sector employees¹⁶. For the rest, more than four-fifths of total non-agricultural employment, the permitted rise in wages and salaries was fixed at 5 to 8 percentage points below the rise in total value added in the various¹⁷ sectors. This condition meant that unless the rise in earnings fell below the 20 per cent norm of the three previous years—a difficult task in a year of accelerating inflation—prices of non-government goods and services could rise by at least 26 per cent. In the event, the increase in net average earnings was much the same as in 1979 but price rises were substantially higher (Table 6), and also outstripped the rise in unit labour costs which grew a little faster than in earlier years due to the slower growth of a non-agricultural output. The rise in business profits contributed about 1½ percentage points more to the increase in consumer prices than in 1979.

The steep jump in the increase in import prices from 21 in 1979 to 56 per cent in 1980 on average, exacerbated domestically-generated inflationary pressures. In total, import prices accounted for some 14 percentage points¹⁸ of the total rise in retail prices in the year to end-1980 of nearly 40 per cent. The two principal factors behind this sharp acceleration were higher oil prices and the devaluation of the dinar:

- i) In the year to December 1980, prices of imported oil rose by about 100 per cent which added substantially to retail prices. But because of the policy of aligning domestic energy prices to world prices, the effects on retail prices of higher world oil prices were greater than the share of imported oil in total energy consumption would suggest (Table 7).
- ii) The June 1980 devaluation contributed about 4½ percentage points to the rate of price increases in 1980 as a whole¹⁹. The devaluation represented, however, a delayed adjustment to the loss of external competitiveness in the preceding four years. As such, the devaluation reflected domestic rather than external influences.

Despite some temporary price freezes imposed after the devaluation, the acceleration of inflation became more pronounced after mid-year. To some extent, the deterioration stemmed from the devaluation and a speeding up of the pass-through of higher oil prices to the retail level. But in the climate of strong inflationary expectations, domestic pressures also gathered momentum after mid-year. Not only were there some anticipatory price rises made possible

16 Federal and Republican governments, socio-political units (mainly local authorities) and certain self-managed communities of interest in health, education, cultural and other social activities.

17 5 percentage points in most sectors and 8 percentage points for those working in banking and financial institutions, trade and many self-managed communities of interest.

18 Including the rise in the price of domestically produced energy the contribution was 17 percentage points. In the four years to 1979 import prices contributed about 2½ percentage points to the annual average rate of growth of consumer prices of 16½ per cent, i.e. they accounted for about 16 per cent of the overall rise compared with an approximate share of some 20 per cent of imports in private consumption.

19 The contribution of the devaluation of the dinar to the retail price rise in the year to December 1980 was close to 5 percentage points.

Table 7 Price rises and external influences
Energy and import price effects

	1978	1979	1980 Provisional	Dec. 79 Dec. 78	Dec. 80 Dec. 79 Provisional
Percentage changes					
<i>Import prices</i>					
Total	7	21½	56½	33	80
of which: Oil and gas	2	44	128		
Oil	1	42	82	72	115
<i>Producer prices</i>					
Total industry	8½	13½	27½	15	39½
Energy sectors ¹	10½	21½	52½	27	70
of which: Oil and gas	14	17½	103½	33½	135½
Non-energy sectors	8	12	23½	15	39½
<i>Retail prices</i>					
Total	13	22	30	24 ²	39½ ²
of which:					
Petrol for cars	11	38	100		
Electricity	12½	6½	33		
Electricity and domestic fuel ³	12½	24½	47½	23½	58
Percentage points contributions					
Direct impact of energy prices on industrial producer prices	1½	2½	6½	3½	8½
<i>Contributions to retail price rises⁴</i>					
i) Impact of energy prices					
Direct effect	½	1	2½	1½	3
Total effect ⁵	1½	3½	7	3	9
ii) Impact of import prices (excluding oil and gas imports)	1½	2½	6½	4½	7½
of which: Devaluation effect	½	½	4½	—	5
iii) Impact of domestic factors (excluding energy sectors) ⁶	10½	15½	17	16	22½
TOTAL RETAIL PRICE RISE (percentage change)	(13½)	(21½)	(30½)	(24)	(39½)

1 Weighted average price rises of the following sectors: electricity, coal, oil and gas and derivatives.

2 OECD approximate estimates.

3 This item is derived from the cost of living price index.

4 Approximate estimates showing the order of magnitude.

5 Including parallel increases in domestic energy prices and also the increase in the price of energy used as input for the production of consumer goods and services.

6 Derived by taking the difference between total retail price rise and the impacts of the rise in prices of energy and imports.

Sources: Information from the Federal Statistical Office and OECD estimates.

by the absence of price ceilings, but the effects of the regulations which permitted price rises well in excess of the growth of earnings showed up more strongly in the second half of the year. In addition, the negative effects of the weakening productivity trends became more marked. In the year to December 1980, domestic factors in total accounted for about 26 percentage points of the rise in retail prices compared with almost 20 points in the year as a whole²⁰.

²⁰ Excluding the rise in domestic energy prices, domestic factors accounted for 22½ and 17 percentage points respectively.

II MEDIUM-TERM STRUCTURAL CHANGE

1980 saw the completion of the 1976-1980 Five-Year Plan period during which a high rate of growth of Social Product was achieved despite the slowdown in the world economy. The comparatively rapid expansion, however, was accompanied by a fundamental change in the pattern of demand away from heavy reliance on the external sector to domestic demand. In particular, export performance deteriorated, while largely in response to the effects of import substitution, fixed investment strengthened considerably. This process had begun after the first oil crisis but it accelerated in the mid-1970s resulting in the emergence of large imbalances which were exacerbated by the effects of the second oil crisis. The most important manifestations of the imbalances were the sharp rises in the current external deficit and the rate of inflation discussed in Part I above. In the first section of this Part, the most important factors contributing to the changing pattern are briefly examined. The second section then outlines the main features of the 1981-1985 Plan in order to assess how the authorities aim to correct major imbalances and enable a return to more viable and less-inflationary growth by the end of the planning period.

Pattern of demand

The changing pattern of demand is summarised in Table 8, a principal feature of which has been the marked slowdown in exports. Prior to the early 1970s, the rate of increase in export volumes far exceeded those of Social Product and domestic demand but has since fallen below to a rate substantially less than the longer-term trend increase. In contrast, exports of the OECD area after the first oil crisis continued to rise at a faster rate than real GDP even though at a slower rate than earlier. The weak export performance is reflected in the ratios of merchandise and total exports to Social Product which fell from 15 and 28½ per cent respectively in 1973 to 11 and 23½ per cent

Table 8 **The pattern of growth**
Annual percentage changes, volume¹

	1973	1979	1975	1980
	1965	1973	1970	1975
	Plan periods			
Social Product	5½	6½	5½	5½
Domestic demand	5½	6½	6	5
<i>of which:</i>				
Fixed investment	5½	9	5½	6½
(percentage contribution to Social Product growth)	(29)	(46)	(31)	(37)
Merchandise exports	7½	1½	5	3½
Merchandise imports	10½	4	5½	¾
Exports of goods and services ²	(8½)	(¾)	(6)	(2½)
Imports of goods and services ²	(10)	(2½)	(5½)	(-½)

1 At constant 1972 prices.

2 Approximate estimates.

Sources: *Statistical Yearbook, 1980*; Federal Statistical Office and direct communication to the OECD.

respectively in 1979²¹. Accordingly, the early dependence on foreign demand for the expansion of the economy was reversed.

The sluggishness of export volumes after the early 1970s is mainly accounted for by manufactured exports whose annual rate of growth (3 per cent in the six years after 1973) fell by about three-quarters from the previous longer-run trend rate. This deceleration is considerably greater than experienced in the OECD area or in world manufactured exports generally and it is only partly explained by the slower growth of world markets since the first oil crisis. The losses of export market shares, particularly in the OECD and EEC areas, have thus been substantial; on the basis of OECD and EEC imports of manufactured goods (value) the annual loss of market shares averaged 6½ and 9 per cent respectively which more than offset the gains of earlier years²². The rate of increase in the value of manufactured exports to the OECD area slowed down sharply after the first oil crisis and up to 1979 (Table 9) suggesting a small decline or at best stagnation in volume terms. Within the total, the volume of manufactured exports to the EEC may have increased slightly but in the rest of OECD Europe and the United States, there was a considerable decline²³. In Eastern Europe and especially the USSR, Yugoslav manufactured exports seem to have continued to grow in real terms though at a slower rate than before the oil crisis. Trade with Eastern Europe, however, is usually on a bilateral basis and the growth of exports to the USSR is largely explained by the necessity to pay for the substantial rise in the oil bill. Similarly, part of the considerable rise in the volume of manufactured exports to OPEC countries reflects bilateral trade agreements to cover oil imports as well as the proximity of the Middle Eastern OPEC countries. Exports to non-OPEC developing countries probably fell slightly in real terms.

The commodity structure appears to have contributed to the weakening export performance. The export of ships was particularly important in this

Table 9 Growth of manufactured exports by area

	1963	1973	1979	1973	1979
				1963	1973
	\$ million			Annual percentage change	
<i>Total Yugoslav manufactured exports</i>	422	2 078	5 181	17½	16½
To OECD	161	978	(1 890)	19½	(11½)
of which: USA	29	174	(290)	19½	(8½)
EEC	97	571	(1 300)	19½	(14½)
Rest of Europe	34	207	(280)	19½	(5½)
To Eastern Europe	141	808	(2 310)	19	(19½)
of which: USSR	74	366	(1 250)	17½	(23)
To OPEC		55	(520)		(45½)
To Other (mainly developing countries)	} 120	237	(461)	} 9½	(11½)

Sources: OECD, *Trade Statistics, Series B*, and direct communication to the OECD.

21 A marginal improvement in the ratios of about ½ percentage point was recorded in 1980.

22 In order to allow for the faster rise in intra-EEC trade, the basis of comparison is import growth from non-EEC countries.

23 Tentative estimates indicate a cumulative decline of manufactured exports to non-EEC OECD Europe of about one-third in volume in the six years to 1979.

Table 10 **Export performance in manufactures¹**
Annual percentage change

	1973		1979	
	1963		1973	
	Volume	Value	Volume	Value
<i>Exports, manufactures</i>				
From OECD	10½	15½	5½	17½
EEC	10½	18½	5	18
Yugoslavia ²	(10½)	17½	(3)	16½
<i>Imports, manufactures</i>				
By OECD	12	17½	5½	17½
EEC	11½	17½	6½	18½
Yugoslavia ²	(11)	17½	(5)	20½
		1973		1979
		1961		1973
		Value		Value
<i>OECD imports, total manufactures</i>		17		17½
From OECD		16½		16½
From developing countries, excluding Yugoslavia		19		22½
From Yugoslavia		24		11
<i>EEC imports, total manufactures</i>		16½		18½
From non-EEC countries		14½		19½
From rest of OECD		14½		19
From developing countries, excluding Yugoslavia		15½		23½
From Yugoslavia		27½		10½
		Percentage points		
<i>Market gain (+) or loss (-) of Yugoslavia</i>				
with respect to:				
Total OECD imports		7		-6½
Total EEC imports		-1½		-7½
EEC imports from non-EEC countries		12½		-9
In OECD vis-à-vis developing countries		5		-11½
In EEC vis-à-vis developing countries		12		-12½

1 SITC 5-8.

2 Including minerals and oil for volume changes. Data in parenthesis are OECD approximate estimates.

Sources: OECD, *Trade Statistics, Series B*; *Statistical Yearbook of Yugoslavia*, Federal Statistical Office and OECD estimates.

respect. Exports have also been dampened by trade restrictions in some OECD countries. The effects of domestic policies seem, however, to have been more important:

- i) The stress on investment-led domestic demand to transform an economy based largely on agriculture to a predominantly industrial society and involving the satisfaction of rapidly rising consumer aspirations has resulted in insufficient attention being paid to quality, a handicap in the highly competitive and sophisticated markets of OECD.
- ii) The relatively small size of the Yugoslav market coupled with a process of import substitution has entailed production of a wide range

of commodities which do not enjoy the benefits of the economies of scale. According to UNCTAD²⁴ indices of the dispersion of commodity exports are higher in Yugoslavia than in most other developing countries and much the same as in developed countries including the United States, Japan, Germany and France.

- iii) The development policies of Republics and regions has sometimes allowed duplication of production so that it has been spread over a relatively large number of units without the accompanying benefits of specialisation and competitiveness.

While the factors outlined above have contributed to the slowdown in exports, the main explanation lies in the excessive pressures of demand brought about by the increasing importance of domestic demand—particularly fixed investment—which is the second principal feature of the changing pattern of demand summarised in Table 8. In the early 1970s, investment replaced export growth as the driving force of the expansion but at the same time it distorted resource allocation by diverting resources from exports to the domestic market. In effect, the investment-led expansion gave rise to an excessive increase in domestic demand which was considerably above its potential growth throughout the 1970s²⁵. As imports were limited by balance of payments constraints, the excess demand pressures were reflected directly in weakening exports and rising inflation. In addition, the protected and strongly-growing domestic economy induced domestically-oriented investment at the expense of projects geared more to external demand.

To a large extent the increasing importance of investment reflected the longer-run policy of broadening the industrial base which up to the late 1960s was still relatively narrow. The policy—which became more important after the first oil crisis—boosted substantially the growth of fixed investment from an annual average rate of 5½ per cent before 1973 to about 9 per cent in the following six years. As a consequence, fixed investment accounted for almost half of the increase in Social Product, or over one-half more than in the period up to 1973. The share of total fixed investment in GDP²⁶—largely reflecting buoyant manufacturing investment—averaged 31½ per cent²⁷ after 1973 compared with the longer-run share of 26 per cent. Over the period 1965 to 1979, the ratio of investment to GDP with the exception of Japan and Norway was higher than in any OECD country.

The high level of investment, however, appears to have been less than fully efficient. The cross-country comparisons in Diagram 4 show that Yugoslavia's incremental capital-output ratio is similar to that in most OECD countries. On this basis, the share of investment in GDP would not appear to be excessive in relation to the longer-run growth rate of real GDP since 1965 of 6 per cent. However, when compared with OECD countries at approximately the same stage of development, the growth performance in view of the high level of resources devoted to investment is less favourable. Similarly, fast-growing industrialising countries outside the OECD area had a considerably lower investment ratio to GDP than Yugoslavia but a higher longer-run trend rate of growth of GDP,

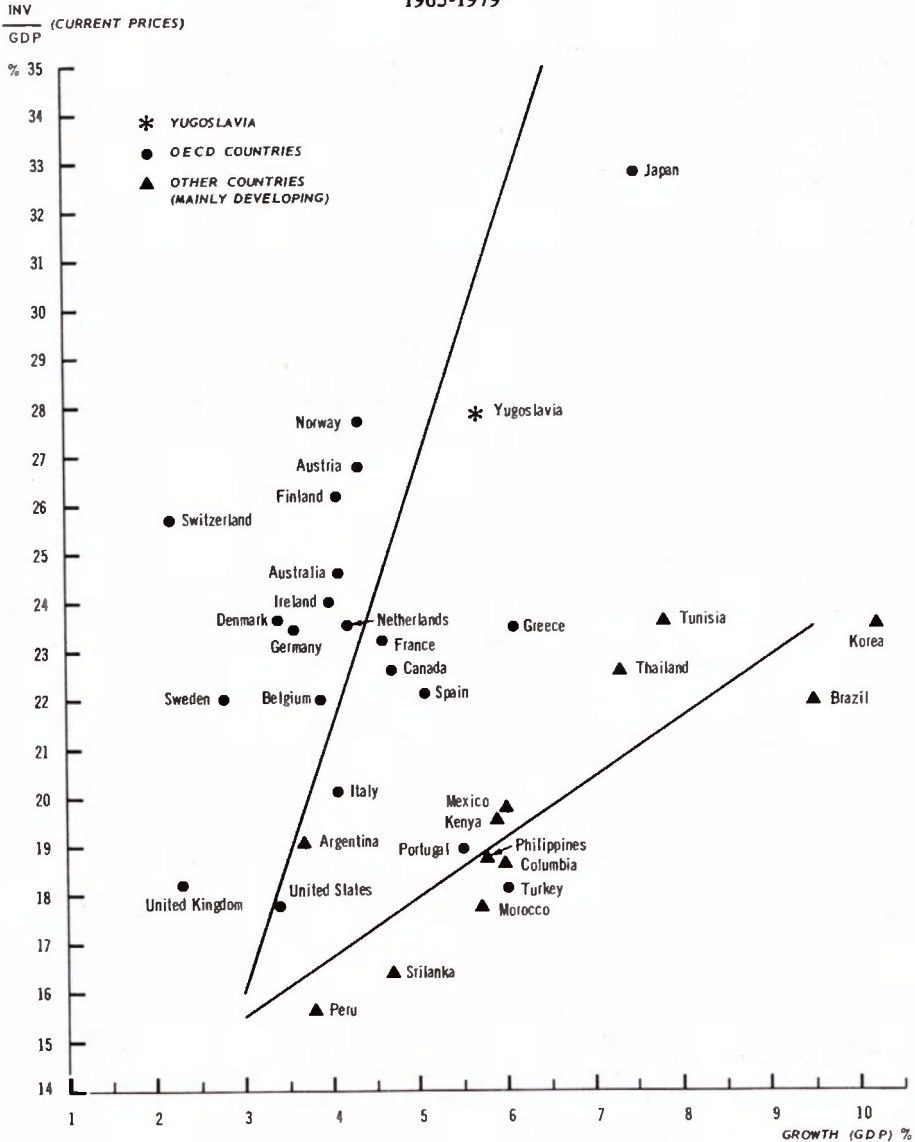
24 UNCTAD, 1979, *Handbook of International Trade and Development Statistics*.

25 In 1972, 1973 and 1976, the excess of actual over potential domestic demand was close to 1½ per cent while during the remaining years of the 1970s the gap rose to 3½ per cent giving an average of close to 3 per cent during the 1970s.

26 GDP rather than Social Product is used in this connection in order to facilitate cross country comparisons. The annual average rate of growth of investment in industry rose from 6½ per cent before 1973 to 13 per cent between 1973 and 1979. In the latter period the comparable rate in other sectors was 7 per cent.

27 The peak was 34 per cent in 1978 and 1979.

Diagram 4 Investment ratio and GDP growth
(Investment as a per cent of GDP and GDP annual growth rate)
1965-1979



Note: The data for almost all countries cover the period 1965 to 1979. Norway's investment ratio excludes investment in oil and gas.

Sources: OECD National Accounts; Statistical Yearbook of Yugoslavia; UNCTAD, Handbook of International Trade and Development Statistics, 1979; OECD estimates.

suggesting significantly higher capital productivity and more efficient use of investment resources. Since the early 1970s the comparative performance was more unfavourable, the growth rate of real GDP decelerating by 1 percentage point despite the marked rise in the investment share.

The effects of the changing pattern of demand on the trade balance and the current external account were masked to some extent up to about 1978, partly because of import substitution but more importantly because of the limitations on imports imposed by balance of payments considerations. In the four years to 1978, the volume of merchandise imports rose each year at a rate of $\frac{3}{4}$ per cent²⁸. But in response to the strong expansion, the volume of imports surged in 1979 which, coupled with a further fall in export volumes and higher oil prices, brought to the surface the marked underlying deterioration in the current external account. In 1979 (before the new policy of export stimulation and import restrictions was introduced which lowered the external deficit significantly in 1980), the trade and current account deficits rose sharply

Table 11 Structure of trade and payments

	1963	1965-66	1969-70	1973	1979
	\$ billion				
<i>Total exports</i>	.790 (100)	1.16 (100)	1.58 (100)	2.85 (100)	6.79 (100)
Primary ¹	.354 (45)	.40 (34)	.45 (29)	.75 (25)	1.42 (21)
Mineral fuels ²	.015 (2)	.02 (1)	.02 (1)	.02 (1)	.20 (3)
Manufactures ³	.421 (53)	.74 (64)	1.10 (70)	2.08 (73)	5.18 (76)
Machinery and transport equipment ⁴	.154 (20)	.40 (35)	.34 (22)	.70 (25)	2.03 (30)
Shipping	.055 (7)	.10 (7)	.12 (8)	.18 (7)	.25 (4)
	1965	1969-70	1973	1979	
	Per cent				
<i>As a per cent of Social Product</i>					
Total exports of goods	(13 $\frac{1}{2}$)	13 $\frac{1}{2}$	15	11	
Manufactures	(8 $\frac{1}{2}$)	9 $\frac{1}{2}$	11	8 $\frac{1}{2}$	
Total exports, goods and services	(16)	22 $\frac{1}{2}$	28 $\frac{1}{2}$	23 $\frac{1}{2}$	
Trade deficit	3	7 $\frac{1}{2}$	8 $\frac{1}{2}$	11 $\frac{1}{2}$	
Deficit on goods and services (— = surplus)	1 $\frac{1}{2}$	2 $\frac{1}{2}$	-1 $\frac{1}{2}$	6	
Current account deficit (— = surplus)	-1	1 $\frac{1}{2}$	-2 $\frac{1}{2}$	6	
<i>Industrial exports as a per cent of gross industrial output⁵</i>	n.a.	n.a.	(11 $\frac{1}{2}$)	(9 $\frac{1}{2}$)	

1 SITC 0, 1, 2, 4.

2 SITC 3.

3 SITC 5 to 8.

4 SITC 7.

5 OECD estimate.

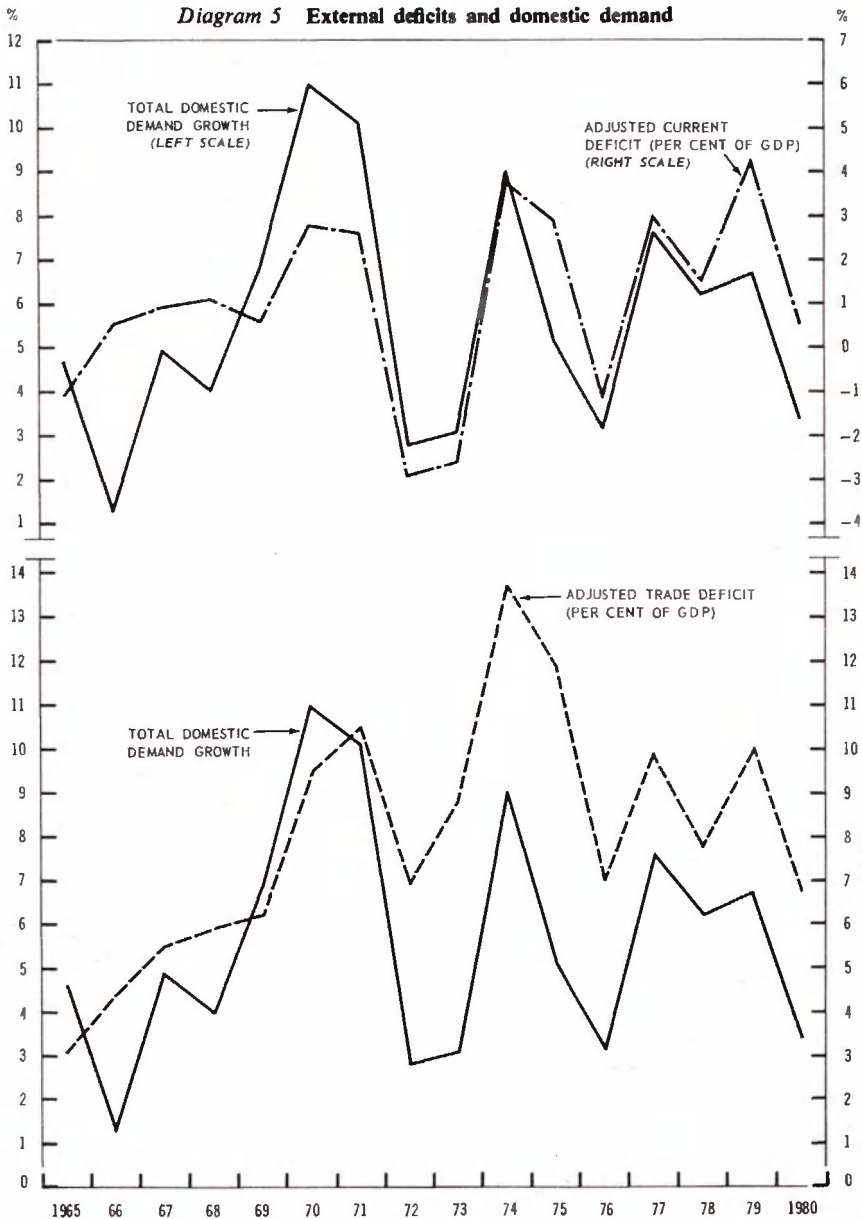
Sources: *Statistical Yearbooks*, Federal Statistical Office; OECD, *Trade Statistics* and OECD estimates.

28 This very low rate of increase is only in part explained by the somewhat slower rate of growth of Social Product shown in Table 8 and by the relatively high stock of imported goods in 1974. The average import elasticity with respect to Social Product fell to 0.65 between 1973 and 1979 (0.40 between 1973 and 1980) which is about half the average elasticity before 1973. The annual changes in the volume of merchandise imports were:

1972	1973	1974	1975	1976	1977	1978	1979	1980
-6	16	14	-3	-7	13	-1	8	-11

to record levels of 11 $\frac{3}{4}$ per cent and 6 per cent of GDP respectively, or almost 6 and 5 percentage points above their longer-run average levels up to 1973.

The excessive investment-led expansion of domestic demand was, as noted, the main factor responsible for the rise in the trade and current external deficits.



Note: The rate of growth of total domestic demand (excluding statistical discrepancy) is a two-year moving average with weights of 0.6 for the current year and 0.4 for the preceding year. The adjusted current external and trade deficits exclude the effect of the "net" rise (over and above the rise in Yugoslav total export prices) in the price of imported oil and gas.

Sources: Statistical Yearbook of Yugoslavia, 1980, direct communications to the OECD and OECD estimates.

The marked increase in oil prices contributed but to a lesser extent. To gauge the effects of domestic demand on the external accounts an "adjusted" trade and current balance of payments deficit, have been estimated which exclude the effect of the "net" rise in oil prices (over the rise in Yugoslav total export prices). The adjusted trade and current balance of payments deficits ("net" of the rise in oil prices) as a percentage of GDP rose from just less than $6\frac{1}{2}$ per cent and 1 per cent respectively up to 1973 to 10 per cent and $2\frac{1}{2}$ per cent on average between 1973 and 1980, indicating a significant deterioration in the underlying positions. As Diagram 5 indicates, there is a close relationship between lagged changes in total domestic demand and the fluctuations in the trade and current deficits as a percentage of GDP²⁹. Especially after 1970, the relationship becomes more pronounced with the deviation of total domestic demand changes around their trend rate being by far the most important explanatory variable (Diagram 4). The effects of the rise in oil prices on the trade deficit was mitigated to some extent by the acceleration in Yugoslav export prices (dollars). The "net" increase in oil prices (net of the rise in total export prices) was some 230 per cent between 1973 and 1979, which is equivalent to a cumulative increase in the trade deficit of roughly \$1 billion (a loss of some $1\frac{3}{4}$ per cent of GDP by 1979³⁰), or just over one-fourth of the increase in the trade deficit above the longer-run levels prior to 1973.

The 1981-1985 Five-Year Plan

In response to the domestic and external imbalances and in view of the relatively weak outlook for the growth of world trade, the 1981-1985 Plan is considerably less ambitious than its predecessors. The two main objectives under the Plan are the reduction of inflationary pressures and a major reduction in the current external deficit over the medium term. As can be seen from Table 12 the target growth rates of all the main domestic demand components are lower than in earlier Plans but a strong recovery in exports is envisaged making the latter the principal source of growth during the 1981-1985 period as it was prior to the early 1970s. The authorities expect to be able to continue curbing import growth. The Plan also provides for an important reversal of previous output trends; a marked decline in the rate of growth of industrial production to just above that of Social Product is projected, the annual rate of expansion of construction is planned to fall markedly, while a strong recovery in the growth of agricultural output is expected.

On the demand side, the most notable projection is the sizeable reduction in the annual rate of growth of fixed investment³¹ during the Plan period. This

$$29 \quad (1) \quad TD = 103.4 - 0.44 DVDD - 1.83 T + 0.06 T^2$$

$$(38) \quad (-3.8) \quad (-3.9) \quad (3.2)$$

$$R^2 = 0.80, DW = 1.62, SE = 1.43$$

$$(2) \quad CD = 98.62 - 0.51 DVDD$$

$$(320) \quad (-4.9)$$

$$R^2 = 0.60, DW = 1.8, SE = 1.43$$

DD = Rate of growth of total domestic demand (two-year moving average with weights of 0.6 for the current year and 0.4 for the preceding year).

DVDD = Deviation of DD from its longer-run trend rate.

TD = Trade deficit as a per cent of GDP.

CD = Current account deficit as a per cent of GDP.

T = Time.

30 Cumulative trade deficit due to the excess rise in imported oil prices over total goods/export prices:

	1974	1975	1976	1977	1978	1979	1980
\$ million	200	180	205	380	530	1 070	1 840
Per cent of GDP	$\frac{2}{3}$	$\frac{2}{3}$	$\frac{2}{3}$	1	1	$1\frac{1}{2}$	3

31 The rate for industrial investment is about $2\frac{1}{2}$ per cent.

Table 12 Plan objectives and growth
1981-1985 Five Year Plan

	Annual percentage volume changes					
	1979 ¹	1980 ¹		1985 ²		
		Preliminary	Plan	1970	1975	1980	Plan
Private consumption	6	1	2½	5½	5	3
Government consumption	5½	¾	-3½	5	5½	2½
Fixed investment	5	-2	-5½	7½	7	1½
Final domestic demand	5½	—	-½	6	5½	2½
Stockbuilding ³	3½	-½	½	½	½	½
Total domestic demand, including discrepancies	9½	-1½	½	5½	5	2½
Exports	3½	8½	7	7½	3	8½
Imports	9½	-12	-3	6	-½	1
Foreign balance ^{3, 4}	-2½	4½	2½	½	½	1½
Social Product	7	3	3½	6	5½	4½
Agriculture	5½	-2½	4	3	2	4½
Industry	8½	4½	4	8	7	5
of which: Energy	8	4½	6	8	6½	7
Construction	9½	2	-2½	4	8	1
Services	5½	4	3½	5½	5½	4
<i>Memorandum items:</i>						
Exports						
Goods	½	9	7	5	3½	8
Services	9½	8	7	12½	1½	9½
Imports						
Goods	8½	-12	-3	6	-½	1
Raw materials	7	-8	4	5½	2½	3½
Capital goods	5	-22		10	-10½	-8½
Consumer goods	20	-14		-½	4½	-2
Services	25½	-11½	-3	7½	3½	1

Note: Differences in some figures in Table 1 are principally due to differences in the base year; in Table 1 the growth rates are calculated at 1972 prices.

1 At 1975 constant prices.

2 At 1980 constant prices.

3 Percentage point contribution to the Social Product growth.

4 The contribution of the foreign balance is implicitly derived by taking the percentage point difference between the Social Product and Total domestic demand.

Sources: Five Year Plan, 1981-1985; direct communication to the OECD.

represents an important break with traditional thinking in Yugoslavia which has stressed the primacy of investment especially in the development process and is explained by the strong pressure that investment has on the external sector. The share of fixed investment in GDP is planned to fall by 4 percentage points to 27½ per cent between 1980 and 1985 which, on the basis of estimates in the Plan, would help reduce the trade deficit by an implied 4 percentage points to 5½ per cent of GDP over the same period. Achievement of these targets would represent a return to the longer-run relationships which existed prior to the first oil crisis. Despite the slowdown in investment the capital stock is expected to increase at a fairly rapid rate; tentative estimates suggest that the fixed capital stock in industry will rise by some 7 per cent annually which is about 2 percentage points above the growth of industrial production.

Limitation of fixed investment in "non-economic" and low priority sectors through direct regulations and restricted access to bank credit should lead to a

slow growth of fixed investment in these sectors in line with the Plan's target. A slowdown is projected in investment in "economic" sectors—mainly business investment by "basic organisations of associated labour". The down-payments for business fixed investment have been raised to 25 per cent on average of the value of projects but it is questionable whether without further policy changes this will be sufficient to reduce the growth of this category of investment to the target rate. The present policy of low interest rates in view of the high rate of inflation is a strong incentive for enterprises to borrow and invest. Interest rate policy is currently being reassessed and the outcome of the review will have a major bearing on medium-term developments, a subject returned to in the Conclusions.

The projected deceleration in private consumption reflects mainly approximate stagnation in the real value of emigrants' remittances—because of the weak outlook for growth in the OECD area—and a marked slowdown in real social security payments. Little change from past trends is, however, forecast in the growth of real personal income in the social sector. As the growth of employment is expected to fall somewhat (Table 13) real net average earnings per employee should rise to about 2 per cent a year. However, this acceleration is forecast to be largely offset by a slower growth of expenditure on various amenities usually provided by enterprises, government bodies and other institutions to their employees (e.g. housing facilities at extremely low rents, holiday resorts and other goods and services in kind) with the result that the rise in the standard of living per employee is not expected to differ much from the rate experienced in the 1970s. The substantial increase in the overall standard of living in the non-agricultural sectors has largely depended so far on the fast growth of employment and the consequent rise in the number of family members with a job and on the growth of social security pensions, for the most part to war veterans (who at present number little less than 1 million—equivalent to 15 per cent of the non-agricultural labour force³²). With the growth of all components slowing down, total domestic demand is forecast to grow at about half the rate recorded in the 1970s.

Slow growth of domestic demand will facilitate the transfer of resources to the external sector. Accordingly, the Plan forecasts a strong revival of export growth to 8½ per cent (annual rate) which is nearly double the rate achieved in the 1970s. Details of the growth of exports by area are not provided but in view of the authorities' aim of significantly reducing the current external deficit with the convertible currency countries and especially within the OECD area, a substantial rate of growth of export volumes to the OECD area is implied. This objective will be facilitated by the easier access to the EEC markets and the recent transfer of certain activities such as clothing, textiles, footwear and furniture to priority sectors with respect to facilitating and financing investment and exports. But, it could be hindered by protectionist measures, increasing competition and weaker demand for some time in most OECD countries. Furthermore, because of the earlier concentration of investment and product specifications on the needs of the home market and still insufficient specialisation, marketing difficulties could arise in the competitive high-income OECD countries. The realisation of the export objective will, however, be facilitated by the more flexible adjustment of the exchange rate so as to maintain competitiveness. This approach could also help in reducing the possible distortions in foreign exchange

32 The growth of social security payments in real terms was about 7½ per cent annual rate during the 1970s compared with 4½ per cent annual rate for other personal incomes from domestic resources so that the share of social security receipts in personal income from domestic sources rose from 14 per cent in 1970 to 19 per cent in 1980.

Table 13 Selected Plan projections
Annual percentage change

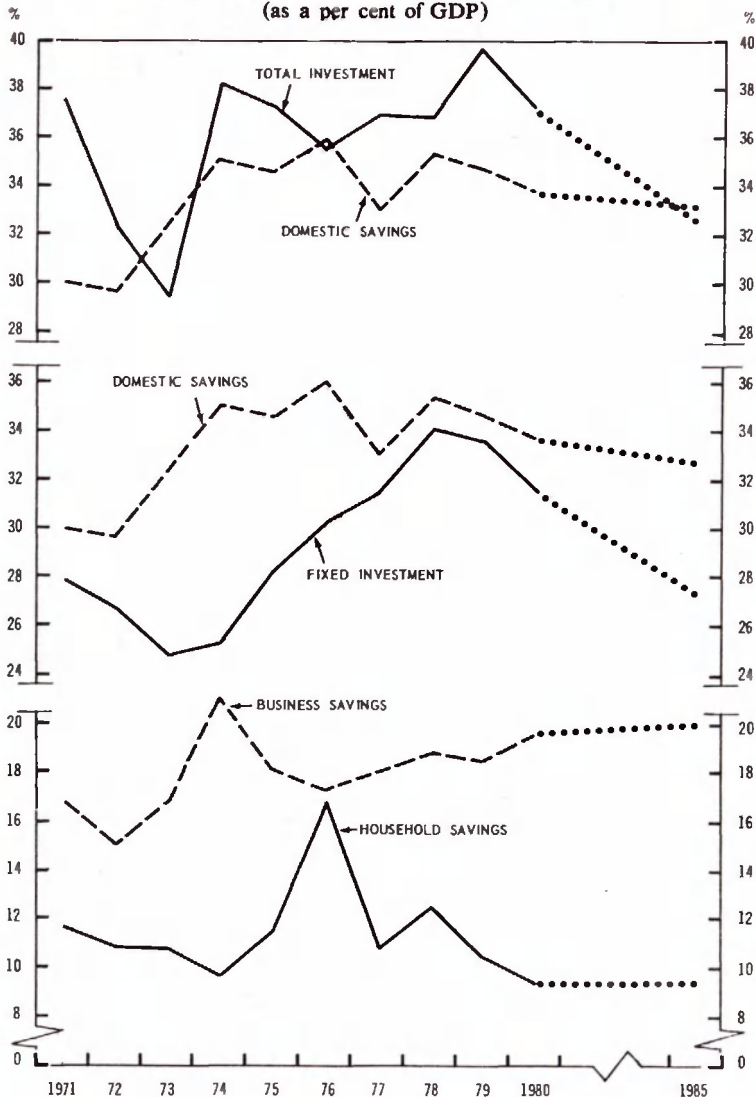
	1978	1979	1980	1975 1970	1980 1975	1985 1980 Plan
<i>Employment</i>						
Total domestic	1½	1½	1	1½	1½	½
Agriculture, private	-2½	-2	-2½	-2½	-2½	-3½
Total domestic (excluding agriculture)	4½	4½	3	4½	3½	2½
of which: Private	2½	2½	3½	3½	2½	4½
Social sector	4½	4½	3	4½	4	2½
Social sector (productive activities only)	4½	4½	3	4½	4	2½
<i>Productivity</i>						
Total	5½	4½	1½	4½	4½	3½
Total (excluding agriculture)	4½	2½	½	5½	2½	1½
Social sector (productive activities only)	4½	2½	1	1½	2½	2
Industry	5	4½	1½	3	3½	2½
<i>Earnings</i>						
Real net average earnings (per employee in social sector)	5½	—	-7½	1½	1	2
Real average personal disposable income (per inhabitant)	7	3½	-3½	3½	5	2½
<i>Prices</i>						
GDP deflator	15	20½	30	19	18½	14½
Producer prices: Agriculture	11½	25½	29	20½	18½	13
Industry	8½	13½	28	18	12½	13
Retail prices	13½	22	32	20½	18½	15
Catering services	14	22	32	17½	18½	15

Source: Direct communication to the OECD.

transactions, arising from the special arrangements between enterprises having foreign exchange and other enterprises.

In view of the projections for domestic demand, the target rate of growth of imports of 1 per cent each year—implying an elasticity with respect to Social Product of 0.22—seems to be optimistic. The Plan provides for a sharp reduction in imports of consumer and capital goods. The latter are expected to fall at an annual rate of 8½ per cent, reflecting the slowdown of investment and the emphasis in the Plan of the need to substitute domestic equipment for imported equipment and thus reduce dependence on goods from abroad, other than those incorporating high technology. Although given the successful development of certain engineering sectors in Yugoslavia over the last decade or so, the substitution can to a certain extent be achieved, but such a large fall in capital goods imports, especially from the more advanced industrial countries, may be incompatible with the aim of improving efficiency. In fact, as one of the primary objectives of the Plan is to strengthen export competitiveness (by means other than a sustained under-valuation of the dinar) and as this is unlikely to be achieved without an improvement in the quality of exports, imports of foreign technology and capital equipment better designed to cater for external demand would seem essential. Accordingly, unless the domestic orientation of production is increased, the reduction in the imports of capital goods may be

Diagram 6 Investment and domestic savings
(as a per cent of GDP)



Sources: Statistical Yearbook of Yugoslavia, 1981-85 Five Year Plan, direct communications to the OECD and OECD estimates.

difficult to realise³³. As the export target also seems optimistic, there is a risk that less favourable developments in the real foreign trade than projected could lead to a slower growth rate of Social Product than expected.

33 The achievement of the 10 per cent annual rate of reduction in capital (machinery and equipment) goods imports between 1980 and 1985 appears excessively optimistic especially since the 1980 level of imports was extraordinarily depressed due in part to administrative measures. Import volumes of capital goods in 1980 were more than 20 per cent below the 1979 level. Accordingly, starting from such an artificially low level some pick-up in import volumes is to be expected once fixed investment begins to recover.

On the output side, a marked acceleration is planned in the annual rate of growth of agricultural production from a long-run rate of 2½ per cent to 4½ per cent up to 1985³⁴. The greater emphasis on agriculture stems from the desire to become a net food exporter again. However, the proposed relatively "neutral" role of the price mechanism³⁵, the small size of average holdings which are not conducive to mechanisation and economies of scale, suggest that this target, while desirable, could be ambitious. Indeed, private holders (accounting for over 70 per cent of total output) may hesitate to borrow heavily and increase their investment propensities unless price and market prospects are more firmly ensured. The other output targets are fairly low by past trends and should not pose any problems. The slowdown in the growth of output is expected to lead both to a deceleration in the increase in employment and to a further reduction in the growth of productivity to well below the longer-run rates of increases. The projected deceleration in the growth of productivity in industry is of concern, especially since at this stage of Yugoslavia's industrial development there must still be considerable margins for important productivity gains which are all the more necessary if better export performance is to be attained.

The improvement in the real trade balance is officially expected to be reinforced by a strong expansion in net service receipts in real terms, mainly because of higher tourist and net transportation earnings. The planned rise in tourist receipts (9 per cent annually in real terms) may well be on the high side especially if there is no further improvement in price competitiveness. Service payments, however, are projected to increase by 1 per cent (volume) each year, which is a significantly lower rate than in the past and reflects the expectation that lower Euro-rates over the medium run than presently will outweigh the further increase in the external debt. At present, interest payments

Table 14 Foreign indebtedness and servicing

	1972	1976	1977	1978	1979	1980 ¹
	Total foreign indebtedness (\$ billion)					
Gross	4.7	6.6	9.5	11.8	15.0	(18½)
Net	4.0	5.8	8.4	10.7	13.7	(16½)
	Debt servicing ratio (per cent)					
Total	15½	14	17	18	21	(20)
Convertible currencies	n.a.	17	20	21	24	(23)
	Interest payments (\$ million)					
Gross	170	370	380	450	820	1 281
Net	150	280	260	300	630	1 084
	Per cent of current external receipts					
Gross	3½	4	3½	4	5½	7
Net	3½	3	2½	2½	4½	6

¹ Preliminary data.

Sources: Annual Reports and Quarterly Bulletin of National Bank of Yugoslavia.

³⁴ For a comprehensive review of agricultural trends and policies see *The Agricultural Policy of Yugoslavia*, OECD, 1981.

³⁵ Both agricultural and industrial producer prices are officially expected to increase at the same annual rate (13 per cent) during the five years to 1985 compared with an annual rate of retail prices of 15 per cent.

are close to 7 per cent of total current external receipts, some 3 percentage points more than up to 1978 (Table 14). In all, the assumptions underlying both trade and service developments³⁶ may be difficult to realize fully. Even so, reflecting the restrictive stance of policy in the Plan, the current external deficit is likely to be reduced substantially and to manageable proportions. The gradual reduction in the current external deficit implies a lower debt-servicing ratio, which at 23 per cent for convertible currencies in 1980 represents a considerable burden on the external sector and an important constraint on long-run growth.

The change in demand back to a pattern close to that existing before the first oil crisis as projected in the Plan would lead to the reduction or removal of some of the major imbalances in the economy. But, a critical aspect of medium-term developments is likely to be the course of inflation. The price targets are given in Table 13, the aim being to achieve an average rate of increase of 15 per cent in retail prices up to 1985. In view of the current very high rate of inflation, the targets imply a marked deceleration over the planning period. The restrictive stance of economic policy assumed in the projections and the slower growth of domestic demand are compatible with a reduction of inflationary pressures as could be the role of prices and incomes policies if they evolve appropriately. The Plan provides, however, for a modest rise in real incomes which indicates that, at least in the first years of the Plan, increases in wages and unit labour costs will remain strong. Indeed, the achievement of the anti-inflation objective of the Plan will require strict incomes and prices policies.

III ECONOMIC POLICIES AND SHORT-TERM OUTLOOK

The effects on demand, prices, incomes and the current balance of payments of the policies applied in 1980 are discussed in Part I of this Survey. The stance of economic policy in 1981 as set out in the Economic Resolution is again restrictive. The Resolution emphasises the need to stabilise domestic demand mainly through continuing moderation in the growth of the public sector, the use of restrictive credit ceilings and by various administrative measures including income guidelines. The policy stance and the relatively weak outlook for world trade suggest that the growth of Social Product in 1981 will again be moderate. A further reduction in the current external deficit seems likely, but the rate of inflation could remain very high reflecting largely price pressures already in the pipeline and rising inflationary expectations.

Fiscal policy

Both public sector revenues and expenditures grew at a substantially slower rate than nominal Social Product in 1980 which was in accordance with the objective of reducing the size of the public sector in the economy. Government revenues³⁷ actually fell short of the original budget estimate reflecting largely Federal Government receipts which rose by 17 per cent compared with the

36 A deterioration of about 2 per cent per annum in the terms of trade is projected.

37 Government includes Federal, Republican and junior levels of government—mainly local authorities. The estimated increase was 21 per cent.

estimate of 25 per cent. The main reason for the shortfall was Federal revenues from customs' duties which rather than increasing by a planned 26 per cent fell by around 15 per cent:

- i) The termination of the 10 per cent import duty surcharge in mid-1980 had a considerable adverse effect on customs duties.
- ii) The volume of imports was lower than expected when the estimates were made.
- iii) As noted earlier, there was a shift in imports away from consumer and capital goods which carry comparatively high rates of import duties in favour of imports of raw and intermediate goods which carry low rates.

The revenues of the other government bodies and of the various "self-managed" communities of interest which provide social services³⁸ grew by about 25 per cent in 1980, which is again lower than in the previous couple of years and lower than the rate of growth in nominal Social Product. However, receipts from sales and turnover taxes grew by no less than 29 per cent, reflecting the acceleration of inflation.

Growth of public sector expenditure was just above 26 per cent in 1980 compared with the 36 per cent increase in nominal Social Product. The main reasons for the relatively slower growth in expenditures were the ceiling on the increase in nominal earnings for most public sector employees and the discontinuation of a number of investment projects in most government sectors and

Table 15 Consolidated revenues and expenditures of the public sector¹
Billion dinars

	1976	1977	1978	1979	1980 ²
Revenue					
Direct taxes ³	134.6	175.5	232.5	279.6	351.4
Indirect taxes ⁴	86.3	109.4	126.3	157.7	190.0
Other taxes and non-tax revenue	20.5	19.8	25.5	33.4	46.1
Total revenue	241.4	304.7	384.3	470.7	587.6
Expenditure					
National defence and administration	57.5	71.5	83.9	103.8	
Education	38.1	43.7	57.4	67.5	
Social security and welfare	93.5	114.4	146.5	178.6	
Interventions in the economy	19.6	28.0	38.1	42.2	
Other expenditures ⁵	44.6	54.3	63.4	77.7	
Total expenditure	253.3	311.9	389.3	469.8	
Surplus or deficit	-11.9	-7.2	-5.0	0.9	
Financing					
Foreign financing, net	-1.5	-0.1	-0.1	—	
Domestic financing, net	13.4	7.3	5.1	0.9	

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 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 amenities, investment and subsidies for consumption.

Source: Direct communication to the OECD.

38 These consist of medical and other social security services, educational, cultural and other related activities.

in "non-economic" activities generally. Defence expenditure increased sharply, however, and the special fund payments to Montenegro to repair damage caused by the earthquakes were also substantial. Similarly, expenditure on civil and war pensions, which is indexed to the cost of living, also grew at a somewhat faster rate than average expenditure. As the latter three items are principally the responsibility of the Federal Government and because of the shortfall of customs duties, the Federal Budget recorded an historically high deficit of dinar 22 billion in 1980 (1½ per cent of GDP). As most other public sector bodies are constitutionally obliged to have broadly balanced accounts³⁹, the total public sector balance largely reflects the Federal situation which suggests that the total public sector deficit in 1980 was between 1 and 1½ per cent of GDP. Though the swing equivalent to 2¼ per cent of GDP from a small public sector surplus in 1979 to a deficit in 1980 would suggest a fairly strong positive fiscal impact, the fact that two items with high domestic multipliers—the wage and salary bill and fixed investment—fell in real terms largely offset the expansionary impact.

The Federal Budget for 1981 forecasts a significant rise in revenue (50 per cent), attributable to an increase in the share of customs duties going to the

Table 16 Federal budget
Billion dinars

	1977	1978	1979 Revised Plan	1980 Revised Plan	1981 Revised Plan
Regular revenues	80.0	72.6	93.8	109.8	164.3
Customs duties	39.7	23.4	24.1	20.4	24.1
Percentage of basic sales tax	—	26.3	38.2	47.9	73.3
Contributions from republics and autonomous provinces	39.0	20.8	28.4	38.5	63.8
Other	1.3	2.2	3.1	3.0	3.1
Expenditures	89.0	77.8	97.0	132.3	169.1
National defence	38.1	42.6	55.0	76.3	101.9
Administration	10.9	13.1	15.1	8.8	11.1
Grants to republics and autonomous provinces	6.1	7.0	10.5	14.3	16.3
Investments	0.6	0.6	0.7	..	..
Supplement to pension funds	10.4	12.4	14.8	24.7	31.9
Subsidies and tax reimbursements	22.3	1.4	—	—	—
Other	0.6	0.7	0.9	8.2	7.9
Balance on regular account	-9.0	-5.2	-3.2	-22.5	-4.8
Allocations	4.5	4.3	5.2	8.2	—
Budget reserves	0.3	0.3	0.2	4.6	—
Debt repayment and other	4.2	4.0	5.0	3.6	—
FINANCING					
Receipts	13.5	9.5	8.4	22.5	4.8
Borrowing from National Bank	9.5	9.5	8.4	9.2	4.8
Bond issues	4.0	—	—	13.3	—

Source: Direct communication to the OECD.

39 Deficits or surpluses incurred in one quarter have to be made good during the next quarter. For a description of the institutional arrangements see OECD Economic Survey of Yugoslavia, May 1980, pp. 32-33.

Federal Budget⁴⁰ and to a substantial rise in the rates of sales and turnover taxes. With the aim of reducing the deficit, Federal expenditure is budgeted to increase more slowly than revenue; total expenditure growth is forecast at 28 per cent (36 per cent in 1980) and practically all the principal expenditure items are expected to decelerate. In total, the Federal Budget deficit is estimated to fall to dinar 4 $\frac{3}{4}$ billion in 1981 ($\frac{1}{4}$ per cent of GDP compared with 1 $\frac{1}{4}$ per cent in 1980). The growth of other public sector expenditure is budgeted to be about 5 percentage points slower than the growth of nominal Social Product which suggests that there may be no increase in real terms. Fixed investment may fall a little in real terms but because of the lagged indexation of average pay in the public sector to the rise in average pay in the private sector of the previous year there will probably be a somewhat faster rise in public sector pay than in 1980. Despite growing slack in the economy, public sector accounts overall are officially expected to be broadly in balance, which, combined with a further fall in the ratio of public expenditure to Social Product, indicates a tight stance of fiscal policy this year.

Monetary conditions

Despite accelerating inflation, the growth of money supply and bank credit slowed down slightly to 23 and 25 $\frac{1}{2}$ per cent respectively during 1980, nearly 10 percentage points below the growth of Social Product. The main reason for the deceleration was the operation of credit ceilings. Demand for credit was also weaker reflecting the improvement in the liquidity position of enterprises⁴¹ and, to a lesser extent, the growing number of direct inter-enterprise loans within the various groupings of enterprises—"the associations of labour and resources". The former development meant that enterprises had less resort to the banking system for credit in accordance with the authorities' stabilisation

Table 17 Money supply
Billion dinars

	Position end-1980	Changes during period							
		1977		1978		1979		1980	
		I	II	I	II	I	II	I	II
Bank credits	1 568.3	64.6	89.5	97.0	116.1	99.8	158.6	135.8	183.9
Credit to clients	1 455.8	59.2	79.7	82.6	99.0	96.1	140.3	122.1	167.8
Securities	112.5	5.4	9.8	14.4	17.1	3.7	18.3	13.7	16.1
Non-monetary deposits (increase = -)	-849.4	-42.3	-46.1	-65.2	-64.3	-60.7	-59.4	-63.9	-74.0
Foreign exchange transactions	-257.3	-8.8	-12.3	-5.6	-13.8	-34.5	-45.0	-47.8	-47.6
Money supply (M1)	461.6	13.5	31.1	26.2	38.0	4.6	54.2	24.2	62.3

Source: Direct communication to the OECD.

40 From a little over 40 per cent in 1980, the share is estimated to rise to 67 per cent in 1981.

41 The liquidity position of enterprises improved because: a) under the "income" guidelines they were allowed to raise their gross sales proceeds by about 6 percentage points above the increase in their total wage and salary bill thus raising their profits and b) the decline in fixed investment released financial resources within the enterprises.

aims, while the latter indicates the mobilisation of existing liquidity by bypassing the banking sector. Because of the relatively slow growth of non-monetary deposits, which could not suffice to finance credit expansion, reserve requirements were gradually lowered from 17½ per cent of short-term assets⁴² at the end of 1979 to 14½ per cent at the end of 1980⁴³. The slow rise in net deposits, especially dinar deposits, which was accompanied by a shift in favour of short-term deposits, was highly indicative of the uncertain climate and fears about the value of the dinar.

The most important factors behind the moderate growth during 1980 of money supply narrowly defined (M1) were credit restrictions and the increase in non-monetary liabilities. Substantial withdrawals of money through foreign exchange transactions also had a stronger contractionary impact on M1 than in 1979 largely reflecting exchange rate changes. The appreciable devaluation of the dinar during 1980 raised the dinar value of the current external deficit as well as the dinar value of foreign exchange deposits with Yugoslav banks. Out of an increase of dinars 64 billion in non-monetary deposits during the first half of 1980, probably more than four-fifths was due to the increased dinar value of foreign currency liabilities to domestic clients arising mainly from the devaluation. This was more pronounced in the case of household deposits with banks; whereas household deposits in dinars grew by only 2¼ per cent during 1980, those in foreign exchange grew by nearly 50 per cent, out of which, about

Table 18 Basic flows of reserve money creation
Billion dinars

	Position end-1979	Changes during period			
		1977	1978	1979	1980
I CENTRAL BANK OPERATIONS					
Domestic transactions					
1 Credits to business banks and funds	98.3	10.3	11.1	28.2	36.6
2 Credits to the Federal Government and other clients	107.2	12.5	10.4	9.1	9.9
Foreign exchange operations	-18.6	-2.6	4.7	-38.3	-40.4
Change in minimum reserves	—	..	1.7	14.0	15.2
TOTAL	186.9	20.2	27.9	13.0	21.3
II AUTONOMOUS OFFSETS					
1 Clients' deposits with the National Bank	20.8	0.2	-1.9	-4.9	-2.3
2 Float	11.2	1.9	-8.1	2.9	-4.5
3 Currency in circulation	90.7	-9.2	-16.6	-15.7	-25.3
4 Compulsory reserves	51.3	-12.3	-9.9	-4.5	-15.1
5 Other deposits of business banks with the National Bank	18.5	-0.8	-6.5	-3.9	-1.2
6 Treasury bills	5.1	0.6	0.3	0.1	0.1
7 Other	-30.6	-1.6	12.4	19.2	27.8
TOTAL	167.0	-21.2	-30.3	-6.8	-20.5

Source: Direct communication to the OECD.

⁴² Reserve requirements apply only on certain short-term assets, notably housing and saving deposits are exempted.

⁴³ The increase in bank liquidity from lowering the reserve requirements was in part mopped up by obliging banks to purchase Federal bonds to finance the Federal deficit.

two-thirds was due to devaluation effect⁴⁴. As a result, the share of foreign exchange deposits in total household deposits grew from slightly less than 50 to about 60 per cent in the year to end-1980. The shift away from dinars was influenced not only by the fears of accelerating inflation but also by the appreciable negative real interest rates on the dinar deposits. The composition of the increase in money supply also differed in 1980, underlining the movement away from dinar deposits. During the previous three years, deposits with banks accounted on average for a little more than 80 per cent of money supply growth but in 1980 it accounted for 60 per cent. Accordingly, the contribution of currency to the growth of money supply increased from 24 per cent in 1979 to 40 per cent in 1980.

In line with the government's stabilisation objectives, the stance of monetary policy in 1981, insofar as it concerns money supply and credit expansion, is designed to continue to be restrictive. The target growth of M1 and of credit expansion is set at 22 per cent during 1981 well below the growth of Social Product. The National Bank has given detailed instructions to banks to adjust their credit plans accordingly and it has announced that penalties will be imposed for any excess over the quarterly targets which have to be made good during the next quarter. The authorities also intend to curb the growth of reserve money creation by limiting selective credits, which at present cover a wide variety of activities and which have been difficult to control. On the other hand

Table 19 Interest rates
In per cent

	1977	1978		1979		1980	
	Q4	Q2	Q4	Q2	Q4	Q1	Q3
Central Bank							
Official discount rate	8.6	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
Loan rates							
Short-term	9.31	8.93	9.60	9.05	8.78	8.10	9.70
Medium- and long-term	8.58	9.07	8.99	6.52	6.91	6.62	5.46
Credit to households							
Consumer credits	12.0	12.0	12.0	12.0	12.0	12.0	12.0
Credit for housing construction	6.24	5.08	5.21	4.64	5.75	5.90	5.78
Deposit rates							
Time deposits by OALs ¹							
Up to 1 year	3.42	4.48	4.55	5.41	5.09	6.53	5.78
Over 1 year	4.80	7.06	6.04	6.31	7.56	5.99	7.19
Deposits by household							
Sight deposits	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
Over 2 years	10.0	10.0	10.0	10.0	10.0	10.0	10.0

1 Organisations of associated labour (= "enterprises").
Source: *Quarterly Bulletin of the National Bank*.

44 These are preliminary estimates pending the final data on money supply, total deposits and foreign exchange deposits up to the end of December 1980.

it is intended to augment the share of the National Bank's discount facilities thus making the control over reserve money creation more efficient. In order to dampen credit demand for investment, the use of short-term bank resources for granting short-term credits was raised from 35 per cent in 1980 to 50 per cent in 1981⁴⁵. For the first time also, controls on housing credits are included in the credit ceiling.

In the 1981 Economic Resolution it was announced that interest rates are to be raised to enable policy to have a more active role in the future management of the economy. At present nominal rates are extremely low, resulting in sizeable negative real rates which are an important inducement to borrow and undermine both the short-run stabilisation objectives and the long-run aim of promoting more efficient investment and growth. The intended increase in rates is partly designed to reduce the burden on banks of the interest payments on foreign exchange deposits (over 50 per cent of total household deposits); during 1980 a rate of $7\frac{1}{2}$ to 10 per cent was paid *in foreign exchange* on foreign exchange holdings⁴⁶, the same as the rates payable *in dinars* on household dinar deposits. Rates on enterprise deposits are to be brought into line with those on household deposits by raising them up to 10 per cent. The National Bank of Yugoslavia also intends to raise its lending rates from the presently low weighted-average rate of 3 per cent. However, the recent acceleration of inflation has more than offset the proposed increases in nominal interest rates.

Income and price policies

Following the substantial decline in average earnings in 1980, the authorities aim to broadly maintain employees' purchasing power in 1981. Moreover, according to the income guidelines, the rise in the wage and salary bill will be limited to the rise of total enterprise income and below the rate of increase in gross savings (profits). But in contrast to 1980, the current guidelines do not impose fixed differentials between the increases in the wage and salary bill and gross savings of enterprises. In addition, within certain categories (mainly in non-productive sectors) there are limits imposed on the increase in real wages which must be kept below the rise of productivity.

To increase the role of "market criteria" in price fixing, price policy was substantially changed towards the end of last year⁴⁷. Price controls on a considerable number of products (mainly those in sufficient supply and not affecting significantly the cost of living) were lifted in October 1980. As a result, about one-third of industrial production is now under the free price regime compared with 22 per cent previously⁴⁸. In addition, the Federal Bureau for Prices which had been partly responsible for controlling prices of about 80 per cent of total products and services, has been abolished and replaced by "communities for prices". Of prices now subject to control, the "communities" at the Federal level will be responsible for the prices of about 47 per cent of

45 At the same time the maturity of short-term credits is reduced from two to one year.

46 Deposits in foreign currencies and foreign currency liabilities to the rest of the world accounted for almost one-third of total bank liabilities at the end of 1980. When converted to dinars the interest rate on foreign exchange deposits by households was around 45 per cent during 1980.

47 A concise presentation of the pricing policies in force up to late 1980 was given in the OECD Economic Survey of Yugoslavia, June 1979.

48 The prices of 23 per cent of all goods and services are fixed at either the Federal or Republican and other junior government levels. For 44 per cent of goods and services prior approval for any price rise is required. And 30 per cent are not subject to price controls, but notification for price rise is still necessary.

products and services, with the "communities" at the Republican level responsible for the rest. This represents a marked shift in responsibility from the Federal authorities to the Republics and other levels of government. Under the new arrangements, representatives from all stages of production and consumption are given the task of fixing prices in consultation with representatives of government, economic chambers and trade unions which form the "self-managed communities for prices". In effect, the prices of 70 per cent of all goods and services now have to be agreed by the "self-managed communities" at all levels of government.

As the system is not yet fully established, it is too early to make a detailed assessment of how it is working, how the concept of "market criteria" will work in practice, and whether distortions could arise in the pattern of price rises and eventually in resource allocation. For 1981, while the system is being implemented and in order to ease inflationary pressures and expectations following the acceleration of the rise in retail prices to 47 per cent in the first two months of 1981 special measures were taken early in March 1981. Temporary freezes (up to September 1981) on a number of essential products and services were announced (mainly on certain foodstuffs) while in order to check the rise in prices, oil, gas, coal, PTT, transport and some other selected goods and services were brought under government control.

Short-term outlook

Based on the policy goals described earlier, the 1981 Economic Resolution forecasts sluggish domestic demand, a moderate rate of growth of Social Product and a further reduction in the current external deficit to below \$2 billion (Table 20). The achievement of the main targets is likely to depend considerably on the rate of inflation, the target for which was set in March 1981—a rise in retail prices of no more than 32 per cent during 1981. This rate is somewhat lower than during 1980, but reflecting the sharp acceleration in inflation since mid-1980 (Table 21), it is clear that the average rise in prices will be higher in 1981 than in 1980.

The price freeze on selected goods and services up to September 1981 and continuing price controls thereafter coupled with the authorities' determined anti-inflationary posture should help in stemming the strong speculative forces and inflationary expectations at work up to the beginning of the year. Accordingly, the year-on-year increase in retail prices should decline by the end of 1981 to below the high rate recorded in the first three months of the year, but probably not as much as the authorities would desire. Firstly, the objective of maintaining most workers' purchasing power implies a considerably stronger rise in average earnings and hence of unit labour costs than during 1980. Second, the increase in indirect taxes added 3½ percentage points to the retail price index in January and the rise in the prices of oil and derivatives an additional 2½ percentage points, whose influence on the year-on-year price rise will still be felt up to the end of 1980. Third, because of the effects of the sizeable devaluation of the dinar since mid-1980 and the official policy of continuing exchange rate adjustments to maintain external competitiveness, import prices in dinars will continue to rise at a relatively fast rate, thus maintaining an upward pressure on costs.

In total, a further decline in real net average earnings seems likely. Reflecting some pick-up in agricultural output and rapidly rising agricultural prices, agricultural real incomes may increase a little. Social security transfers are also expected to increase in real terms partly because of an increase in the number of people eligible for pensions. Nonetheless, total real personal income

Table 20 The 1981 Economic Resolution

	Volume percentage change	
	1980 ¹	1981 ² Forecast
Private consumption	1	2½
Collective consumption	¾	-2½
Fixed investment	-2	-5½
Stockbuilding ³	-½	¾
Total domestic demand ⁴	-1½	¾
Foreign balance ³	4½	2½
Social Product	3	3½
Agricultural output	-2½	4
Non-agricultural output	4	3
Industrial output	4½	4
Construction	2	-2½
Service output	4	3½
Employment in social sector	3	1½
Productivity growth		
Social sector, productive activities	1	1½
Industry	1½	2½
	\$ billion	
Merchandise exports	9	10½
Merchandise imports	15	16½
Trade deficit	6	6
Invisible receipts	9	9½
Invisible payments	5	5½
Invisible surplus	4	4½
Current account balance of payments deficit	2½	1½

1 1975 prices.

2 1980 prices.

3 Percentage point contribution to SP growth.

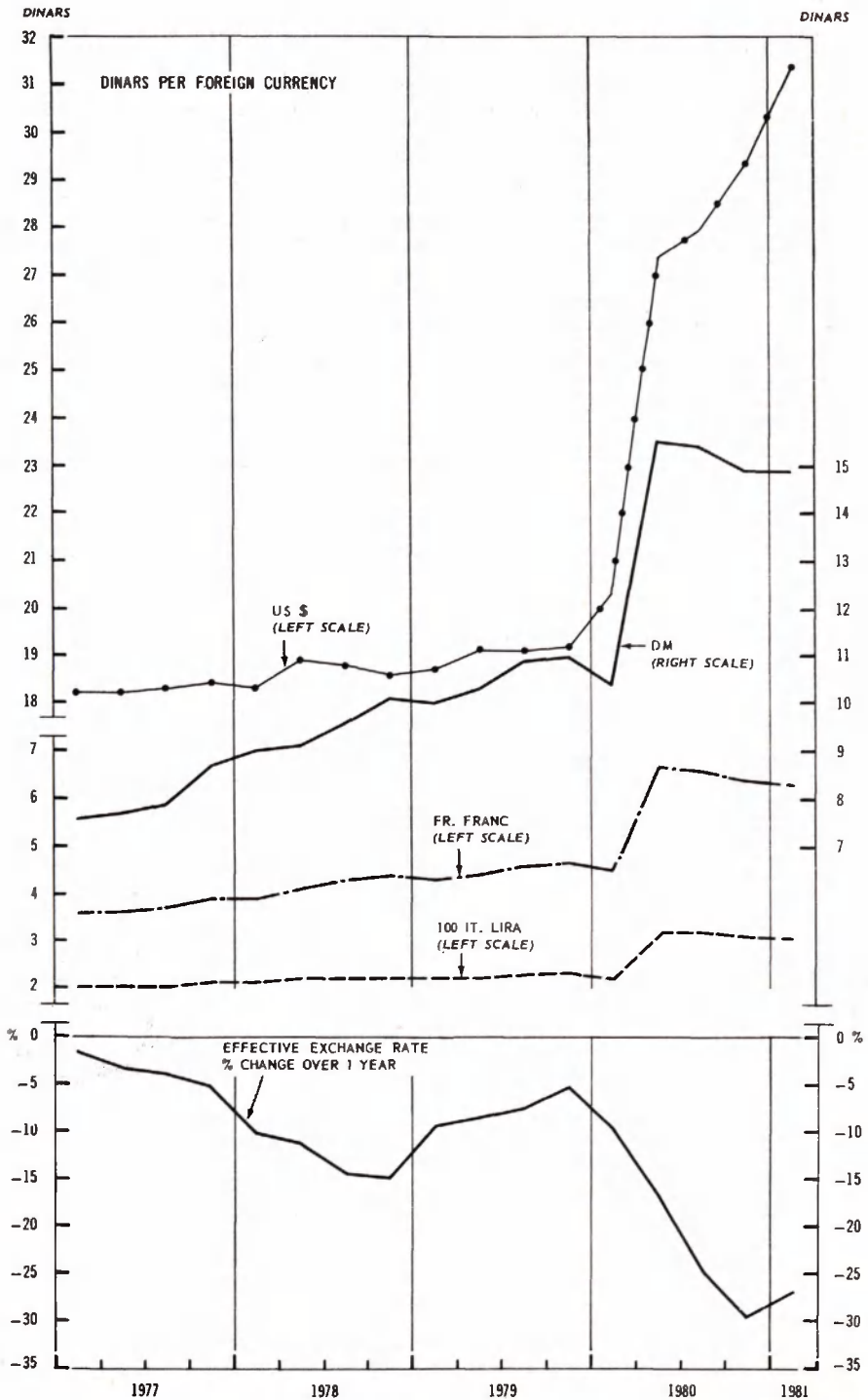
4 Including statistical discrepancy.

Source: Direct communication to the OECD.

could again decline in 1981 but this fall could be cushioned by a fall in the savings rate, so that private consumption may remain broadly stagnant. The expected fall in the savings rate is largely due to the rapidly falling value of the dinar and the desire on the part of households to purchase goods as a hedge against inflation. Government consumption is officially forecast to decline markedly in real terms. Similarly, owing to the government's decision to stop new investment in administration, education and cultural, health and other social activities, total government investment is also expected to decline substantially (the official forecast is a fall of roughly 30 per cent in these areas).

The Economic Resolution for 1981 also forecasts a sharp decline (4½ per cent) in enterprise investment. The realisation of this projection, however, is likely to be dependent on the effects of inflation on the financial position of enterprises and the stance of monetary policy. In the past, there have been frequent upward revisions in monetary and credit targets in the course of the year roughly in line with the growth of demand for credit, especially when credit was used to finance fixed investment. In the face of high inflation, the authorities are determined to observe the non-accommodating monetary policy stance that they have announced. There may be some overshooting of the credit ceilings, but if this is limited and there is downward pressure on profits the forecast fall

Diagram 7 Exchange rates



Sources: National Bank of Yugoslavia and OECD estimates.

in fixed investment may well be realised or even exceeded. The forecasts show continuing growth of stockbuilding, which in the event may be greater than the authorities expect particularly as final domestic demand and foreign demand may be weaker than is officially forecast, thus leading to some involuntary stockbuilding. Also, if finance is available, the shift towards short-term bank credit favours stockbuilding and inflationary expectations are an incentive to move out of financial assets.

Total domestic demand may decline a little or at best stagnate broadly in line with the official forecast. The authorities expect a growth rate of export volumes of 7 per cent which may be optimistic, the prospects for the growth of world trade being somewhat weaker than when the forecast was made. The sharp decline expected in import volumes will depend partly on domestic demand. Some decline, or at least stagnation, in import volumes seems probable due to the sluggishness of domestic demand and the possibility of resort on a temporary basis to administrative measures as in 1980 to limit imports of certain non-essentials. However, the forecast improvement in the real foreign balance may be on the high side, which also suggests that the growth of Social Product in 1981 will be modest and less than the official estimate of $3\frac{1}{2}$ per cent (Table 20).

Already at the beginning of 1981 industrial production was broadly stagnant at the early 1980 level while volume retail sales were some 4 per cent lower than a year earlier (Table 21). The expected slower growth of non-agricultural output in 1981 is likely to be accompanied by a deceleration in the growth of non-agricultural employment, from about $3\frac{1}{4}$ in 1980 to around $1\frac{1}{2}$ per cent in 1981, which implies broadly unchanged productivity levels in 1980 as a whole. The improvement in the real foreign trade balance should broadly offset an

Table 21 Conjunctural indicators

1980 Year	1980				1981			
	Q3	Q4	Nov.	Dec.	Jan.	Feb.	March	
Percentage change from previous year								
Industrial production	4½	3½	4½	5½	1½	2½	-½	4½
Construction, hours worked	-2½	-1	-4	-4	-7½	-½	-5	
Volume retail sales	1	4½	-2½	-3	-7	-3½	-5½	-6½
Volume retail stocks	½	-1	-3½	-½	-4½	-8½	-7½	
Employment	3½	2½	2½	2½	2½	2½	2½	-11½
Producer prices								
Industrial	27½	27	37½	37½	39½	47½	46½	48½
Agricultural	33	32½	44	46	45½			
Retail prices, total	30½	30	37½	38	39½	47	47	49½
Industrial goods	30½	31½	39	38½	41½	52½	50½	53½
Services	22½	20	23½	23½	24½	27	30½	28½
Net average earnings								
Nominal	20½	21½	23½	23	27	28		
Real	-7½	-6	-11½	-11	-11½	-12		
\$ million (annual rate)					Q1			
Trade deficit, s.a.	6 077	6 380	5 812	5 388	5 004	(5½)		
Exports	8 987	9 108	9 644	9 888	9 504	(9½)		
Imports	15 064	15 488	15 456	15 276	14 508	(15½)		

Sources: Official press notices and *Indeksi*; *Monthly Review of Yugoslav Economic Statistics*, Federal Statistical Office.

expected small deterioration in the terms of trade so that the trade deficit may remain in 1981 at last year's level of some \$6 billion, or even decline slightly, especially if total demand stagnates. Already in the first quarter of 1981 the value of exports was somewhat above the previous year's level whereas that of imports was lower resulting in a marked decline of the trade deficit. Reflecting a higher level of tourist receipts and emigrant remittances which should more than cover the rise in the net interest payments, a further improvement in the invisible surplus seems probable. In total, the official target to reduce the current external deficit of \$1.8 billion this year would seem to be within the range of probabilities.

IV CONCLUSIONS

The Yugoslav economy is now going through a stabilisation phase. An important shift of policy towards restraint of domestic demand and a considerable devaluation of the dinar have already produced substantial results—notably a marked improvement in the current balance of payments despite the unfavourable impact of higher oil prices. However, inflation has accelerated to very high rates (47 per cent for retail prices over the twelve months to February 1981) reflecting partly the inevitable correction of distortions which had built up over several years. The present momentum of price increases and the strength of inflationary expectations risk undermining the progress made so far towards the official stabilisation objectives and represent the major immediate challenge for economic policy.

The rapid growth of output in the three years to 1979—much faster than in the country's principal export markets both in OECD and in Eastern Europe—was clearly unsustainable, the more so as it was based on an increase of domestic demand of about 9 per cent on average in real terms, while export volumes were declining. The tightening of policy produced a sharp reversal of these trends in 1980: growth of the Social Product slowed down markedly (though at about 4 per cent for non-agricultural output it was still significant) and was more than accounted for by a shift of demand to net exports. Broadly similar developments are expected in 1981 and it is imperative that the restrictive stance of fiscal and monetary policies laid down in the annual Resolution should not be relaxed prematurely.

The fact that inflation has accelerated substantially since last autumn—at the same time as the trend of output flattened and both fixed investment and real personal incomes were falling—can be ascribed partly to normal time-lags and external factors, but also to delayed and not entirely consistent adjustments of policy. Over a number of years, the effective depreciation of the exchange rate had been very small in view of the persistent strong rise of domestic costs and the underlying weak trend of emigrants' remittances, which called for bigger adjustments in the foreign trade and service accounts. The devaluation of June 1980 was, accordingly, sizeable. But its inevitable effects on the price level were exacerbated by the rise in world oil prices and by the operation of a set of domestic policies and institutional arrangements. Significant increases in controlled prices of certain agricultural products and domestically-produced energy were undoubtedly necessary. But the whole system of extensive price controls came under great pressure and, with a radical change of its legal basis

last December, became inoperative for some time. Regulation of incomes introduced last year concerned the *relative* increases of nominal earnings and producers' prices, with the justified objective of increasing enterprises' internally generated investible funds. All these factors were involved in the inflationary process. The maintenance of low nominal interest rates, which became strongly negative in real terms, stimulated the preference for real assets and the heightened inflationary expectations produced a substantial shift from dinar to foreign currency deposits with Yugoslav banks.

There is nothing inevitable in the recent exceptionally high rate of inflation. Although considerable price rises are probably unavoidable in the very near future because of cost increases still in the pipeline, there is no doubt that energetic policy measures could bring about a deceleration of inflation in the course of 1981, and the measures announced on 9th March can be considered as a first step in this direction. It is essential to maintain a sufficiently restrictive fiscal and credit policy, according to official plans for this year; but the effectiveness of credit policy would be greatly enhanced if it were possible to raise interest rates considerably—even as an exceptional measure, pending the basic review of regulations and practices in this area which is being pursued. Temporary freezing of incomes and prices might conceivably be useful, but only if it were to facilitate action aimed at the causes of inflation rather than the symptoms. The official objective of maintaining real earnings at last year's average level may be difficult to achieve. It would, however, seem preferable by far to aim at only moderate nominal increases in the near future (entailing a temporary decline in real earnings) accompanied by further vigorous efforts to slow down price rises—including, if necessary, exceptional imports of merchandise. The alternative course of policy—to accept further intensification of the price/incomes spiral—would probably result in a comparable decline of real earnings this year; but by prolonging the period of disinflation it would increase the cumulative loss of potential output and real incomes.

Beyond the short-term stabilisation objectives, there has been a significant reorientation of medium-term policy. The new Plan for 1981-1985 sets a target of 4½ per cent for the average growth of Social Product, which is much less ambitious than the 7 per cent target of the previous Five-Year Plan though it may still look high compared with other countries' projections for this period. More importantly, the target for domestic demand growth has been set at only 2½ per cent, with the growth of exports expected to be the principal expansionary factor. The Plan also foresees a gradual decline in the current balance of payments deficit until its virtual elimination by the mid-1980s. An IMF standby credit of about \$2 billion over the next three years has recently been arranged, which together with additional lines of credit are expected to finance the current deficit over the next few years.

The emphasis in the new Plan on export growth as the principal means of reducing the balance of payments constraint is to be welcomed. As was pointed out in Part II of this Survey, the pattern of development during much of the 1970s has undermined rather than improved the underlying position of the current balance of payments. There was a sharp increase of the share of fixed investment in the Social Product, which both fuelled an excessive growth of total domestic demand and was probably not particularly efficient. Moreover, it encouraged undue product diversification and, together with some duplication of investment projects in the Republics, aggravated the effects of insufficient specialisation and of economies of scale. At the same time, slower growth in the OECD area and the need to pay for higher-priced oil and raw materials from non-OECD countries resulted in continuing heavy dependence of Yugoslav manufactured exports on bilateral trade markets where competition is less keen,

with negative feedback effects on the efficiency of Yugoslav industry. The reversal of these trends envisaged in the new Plan will not be easy to bring about, but there are a number of important positive factors. First, the planned slower growth and better control of domestic demand; in particular, the projection of a 1½ per cent average growth of fixed investment, compared with over 7 per cent during the 1970s, implies a much more severe scrutiny of investment projects. Secondly, the present more realistic level of the exchange rate which, it may be hoped, will be adjusted in a more flexible manner in the future. And thirdly, although significant barriers to trade remain, last year's agreement with the EEC has increased the scope for the expansion of Yugoslav exports to Western Europe.

Whereas the new policy objectives concerning the growth of output and the pattern of demand in real terms seem reasonable, the question arises whether sufficient attention has been paid in the medium-term projections to the nominal aspects such as income and expenditure flows. These are obviously important for the projected rate of inflation, which will in turn influence the pattern of real resource use. Indeed, a thorough examination of the incomes and prices regulations and institutional set-up seems necessary if inflation is to be permanently brought under control. Two important subjects can be mentioned in this context, namely the balance of payments and the low interest rate policy.

The balance of payments continues to be a major constraint on output and employment growth. Various impediments to imports and incentives to exports have been introduced in the past, including retention of part of foreign exchange receipts by exporters, of rather doubtful long-term efficiency compared with more general policy measures including appropriate adjustments of the exchange rate. Some firms having legal access to foreign exchange and other firms needing to import have been entering into arrangements implying various indirect advantages, even when the foreign currencies were accounted for at the official rates. The distortions arising from such practices, however, should be reduced by the new official policy of flexible and realistic adjustment of the exchange rate to underlying relative price movements. Such exchange rate adjustments could be moderate in the future if better control of the domestic factors of inflation were to be achieved.

Another important subject, already discussed in earlier OECD Surveys and referred to above, is the low and inflexible level of nominal interest rates. Even when the rate of inflation was much lower than in the recent past, this policy has probably complicated considerably the task of overall monetary and credit control; it has encouraged an excessive level of stockbuilding and fixed investment; and it has deprived the economy of a simple, general yardstick for screening investment projects, even though additional considerations have to be taken into account for estimating their social rate of return. Persistence with this policy in a period of very high inflation has exacerbated the distortions resulting from strongly negative real interest rates. In addition, the general rise of interest rates abroad has brought into focus a basic contradiction. The country's current external deficit equals, by definition, the excess of domestic investment over domestic saving. The deficit has to be financed by borrowing abroad, partly at commercial high rates of interest for non-official loans, the cost of foreign exchange being ultimately borne by all Yugoslav residents. Against this, the excess investment which made the borrowing abroad necessary is being "burdened" with a low interest rate in dinars, which is largely negative in real terms. It is to be hoped that the review of the system will be completed as soon as possible.

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STATISTICAL ANNEX

Table A Social Product (Yugoslav definitions and concepts)

Millions of dinars

	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
<i>Current prices</i>											
Consumers' expenditure	71 706	86 305	110 514	137 025	168 877	220 187	275 283	326 191	397 837	487 200	622 447
Collective consumption	13 409	14 689	17 508	21 286	26 708	35 962	49 620	60 265	72 556	86 439	110 900
Gross fixed capital formation	41 049	51 723	64 651	73 977	85 502	117 387	163 287	207 283	267 956	357 314	447 581
Change in stocks	7 297	13 638	21 983	14 500	31 957	57 827	44 760	30 286	59 100	28 767	82 209
Foreign balance	-3 459	-9 723	-15 043	-8 024	-14 550	-44 698	-43 606	-25 897	-59 553	-73 768	-118 527
Exports of goods and services	26 264	30 381	40 575	56 026	72 278	95 128	105 231	120 851	129 855	146 929	201 309
Imports of goods and services	29 723	40 104	55 618	64 050	86 828	139 826	148 837	146 748	189 408	220 697	319 836
Statistical discrepancy	1 958	575	4 863	6 631	7 832	20 555	13 651	-5 568	-3 592	15 863	20 807
Social Product	131 960	157 207	204 476	245 395	306 326	407 220	502 995	592 560	734 304	901 815	1 165 417
<i>1972 prices</i>											
Consumers' expenditure	112 042	120 960	130 960	137 025	140 695	151 030	156 174	163 097	174 595	186 737	197 319
Collective consumption	19 602	20 269	20 256	21 286	22 160	23 774	25 980	28 448	30 553	32 540	34 000
Gross fixed capital formation	61 587	69 478	72 668	73 977	77 074	84 054	92 181	99 689	109 114	120 589	128 293
Change in stocks	11 401	18 941	25 967	14 500	21 344	31 095	19 132	15 380	22 123	9 683	25 300
Foreign balance	-5 699	-16 828	-20 911	-8 024	-14 719	-24 866	-23 556	-9 075	-22 878	-22 521	-29 682
Exports of goods and services	44 260	45 941	47 622	56 026	59 835	60 424	59 346	68 189	64 508	63 991	63 702
Imports of goods and services	49 959	62 769	68 533	64 050	74 554	85 290	82 902	77 264	87 386	86 512	93 384
Statistical discrepancy	7 406	5 127	6 600	6 631	11 130	14 598	19 982	3 652	11 814	20 771	17 087
Social Product	206 339	217 947	235 540	245 395	257 684	279 685	289 893	301 191	325 321	347 799	372 317

Source: Direct communication to the OECD.

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

	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
Consumers' expenditure on goods and services	69 238	79 944	95 593	121 722	151 687	187 146	244 100	294 900	351 500	428 950	528 400	672 125
Government current expenditure on goods and services	23 000	26 054	30 484	36 686	45 290	52 742	74 300	97 900	118 700	147 500	177 200	227 500
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	447 581
Change in stocks	3 913	7 297	13 638	21 983	14 702	31 957	57 800	44 600	30 300	59 100	28 767	82 209
Exports of goods and services	23 212	27 383	31 841	42 909	59 206	76 436	101 100	111 200	129 500	136 400	153 220	206 575
less: Imports of goods and services	25 191	29 894	40 494	56 291	64 996	87 951	142 000	150 000	148 800	190 800	221 188	325 232
Statistical discrepancy	755	1 034	-867	3 651	3 296	7 832	20 013	15 313	-5 683	-13 906	-10 994	-16 822
Gross domestic product at market prices	129 971	152 867	181 918	235 311	283 162	353 664	472 700	577 200	682 800	835 200	1 012 719	1 293 936
Income from the rest of the world	1 628	2 724	5 728	10 024	15 411	22 644	26 710	26 773	29 000	34 800	55 570	64 687
Income payments to the rest of the world	1 085	1 290	1 610	2 236	2 818	3 778	4 800	4 273	5 000	6 400	8 300	15 604
Gross national product at market prices	130 514	154 301	186 036	243 099	295 755	372 530	494 610	599 700	706 800	863 600	1 059 989	1 343 019
Indirect taxes	11 504	12 628	15 864	22 041	27 279	29 239	58 070	62 000	71 200	105 300	123 172	163 085
Subsidies	991	935	1 287	2 790	7 015	8 194	12 280	15 000	10 000	26 100	26 400	34 233
Gross national product at factor cost	120 001	142 608	171 459	223 848	275 491	351 485	448 820	552 700	645 600	784 400	963 217	1 214 167
Depreciation and funds for other purposes	12 041	14 238	16 644	21 180	27 979	36 290	50 840	61 000	70 000	83 600	102 717	128 507
Net national product at factor cost	107 960	128 370	154 815	202 668	247 512	315 195	397 980	491 700	575 600	700 800	860 500	1 085 660

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

	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
Agriculture, forestry and fishing	23 310	27 129	29 612	37 346	43 273	59 250	70 900	80 700	97 250	113 700	115 228	149 207
Mining and quarrying	3 425	3 460	4 103	5 503	6 860	8 900	13 740	17 600	20 700	25 200	28 728	35 278
Manufacturing	33 954	39 086	48 590	63 889	77 570	98 514	130 020	171 600	191 400	239 200	287 165	360 679
Electricity, gas and water	3 401	3 779	4 411	5 477	6 891	8 450	9 500	13 200	15 400	19 200	25 600	32 040
Construction	13 348	15 180	19 490	25 108	29 888	33 600	43 750	57 400	61 600	79 400	99 079	127 512
Transport and communication	8 108	9 463	12 391	16 281	19 254	23 600	28 400	34 300	44 800	53 700	73 800	95 500
Wholesale and retail trade	12 391	14 325	17 367	23 501	27 193	33 150	42 000	52 600	56 300	71 500	88 100	117 750
Income from finance, insurance and real estate (land not built upon)	1 980	2 432	2 811	3 666	4 846	6 500	7 600	8 700	9 800	14 200	17 500	22 366
Owner-occupied housing	1 036	1 230	1 464	1 860	2 300	3 000	3 600	4 200	5 000	5 900	7 098	8 685
Public administration and defence	6 217	6 951	7 762	9 611	11 757	15 000	23 500	27 200	32 600	41 100	49 400	56 600
Health and education	7 314	8 684	10 416	13 209	16 476	19 700	26 983	31 300	35 000	44 800	58 500	72 423
Other services	5 687	6 654	8 646	11 003	13 672	18 040	27 317	31 400	21 450	48 200	65 749	87 044
Gross domestic product at factor cost	119 458	141 174	167 341	216 060	259 980	327 704	426 910	530 200	591 300	756 100	915 947	1 165 084
Net payment of income payable to factors of production by the rest of the world	543	1 434	4 118	7 788	12 593	19 320	21 910	22 500	24 000	28 300	47 270	49 083
Gross national product at factor cost	120 001	142 608	171 459	223 848	275 491	351 485	448 820	552 700	615 300	784 400	963 217	1 214 167
Adjustment	-713	2 801	278	-394	2 918	4 461	-400	—	—	—	—	—

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

	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
TOTAL	35 044	41 049	51 723	64 651	73 977	85 500	117 400	163 200	207 300	268 000	357 300	447 600
Private sector	6 589	7 423	9 657	13 335	16 098	22 100	28 200	30 900	36 300	45 700	53 600	71 000
Social sector	28 455	33 626	42 066	51 316	57 879	63 400	89 200	132 300	171 000	222 300	303 700	376 600
<i>by activity:</i>												
Productive	25 289	30 021	36 304	45 684	50 455	57 600	79 600	114 200	146 600	192 500	260 800	319 600
Non-productive	9 755	11 028	15 419	18 967	23 522	27 900	37 800	49 000	60 700	75 500	96 500	128 000
<i>by industry:</i>												
Agriculture and forestry	2 912	3 299	3 818	4 722	5 687	8 282	11 078	12 100	14 700	20 800	26 000	31 500
Industry	12 662	13 000	15 895	21 000	24 250	26 014	38 588	64 000	80 700	98 000	136 000	157 800
Building	881	1 365	1 642	1 700	2 015	2 340	3 328	4 000	4 800	9 300	10 900	13 800
Transportation	5 080	7 237	8 393	9 103	9 995	12 803	16 102	21 000	27 700	37 000	52 000	65 900
Trade, catering, tourism	3 175	4 274	5 791	6 985	6 144	5 190	7 218	9 400	10 400	15 900	20 000	28 890
Housing, communal activities	8 276	9 474	12 438	15 332	18 512	23 166	31 145	39 000	48 700	59 800	77 000	103 600
Other social sector	2 058	2 400	3 746	5 809	7 374	7 705	9 941	13 700	20 300	27 200	35 400	46 110
<i>by sector of asset:</i>												
Machinery and equipment	13 702	16 433	19 919	24 705	27 936	33 200	47 000	66 730	86 100	110 900	139 600	167 900
Domestic	7 760	9 288	11 499	13 553	16 400	18 800	27 100	35 530	50 200	64 900	85 600	109 000
Imported	5 942	7 145	8 420	11 152	11 536	14 400	19 900	31 200	35 900	46 000	54 000	58 900
Building	19 413	22 689	30 037	37 622	43 218	47 300	64 600	88 960	110 700	141 300	194 800	249 800
Other	1 929	1 927	1 767	2 324	2 823	5 000	5 800	7 510	10 500	15 800	22 900	29 900

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

	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
<i>National income:</i>											
Net wages and salaries of employees in productive enterprises and production of individual producers for own consumption	59 173	70 798	89 229	107 113	128 305	166 050	208 022	253 462	310 075	361 588	451 280
Taxes on income and Social Security payments	20 981	24 625	29 688	35 437	42 958	62 334	83 643	108 780	131 681	171 856	206 920
Interest and enterprise taxes	25 493	29 813	36 284	45 879	59 359	71 610	84 307	101 377	131 510	168 429	236 384
Accumulation of productive enterprises and individual producers	14 043	17 599	30 937	32 530	44 927	63 356	78 364	64 839	88 612	111 050	159 419
National income	119 690	142 835	186 138	220 959	275 549	363 350	454 336	528 458	661 878	812 923	1 054 003
plus: Depreciation	12 270	14 372	18 338	24 436	30 777	43 939	48 659	64 102	72 426	88 892	111 414
Social Product	131 960	157 207	204 476	245 395	306 326	407 289	502 995	592 560	734 304	901 815	1 165 417
<i>Household account:</i>											
Net wages and salaries of employees in productive enterprises and production of individual producers for own consumption	59 173	70 798	89 229	107 113	128 305	166 050	208 022	253 462	310 075	361 588	451 280
Net wages and salaries of employees in non-productive enterprises	13 497	16 012	20 054	24 149	28 675	37 321	48 294	58 440	74 007	91 644	114 369
Receipts from Social Security and other welfare funds	12 448	14 556	18 146	23 688	30 338	38 329	49 890	63 548	79 102	99 600	127 190
Other domestic transfer receipts	894	781	964	1 067	800	1 268	1 778	2 651	3 666	4 881	7 008
Net transfers from abroad	3 388	6 599	11 452	17 403	25 395	29 839	31 248	34 615	37 513	58 582	65 649
Total income received	89 400	108 746	139 845	173 420	213 513	272 807	339 232	412 716	504 363	616 295	765 496
Consumers' expenditure on goods and services of productive sector	62 110	75 783	98 107	122 162	150 477	197 967	249 083	295 351	362 117	447 710	572 842
Consumption of self-produced commodities	9 596	10 522	12 407	14 863	18 400	22 220	26 200	30 840	35 720	39 490	49 605
Consumer payments to non-productive sector	7 044	8 384	10 127	12 018	14 829	19 836	26 129	34 912	44 069	54 318	69 560
Savings	10 650	14 057	19 204	24 377	29 807	32 784	37 820	51 613	62 457	74 777	73 489
Savings ratio (in %)	11.9	12.9	13.7	14.1	14.0	12.0	11.1	12.5	12.4	12.1	9.6

Source: FSO, Statisticki Godišnjak.

Table F Agriculture

	Unit or base	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
<i>Indices of agricultural output</i>	1951-1955 = 100													
Total		167	183	175	187	184	197	209	203	217	227	213	225	(219)
Crop production		166	190	167	180	179	195	199	193	205	212	186	205	(197)
Livestock production		171	173	190	194	197	209	235	235	244	263	268	270	(269)
<i>Production of selected commodities</i>														
Wheat	Mill. metric tons	4.4	4.9	3.8	5.6	4.8	4.8	6.3	4.4	6.0	5.6	5.4	4.5	(5.1)
Maize	—	6.8	7.8	6.9	7.4	7.9	8.3	8.0	9.4	9.1	9.9	7.6	10.1	(9.1)
Sugar beet	—	2.9	3.6	2.9	3.0	3.3	3.3	4.3	4.2	4.7	5.3	5.2	5.9	(5.4)
Meat	Thous. metric t.	818	770	811	880	817	839	1 000	1 031	1 034	1 144	1 237	1 227	(1 230)
Forestry cuttings	Mill. cubic metres	17.6	17.1	17.5	17.9	17.3	17.4	18.2	18.6	18.5	19.5	19.7	19.9	(20.0)
Number of tractors in use ¹	Thousand	61.7	68.2 ²	80.0	96.7	120.5	150.0	195.1	225.5	260.9	296.8	342.0	385.1	..
Consumption of fertilizers	Thous. metric t.	1 918	1 820	1 678	1 747	1 821	1 919	1 817	1 964	1 970	2 056	2 147	2 203	..

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	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
<i>Indices of industrial production</i>	1970 = 100													
Total	Original base	82	92	100	110	119	126	139	147	152	167	181	195	204
Mining	1953 = 100	88	93	100	108	110	117	124	130	133	139	143	148	153
Manufacturing		82	92	100	110	119	126	140	149	154	168	184	200	208
Basic metals		82	91	100	108	121	132	150	157	158	171	188	196	199
Metal products		83	89	100	109	107	123	140	154	157	175	199	219	226
Chemicals		71	86	100	117	132	146	169	178	182	206	234	251	275
Textiles		91	96	100	107	118	125	135	142	145	152	158	172	182
Food, drinks, tobacco		85	91	100	111	119	126	136	137	147	160	173	187	189
<i>Output of selected commodities</i>														
Electricity	Billion kWh	20.6	23.4	26.0	29.5	33.2	35.1	39.5	40.0	43.6	48.6	51.3	55.0	59.4
Lignite and brown coal	Mill. metric tons	25.9	25.8	27.4	29.8	30.3	31.9	33.0	35.0	36.3	38.6	39.2	41.7	46.6
Petroleum products ¹	—	4.5	5.7	7.1	7.8	8.4	9.1	10.4	10.9	11.7	13.8	14.2	15.8	15.2
Copper ore	—	7.0	8.1	9.4	10.3	11.9	14.2	14.9	14.6	17.4	17.5	17.1	16.4	19.6
Lead ore	Thous. metric t.	112	118	127	124	120	119	120	127	122	130	124	130	121
Zinc ore	—	95	97	101	99	97	97	95	103	107	112	104	102	95
Crude steel	Mill. metric tons	2.0	2.2	2.2	2.4	2.6	2.7	2.8	2.9	2.8	3.2	3.5	3.5	3.6
Cement	—	3.8	4.0	4.4	4.9	5.8	6.3	6.6	7.1	7.6	8.0	8.7	9.1	9.3
Metal and wood-working machines	Thous. metric t.	8.0	9.9	10.9	12.6	15.9	12.5	15.5	17.1	20.5	28.6	31.9	37.5	46.4
Building machines	—	15.4	23.4	26.8	28.4	28.0	34.4	34.6	34.6	38.4	47.1	67.8	82.6	71.4
Rotating machines	—	14.5	15.3	21.5	26.0	26.8	30.7	34.3	39.8	30.1	34.9	40.6	44.1	43.6
Pulp and cellulose	—	468	475	450	489	517	527	560	527	495	584	612	608	606
Cotton fabrics	Mill. sq. metres	401	415	390	391	374	361	365	376	385	384	410	418	385

¹ Crude petroleum and refined.

Source: Direct communication to the OECD.

Table H Labour force and employment

	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
	<i>Thousand</i>												
Active population (mid-year estimate) ¹	8 725	8 780	8 834	8 890	9 014	9 034	9 087	9 147	9 206	9 242	9 286	9 324	9 385
Paid employment	3 587	3 706	3 850	4 034	4 210	4 306	4 514	4 758	4 925	5 148	5 383	5 615	5 798
Registered unemployment	311	331	320	291	315	382	449	540	635	700	735	762	785
Other labour force ²	4 827	4 743	4 664	4 565	4 489	4 346	4 124	3 849	3 646	3 394	3 168	2 947	2 802
Worker emigration (net) ³	401	572	783	923	1 020	1 100	1 035	940	870	825	800	790	770
Yugoslav workers employed in Germany ³	119	265	423	478	475	535	470	410	390	375	360	360	350
Paid domestic employment by sector:													
Social sector ⁴	3 487	3 622	3 765	3 944	4 115	4 213	4 423	4 667	4 833	5 052	5 280	5 506	5 681
Productive activities	2 900	3 011	3 130	3 279	3 422	3 495	3 671	3 876	4 004	4 182	4 364	4 560	4 709
Non-productive activities	587	611	635	665	693	718	752	791	829	870	916	946	972
Private sector	100	84	85	90	95	93	91	91	92	96	103	109	117
Paid domestic employment by industry ⁴ :													
Agriculture	167	162	159	158	160	161	168	176	178	179	183	188	191
Industry	1 335	1 385	1 438	1 512	1 591	1 638	1 726	1 819	1 874	1 954	2 022	2 102	2 162
Construction	373	394	412	424	430	420	444	479	500	531	567	602	622
Transportation and communication	275	281	291	303	315	320	329	346	357	372	381	387	399
Trade	317	336	357	385	411	429	452	476	494	507	529	558	582

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 1968-1976 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

	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Agricultural producer prices	91	100	115	145	180	225	257	291	333	373	417	524	703
Industrial producer prices	97	100	109	126	140	158	205	250	266	291	315	357	455
Materials	96	100	112	132	146	165	232	285	301	328	354	410	550
Capital goods	99	100	105	118	126	138	156	191	216	236	250	265	297
Consumer goods	96	100	107	121	136	154	188	227	239	265	291	323	391
Export unit values, in dollars	96	100	109	114	120	144	191	208	217	244	266	306	364
Import unit values, in dollars	95	100	108	112	119	142	207	218	225	255	267	318	382
Cost of living													
Total	93	100	111	128	149	178	216	268	299	345	394	474	617
of which:													
Food	93	100	112	131	156	190	220	273	312	369	425	503	661
Services	89	100	108	122	134	156	186	231	260	295	338	407	490
Wage per person employed in social sector	87	100	118	145	169	196	250	309	357	424	513	617	736

Source: Direct communication to the OECD.

**Table J Consolidated balance sheet of all banks¹
excluding financial and other organizations and internal banks**
Billions of dinars, end of period

	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Total short-term operations	65.3	93.6	118.4	139.1	169.1	227.7	274.9	397.8	494.3	870.6
Gold and foreign exchange	6.0	15.6	26.9	27.1	21.3	47.3	49.0	56.7	34.0	75.7
Foreign exchange receivables	4.5	6.8	6.3	7.4	16.6	11.2	10.2	8.7	10.3	51.2
Loans to organizations of associated labour performing economic activities	44.4	54.7	63.0	74.5	96.8	116.4	135.9	176.2	233.0	307.9
Loans to the Federal government and to other public institutions	1.2	2.8	2.4	2.8	7.2	12.5	16.9	14.3	14.7	17.4
Loans to households	1.0	0.9	1.1	1.9	2.5	3.8	4.8	4.8	5.8	7.7
Other assets ²	8.2	12.8	18.7	25.4	24.7	36.5	58.1	137.1	196.5	410.7
Total long-term operations	177.7	204.6	241.9	298.7	367.8	473.7	603.3	778.1	968.0	1 241.9
Foreign exchange receivables from the rest of the world	0.7	0.8	1.2	2.1	4.1	0.7	7.9	10.0	13.6	20.7
Loans to organizations of associated labour performing economic activities	107.6	124.8	147.2	186.4	230.9	290.3	365.8	454.9	571.0	733.7
Loans to the Federal government and to other public institutions	30.0	35.4	42.0	47.4	58.5	70.0	89.5	101.9	120.1	137.2
Loans to households	6.6	6.0	7.5	11.6	17.5	24.7	38.1	48.0	53.2	57.3
Loans for housing construction	25.4	29.9	34.5	40.5	45.2	59.1	64.9	97.0	136.0	193.2
Other assets ³	7.4	7.7	9.5	10.7	11.6	28.9	37.1	66.3	74.1	99.8
TOTAL ASSETS	243.0	298.2	360.3	437.8	536.9	701.4	878.2	1 175.9	1 462.3	2 112.5
Total short-term liabilities	117.7	150.9	195.1	244.3	312.8	423.2	519.2	698.6	860.5	1 268.8
Foreign exchange liabilities	22.3	25.4	29.7	39.4	51.0	57.1	73.1	111.0	157.3	321.5
Money supply	40.7	55.2	77.6	97.2	130.7	206.5	251.1	315.3	375.1	461.6
Other and restricted deposits	40.6	48.9	61.7	72.6	89.9	112.4	135.2	155.2	195.7	254.7
Other ⁴	14.1	21.4	26.1	35.1	41.2	47.2	59.8	117.1	132.4	231.0
Total long-term operations	105.0	125.8	145.0	170.6	196.7	241.6	314.2	419.4	536.4	769.7
Foreign exchange liabilities	13.0	20.8	29.5	39.2	52.9	71.6	98.9	144.6	197.1	349.6
Time deposits	27.7	28.3	30.3	34.7	42.0	55.8	71.8	105.2	132.1	163.1
Loans	64.3	76.7	85.2	96.7	101.8	114.2	143.5	169.6	207.2	257.0
Funds	20.3	21.5	20.2	22.9	27.4	36.6	44.8	57.9	65.4	74.0
TOTAL LIABILITIES	243.0	298.2	360.3	437.8	536.9	701.4	878.2	1 175.9	1 462.3	2 112.5

¹ Data for the period 1971-1979 have been recalculated in line with a new methodology of the National Bank of Yugoslavia.

² Placements in securities and other receivables.

³ Placements in securities, share in international financial organizations and other receivables.

⁴ Issued securities, receivables in payment operations and other liabilities.

Source: National Bank of Yugoslavia.

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

		1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
SITC SECTIONS														
IMPORTS														
0 and 1	Food, drink and tobacco	128	147	207	296	308	508	666	420	637	784	605	977	991
	<i>of which: Cereals and cereal preparations</i>	18	26	18	100	73	57	213	17	142	92	20	271	302
2	Raw materials	198	264	314	312	336	486	1 004	739	693	940	995	1 205	1 544
	<i>of which: Textile fibres and waste</i>	97	135	110	118	137	193	419	255	248	335	348	376	415
3	Mineral fuels	98	104	138	193	176	358	951	943	1 082	1 296	1 431	2 248	3 549
5	Chemicals	188	221	267	297	349	450	811	834	791	989	1 140	1 653	1 824
6	Semi-manufactures	427	544	826	917	844	1 081	1 806	1 747	1 364	1 763	1 698	2 243	2 376
	<i>of which: Base metals</i>	184	254	427	469	427	521	881	963	700	841	835	1 151	1 313
7 and 8	Finished manufactures	738	846	1 102	1 187	1 170	1 598	2 239	2 899	2 731	3 791	4 058	5 637	4 674
	<i>of which: Machinery</i>	464	516	629	768	785	981	1 382	1 987	1 935	2 580	2 833	3 993	3 450
	Transport equipment	181	208	326	250	233	434	576	628	548	814	796	1 038	766
4 and 9	Other	19	8	20	51	49	30	65	115	69	70	56	56	106
	Total	1 796	2 134	2 874	3 253	3 232	4 511	7 542	7 697	7 367	9 633	9 983	14 019	15 064
EXPORTS														
0 and 1	Food, drink and tobacco	261	289	314	319	392	459	412	478	618	607	687	720	1 023
	<i>of which: Live animals and meat</i>	142	159	159	176	247	251	148	222	261	267	313	300	352
	<i>Cereals and cereal preparations</i>	26	20	21	11	8	62	73	36	103	86	80	23	108
2	Raw materials	127	142	157	149	184	275	360	282	429	510	451	619	665
	<i>of which: Wood</i>	54	63	64	66	84	157	183	140	248	315	265	318	368
5	Chemicals	77	91	97	129	143	176	384	380	353	331	469	636	1 011
6	Semi-manufactures	324	431	492	494	603	814	1 245	1 180	1 337	1 204	1 259	1 606	1 994
	<i>of which: Base metals</i>	155	208	256	246	308	444	748	579	603	492	497	606	697
7 and 8	Finished manufactures	460	503	595	698	886	1 088	1 342	1 712	2 077	2 409	2 598	2 939	3 996
	<i>of which: Machinery</i>	148	165	192	242	301	365	491	622	802	1 000	1 030	1 329	1 656
	Ships	82	101	142	136	162	178	248	304	287	415	421	252	317
3, 4 and 9	Other	15	18	24	26	29	41	62	40	64	195	204	274	289
	Total	1 264	1 474	1 679	1 814	2 237	2 853	3 805	4 072	4 878	5 256	5 668	6 794	8 978

Source: Direct communication to the OECD.

Table L Imports and exports by area
Millions of US dollars

	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
<i>Imports, cif</i>													
OECD countries	1 147	1 379	1 981	2 140	2 113	2 820	4 562	4 677	4 038	5 481	5 890	8 530	7 955
EEC	796	963	1 334	1 435	1 423	1 905	3 016	3 162	2 876	3 806	3 829	5 699	5 220
Italy	269	317	378	396	400	531	889	869	760	1 029	827	1 146	1 117
Germany	320	389	567	617	604	856	1 356	1 437	1 233	1 571	1 801	2 887	2 500
United States	90	93	160	198	198	185	357	417	370	546	615	1 059	1 015
Other	261	323	487	507	492	730	1 189	1 098	792	1 129	1 446	1 772	1 720
Centrally planned economies ¹	489	511	593	778	802	1 117	1 755	1 907	2 259	2 781	2 498	3 542	4 526
of which: USSR	188	168	193	281	283	408	752	807	1 002	1 301	1 375	1 793	2 698
Developing countries	160	245	300	336	316	574	1 225	1 112	1 070	1 371	1 595	1 947	2 583
in Africa	48	72	78	85	100	146	292	159	258	323	397	570	936
in America	44	51	81	78	93	189	275	185	212	327	222	317	468
in Far-East	38	65	71	83	65	63	114	180	118	164	440	67	86
in Middle-East	30	57	70	90	57	176	544	588	482	555	536	993	1 093
Total	1 796	2 134	2 874	3 253	3 232	4 511	7 542	7 697	7 367	9 633	9 983	14 019	15 064
<i>Exports, fob</i>													
OECD countries	656	822	942	960	1 272	1 588	1 773	1 452	2 040	2 101	2 437	2 986	3 358
EEC	418	563	655	645	809	1 018	1 044	930	1 327	1 395	1 305	1 928	2 365
Italy	177	226	255	226	308	465	432	372	596	664	531	716	833
Germany	122	162	198	210	264	319	364	316	426	390	472	739	778
United States	89	93	90	109	150	233	316	265	354	297	371	373	393
Other	148	166	197	206	313	337	413	258	359	409	761	685	600
Centrally planned economies ¹	434	455	545	666	807	970	1 581	1 924	2 069	2 109	2 180	2 731	4 137
of which: USSR	207	206	242	267	329	407	668	1 012	1 142	1 138	1 394	1 401	2 489
Developing countries	173	198	192	188	158	295	451	696	769	1 046	1 051	1 077	1 483
in Europe	1	1	10	1	1	1	1	3	4	6	3	4	5
in Africa	52	57	60	68	55	113	170	289	307	469	467	543	735
in America	20	39	22	42	43	66	62	68	57	122	47	34	57
in Far-East	65	63	65	41	20	55	90	161	203	151	300	42	51
in Middle-East	35	37	35	36	39	60	128	175	198	298	234	454	635
Total	1 264	1 474	1 679	1 814	2 237	2 853	3 805	4 072	4 878	5 256	5 668	6 794	8 978

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

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980 ^a
Trade balance	-1 195	-1 435	-992	-1 658	-3 715	-3 625	-2 489	-4 380	-4 317	-7 225	-6 086
Exports, fob	1 678	1 817	2 241	2 853	3 805	4 072	4 878	5 254	5 671	6 794	8 978
Imports, cif	-2 874	-3 252	-3 233	-4 511	-7 520	-7 697	-7 367	-9 634	-9 988	-14 019	-15 064
Services and private transfers	847	1 079	1 412	2 144	2 532	2 622	2 654	2 798	3 061	3 564	3 795
Transportation	211	224	240	323 ²	396	473	429	568	585	731	832
Foreign travel	144	141	219	589 ²	644	702	725	751	930	1 028	1 370
Investment income	-119	-139	-155	-181	-198	-281	-279	-258	-300	-633	-1 084
Private transfers and workers' remittances	544	789	1 049	1 413	1 379	1 310	1 415	1 427	1 745	1 710	1 539
Other services	66	64	59		311	418	364	310	101	728	1 138
Official transfers	1	-1	-1	-1	—	—	—	—	—	—	—
Current balance	-348	-357	419	485	-1 183	-1 003	165	-1 582	-1 256	-3 661	-2 291
Non-monetary capital (including errors and omissions)	279	132	-14	301	731	1 203	1 046	1 383			
Long-term net	190	579	557	596	679	1 076	1 093	1 402	1 350	1 084	1 923
Other (including errors and omissions)	89	-447	-571	-295	52	127	-47	-19			
Allocation of SDR's	25	22	24	—	—	—	—	—	—	37	38
Monetary movements	44	203	-429	-786	-452	200	1 211	-199			
Bilateral balances	71	—	-113	—	-195	137	146	-161			
Net gold and foreign exchange position	118	-73	-538	-508	-257	63	1 065	-38	336	-1 474	180
National Bank and commercial banks' credit, net IMF account, SDR's	-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 data.

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	14 248	7 508	9 841	23 499	5 105	4 752	53 278	61 327	9 360	223	3 221	56 697 ²	114 920	358	13 937	3 129	4 060	9 820	36 778	8 278	6 337	42 738	55 902	218 717	21 968	
	Inhabitants per sq. km	Number	2	89	323	2	119	16	97	247	71	2	46	188	309	138	412	12	13	107	73	18	153	55	229	23	86	
	Net average annual increase	%	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	1.1	0.5	0.4	2.4	0.1	0.9	0.9	
EMPLOYMENT	1978	Thousands	5 975	3 015	3 711	9 972	2 473	2 074	20 921	24 679	(3 189)	(99)	1 033	19 932	54 080	150	4 569	(1 204)	1 854	3 772	12 091	4 115	2 839	14 907	24 610	94 373	9 276 ³	
	of which: Agriculture, forestry, fishing	% of total	6.4	10.9	3.2	5.7	8.7	12.3	9.1	6.5	(27.3)	(13.3)	22.2	15.5	11.7	5.7	6.2	(11.8)	8.7	31.3	20.2	6.1	8.4	60.9	2.7	3.7	36.8	
	Industry ⁴	"	31.6	40.6	36.6	28.7	30.3	34.4	37.1	45.1	(30.7)	(37.9)	30.9	38.3	35.0	43.1	32.5	(34.1)	31.6	34.8	37.3	33.0	42.7	16.5	39.7	31.2	21.8	
Other	"	62.0	48.5	60.2	65.6	61.0	53.3	53.8	48.4	(42.0)	(48.8)	46.9	46.2	53.3	51.2	61.3	(54.1)	59.7	33.9	42.5	60.9	48.9	22.6	57.6	65.1	41.4		
GROSS DOMESTIC PRODUCT at market prices	1978	US \$ billion ¹¹	109.1	58.1	96.9	205.3	55.9	33.9	471.6	638.9	31.6	2.2	12.2	260.1	973.9	3.5	130.8	18.4	40.0	17.8	147.1	87.3	84.6	52.5	309.2	2 112.4	47.1 ⁵	
	Average annual volume growth ⁶	%	2.5	2.8	2.3	3.3	1.9	2.2	3.0	1.9	3.6	3.8	3.5	4.0	3.7	0.6	2.6	1.1	4.6	2.3	3.2	1.3	-1.0	6.6	1.1	2.5	6.1	
	Per capita	US \$ ¹¹	7 660	7 730	9 850	8 740	10 950	7 130	8 850	10 420	3 370	9 770	3 780	4 590	8 480	9 800	9 380	5 880	9 850	1 820	3 960	10 550	13 340	1 160	5 530	9 660	2 140	
GROSS FIXED CAPITAL FORMATION	1978	% of GDP	22.7 ¹⁰	26.3	21.2	22.2	22.3	23.3	21.5	21.5	23.8 ⁴	25.5	26.7	18.8	30.2	25.8	21.2	20.5 ⁸	31.1	20.7	18.4	19.3	21.1	20.5	18.1	18.1	35.6	
	of which: Transport, machinery and equipment	"	10.0	9.7	6.5	7.6	7.4	7.8	9.1	8.9	8.1	6.8	(12.4)	7.8	10.9	9.2 ²²	8.2	..	11.0	7.0	..	7.2	7.0	..	9.2	7.3	..	
	Residential construction	"	4.0	16.5	7.3	5.7	7.5	7.0	6.9	6.0	8.4	5.8	..	5.0	7.3	6.6 ²²	5.9	..	5.1	3.6	..	5.0	..	3.8	3.2	5.0	..	
Average annual volume growth ⁶	%	0.4	1.7	2.1	2.2	-1.8	-3.1	0.4	0.0	-2.1	0.4	2.0	-1.7	1.2	-1.8	0.4	..	2.7	-2.9	-0.8	-1.5	-4.7	5.7	-0.7	0.5	9.8		
NATIONAL SAVINGS RATIO ¹²	1978	% of GNP	23.1 ¹⁰	26.7	20.3	20.6	19.0	23.9	23.7	25.1	21.1	26.6	17.7	22.2	32.6	36.2	22.5	24.3	25.1	11.5	20.8	17.4	26.8	19.8	21.1	18.5	17.3	
GENERAL GOVERNMENT	1978	% of GDP	16.8 ¹⁰	17.8	17.9	20.5	23.7	19.0	15.1	20.0	16.0	11.6	18.3	16.4	9.6	15.5	18.3	16.3	18.5	14.7	10.5	28.9	12.9	12.7	20.3	18.2	25.1	
	Current expenditure on goods and services	"	10.6 ¹⁰	19.1	22.5	12.6	16.3	16.1	25.6	19.6	12.3	..	..	17.0	11.1	29.3 ²²	31.7	..	25.9	9.1	12.7 ²²	29.2	15.4	10.5	15.5	11.2	..
	Current revenue	"	31.9 ¹⁰	44.5	42.7	35.8	49.0	40.2	42.3	43.3	30.2	..	..	37.0	24.3	37.9	54.4	..	52.1	27.1	26.6 ²²	60.3	34.0	25.9	38.8	32.6	44.0
NET OFFICIAL DEVELOPMENT ASSISTANCE	1978	% of GNP	0.5	0.3	0.6	0.5	0.7	0.2	0.6	0.4	..	..	..	0.1	0.2	..	0.8	0.3	0.9	..	..	0.9	0.2	..	0.5	0.3	..
INDICATORS OF LIVING STANDARDS	1978	US \$ ¹¹	4 600	4 230	6 120	4 980	6 080	3 970	5 440	5 750	2 200	5 860	2 430	2 810	4 900	5 770	5 550	3 490 ⁸	5 300	1 350	2 700	5 580	8 420	950	3 270	6 200	1 230	
	Private consumption per capita	Number	392	248	292	389 ¹⁴	271	227	314	326	66	315	180	289	173	398	277	385	273	107 ¹⁴	161	350 ¹⁴	307	11 ¹⁴	255 ¹⁴	505 ¹⁴	88	
	Passenger cars, per 1 000 inhabitants	"	404	325	315	618	493	429	329	374	250	429	161	285	424	523	418	533	386	120	261	717	657	28 ¹⁴	415	744	71	
	Telephones, per 1 000 inhabitants	"	351 ¹⁴	247 ¹⁶	286	428 ¹⁴	338	363 ¹⁴	274 ¹⁴	308	239 ¹⁴	214 ¹⁴	193	224	239 ²⁰	293 ¹⁴	279	259 ¹⁴	270 ¹⁴	76 ¹⁴	185 ¹⁴	363 ¹⁴	285 ¹⁴	44 ¹⁴	324	571 ²⁰	161 ¹⁴	
	Television sets, per 1 000 inhabitants	"	1.4 ¹³	2.3	2.0	1.7	1.9	1.5	1.5	2.0	2.1	1.7 ¹⁶	1.2	2.2	1.2	1.1	1.7	1.3 ¹³	1.8	1.2	1.8	1.7 ²⁰	1.9	0.6	1.3	1.6	1.4	
	Doctors, per 1 000 inhabitants	"	45.0	32.0	61.3 ²⁰	64.9	57.4	60.8 ²⁰	54.6	41.5	45.4 ²⁰	..	..	50.0 ¹⁴	43.9 ¹⁴	70.9	33.5 ²⁰	62.7	44.8	63.6	33.4 ¹⁴	35.5 ¹⁴	56.3 ¹⁴	70.1	12.7 ²⁰	44.6 ²⁰	73.7
	Full-time school enrolment ¹⁵	% of age group	14.3	16.9	14.0	14.3	8.9	12.0	11.4	15.5	20.3	10.1	15.7	17.6	17.6	8.9	10.6	9.5	13.9	10.5	38.9 ¹⁴	15.6	8.0	10.7 ¹⁴	..	14.0	14.0	36.7 ¹⁴
WAGES AND PRICES	Average annual increase																											
	Hourly earnings in industry ¹⁸	%	11.9	8.5	10.9	11.2	12.7	14.7 ²¹	14.0	6.5	23.6	36.7	17.7	22.0	9.1	..	7.8	14.8	11.4	20.1	26.5 ²¹	11.1	3.2	27.5 ²³	16.6	8.6	19.6	
Consumer prices	"	11.5	5.7	7.5	8.9	9.8	11.9	10.1	4.2	14.1	40.0	14.5	15.8	7.3	6.9	6.7	14.3	8.5	20.0	18.9	9.7	2.9	36.6	15.5	8.1	16.7		
FOREIGN TRADE	1979	US \$ million ¹¹	18 636	15 432	55 428 ⁷	55 932	14 616	11 148	97 980	171 516	3 852	792	7 164	72 120	103 032	..	63 624	4 709	13 452	3 480	18 192	27 528	26 472	2 472	90 816	181 800	6 240	
	As percentage of GDP	%	15.5	22.4	49.7	25.1	22.3	26.8	17.3	22.7	10.3	33.0	48.1	22.6	10.1	..	41.9	22.3	29.7	17.2	9.2	26.6	28.1	3.7	23.2	7.7	..	
	Average annual volume increase	%	4.7	6.5	3.5	4.9	4.1	4.5	5.1	3.0	8.4	10.6	9.7	8.1	5.9	..	3.6	5.1	8.5	6.8	10.3 ²¹	0.0	4.2	-2.7	4.4	4.1	3.8	
	Imports of goods, cif	US \$ million ¹¹	16 536	20 184	60 348 ⁷	53 520	18 456	11 304	106 872	157 752	9 624	828	9 864	77 808	110 672	..	67 212	4 566	13 728	6 540	25 380	28 536	29 304	5 688	102 828	207 132	12 360	
As percentage of GDP	%	13.7	29.3	54.1	24.0	28.1	27.2	18.9	20.9	25.7	34.5	66.2	24.4	10.8	..	44.3	21.6	30.3	32.4	12.9	27.6	31.1	8.6	26.3	8.8	..		
Average annual volume increase	%	1.7	6.6	3.2	3.2	3.6	-0.2	5.8	7.0	4.9	0.7	8.4	4.7	3.1	..	4.4	-3.2	2.3	0.8	0.5 ²¹	0.2	4.4	-2.8	3.6	5.8	2.1		
TOTAL OFFICIAL RESERVES ²⁴	End-1979	US \$ million	1 790	5 048	6 991 ⁷	3 887	3 312	1 586	21 357	56 940	1 126	165	2 230	21 239	20 327	..	9 619	453	4 269	1 962	13 898	3 583	20 275	941	20 694	19 956	1 336	
	As percentage of imports of goods	%	10.8	25.0	11.6	7.3	17.9	14.0	20.0	36.1	11.7	19.9	22.6	27.3	18.4	..	14.3	9.9	31.1	30.0	54.8	12.6	69.2	16.5	20.1	9.6	10.8	

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 Year ended 30th June.
11 At current prices and exchange rates.
12 $\frac{\text{GNP} - (\text{Priv. cons.} + \text{Pub. cons.})}{\text{GNP}} \times 100$.
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 1973.
20 1975.
21 1973 to 1978.
22 1977.
23 1972 to 1977.

24 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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