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ECONOMIC SURVEYS  
1981-1982

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

# YUGOSLAVIA

ORGANISATION DE COOPÉRATION ET DE DÉVELOPPEMENT ÉCONOMIQUES

JULY 1982



OECD ECONOMIC SURVEYS



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ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

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# BASIC STATISTICS OF YUGOSLAVIA

## THE LAND AND THE PEOPLE

Total area (1 000 sq. km)	256	Net increase in population, 1971-1981 (1 000), annual average	192
Agricultural area (1 000 sq. km) 1980	99.4	Total paid employment (1981, 1 000)	5 966
Forest area (1 000 sq. km) 1978	92.4	<i>of which:</i>	
Population (30.6.1981, 1 000)	22 491	Industry	2 242
Republics:		Building	622
Serbia	9 217	Agriculture (social sector)	200
Croatia	4 601	Active population in private agriculture (31.3.1971 census, 1 000)	3 892
Bosnia and Herzegovina	4 296		
Macedonia	1 941		
Slovenia	1 835		
Montenegro	601		
Major cities (31.3.1971 census):			
Belgrade	1 209		
Zagreb	602		
Skopje	389		
Sarajevo	292		
Ljubljana	258		

## PRODUCTION

Gross national product at factor cost (1980, billion dinars)	1 617.2	Origin of GDP in 1980 (per cent of GDP):	
Gross domestic product per head (1980, US \$)	3 030	Agriculture, forestry and fishing	13.0
Gross fixed capital formation: 1980 (billion dinars)	545.7	Mining and manufacturing	38.4
1980 (per cent of GNP)	30.8	Building	10.7
		Other	37.9

## GOVERNMENT

Government consumption (1980, per cent of GDP)	16.9	General government revenue, including social security (1980, per cent of GDP)	34.8
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## FOREIGN TRADE

	Structure of exports in 1981 (per cent)	Structure of imports in 1981 (per cent)
Food, drinks, tobacco	10.6	5.0
Raw materials and semi-finished goods	42.2	64.4
Finished manufactures	47.2	30.6

## THE CURRENCY

Monetary unit: Dinar	Currency units per US \$, average of daily figures:	
	Year 1981	34.90
	June 1982	46.72

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

*The annual review of Yugoslavia  
by the OECD Economic and Development Review Committee  
took place on 16th June, 1982.*



## INTRODUCTION

The strong domestic inflationary pressures which developed in the late 1970s and the associated deterioration in the balance of payments were aggravated by the sharp rise in oil prices in 1979 and the onset of world recession. The resultant increasing external imbalance prompted a continuing reappraisal of short and medium-term policies and objectives, the emphasis being switched from rapid growth to reducing the current external deficit and the rate of inflation. Stabilisation measures were introduced in 1980 and reinforced in 1981 while the targets of the 1981-1985 Five Year Plan—considerably less ambitious than earlier Plans—have been revised down. Reflecting the restrictive stance of policy, the real growth of Social Product fell from 7 per cent in 1979 to  $2\frac{1}{4}$  and  $1\frac{3}{4}$  per cent in 1980 and 1981 respectively. Led by a planned fall in fixed investment, total domestic demand declined considerably in 1981 which stimulated a strong rise in export volumes. As import volumes fell, the real foreign balance improved markedly, and more than accounted for the rise in the real Social Product. With the trade deficit falling substantially and invisible earnings rising more than net interest payments, the current external deficit was reduced from \$2 $\frac{1}{4}$  billion in 1980 to \$ $\frac{3}{4}$  billion in 1981. The rate of inflation which was over 50 per cent in early 1981, had been brought back to 28 per cent in the first quarter of 1982 compared with a year earlier.

Economic policy in 1982 remains restrictive. Interest rates have been substantially increased and the monetary programme implies continuing tight monetary conditions. Both government consumption and fixed investment are planned to again decline this year. Weak domestic demand, the maintenance of import controls and an export promotion programme are expected to lead to the real foreign balance being the only important source of growth for the third consecutive year. A small acceleration to above 2 per cent in the growth of Social Product is officially projected. Employment is forecast to rise at about the same rate and thus limit the rise in unemployment. A further reduction in the current external deficit—particularly with convertible currency countries—is also targeted for in the 1982 Economic Resolution. Although average earnings since late 1981 have been rising faster than prices for the first time for two years, the rate of inflation is expected to moderate a little.

Part I of this Survey examines the main developments in demand and output, inflation and the balance of payments in 1981. Economic policies, including a brief discussion of some longer-term issues are in Part II. The preliminary revision of the Five Year Plan, the 1982 Economic Resolution and an assessment of the short-term economic prospects form Part III. The Survey concludes with a discussion of the main policy considerations.



## I. ECONOMIC DEVELOPMENTS IN 1981

The principal stabilisation objectives of the 1981 Economic Resolution<sup>1</sup> were to achieve a significant reduction in the current external deficit and the rate of inflation within the framework of virtual stagnation of domestic demand. In the event, total domestic demand fell considerably (3½ per cent) and the external deficit was reduced substantially more than targeted. However, the target of bringing down the rise in prices to 32 per cent during 1981 was exceeded by some 8 percentage points, the authorities having underestimated the strength of inflationary pressures early in the year. It was only after additional measures were taken in the second half of the year that the inflation rate started to slow down perceptibly. Reflecting the higher

Table 1. Demand and output<sup>1</sup>

	Billion dinars, current prices	Percentage volume change, 1980 prices			
		1980	1978	1979	1980
Consumers' expenditure	819	7.0	5.2	0.7	-1.2
Collective consumption	143	5.0	7.9	2.5	0.7
Fixed investment	537	13.5	6.4	-1.7	-7.8
Final domestic demand	1 499	9.1	5.9	0.0	-3.4
Stockbuilding <sup>3</sup>	143	-4.6	4.3	1.4	-0.6
Total domestic demand	1 641	4.0	9.7	1.3	-3.7
Foreign balance <sup>3</sup>	-95	-0.1	-2.4	5.3	3.7
Exports	363	-1.9	3.3	8.9	12.4
Imports	458	-1.3	9.6	-9.9	-2.8
Statistical discrepancy <sup>3</sup>	7	2.8	-0.7	-4.4	1.8
Social product	1 553	7.1	7.0	2.2	1.7
Socialised sector	1 363	9.1	7.2	2.6	1.8
Private sector, total	190	-4.6	5.8	1.0	1.1
Excluding agriculture	57	4.2	6.3	4.3	
Agriculture and forestry	202	-5.2	5.3	-0.1	1.4
Other activities	1 351	9.4	7.3	2.6	1.6
Industry	582	8.6	8.2	4.1	4.1
Construction	165	11.6	9.6	0.2	-6.2
Services	604	9.5	5.9	1.8	1.4
<i>Memorandum items:</i>					
SNA concepts <sup>4</sup>					
GDP market prices <sup>5</sup>	1 780	7½	6½	1½	½
Private consumption	879	7	6	½	-3½
Government consumption	286	6½	1½	2	-2½

1. Yugoslav definitions and concepts. For detailed figures on both Yugoslav and SNA definitions see the Statistical Annex. The treatment of stockbuilding and exports and imports differs from that in the Statistical Annex and is explained by the difficulties in measuring these aggregates.

2. Preliminary estimates.

3. Percentage point contribution to the growth of the social product measured by taking the change in stockbuilding (foreign balance or statistical discrepancy) as a per cent of GDP in the previous year.

4. Volume changes are Secretariat estimates.

5. Net factor receipts are about 5 per cent of GDP.

Sources: Direct communication to the OECD and OECD estimates.

1. For details of the Economic Resolution for 1981 see the OECD Economic Survey of Yugoslavia, May 1981, p. 40.

than planned rise in prices, there was a significant erosion of real personal incomes so that consumers' expenditure fell compared with the targeted growth of 2½ per cent. The unusual decline in consumers' expenditure and the sharp fall in fixed investment were the main reasons for the Social Product (SP) rising at about half the planned rate of 3½ per cent<sup>2</sup>.

### Demand and output

The official income guidelines for 1981 limited the increase in nominal pay below that of value added and the rise in real pay to no more than the growth of productivity. In fact, the regulation of incomes and prices concerned mainly their *relative* movements. The planned reduction of pay differentials was largely achieved. But nominal incomes continued to rise very fast and it was only because prices increased even faster that real average earnings fell sharply in 1981 (by some 5 per cent). The fall was not uniform between sectors: real average net pay in

Table 2. **Household account**<sup>1</sup>  
Billion dinars, current prices

	1978	1979	1980	1981 Estimates
Net salaries and other personal income in the socialised sector <sup>2</sup>	364.5	457.1	570.6	776.0
Social security transfers	99.6	127.2	158.5	212.4
Net wages and salaries in the private sector	49.2	59.0	77.9	103.4
Consumption in kind	39.5	49.6	65.2	95.0
Remittances from abroad	58.6	65.6	110.3	} 300.0
Other income	49.0	72.4	111.2	
Total income	660.4	830.9	1 093.7	1 486.8
Less taxes <sup>3</sup> and fees	16.5	21.8	29.0	34.0
Disposable income	643.9	809.1	1 064.7	1 452.8
Private consumption	525.0	670.1	876.7	1 187.1
Savings	118.9	139.0	188.0	265.7
Money and savings deposits	86.9	87.6	118.3	142.8
Housing investment	43.9	56.9	71.8	89.5
Other	-1.3	-0.3	-6.6	36.7
Less net consumer credit	10.6	5.2	-1.5	-3.3
Saving ratio <sup>4</sup> (per cent)	18.5	17.2	17.6	18.3

1. The household account is based on the SNA definition.

2. Taxes and contributions on wages and salaries are paid directly by the enterprises and other bodies to the government and to the various funds (mainly social and welfare funds); accordingly wages and salaries are net of taxes and contributions.

3. These are taxes paid only by those earning on average more than 300 000 dinars per year, i.e. those earning about two and a half times the average wage and salary.

4. This presentation of household income and in particular of the saving rate differ from that in Table E of the Statistical Annex. In Table E foreign exchange deposits in dinars are not included and accordingly shows a much lower saving rate.

Source: Direct communication to the OECD.

2. The Social Product according to Yugoslav definitions excludes certain categories of services which are included in the Gross Domestic Product as defined in the standardised OECD-UN system of national accounts (SNA). The level of GDP is roughly 11 per cent higher than SP. Detailed figures are given in the Statistical Annex. For recent years there are two sets of social product accounts at constant prices—one with a base-year 1972 and recent estimates by the Planning Service with 1980 as the base year. There are certain statistical problems and apparent inconsistencies, in particular for stockbuilding and external transactions.

industry was reduced by less than half the average<sup>3</sup>; but there was a substantially larger fall in non-economic activities<sup>4</sup>, in banking and financial institutions and particularly in government where the decline was 11½ per cent. In addition, other incomes from domestic sources also fell in real terms, the largest decline being in social security payments to households (6 per cent) in accordance with the government's policy of checking their expansion<sup>5</sup>. The only item of personal income which continued to grow in real terms was income from abroad (mainly from Yugoslavs living abroad) which to a large extent reflected the sizeable depreciation of the dinar. Thus, after more than ten years of continuous growth, total real personal disposable income fell by 3 per cent in 1981.

Consumers' expenditure, after allowing for the change in the saving ratio, fell by 1½ per cent in 1981<sup>6</sup>, the first decline for some thirty years. It seems that consumer spending was discouraged by considerable increases in October 1980 and April 1981 of down-payments for certain durables on consumer credit and the discontinuation of consumer credit facilities for some other goods<sup>7</sup>. The high rates of return on foreign exchange deposits may also have contributed to weak consumer demand, depositors being reluctant to run down their savings. Retail sales figures suggest that the decline in consumption was concentrated in the first half of the year, there being little change in the second half. In accordance with the stabilisation objectives, the growth of collective consumption decelerated rapidly from 2½ per cent in 1980 to ¾ per cent<sup>8</sup>, due mainly to slower growth in real expenditure on goods and services and to a lesser extent to a smaller growth of employment.

The authorities—aware that the excessive growth of fixed investment<sup>9</sup> was one of the principal factors behind the emergence of strong inflationary pressures and some misallocation of resources during the second half of the 1970s—changed

3. Average pay in selected sectors as a per cent of average pay in manufacturing

	1979	1980	1981
Agricultural production	94	98	99
Financial and banking services	149	141	133
Government	134	140	119
Education and culture	131	126	117
Health and social security	122	116	110

4. According to Yugoslav definitions non-economic activities include education, culture, scientific activities, health, social services and federal, republican and local government administration plus some other activities in related fields. All other activities are called economic activities which in the Survey will be called the business sector or enterprises.

5. In fact there was a disproportionate growth of social security payments to households during the 1970s (one half faster than the total net wage bill) making it the most expansionary item in public sector expenditure.

6. The Yugoslav definition excludes from private consumption expenditure on non-productive activities—i.e. education, health, social activities, liberal professions, arts and crafts. Including expenditure on these items to make the estimate comparable with the SNA concepts the fall in private consumption in 1981 was probably 3½ per cent.

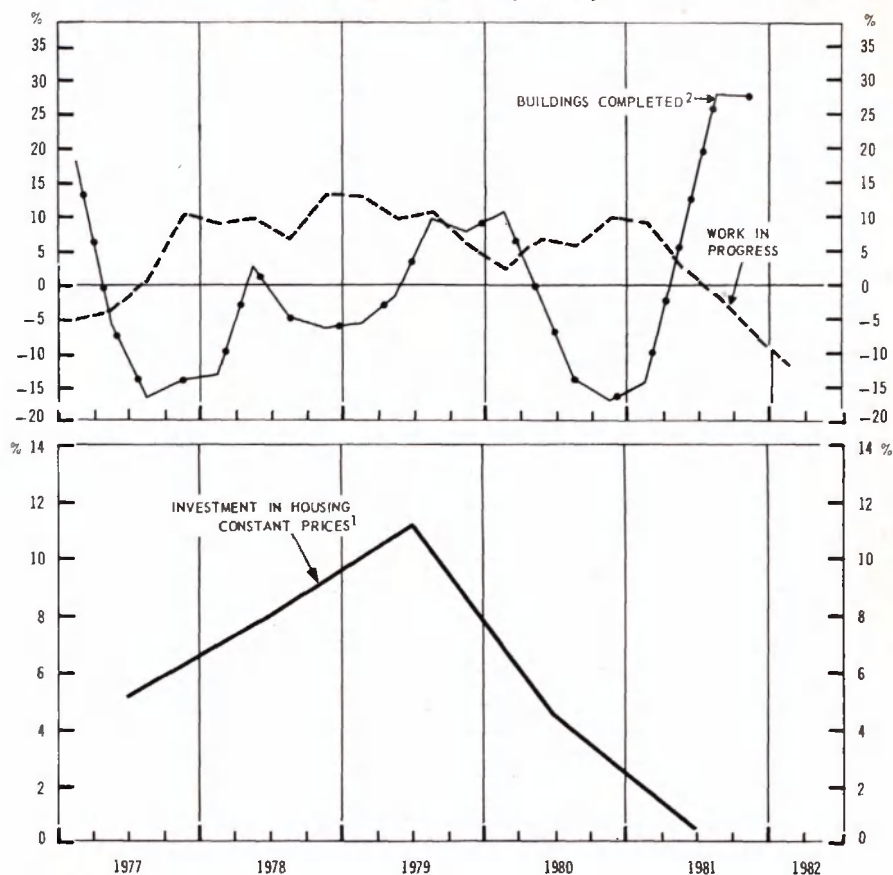
7. For example, for textiles the downpayment was increased in two stages between early October 1980 and April 1981 from 15 per cent to 40 per cent; for refrigerators, washing machines, cookers, etc., from 20 to 50 per cent; for furniture from 30 to 50 per cent; for colour television and stereo equipment after raising the downpayment from 45 to 55 per cent in October 1980 the authorities forbade purchases on consumer credit in April 1981; for private cars after raising the downpayment from 67 to 75 per cent in October 1980, they discontinued consumer credit facilities in April 1981. However, because of the sharp decline in car sales, credit facilities were reintroduced in November 1981.

8. On an SNA basis, government consumption fell by nearly 3 per cent in 1981. Yugoslav definitions exclude expenditure on wages and salaries of government employees, as well as other expenditure on services, which declined in real terms by 6½ per cent.

9. The annual rate of growth of fixed investment was 9 per cent between 1973 and 1979 (compared with 6½ per cent for SP) and accounted for almost one half of the growth in SP.



**Diagram 1. Housing indicators**  
Percentage change from previous year



1. Annual data.
2. Three quarter moving average.

Sources: National Accounts of Yugoslavia, *Main Economic Indicators*, OECD.

radically their investment policies after 1979. Important measures were taken to restrict fixed investment, especially in non-economic sectors<sup>10</sup> other than housing. Reflecting the usual delays, the effect of these measures were more pronounced in 1981 than in 1980, fixed investment falling by almost 8 per cent to make it the most depressive demand factor. Particularly important was the fall in investment by socio-political organisations (broadly the general government—by 49 per cent) and by self-managed communities of interest in education, culture, health and social services (31 per cent). The requirement to increase the rate of self-financing in order to obtain credit for investment explains the important fall in fixed investment

10. The measures included credit restrictions and an increase in downpayments for enterprises resorting to bank credit for investment. With regard to the general government and the self-managed communities of interest (which are responsible for education, culture, social security and social assistance and for health) firm orders were laid down to reduce their investment in non-priority sectors (defined by the Plan) even if this implied a discontinuation of work in building and construction.

in the business sector (9 per cent). Private sector investment, however, rose a little largely because of housing. Despite a cumulative fall of nearly 10 per cent in the two years to 1981, the share of total fixed investment in SP was still fairly high in 1981—30 per cent<sup>11</sup>—which is about the long-run average share before the mid-1970s, and significantly higher than the average for the OECD area.

After remaining stable in 1980, final domestic demand declined by 3½ per cent in 1981, the first fall to be recorded since 1965. It is likely that stocks were run



Sources: Indeks, Main Economic Indicators, OECD.

11. Between 1973 and 1979 the share in current prices of fixed investment in SP was an average 34 per cent.

down a little in 1981 given the import restrictions which forced enterprises to draw on stocks, especially of raw materials, which may have exceeded some involuntary stockbuilding due to falling final domestic demand. The large decline in total domestic demand in 1981 (Table 1) was more than offset by the improvement in the real foreign balance, which, as in the previous year, was due to continuing high export growth and a decline in imports. Statistics of stockbuilding are not very reliable<sup>12</sup> and volume changes of imports and exports sometimes pose problems of estimation. To some extent, however, estimating errors of changes in stockbuilding and the foreign balance must be offsetting. (For some recent years there is also an unusually large statistical discrepancy<sup>13</sup>.) SP grew by 1½ per cent in 1981, somewhat less than in 1980<sup>14</sup>.

Output in the principal sectors continued to expand last year except for construction which declined by more than 6 per cent (Table 1). Although housebuilding activity was sustained, there was a sharp downturn in building and construction work undertaken by the government and related sectors. As in 1980, industrial production grew at about 4 per cent in 1981 and again the rates of growth of the main sub-sectors—consumer goods, raw materials and capital goods—were similar. Although the growth in industrial production was substantially below the trend rate of 7½ per cent during the 1970s, it was still considerable given world economic trends and periodic shortages of electric power<sup>15</sup> and certain materials in the course of 1981 which disrupted production in some sectors. Agricultural output again grew slowly (1¼ per cent), reflecting structural factors (which inhibit agricultural efficiency) and unfavourable climatic conditions. Sluggish domestic demand adversely affected the growth in output from services, particularly in domestic trade which stagnated.

### *Employment and unemployment*

The slowdown in the growth of output was accompanied by a proportionately smaller deceleration in the increase in employment from an average rate of around 4 per cent during the 1970s to 3 per cent in 1981. The relatively fast growth of employment is attributable to the normal lagged response to output changes and to the fact that dismissals are regulated by law, which in a system of self-managed enterprises discourages lay-offs. In periods of slack, firms maintain employment largely at the expense of profits and reduce the rate of recruitment. However, there are limits to the freedom of each enterprise to stop new entrants. Because of the important unemployment problems there is strong social pressure on enterprises to increase employment, particularly of skilled personnel, which is supported by the Federal, Republican and local authorities.

The rate of growth of employment in the private non-agricultural sectors in 1981, despite official policy to promote it, fell below that of total employment. Within the socialised sector the growth of employment in the economic sectors was again somewhat stronger than in non-economic sectors in line

12. As in other countries, there are great difficulties in estimating the volume of stock levels and changes. More importantly, the data for stockbuilding represent in Yugoslavia a comparatively high proportion of Social Product at current prices over a long period. A downward correction would imply either higher final expenditure (especially consumption) than indicated in the social accounts or lower value added—i.e. less efficient production—and probably both.

13. The large annual movements of the value of statistical discrepancy reflect the difficulties in estimating the contributions of stockbuilding and of the real foreign balance to the growth of GDP.

14. On a SNA basis GDP at market prices grew somewhat less than ½ per cent.

15. Largely because of an insufficient rainfall there were some power shortages in the 1981-1982 winter.



Table 3. **Employment**  
Percentage change

	1980 Thousands	1976	1977	1978	1979	1980	1981
Total population	22 227	1.0	1.0	0.9	0.8	0.3	0.8 <sup>1</sup>
Total labour force <sup>2</sup>	9 424	0.6	0.4	0.5	0.4	0.6	0.2 <sup>1</sup>
Total employment (excluding private agriculture)	5 798	3.5	4.5	4.6	4.3	3.2	2.9
Private sector	117	1.1	4.3	7.3	5.8	7.3	2.6
Socialised sector	5 681	3.5	4.5	4.5	4.3	3.2	2.9
Business activities	4 706	3.3	4.4	4.3	4.5	3.3	2.9
Agriculture	191	1.1	0.0	2.8	2.7	1.6	4.7
Industry and mining	2 162	3.0	4.3	3.5	3.9	2.8	3.7
Construction	622	4.4	6.2	6.8	6.2	3.3	-0.1
Other	1 734	3.6	4.6	4.8	4.8	3.9	2.8
Non-economic activities	975	4.9	4.8	5.4	3.2	2.7	2.6
Education	402	3.7	2.4	2.9	2.1	1.8	1.8
Health	313	5.8	4.7	7.2	5.6	4.0	4.1
Administration (in the government sector)	261	6.6	9.0	7.0	2.4	2.4	2.0
Vacancies	78	10.2	18.9	14.3	11.1	-2.5	-1.7
Registered unemployment ratio <sup>3</sup>	785	(6.9)	(7.6)	(7.9)	(8.2)	(8.4)	8.6

1. Preliminary estimates.

2. Including Yugoslav workers employed abroad and in private agriculture. The former are officially estimated at about 800 000 at the end of 1981 and the latter at about 3½ million in the mid-1970s.

3. In per cent of labour force.

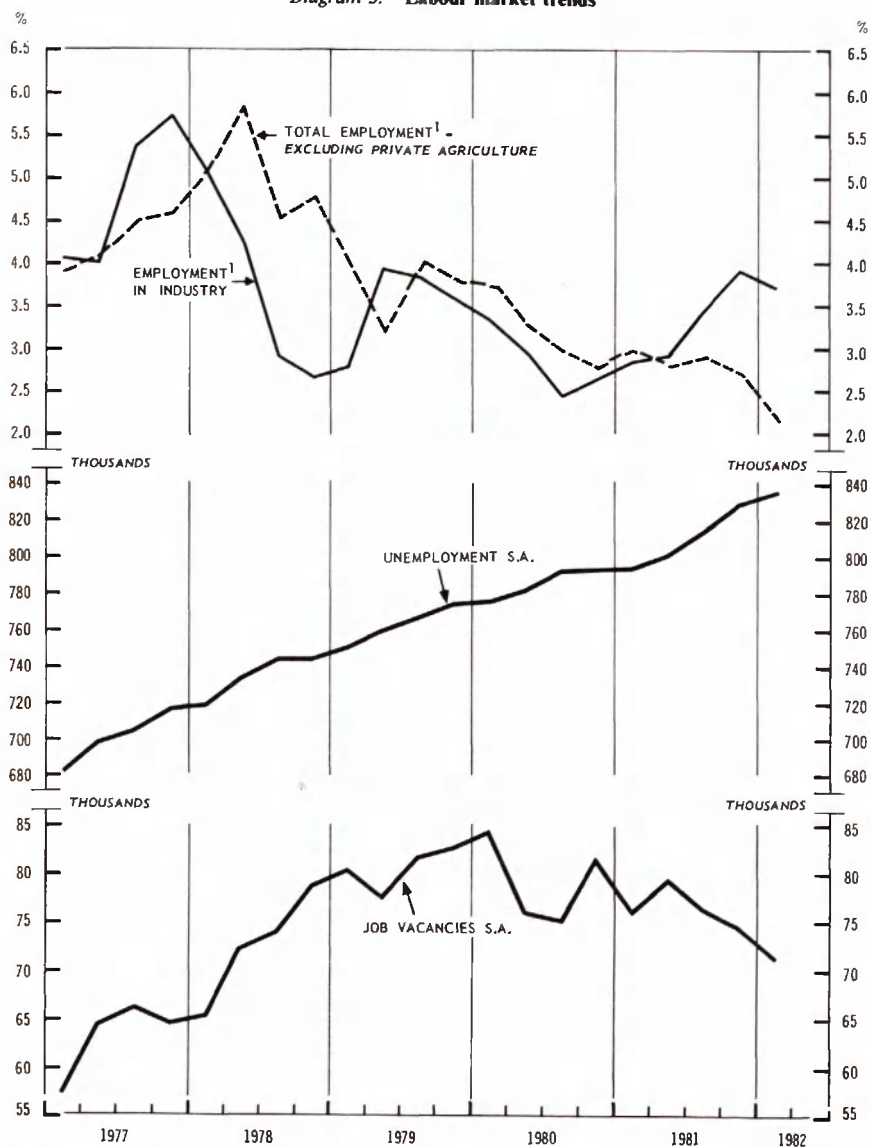
Source: Indeks. Monthly Statistical Bulletin, Federal Statistical Office.

with budgetary restrictions. After a marked slowdown in 1980, the growth of employment in industry and mining accelerated to 3½ per cent, which, though somewhat lower than the average rate of the 1970s, was still fairly high in view of the unchanged growth rate of output of 4 per cent. One reason for this development may be the upturn in some labour-intensive sectors in mining and manufacturing, such as machinery, transport equipment and shipbuilding. Growth in employment in tourism and catering services (4 per cent) was considerably above-average whereas in line with official efforts to promote agricultural production, employment in the socialised agricultural sector also grew rapidly (4½ per cent). Construction recorded only a small decline in employment despite the sharp fall in output. The slow growth in expenditure of government and self-managed communities of interest on social services (consistent with the stabilisation policies) also affected employment in educational activities which for the second year in succession grew moderately.

Despite the acceleration in the rate of growth of employment, and probably an end to the substantial repatriation of Yugoslav workers from abroad, registered unemployment continued to rise to 808 000 in 1981, or 3 per cent more than in 1980. But as the unemployment register includes some people who are already working but who want to change jobs, the actual level of unemployment is somewhat lower (probably by about one-fifth) than these figures suggest. On the other hand, the movement of labour out of agriculture is potentially higher but the discouraged worker effect restrains this outflow which in turn moderates the growth of unemployment; this may have been important in 1981. Female unemployment

continued to rise faster than average, with its share in total unemployment reaching 59 per cent in 1981 compared with 50 per cent in 1977. For all professional and qualified persons, the respective rates were 46 per cent and 40 per cent; even the number of unemployed with higher education rose considerably. Unemployment among the young continued to grow more than in older age-groups with the result that persons up to 25 years accounted for a little over half of total unemployed last year. Labour conditions weakened more during 1981 than the yearly figures suggest. The growth of employment fell to about 2½ per cent and unemployment grew by over 4½ per cent in the year to the end of 1981.

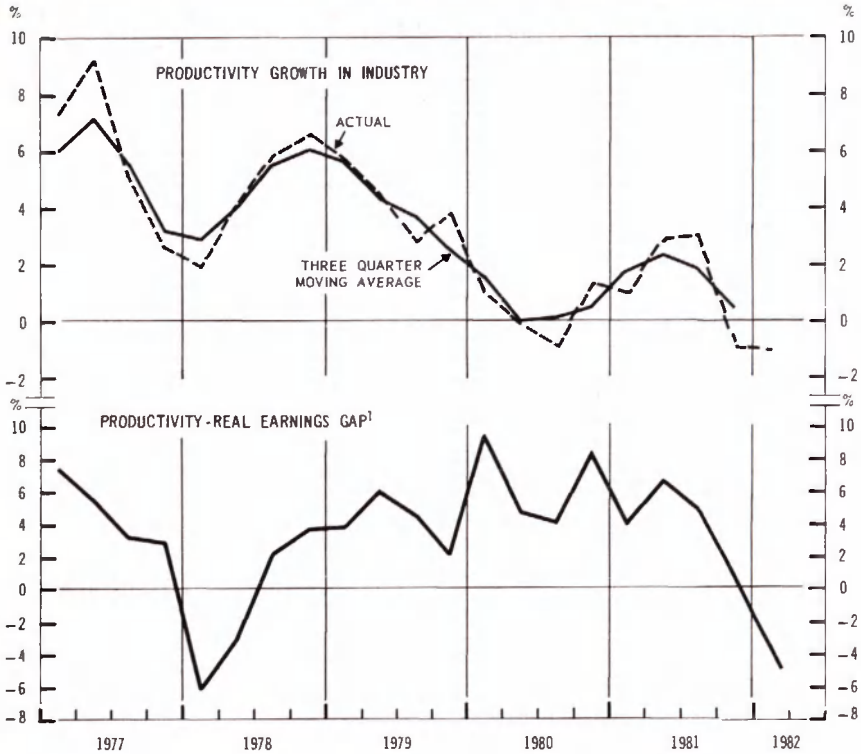
Diagram 3. Labour market trends



1. Percentage change from previous year.

Sources: Indexes, Main Economic Indicators, OECD.

**Diagram 4. Productivity trends**  
Percentage change from previous year



1. Positive growth rate indicates higher productivity growth. Data refers to industry.  
 Source: *Main Economic Indicators*, OECD.

The counterpart to the relatively fast growth of employment in the face of sluggish demand was a fall in productivity (excluding private agriculture) by 1 per cent in 1980 and 1¼ per cent in 1981 compared with a longer-run rate of growth of 2½ per cent during the 1970s. Productivity declines were particularly important in construction (3 per cent in 1980 and 7 per cent in 1981) and in domestic trade (about 3 per cent over both years). In contrast, productivity in industry continued to grow at about ¾ per cent in both years, a rate nevertheless well below the average annual increase of 3½ per cent in the 1970s. While the unsatisfactory productivity performance is to a large extent a cyclical phenomenon, the underlying productivity growth in industry since the mid-1970s had been slowing down to about 3 per cent compared with 3¾ per cent in the previous five years: a rather unsatisfactory development for an industrialising country.

### *Costs and prices*

After averaging around 13 per cent for three years, the rate of inflation rose between late 1978 and early 1981, when the year-on-year rise in retail prices peaked at over 50 per cent. Retail prices increased by 46 per cent in 1981 as a whole, about one-half faster than in 1980. The acceleration on a yearly basis was

Table 4. **Price developments**  
Percentage change

	1978	1979	1980	1981	Dec. 80	Dec. 81	Mar. 82
					Dec. 79	Dec. 80	Mar. 81
<b>Producer prices</b>							
<b>Industrial goods, total</b>	8.3	13.2	27.3	44.6	39.8	37.4	24.9
Investment goods	5.3	6.1	12.3	24.6	22.0	18.7	13.1
<b>Intermediate goods</b>	7.9	16.1	34.3	48.1	46.2	40.8	27.9
Consumer goods	9.7	11.1	21.1	44.2	33.3	36.3	22.4
Agricultural goods	10.0	25.6	35.6	51.5	43.7	38.5	
<b>Retail prices, total</b>	13.4	21.9	30.4	46.0	39.3	39.3	27.0
Agricultural products	15.3	20.4	34.1	39.2	41.0	36.0	38.0
Industrial products	13.3	22.9	31.6	49.4	42.2	41.5	26.6
Services	13.9	21.7	22.7	29.2	23.9	27.0	20.4
<b>Cost of living, total</b>	14.3	20.4	30.3	40.7	38.1	36.2	28.4
Goods	14.2	20.4	31.8	42.9	39.3	37.8	29.8
<i>of which:</i>							
Food	15.2	18.3	31.5	42.9	39.3	38.0	33.4
Durables	17.6	22.1	29.4	52.1	35.3	49.4	30.6
Services	14.5	20.5	20.5	27.1	21.1	25.5	19.1
Export prices <sup>1</sup>	9	15	19	9			
Import prices <sup>1</sup>	5	19	20	10			

1. In US dollars. These rates of change (especially in 1980 and 1981) are subject to a wide margin of error.

Sources: Indexes, Monthly Statistical Bulletin, Federal Statistical Office and direct communication to the OECD.

widespread, notably the increase in retail prices of industrial goods reached 50 per cent. Agricultural producer prices rose considerably more than other producer prices partly reflecting the authorities' aim to stimulate agricultural production. But this increase was not fully passed on into retail prices as a sizeable part was on account of agricultural products for industrial use and also there were severe controls on some food prices. As in the three previous years, the rise in retail prices of most services (29 per cent) was significantly below average. This is explained by the fact that the weight of labour costs in services is considerable which in 1981—especially in the non-economic sector—were still rising at a rate well below that of retail prices. Some restraint on administered prices also played a role. Following the reinforcement of price controls in June 1981, the annual rate of increase of retail prices fell from around 55 per cent during the first half of 1981 to 25 per cent during the second half to give an increase of 39 per cent in the year to December 1981.

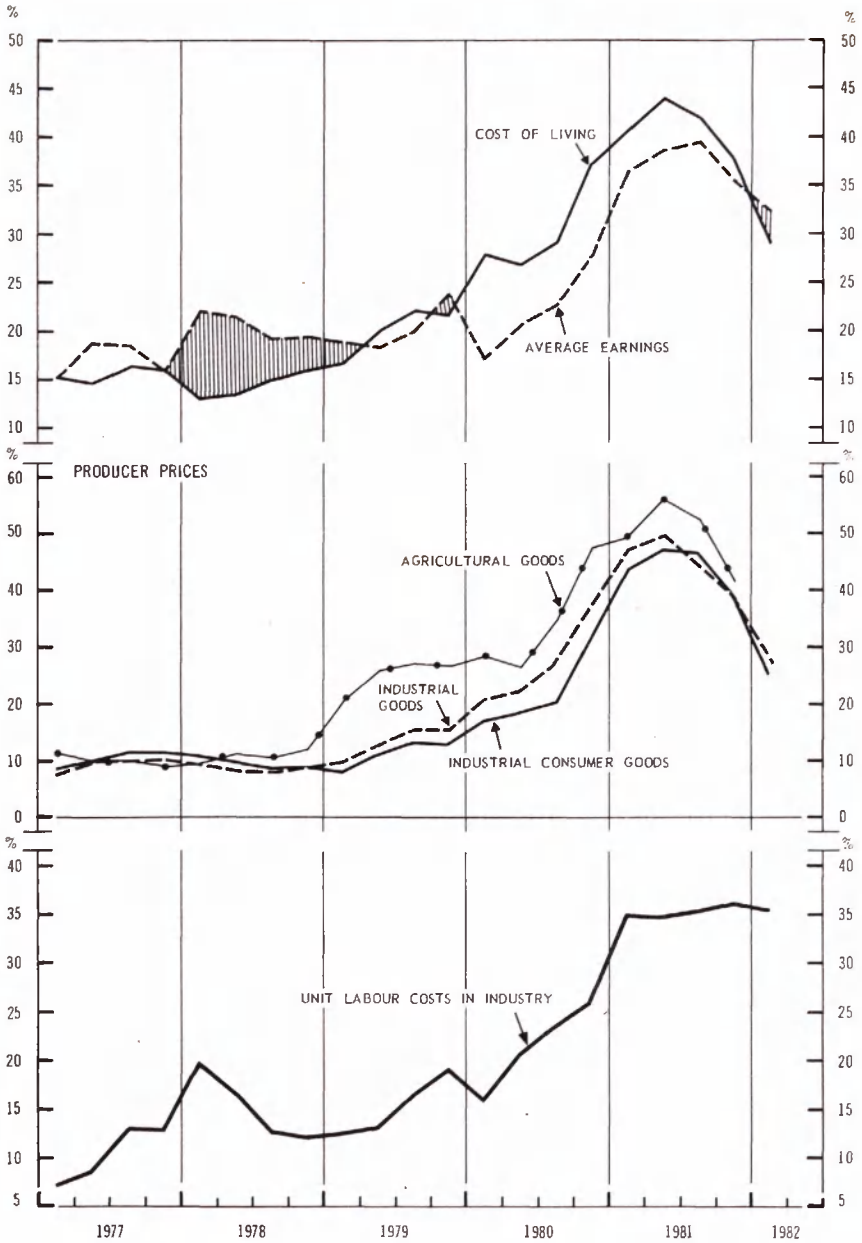
Overall price developments in 1981, including the uneven pattern of increase through the year, were heavily influenced by the carry-over from 1980 and by policy changes. First, the October 1980<sup>16</sup> lifting of price controls on certain products and the transfer of responsibilities for price formation and control for an important number of items from Federal agencies to "communities for prices" in Republics, allowed the emergence of speculative forces which together with uncertainties<sup>17</sup> regarding price objectives and mechanisms for 1981 led to some anticipatory price

16. For more details see OECD Economic Survey of Yugoslavia, May 1981, pp. 38 and 39.

17. The price targets for 1981 were fixed in March 1981 and there were also some delays in putting in place the "communities for prices"



**Diagram 5. Prices**  
 Percentage change from previous year



Source: Main Economic Indicators, OECD.

rises in early 1981. Secondly, the sales tax rate was raised by 3 percentage points at the beginning of the year and increases in subsidies were relatively limited. The contribution of the changes in net indirect taxes to the implicit price deflator of private consumption was about 5 percentage points for 1981, with the effects concentrated in the first half-year. Thirdly, it had become obvious by mid-summer that without additional measures the target of a 32 per cent increase in retail prices during 1981 (fixed in March 1981) would be considerably exceeded. As a result the authorities in mid-June reinforced price controls and fixed targets for the six months to end 1981 of a 7 and 5 per cent rise in retail prices of goods and services respectively. The determined stance of the authorities and the recognition by the business sector of the risks associated with strong inflation have contributed to a marked deceleration in the rate of increase in prices during the second half year, leading to only a small overshooting of the targets.

Import prices<sup>18</sup> also helped to reinforce inflationary trends. Largely reflecting the mid-1980 devaluation of the dinar<sup>19</sup>, the annual rate of increase in import prices in dinars exceeded 50 per cent during the second half of 1980 which exerted a considerable influence on prices in the first half of 1981. With international inflation slowing down and the smaller effective depreciation of the dinar, the rise in dinar import prices decelerated to just over 30 per cent during the second half of 1981. The total contribution of import prices (including the indirect effects due to the alignment of certain domestic prices to world prices) to the rise in the implicit price deflator of private consumption was about 8 percentage points in 1981 as a whole.

Table 5. Contributions to the increase in the private consumption deflator  
Percentage points

	1979	1980	1981
Unit wage costs	5½	6½	10½
Profits and other domestic costs	5½	9½	9
Agricultural producer prices	5½	7	10½
Import prices <sup>1</sup>	2½	7	6½
Net indirect taxes	2	1	5
Residual	—	-½	-½
Private consumption implicit price deflator (percentage change)	(21½)	(30½)	(41)

1. Direct effect.  
Source: OECD estimates.

The rise in unit wage costs (excluding agriculture) accelerated from 21 per cent in 1980 to about 35 per cent reflecting the pressure for higher nominal wages following the 1980 fall in real wages and to a lesser extent the slower growth of productivity, especially in industry. In fact, the increase in unit wage costs in industry was much higher than in 1980 (Table 5), which also helps to explain the strong acceleration of the rise in industrial producer prices and particularly of

18. Data on import prices are subject to wide margins of error and therefore the figures in the text denote only the order of magnitude.

19. The depreciation of the dinar vis-à-vis the U.S. dollar (expressed in U.S. cents per dinar) was 23 per cent in 1980 as a whole and 35½ per cent through 1980 and 27 per cent through 1981. The effective depreciation during the last two periods was 28 per cent and 16½ per cent respectively.



Table 6. Average earnings  
Percentage change

	1981 <sup>1</sup> '000 Dins.	1977	1978	1979	1980	1981
Net average earnings in the socialised sector, total (In real terms) <sup>2</sup>	9 846	18.8 (3.3)	20.9 (5.8)	20.4 (0.1)	20.5 (-7.5)	33.6 (-4.7)
Economic sector, total	9 675	18.7	20.6	20.7	20.9	35.0
Industry and mining	9 557	17.7	20.5	20.2	22.3	37.4
Agriculture	9 354	13.1	14.6	18.3	24.4	41.4
Construction	9 239	18.1	20.5	20.0	18.8	31.6
Transport	10 586	18.2	20.8	21.1	20.6	33.9
Trade	9 334	22.3	21.0	21.9	17.6	30.1
Housing and public utilities	9 556	19.8	21.6	21.2	19.9	31.3
Financial and other services	12 867	19.8	20.8	20.2	16.7	29.3
Non-economic sector, total	10 746	19.6	21.7	19.6	18.9	27.5
Education and culture	10 950	21.0	22.7	22.0	18.7	27.9
Health and social security	10 199	17.6	22.0	20.9	17.6	28.8
Government <sup>3</sup>	11 157	21.0	20.4	15.2	20.8	25.6
Unit wage costs, total <sup>4</sup>		14.7	16.1	17.3	21.3	35.0
of which: Industry		12.6	14.4	15.4	20.7	36.0

1. Thousand dinars per month.

2. Deflated by cost-of-living index.

3. Including socio-political organisations.

4. Excluding agriculture, and provisional data for 1981.

Source: Indeks, Monthly Statistical Bulletin, Federal Statistical Office.

consumer goods<sup>20</sup> Overall, about 11 percentage points of the 41 per cent rise in the private consumption deflator in 1981 as a whole may be attributed to the rise in unit labour costs.

The contribution of the increase in profits and other costs of enterprises to the rise in the implicit price consumption deflator in 1981 was, at 9 per cent, a little lower than unit labour costs. The 1981 guidelines for containing—for the second consecutive year—the rise in the wage and salary bill below that of value added was in line with the policy of improving the financial position of enterprises and of clearing the ground for sounder investment growth based on a higher ratio of self-financing. Nevertheless, this policy put short-run upward pressure on prices last year as companies, in order to increase profit margins, raised prices more than unit costs would have warranted. In the productive sectors, the increase in profits in 1981 (after taxes and contributions and expenditure for certain social services provided by enterprises) was again higher than the rise in the wage and salary bill (45 per cent and 38 per cent respectively). The equivalent rates of growth in industry were 48 per cent and 41 per cent. In the previous year profits had risen somewhat faster<sup>21</sup> but in 1981 there were additional business costs; in order to maintain the standard of living of workers in the face of falling real net wages, business expenditure on food and housing for workers rose by a little over one-half, or more than in 1980.

20. In fact, the rise in net average earnings in consumer goods industries was about 4 percentage points higher than the rise in other sectors.

21. In 1980, the rise in profits was just over 50 per cent and the wage and salary bill 27 per cent.

## Foreign trade and payments

The first priority of policy in 1981 continued to be the reduction of the current external deficit from the unsustainably high level reached in 1979 (\$3.6 billion, or 5½ per cent of GDP). Following a reduction to \$2.3 billion in 1980, the official target for the current deficit was \$1½ billion in 1981. In the event, the deficit fell to a little less than \$½ billion (less than 1 per cent of GDP) last year. In the first half year, the deficit was running at a much higher rate than planned, but in the second half the authorities decided to further stimulate exports and curb imports, by among other things improving competitiveness (through faster depreciation of the dinar), import controls and export promotion. The squeeze on total domestic demand also helped so that a small current account surplus was recorded in the second half-year.

For several years until about mid-1981 exchange rate policy resulted in irregular changes in nominal and effective value of the dinar. There are, of course, great difficulties in managing the exchange rate in view of the conflicting aims of a satisfactory level of competitiveness and of mitigating the inflationary impact from rising import prices. Moreover, large fluctuations in the exchange rates among the main world currencies have rendered difficult the reconciliation of the need to maintain competitiveness vis-à-vis the main export markets and not to increase unnecessarily the cost of oil and other raw material imports denominated in

Table 7. **Balance of payments**  
US\$ million

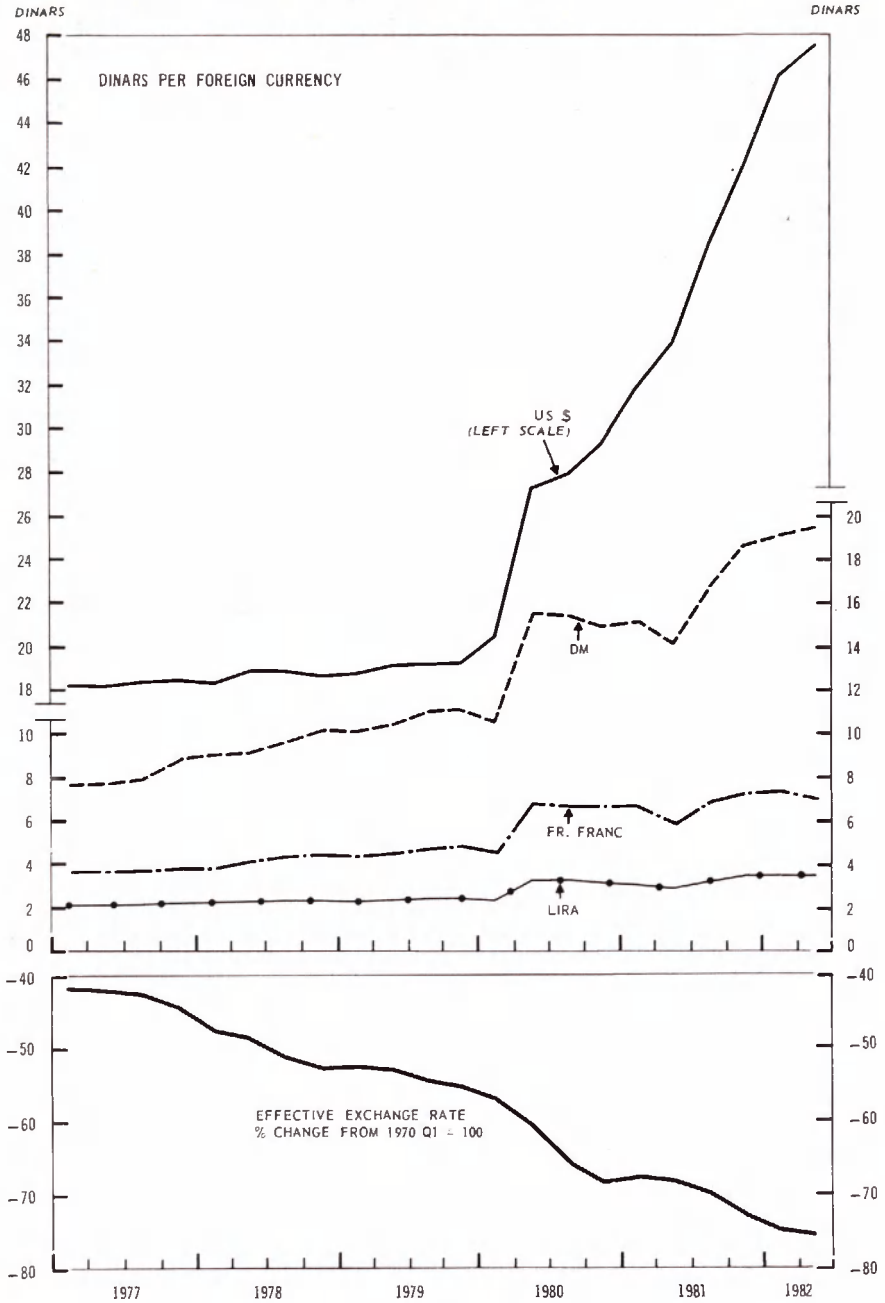
	1976	1977	1978	1979	1980	1981 <sup>1</sup>
Trade balance	-2 489	-4 380	-4 317	-7 225	-6 086	-4 828
Imports, cif	7 367	9 634	9 988	14 019	15 064	15 757
Exports, fob	4 878	5 254	5 671	6 794	8 978	10 929
Balance on services and transfers	2 654	2 798	3 061	3 564	3 795	4 078
Inflow	4 404	4 820	5 775	7 732	9 322	11 467
Workers' and emigrants' remittances	1 884	2 097	2 921	3 393	4 050	5 100
Tourism	802	841	1 050	1 183	1 645	1 990
Transportation	908	1 071	1 150	1 405	1 669	1 924
Interest	90	123	155	188	197	397
Other	720	688	499	1 563	1 761	2 056
Outflow	1 750	2 022	2 714	4 168	5 527	7 389
Workers' and emigrants' remittances	469	670	1 176	1 683	2 511	3 058
Tourism	77	90	120	155	130	
Transportation	479	503	565	674	837	925
Interest	369	381	455	821	1 281	2 107
Other	356	378	398	835	768	
Balance on current account	165	-1 582	-1 256	-3 661	-2 291	-750
Long-term capital	1 093	1 402	1 350	1 084	1 923	
Short-term capital (including bilateral account and errors and omissions)	-243	67	-108	853 <sup>2</sup>	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. Of which: Bilateral account 665 million dollars.

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

Diagram 6. Exchange rates



Sources: National Bank of Yugoslavia and OECD estimates.

dollars. After the dinar devaluation of June 1980, the effective exchange rate changes were relatively small for over twelve months. In the face of steeply rising domestic costs, this resulted in a deterioration in external competitiveness of over 20 per cent, with adverse effects on the current account. Exchange rate policy changed in August 1981, with the dinar depreciating continuously since then, thus making good some of the earlier loss in competitiveness. In effective terms, the dinar depreciated by about 18 per cent between mid and end-1981 and by 15 per cent vis-à-vis the U.S. dollar, giving a depreciation through the year of 17 per cent and 27 per cent respectively. However, despite the depreciation, the foreign exchange market was not cleared with demand for foreign exchange remaining strong. As a result, the allocation of foreign exchange was sometimes based on administrative measures, special contracts between a number of enterprises and on other criteria, which are not conducive to an efficient use of scarce foreign exchange earnings.

Strong domestic demand, as noted in the 1981 Survey<sup>22</sup>, had diverted resources to the internal market in the second half of the 1970s resulting in a marked

Table 8. **Foreign trade**<sup>1</sup>  
Percentage change

	1977	1978	1979	1980	1981 <sup>2</sup>
<i>Volumes</i> <sup>3</sup>					
Exports	-4½	-3	-1	10½	11
Imports	14½	-1	8	-10	-5
<i>Implicit price deflators</i> <sup>4</sup>					
Exports	12½	8½	20½	19½	9½
Imports	14½	4½	30	19	10
Terms of trade	-1½	3½	-7½	1	½
<i>Value of trade by region (in US dollars)</i>					
Exports, total	7½	8	19½	32	21½
OECD countries	3	3½	36	12½	4½
of which: EEC	5½	-7½	49½	14½	11½
Germany	-8½	21	56½	5½	11½
USA	-16	25	½	5½	-1½
Centrally planned economies	4	13½	12½	51½	30½
of which: USSR	-1	-9½	36½	77½	46½
Developing countries	30½	4½	2½	38½	36½
Imports, total	30½	3½	40½	7½	4½
OECD countries	35½	2½	51	-6½	5½
of which: EEC	32½	1	49	-10	5½
Germany	27½	14½	60½	-13½	-2½
USA	47½	12½	72½	-4½	-5½
Centrally planned economies	24½	7½	18½	27½	9
of which: USSR	29½	5½	30½	50½	10
Developing countries	26	1	44	33½	-6½
<i>Value of trade by commodity groups (in US dollars)</i>					
Exports: Raw and intermediate materials	3	5½	29	29	14½
Equipment	30½	4½	2	19½	25½
Consumer goods	3	14½	16½	45	31½
Imports: Raw and intermediate materials	27½	5½	41½	26½	6
Equipment	38½	5½	39½	-19½	0
Consumer goods	32½	-9	37½	-43	3½

1. Both volume and prices are subject to a wide margin of error especially in 1980 and 1981.

2. Provisional.

3. 1980 prices.

4. In US dollars.

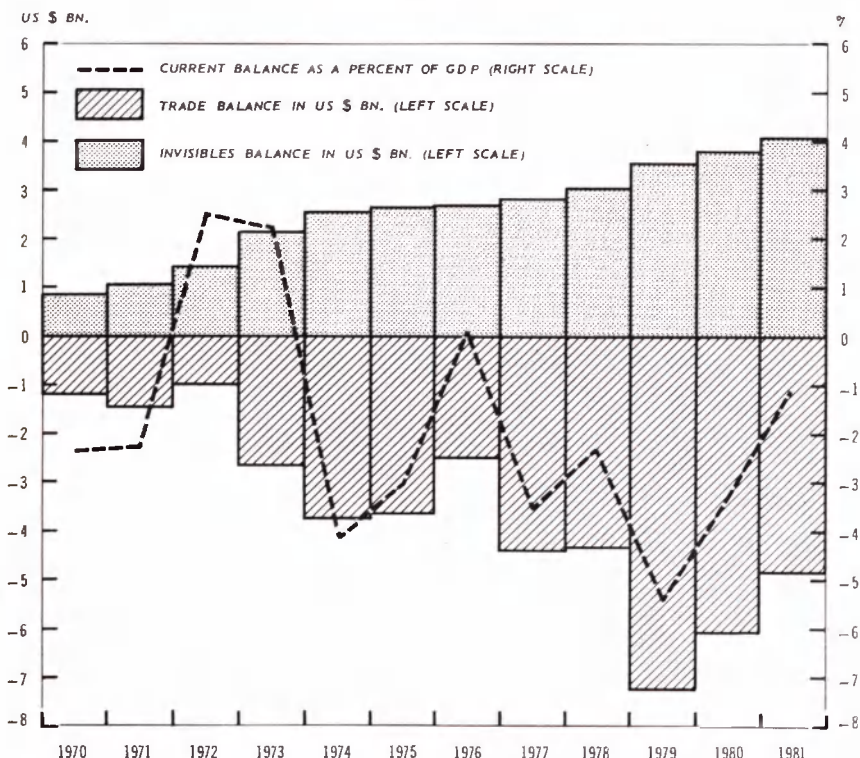
Source: Statistički Godisnjak: 1981. Index No 3, 1982.



deterioration of the underlying balance-of-payments position. Inversely, over the last couple of years, largely policy-induced sluggish domestic demand stimulated export growth. In addition, easy credit conditions to exports, fiscal incentives and a more active exchange rate policy helped to promote exports. Other measures also contributed; in particular, pressure was put on the various communities for foreign economic relations (in the Republics and provinces) to fulfil the export projections. In some cases (especially before the steep continuous depreciation began) exports were apparently made at a loss despite the advantages that foreign exchange holders have in a tight market. Reflecting these various influences, the volume of merchandise exports again grew at 10 per cent in 1981, with exports of consumer goods and raw and intermediate materials recording the highest rate of growth (20 per cent); but with investment falling in most countries, exports of machinery and equipment grew only moderately<sup>23</sup>.

Exports in value (U.S. dollars) rose by 21 per cent but there were big regional differences. Exports to the OECD rose by 4½ per cent, implying probably a slight fall in volume terms. Sluggish demand, loss of competitiveness and import barriers help to explain the unsatisfactory export performance to the OECD area. As in the previous two years, exports to the EEC increased faster than to the rest of the OECD. Largely due to the rise in the oil bill, a big deficit had emerged in the

Diagram 7. Foreign trade



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

23. As noted earlier, the volume and unit value calculations for foreign trade are rather uncertain. Even the conversion in dollars of current values of trade with non-convertible areas raises difficult statistical problems.

previous two years with the centrally-planned economies and developing countries which trade on bilateral terms with Yugoslavia (\$1 billion deficit cumulatively in 1979 and 1980). In order to bring the clearing accounts back into balance, exports to the centrally-planned economies and to certain oil-producing countries grew considerably faster than average (36½ per cent and 30 per cent respectively), which suggests substantial volume growth. Many of these markets are less sophisticated than the OECD markets and there is often a strong demand for imports, paying less attention to quality, which facilitated the surge of Yugoslav exports. Exports to the USSR grew by almost one-half and to certain oil producers in the Middle East and Africa by about 90 per cent in 1981.

The volume of merchandise imports fell by 5 per cent last year reflecting controls, shortage of foreign exchange and sluggish domestic demand. Particularly important was the decline in imports of machinery and equipment (16 per cent in volume) largely because of the fall in fixed investment. Similarly, consumer goods imports declined substantially (10 per cent), reflecting the decline in private consumption and administrative limitations on the import of some products. Imports of raw and intermediate materials, however, fell only slightly in volume terms (2 per cent), and together with a larger fall in imports of intermediate goods in 1980 (16 per cent) explains certain shortages which affected industrial production. On a value basis (U.S. dollars), imports grew by 4½ per cent in 1981. There was a sharp deceleration in the growth of oil imports in value from 62 per cent in 1980 to 4¼ per cent in 1981, consisting of a decline in volume of 15 per cent and a rise in price of 22 per cent. On a regional basis, imports in value (U.S. dollars) from the centrally-planned economies recorded the fastest rise followed by imports from the OECD area, whereas imports from the developing countries fell appreciably last year. These divergencies are to a large extent due to a switch in oil imports from Iraq<sup>24</sup> and to a lesser extent to curbs on coffee imports.

The total trade deficit fell by \$1½ billion to \$4¾ billion in 1981. The decline in the deficit with convertible currency countries was relatively small (less than \$½ billion) to \$5½ billion in 1981 compared with the peak of \$6½ billion in 1979. The trade deficit with the OECD area increased a little to \$4¾ billion. With clearing countries, however, a swing of \$1 billion was recorded (from a \$½ billion deficit in 1980 to \$½ billion surplus last year). The improvement in the non-oil account was more than fully responsible for the decline in the total trade deficit, the non-oil deficit falling to \$1½ billion in 1981, about half that of the previous year and less than one-third that of 1979<sup>25</sup>. The oil deficit continued to increase a little and accounted for almost two-thirds of the overall trade deficit last year compared with about one-fourth between 1974 and 1979 and less than one-fifth before the first oil shock in 1973.

There was a small further growth in the invisible surplus to \$4 billion in 1981, the increase more than stemming from an improvement (\$½ billion) with the

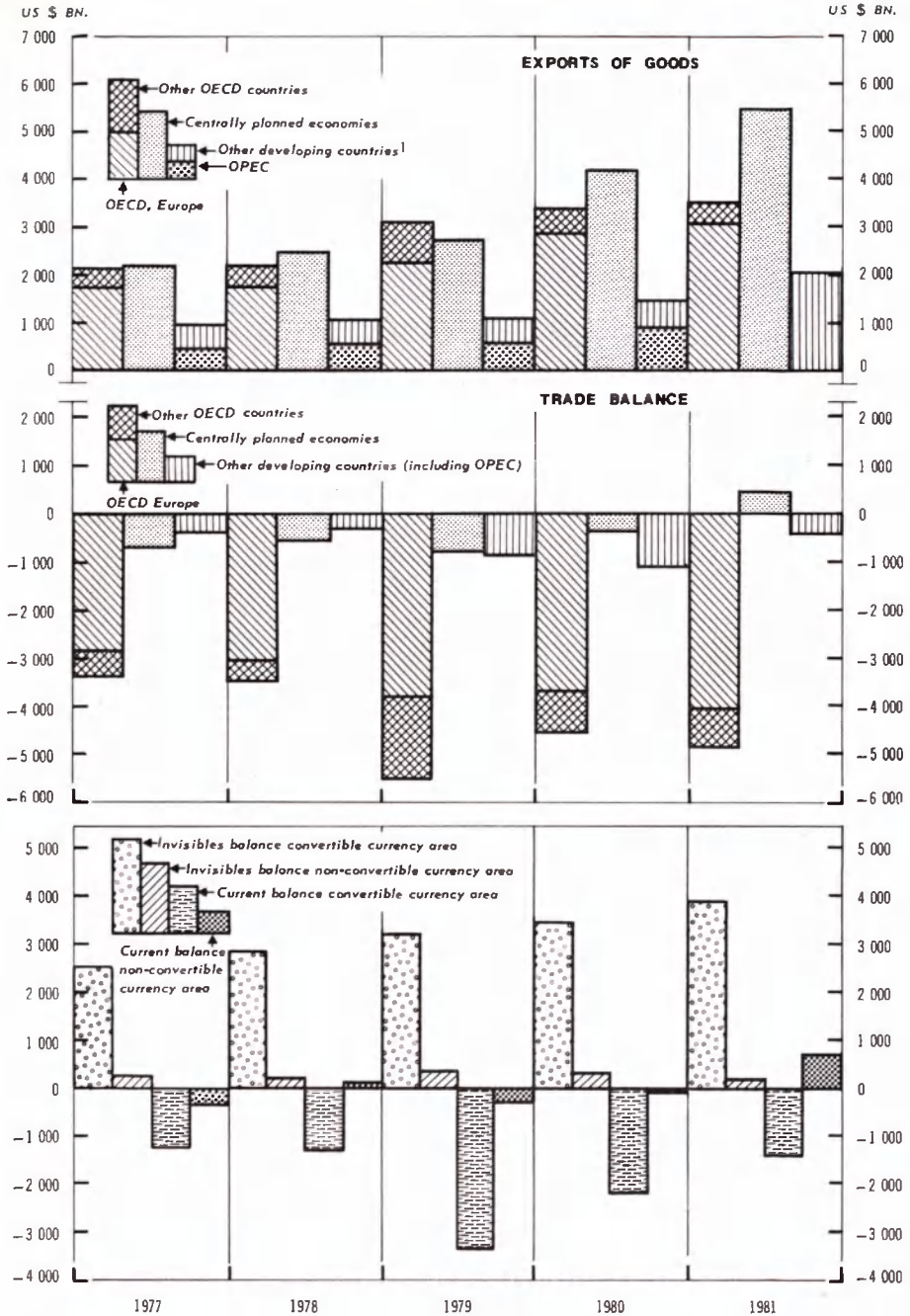
24. In 1980, the value of crude oil imports from Iraq accounted for about 30 per cent of total oil imports. This share fell to 13 per cent in 1981. Imports from other OPEC countries replaced only a small part of this decline.

25.

	1973	1974-77 Average	1978	1979	1980	1981
	(\$ billion)					
Trade deficit						
Total	1.7	3.6	4.3	7.2	6.1	4.8
Oil	0.3	0.9	1.1	1.9	3.1	3.2
Non-oil	1.4	2.7	3.2	5.3	3.0	1.6



Diagram 8. Trade by area



1. In 1981 OPEC is included.

Sources: Statistics of foreign trade, series B, OECD and direct communication to the OECD.

convertible area countries<sup>26</sup>. The main invisible receipts grew rapidly in 1981 (Table 6). Reflecting the increase in tourist arrivals (overnight stays were 7½ per cent up on 1980), gross tourist receipts continued to grow rapidly (21 per cent). The depreciation of the dinar and the completion of the repairs following the Montenegro earthquake of 1979 also helped. The deceleration in transport receipts was due to the poor world shipping conditions, especially in the second half of 1981. With regard to personal remittances (mainly from Yugoslavs living abroad), the gross inflow recorded a sizeable increase (26 per cent) in 1981, which may reflect the growing attraction of holding foreign exchange with Yugoslav banks by Yugoslavs<sup>27</sup>. The corresponding outflow also grew rapidly (22 per cent) but this item does not represent—properly speaking—personal remittances but transfers to abroad<sup>28</sup> largely to pay for imports, travel and other current payments. High interest rates and growing external debt caused another surge in interest payments (\$2.1 billion, 65 per cent higher than in 1980), those payments being made almost exclusively in convertible currencies.

The lower current deficit helped to reduce net compensatory borrowing in 1981 and at the same time increase net official reserves to nearly \$1½ billion. However, as a growing part of the debt matured last year, gross borrowing, though lower than at the peak of 1980, remained substantial in 1981 (about \$3½ billion). The increase in net suppliers' credit was smaller than in 1980 mainly due to the decline in imports of equipment. Net long-term credit increased by about \$1½ billion, all of which was in convertible currencies (compared with \$2½ billion in 1980). As a result, external debt reached \$20 billion (including short-term credits) at the end of 1981 (double the level of four years earlier) of which \$18½ billion is in convertible currencies. Excluding IMF credit, medium to longer-run debt in convertible currencies was \$15½ billion. Debt interest payments amounted to just over \$2 billion or 9½ per cent of total current external receipts and debt servicing was just less than \$4 billion or 17½ per cent of total current external receipts<sup>29</sup>.

## II. ECONOMIC POLICIES

Institutions, economic policies and instruments have continuously changed in the post-war period, influenced in particular by a process of decentralisation related to the growing importance of Republics and provinces and a delegation of authority

26.

	1978	1979	1980 <sup>a</sup>	1981
	(\$ billion)			
Invisible surplus				
Total	3.1	3.6	3.8	4.1
Convertible countries	2.9	3.2	3.5	3.9
Clearing countries	0.2	0.4	0.3	0.2

27. This item may also include other current account inflows which are not properly speaking emigrant remittances.

28. Yugoslavs if they deposit foreign exchange with a bank have the right to open a foreign exchange account and transfer abroad as much as they like from this account.

29. With regard to convertible currencies, debt servicing was a little over 20 per cent of exports of goods and services and of net current transfers.

to junior levels of government<sup>30</sup>. Substantial progress was made towards decentralisation over a period of years following the adoption of the 1974 Constitution. But the two oil price shocks and world recession have made it difficult to achieve the overriding objectives of a sustained and rapid rate of economic growth and a reduction in the regional disparities of economic performance. As a consequence, considerable imbalances developed in the economy during the second half of the 1970s, notably a large current external deficit and a high and accelerating rate of inflation. These developments have resulted over the last two years in a reappraisal of objectives, policies and institutional arrangements. Priority in the short term has switched from economic growth to stabilisation. The setting of longer-term policies and the required institutional changes are still under discussion<sup>31</sup> and a preliminary revision of the 1981-1985 Plan has been completed (see Part III below). After analysing short-term policies, this Part then examines some of the longer-term issues for economic policy.

### *Monetary policy*

Monetary management has improved in recent years with emphasis being put on better control of credit expansion<sup>32</sup>. But its operation has been greatly complicated by specific institutional arrangements and policies—notably the maintenance of low nominal interest rates in a period of rapid inflation; the recurrent strong expansion of inter-enterprise credit (mainly suppliers' credit); the important flows of "selective" credits were not directly covered by the credit ceilings; and the very sizeable deposits of households and enterprises denominated in foreign currencies. However, there has been increased determination in 1980 and 1981 by the National Bank of Yugoslavia<sup>33</sup> to prevent an excessive rate of credit expansion as in earlier years. Within this framework, the principal objective of monetary policy in 1981 was to keep the growth of bank credit and money supply slightly below that of nominal SP. Quarterly credit expansion ceilings were fixed<sup>34</sup> and in order to reduce the number of uncontrolled credits, housing credits were brought under the ceilings for the first time<sup>35</sup>. The latter was partly offset, however, in mid-1981 when—with the aim of promoting exports—export credits were increasingly exempted from the ceilings. Reflecting these developments, the main aggregates expanded considerably less than SP in 1981.

The growth of bank credit decelerated from about 29 per cent during 1980 to 23 per cent during 1981, exceeding marginally its target. However, since the rise in

30. According to OECD concepts general government—referred to as government in this Survey—consists of (a) the Federal government; (b) the governments of the six republics and of the two autonomous provinces; (c) communal and city government; (d) self-managed communities of interest for trade, for pensions, social security, education health, social welfare, etc.; (e) social political organisations (e.g. trade unions, youth organisations, student organisations, etc.). Categories (a) plus (b) plus (c) are called in Yugoslavia socio-political communities (DPZ).

31. These are reviewed within the context of the Stabilisation Programme under preparation which will mainly deal with medium to long run issues and policies.

32. This shift in emphasis since 1978 towards direct (ex ante) credit controls has reduced the role of the minimum reserve requirement as an instrument for controlling bank lending. Minimum reserve requirement is now seen more as a prudential instrument.

33. The National Bank of Yugoslavia is composed of one bank at the Federal level and eight at the Republican and provincial levels.

34. Quarterly targets during 1981 (December 1980=100): March 104½, June 111, September 115 and December 121. About 85 per cent of commercial bank credit is subject to ceilings. Credits exempted from ceilings comprise credits for: regional development; repairs of earthquake damage; exports and certain imports; agricultural production and stocks, etc.

35. In the three years to 1980, bank credits for housing increased at an annual rate of 44 per cent (compared with an annual increase in housing investment in nominal terms of 34 per cent) and nearly twice as fast as all other bank credit. In 1981, the rate of growth of credit for housing was 33 per cent, and accounted for 15 per cent of total bank credit in 1981.



Table 9. **Money supply and credit**  
Billion dinars

	End of 1980	1977	1978	1979	1980	1981
		Change during the year				
Domestic credit expansion <sup>1</sup>	1 568.4	154.1	213.1	258.4	350.7	359.4
Credit	1 455.9	138.9	181.6	236.4	320.8	333.6
Securities	112.5	15.2	31.5	22.0	29.9	25.8
Non-monetary deposits (increase = -)	-844.9	-88.4	-129.5	-120.1	-116.6	-123.6
Foreign exchange transactions	-261.9	-22.1	-19.4	-79.5	-147.6	-113.2
Money supply, M1	461.7	44.6	64.2	59.8	86.5	122.6
Quasi money	785.3	56.0	117.7	119.0	209.4	258.0
of which:						
Foreign exchange deposits	318.3	23.7	55.8	44.9	118.1	135.5
Money supply, M3	1 246.9	100.6	181.9	178.9	295.8	380.7
		Percentage change during the year				
Credit	1 454.4	24.1	25.4	26.3	28.3	23.0
Short-term	333.0	18.8	24.2	29.5	31.4	53.4
Long-term	1 121.4	25.7	25.7	25.4	27.4	14.0
of which:						
Total housing	193.2	9.8	49.5	40.2	42.1	31.4
Credit to households	156.8	28.9	38.7	29.7	33.9	32.0
of which:						
Consumer credit	51.1	23.7	22.0	6.7	0.4	-7.8
For housing	91.6	31.5	69.2	55.1	57.9	44.9
Credit to enterprises	1 102.3	21.4	26.5	28.0	29.5	24.7
of which:						
For housing	60.7	-5.7	40.7	36.7	27.3	28.5
<i>Memorandum items:</i>						
Money supply, M1		21.6	25.6	19.0	23.0	26.6
Quasi money		19.8	34.7	26.0	36.0	33.0
Money supply, M3		22.4	30.8	23.1	31.2	30.5
Nominal Social Product		24.0	22½	29½	33½	43.0

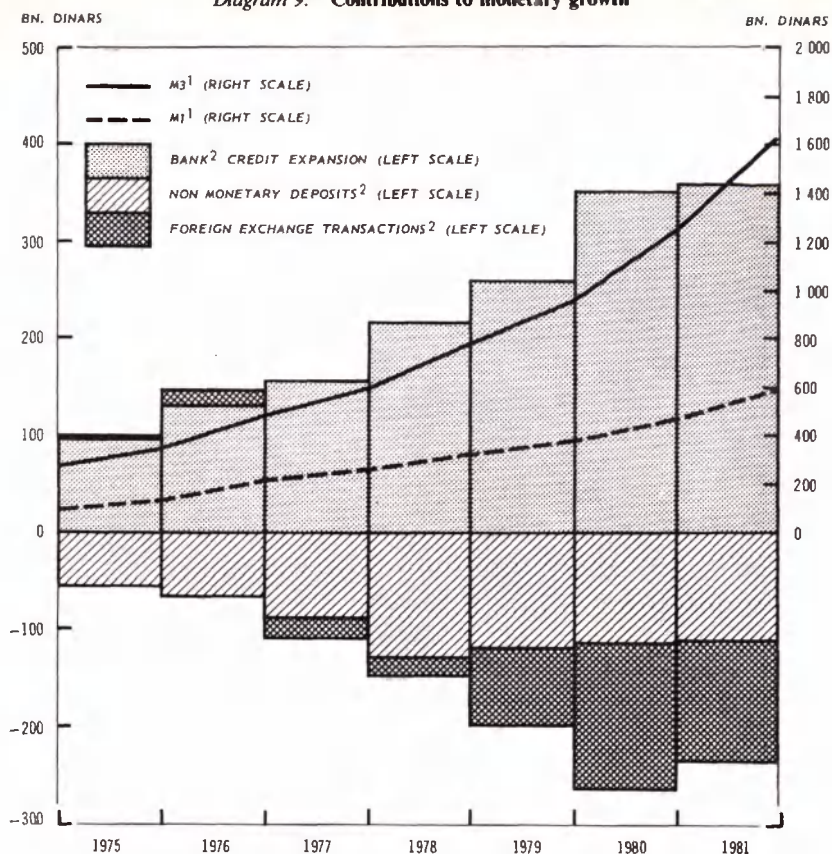
1. Banks and financial institutions.

Sources: National Bank of Yugoslavia Bulletin November-December 1981, and direct communication to the OECD.

nominal SP (43 per cent) was considerably higher than projected (24 per cent), bank credit conditions were considerably tighter than had been planned in the Economic Resolution for 1981. The growth rates of short-term and longer-term credits diverged considerably (53 per cent and around 14 per cent respectively) partly because the authorities decided to limit the expansion of longer-run bank credit so as to force firms to cut investment plans. However, short-term credit seems to have been used for investment purposes to a greater extent than earlier.

Within the total, there were considerable differences in the extension of credit to the different sectors. Reflecting an improvement in public finances, credit to the public sector fell by 10 per cent. In contrast, credit to households increased by 32 per cent, the larger part of which was for housing; excluding the latter, the increase was around 15 per cent. Bank credit to the business sector increased by 25 per

Diagram 9. Contributions to monetary growth



1. Level.
  2. Change from previous year.
- Source: Bank of Yugoslavia, Quarterly Bulletin.

cent. Credit and monetary conditions in enterprises, however, were easier than this suggests as the expansion of direct inter-enterprise credit (mainly suppliers' credit) which has developed over the last four years increased further in 1981<sup>36</sup>. Allowing for the increase in these credits (46 per cent or the equivalent of 40 per cent of bank credit<sup>37</sup>) and loans in the form of bills of exchange, the growth of credit to the business sector was considerably higher than the expansion of bank credit. While there were some temporary cash-flow problems, the overall liquidity position of enterprises partly because of the cuts in investment does not seem to have been significantly tight in 1981.

Reserve money creation in 1981 was substantially higher than planned reflecting partly, a lower than expected negative contribution of foreign exchange

36. The emergence of inter-enterprise credits was in line with the general policy orientation favouring the grouping of enterprises—largely on a regional basis—into associations of labour and enterprises for joint investment ventures, financial transactions, common marketing and purchasing policies, foreign trade relations, etc.

37. The comparable figure in 1977 was 20 per cent.

Table 10. **Basic flows of reserve money creation**  
Billion dinars

	End-1980	Change during the year			
		1978	1979	1980	1981
<b>I. Central bank operations</b>					
Domestic transactions					
1. Credits to business banks and funds	134.9	11.1	28.2	36.6	72.0
2. Credits to the Federal Government and other clients	117.1	10.4	9.1	9.9	4.1
Foreign exchange operations	-59.0	4.7	-38.3	-40.4	-17.0
Change in minimum reserves	—	1.7	14.0	15.2	2.3
<b>Total</b>	<b>208.2</b>	<b>27.9</b>	<b>13.0</b>	<b>21.3</b>	<b>61.4</b>
<b>II. Autonomous offsets<sup>1</sup></b>					
1. Clients' deposits with the National Bank	23.1	-1.9	-4.9	-2.3	-8.2
2. Float	15.7	-8.1	2.9	-4.5	13.1
3. Currency in circulation	116.0	-16.6	-15.7	-25.3	-32.8
4. Compulsory reserves	66.4	-9.9	-4.5	-15.1	-16.8
5. Other deposits of business banks with the National Bank	19.7	-6.5	-3.9	-1.2	-14.2
6. Treasury bills	5.0	0.3	0.1	0.1	0.4
7. Other	-58.4	12.4	19.2	27.8	7.8
<b>Total</b>	<b>187.5</b>	<b>-30.3</b>	<b>-6.8</b>	<b>-20.5</b>	<b>-50.7</b>

1. Minus sign indicates an increase in autonomous offsets.

Source: Direct communication to the OECD.

transactions but, more importantly, a larger than planned contribution of National Banks credits to commercial banks and funds (about one-third higher than planned, Table 10). Over four-fifths of these credits represented selective financing covering mainly exports and agricultural production and stocks (over one-half and one-third of the total selective credits respectively)<sup>38</sup>. Money supply (M1) in 1981 was targeted to grow by 22 per cent, 2 percentage points below the projected increase in nominal SP. In the event, the growth of M1 (26½ per cent)—although higher than planned—was substantially slower than that of SP. The most important factors behind this moderate growth were credit restrictions and an estimated turnaround from a deficit to a small surplus in the government accounts. At the same time, however, the sharper than expected decline in the current external deficit, meant that the contractionary impact of foreign exchange transactions on M1 was less than in 1980 and less than forecast. The growth of quasi-money<sup>39</sup> increased much faster than M1 (33 per cent) mainly due to the effect of the exchange rate depreciation on foreign exchange deposits.

Continuing the trend in recent years, deposits denominated in domestic currency grew considerably less than foreign exchange deposits in 1981 (in dinars

38. The rest (16 per cent of total National Bank selective credit) was mainly used for financing imports of basic materials, coal stocks, purchases of equipment and credit for exports of ships. Between 1977 and 1981 selective credits increased at an average annual rate of 37 per cent. Moreover, the present Five Year Plan places more emphasis on export aid and promotion and on a considerably faster agricultural development than in the past so that the relative growth of selective credits could accelerate over the next few years.

39. Comprises foreign exchange deposits of residents, other sight deposits, time deposits, restricted deposits, deposits for housing, securities issued by banks and claims on banks in respect of pooled resources.



Table 11. The structure of deposits

	Billion dinars	Percentage change during the year				
		End-1980	1977	1978	1979	1980
Deposits in dinars <sup>1</sup>	902.6	24.4	26.7	27.8	27.2	31.4
<i>of which:</i>						
Households	199.9	30.5	40.1	24.2	11.9	27.8
Enterprises (OAL)	409.6	23.8	18.7	28.5	37.5	33.3
Deposits in foreign exchange <sup>1</sup>	318.5	31.7	55.8	28.9	59.1	46.3
(expressed in billion \$ US)	(8.0)	(31.5)	(53.4)	(25.6)	(4.2)	(7.0)
Households	230.1	40.3	45.8	38.5	55.9	38.9
(expressed in billion \$ US)	(5.8)	(40.0)	(43.6)	(34.9)	(2.1)	(1.6)
Enterprises (OAL)	88.4	12.7	83.1	8.0	68.1	66.2
(expressed in billion \$ US)	(2.2)	(12.5)	(80.3)	(5.2)	(10.1)	(21.5)
Total deposits	1 221.1	25.7	32.1	28.0	34.2	35.3

1. Deposits with banks and financial institutions.

Source: National Bank of Yugoslavia Bulletin, November-December 1981.

31½ and 46 per cent respectively). At the end of the year, foreign exchange deposits represented about 56 per cent of total household deposits. Taking the depreciation of the dinar and inter-currency changes into account, however, the increase in these deposits has decelerated markedly over the last two years (Table 11). This slowdown may be partly due to changes in interest rates abroad relative to domestic rates, but it seems that a growing proportion of foreign exchange coming into the country is kept in notes by households, both for savings and transactions purposes (a common phenomenon at times of high inflation and rapid currency depreciation). Compared with the rise in nominal SP, the relatively small increase in currency in circulation of 26 per cent (in dinars) on average in 1980 and 1981 probably stems partly from this development. In contrast to those of households, foreign exchange deposits of enterprises grew rapidly (Table 11), reflecting increased obligations for advanced deposits with banks for selected imports and possibly administrative restrictions<sup>40</sup>. In addition, there may have been an increasing awareness of the business sector of the advantages of holding foreign exchange deposits rather than depreciating dinar deposits. Total foreign exchange deposits in 1981 represented about 45 per cent of quasi-money, 4 and 10 percentage points higher than in 1980 and 1979 respectively.

Traditionally interest rates were considered as a long-term development instrument to promote investment by keeping them negative in real terms, and by avoiding frequent changes in their levels<sup>41</sup>. As a result of this policy, interest rates became highly negative with the strong acceleration of inflation in the last two years. At the beginning of 1981 most lending rates were around 8 per cent compared with a

40. As import ceilings set for 1981 were already attained by mid-year, a number of enterprises holding foreign exchange had to wait until the beginning of 1982 in order to obtain permits to import.

41. The official discount rate was kept at 6 per cent for over four years to 1981 irrespective of the sizeable fluctuations of the rate of inflation over this period. Similarly, interest rates on household sight and term deposits for two years were kept at 7½ per cent and 10 per cent respectively. Small changes in lending rates which took place over this period mainly reflected the differences in interest rates between banks and especially between regions.

rate of inflation of over 50 per cent. The 1981 Economic Resolution marked a change in policy intentions by stipulating an active use of interest rates with the aim of bringing them more in line with the rate of inflation. In mid-1981, banks agreed that interest rates on household savings should be increased together with interest rates charged on consumer credit. But significant increases in interest rates only occurred in recent months. At the end of 1981, it was decided that demand deposits of the business sector would become interest bearing with rates of 1, 2 and 3 per cent in 1982, 1983 and 1984 respectively. From February 1982, the discount rate of the National Bank was raised from 6 to 12 per cent and interest rates charged on selective credits also rose markedly<sup>42</sup>. On 1st March, 1982, interest rates on consumer credit increased from 12 to 14½ per cent, while saving deposit rates varied between 7.5 and 13 per cent. Finally, interest rates charged on short and long-term commercial loans increased in March 1982 by some 2½ points to around 12 per cent depending on the term structure of deposits and the purpose of the loan. Interest rates paid on foreign exchange deposits remained unchanged<sup>43</sup> which may have reduced their attractiveness.

Table 12. **Interest rates**  
In per cent

	1978 Q4	1979 Q4	1980		1981		1982 Q1
			Q2	Q4	Q2	Q4	
Central Bank							
Official discount rate	6.0	6.0	6.0	6.0	6.0	6.0	12.0
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	9.60	8.78	9.48	9.44	9.75	9.82	12.19
Medium- and long-term	8.99	6.91	6.55	5.74	6.45	8.81	11.24
Credit to households							
Consumer credits	12.0	12.0	12.0	12.0	12.0	12.0	14.45
Credit for housing construction	5.21	5.75	5.67	5.68	6.20	6.32	7.15
Deposit rates							
Time deposits by OALs <sup>1</sup>							
Up to 1 year	4.55	5.09	6.53	5.69	8.97	6.32	10.84
Over 1 year	6.04	7.56	5.64	8.72	6.92	6.79	6.80
Deposits by households							
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	11.0
Over 2 years	10.0	10.0	10.0	10.0	10.0	10.0	13.0

1. Organisations of associated labour (= "enterprises").

Source: Quarterly Bulletin of the National Bank.

Within the framework of stabilisation policy, monetary policy is projected to remain restrictive in 1982. The Economic Resolution of 1982 implies a continuing

42. For sales of equipment from 2 per cent to 8 per cent; for imports of raw materials and components from 5 per cent to 8 per cent; for agricultural stocks from 3 per cent to 4 per cent; for liquidity purposes to selected enterprises from 6 per cent to 12 per cent.

43. Interest rates of 7½ to 10 per cent are paid on these deposits, the payments being made in foreign currencies.

tight control on domestic credit expansion, the growth of which is expected to slow down. The growth of other aggregates is also expected to slow down. The main 1982 targets are summarised in Table 13:

- i) The considerably faster growth of short than long-term credit is consistent with the aims to raise the ratio of self-financed investment and to reduce overall investment.
- ii) A maximum limit on the amount of short-term credit which can be used for longer-term expenditures of 25 per cent has been fixed.
- iii) The faster rise in commercial banks' selective credits for exports and agricultural production and stocks than other credits implies a marked tightening of conditions in non-priority sectors.
- iv) The forecast growth rate of M1 is lower than in 1981 and less than the projected increase in nominal SP.

While the expected slow growth of the monetary aggregates and the substantial reduction in negative real interest rates are likely to considerably influence real and nominal developments in 1982, a continuing increase in inter-enterprise credit will probably result in some liquidity squeeze on the business sector.

Table 13. 1982 Monetary and credit targets

	Position end-1981	Change during 1982 in:	
	Billion dinars	Billion dinars	Per cent
Money supply M1	584.3	98.5	17.0
Domestic credit expansion	1 927.8	333.5	17.3
Short-term	386.4	87.0	22.5
Long-term	1 135.4	113.5	10.0
Credit	1 789.5	269.5	15.1
<i>of which:</i>			
"Selective"	416.8	172.5	41.4
Exports	199.0	96.3	48.4
Agriculture	118.9	50.5	42.5
Sales guaranteed by government	72.7	9.2	12.7
Imports	14.9	8.2	55.0
Stocks and material reserves	11.4	7.9	69.3
Securities	138.3	64.0	46.3
<i>Memorandum item:</i>			
Social product, nominal (Official target for 1982)		511.0	23.0

Source: Direct communication to the OECD.

### Fiscal policy

The decentralised government system and the strict laws covering the sources of revenue and allocation of expenditure of the junior levels of government, reduces the flexibility of fiscal policy. Moreover, the authorities, in general, view fiscal policy as a longer-run instrument for meeting the economic and social needs of the country within the framework of the Plan (i.e. it basically serves as an allocation instrument) and usually avoid using it for demand management purposes. The budgets of the Republics and autonomous provinces and of the junior levels of



government are not in principle permitted to run surpluses or deficits<sup>44</sup> which coupled with the proportional personal income tax system deprives the economy of important automatic self-stabilising forces. Nevertheless, in periods of economic difficulties, fiscal policy has often been used with success to promote stabilisation objectives. The aims in 1980 and in 1981 were to reduce the size of the public sector and thus ease inflationary pressures arising from its rapid expansion in the past, government expenditure having risen from the equivalent of 35 per cent of SP in the early 1970s to 43 per cent in 1978. In 1981, this was brought down to 35 per cent mainly as a result of a sharp reduction in real pay at all government levels and by substantial cuts in investments in line with the Economic Resolutions of 1980 and 1981.

Total government revenue grew at 35 per cent in 1981, which as in 1980, was much slower than the rise of the nominal SP. However, this was about 16 percentage points faster than planned reflecting considerably higher inflation than assumed in the 1981 Budget. Basic sales tax receipts recorded the highest rate of growth—58 per cent—or more than double that of 1980. This acceleration is largely due to the rise in the basic sales tax rate<sup>45</sup> from 14 per cent to 17 per cent early in 1981. Income tax receipts (which are mainly on a proportional basis) increased at a slower rate (28½ per cent) than average pay. Customs duties grew relatively slowly (17 per cent) reflecting weak imports and—to a lesser extent—a small reduction in average tariff rates. As about one-half of Federal revenues<sup>46</sup> come from basic sales taxes, they rose rapidly (47 per cent) in 1981. The increase in revenues of the other parts of the government was less than 30 per cent; their expenditures were regulated by law to increase moderately and as their budgets are required to be balanced their increase in revenue was also limited<sup>47</sup>. As a consequence, tax and contributions were lowered in mid-year in order to reduce the surplus arising mainly from the significantly faster growth in the wage and salary bill in the business sector than in government.

Consolidated expenditure data for the government sector as a whole are not yet available but preliminary indicators suggest that the official objective of expenditure growth somewhat below that of revenue was achieved, to give a small surplus (estimated at Din. 7 billion) compared with a deficit in 1980 (Table 14). The small rise in Federal expenditure was mainly due to the significant deceleration in nominal average wage growth (25 per cent compared with 34 per cent in the other sectors of the economy) and to the modest growth in employment as set out in the 1981 Economic Resolution. Grants to Republics and to provinces also increased very little (12 per cent) following the deceleration in expenditure to repair damages from the earthquakes of 1979 while investment expenditure declined by about one-half. Expenditure of the other government sectors appears to have risen slower (about 24 per cent) and less than in 1980 reflecting the higher share of investment (which experienced a marked nominal decline in 1981) in total expenditure in the

44. Republican, provincial, city and communal administrations together with the self-managed communities of interest and related funds account for about four-fifths of total government expenditure. Small deficits or surpluses, however, do occur but these are expected to be corrected in the following year.

45. Other sales tax rates (at the level of the Republics and provinces) remained unchanged. Receipts from these taxes increased in 1981 by 33 per cent.

46. 50 per cent of the total amount of the basic sales tax is transferred to the Federal budget, the rest going to Republics and autonomous provinces.

47. This law permitted a refund last year of part of the contributions paid by households to self-managed communities of interest in education, culture, health, etc. This was also consistent with the policy to moderate the fall in real personal incomes. Moreover, excise duties on oil and derivatives were reduced (final prices remaining unchanged) in order to increase profit margins of enterprises in these sectors.



rest of government than in Federal expenditure. The turnaround from a small government deficit in 1980 to a surplus in 1981 is attributable to the significant decline in the Federal deficit (regular account) from Din. 20 billion in 1980 to Din. 1 $\frac{3}{4}$  billion in 1981. Including debt repayments and contingency reserves, the overall deficit (financing requirement) of the Federal Government fell from Din. 22 $\frac{1}{2}$  billion to Din. 4 $\frac{1}{2}$  billion in 1981 and, unlike 1980, was entirely covered by National Bank loans. The total fiscal impact was strongly negative in 1981 as illustrated by the swing of about Din. 18 billion (1 $\frac{1}{2}$  per cent of SP) from a government deficit in 1980 to a surplus in 1981 and also by the 3 $\frac{1}{2}$  percentage points reduction in the share of public expenditure in SP between 1980 and 1981.

Table 14. Consolidated revenue and expenditure of the public sector<sup>1</sup>

	Billion dinars				
	1977	1978	1979	1980	1981 <sup>2</sup>
Revenue					
Direct taxes <sup>3</sup>	175.5	232.5	279.6	351.4	458.6
Indirect taxes <sup>4</sup>	109.4	126.3	157.7	190.0	269.3
Other taxes and non-tax revenue	19.8	25.5	33.4	46.1	66.3
Total revenue	304.7	384.3	470.7	587.6	794.2
Expenditure					
National defence and administration	71.5	83.9	103.8	141.2	
Education	43.7	57.4	67.5	82.2	
Social security and welfare	114.4	146.5	178.6	220.6	
Interventions in the economy	28.0	38.1	42.2	53.1	
Other expenditure <sup>5</sup>	54.3	63.4	77.7	101.2	
Total expenditure	311.9	389.3	469.8	598.3	
Surplus or deficit	-7.2	-5.0	0.9	-10.7	
Financing					
Foreign financing, net	-0.1	-0.1	—	—	
Domestic financing, net	7.3	5.1	0.9	10.7	

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 expenditure for housing and communal amenities, investment and subsidies for consumption.  
 Source: Direct communication to the OECD.

The 1982 Economic Resolution implies a further fiscal tightening but considerably less than in 1981. Federal revenue is forecast to rise by 26 $\frac{1}{2}$  per cent with a particularly large increase (44 per cent) from customs duty receipts, reflecting a substantial increase in the share of customs receipts accruing to the Federal Budget at the expense of the "communities for foreign economic relations". Federal expenditure items are expected to grow at a similar rate; but administration expenditure should continue to grow less than other items in line with the guidelines of the Economic Resolution calling for continuing wage moderation and a marked reduction (20 per cent) in non-wage expenditure. The Federal Budget is expected to be balanced in 1982. With regard to the other parts of the government, the growth of expenditure should again be below that of nominal SP and probably slower than the Federal expenditure; total expenditure by Republics and provinces is projected to grow by not more than 18 per cent. And, as in recent years, government investment is expected to decline somewhat in nominal terms making it

Table 15. **Federal budget**  
Billion dinars

	1977	1978	1979	1980	1981 Preliminary outcome	1982 Plan
Regular revenues	80.0	72.6	93.5	109.5	161.3	203.9
Customs duties	39.7	23.4	24.6	20.7	21.0	30.3
Percentage of basic sales tax	—	26.3	37.7	47.4	73.4	88.9
Contributions from republics and autonomous provinces	39.0	20.8	28.4	38.5	63.8	80.4
Other	1.3	2.2	2.8	2.9	3.1	4.3
Expenditure	89.0	77.8	97.3	129.5	163.0	200.4
National defence	38.1	42.6	55.1	76.3	99.1	122.7
Administration	5.3	6.2	7.1	9.3	11.2	13.7
Grants to republics and provinces	6.1	7.0	10.5	14.3	16.0	20.8
Investment	1.5	1.9	2.4	2.0	1.1	1.7
Supplement to pension funds	13.7	16.4	19.4	24.9	31.3	38.9
Subsidies and tax reimbursements	22.3	1.4	—	—	—	—
Other	2.0	2.3	2.8	2.7	4.3	2.6
Balance on regular account	-9.0	-5.2	-3.8	-20.0	-1.7	3.5
Allocations	4.5	4.3	4.7	2.5	2.9	3.5
Budget reserves	0.3	0.3	0.2	0.1	0.3	0.3
Debt repayment and other	4.2	4.0	4.5	2.4	2.6	3.2
Financing						
Receipts	13.5	9.5	8.5	22.5	4.6	—
Borrowing from National Bank	9.5	9.5	8.5	9.2	4.6	—
Bond issues	4.0	—	—	13.3	—	—

Source: Direct communication to the OECD.

the most contractionary fiscal component for the third successive year. On this basis, the government account is also expected to be in balance in 1982.

### *Prices and incomes policy*

Price and income controls and guidelines have been operated in Yugoslavia for a long period, but there have been changing objectives and methods of control over time depending on specific conditions and aims. More recently, policies have been mainly concerned with relative movements of incomes between profits and pay which have influenced price movements. In early 1981 an important part of the responsibilities of price control and formation was transferred from the Federal level to the Republics and autonomous provinces and at the same time "communities for prices" were set up at the Federal, Republican and local levels. Prices are fixed within these "communities" by agreements among producers, consumers and representatives of government, of chambers of commerce and of trade unions. There are six principal criteria for fixing prices of particular goods and services, namely, the relationship between demand and supply, influence of world price movements, discrepancies in inter-sectoral productivity levels, financial considerations, promotion of selected priority sectors through accelerated rises in prices<sup>48</sup> and

48. With the view of increasing investment, certain priority sectors may be allowed to increase prices by about 5 percentage points faster than would normally be allowed.

consistency with the overall price targets. Using these criteria and depending on the specific goods and services involved, enterprises that reach agreement on price changes are obliged either to "inform" the competent "communities" or submit the changes for "approval". Some prices are fixed—mainly at the Federal level—directly by decree.

The new price system was introduced to try and increase the role of "market criteria" in price fixing but a year after its implementation there are doubts as yet about whether this objective has been met. Unfortunately the changes in price formation coincided with a strong acceleration of inflation which necessitated the introduction of strict price controls. As a result, competition was restricted which together with import constraints enabled efficient lower cost producers to obtain considerable rents. Moreover, the adequate functioning of market criteria has been affected by the regional and unduly wide sectoral disparities in pricing. These developments contributed to the intensification of price pressures.

At the beginning of 1982, the price controls of mid-1981 were lifted and the authorities fixed price targets for the current year which were incorporated in the Economic Resolution for 1982. These targets provide an average increase in prices of about 15 per cent during 1982<sup>49</sup>. In view of price developments in 1981, the authorities have assumed a more active role in ensuring that agreements between producers and consumers conform to the overall price targets and that specific price rises are approved by the competent communities for prices. Apart from the restriction of domestic demand, other measures have also been taken which will influence price developments in 1982:

- i) Sales tax rates are not to be increased and it has been announced that some reductions of rates may be made.
- ii) Food subsidies at the retail level on edible oil, sugar, flour and meat have been eliminated.
- iii) Firms have an obligation to increase depreciation allowances.
- iv) Profit margins in retail trade were altered from fixed absolute amounts to percentage norms.

The net effect of these changes may be to add to price increases.

In principle, personal income levels and growth rates should conform broadly with the overall objectives of firstly, a distribution of income conducive to high rates of profits (accumulation) in order to promote self-financing of investment and second, the annual guidelines in the Economic Resolution. As with prices, wage determination is based on sectoral agreements<sup>50</sup> but mainly at the Republican and local levels and involving also governments, trade unions and chambers of commerce. The functional distribution of income between sectors should depend on the capital/labour ratio (generally there are higher earnings in sectors having a high capital intensity) and within sectors on the skills and number of people employed in each enterprise compared with the average number. In fact, there are big differences in average pay for people doing the same job between sectors and enterprises within the same sector in the same region. Additional differences in the level of average pay reflect the disparities in per capita incomes between Republics. Historical factors explain to a large extent the distribution of income and

49. Detailed targets for price rises for 35 industrial sectors were announced. Total industrial producer prices are projected to rise by 14 per cent, agricultural producer prices by 17 per cent, retail prices by 15 per cent, prices of services by 16 per cent and finally cost of living increases by 17 per cent. The implicit price deflator of the Social Product is fixed at 20 per cent (this refers to the average level and not to increases through the year as for other price targets).

50. In industry there are about 240 agreements, i.e. 30 sectoral agreements in each of the six Republics and in each of the two autonomous provinces. The same principle applies to agreements in other activities.



most wage agreements recognise and endorse in practice these differences. In 1980 and 1981, the wage agreements were in line with the principle of the respective Economic Resolutions which encouraged an increase in the profit rate, but this criterion and the usual wagedrift led to a faster increase in nominal wages than had been proposed by the authorities. Nevertheless, real wages still fell because of the acceleration in inflation. The policy for 1982 envisages firstly, a relative moderation in nominal wage rises of below the rate of growth of value added with increases in the business sector exceeding for the third year in succession the increase in non-economic sectors and second, an increase in real terms below the growth in productivity.

### *Some longer-term policy issues*

The last OECD Economic Survey of Yugoslavia<sup>51</sup> discussed the main reasons for the emergence of the inflationary and external imbalances in the economy following the 1973 oil price shock. In particular, the Survey examined the changing pattern of demand away from the external sector to domestic sources and with a heavy reliance on investment reflecting the emphasis of policy on rapid growth and the objective of reducing regional disparities. The reconciliation of the economic objectives of each Republic and the need to improve efficiency at the national level so as to ensure a high rate of self-sustained growth has always been at the centre of policy discussions. Over the last four years, this problem has attracted more attention following the disappointing economic performance since the mid-1970s. Although the oil price shocks and the weak international environment contributed to the growing economic difficulties, some institutional changes and policies also impeded the necessary strengthening of the external sector and the fuller integration of the domestic market. The effective absence of a unified foreign exchange market permitted certain monopolistic practices to develop. These issues, are under review by the authorities with a view—despite the important ramifications and the complexities of changing institutions—to eliminating the major barriers to improved economic efficiency.

An important distortion over the longer term has been excessive investment leading to some duplication of plants. This tendency was reinforced during the 1970s, leading to considerable waste of scarce capital and resources and to a lesser extent to skilled labour. Striking examples are the establishment of five plants producing five makes of cars<sup>52</sup>, and five refineries operating at about one-half capacity with two additional refineries scheduled to come on stream in the near future. To avoid similar problems in the future, it appears that the authorities are envisaging the reintroduction of a system similar to that in force up to the early 1970s, under which potential investors have to notify the Federal chamber of economy<sup>53</sup> of investment projects. The Federal powers, however, are to be considerably strengthened to give them the right to assess the economic and social validity of these projects and reject them if they are likely to lead to duplication. While important, such a system, however, would still leave unsolved the problems of the existing duplication of projects which forces many enterprises to operate either below capacity and/or at significantly higher cost levels than warranted on the basis of efficiency. The recent increase in interest rates by encouraging enterprises and Republics with surplus capital to export funds to other

51. See OECD Economic Survey of Yugoslavia, May, 1981, pp. 19-31.

52. Last year one plant producing on average less than 8 000 cars per year was closed.

53. For smaller projects, notification has to be made to Republican or provincial chambers of economy. These chambers are essentially chambers of commerce.



regions should help improve investment efficiency as will the measures to promote inter-Republic joint ventures<sup>54</sup>.

In the past, the efficiency of investment and its real rate of return over the project's life does not appear to have been important considerations in making investment decisions. The larger part of finance traditionally came from outside sources (mainly from banks) and the highly negative real interest rates resulted in a rapid and sizeable decline of real indebtedness, thus becoming an important inducement to borrow irrespective of the economic and social value of the project. However, despite the ensuing low servicing charges, many enterprises were unable to meet these commitments, thus highlighting the inappropriate investment choices both with regard to the products and processes adopted. To redress this situation, the authorities—as noted earlier—are now moving towards eliminating the divergencies between the rate of interest and the rate of inflation thus obliging enterprises to have a better appreciation of their investment projects and discouraging both excessive borrowing and growth of investment. In this context, a law was also recently passed which raised considerably the obligatory rate of depreciation in order to provide adequate funds for modernisation and rationalisation and to make enterprises more responsible for the conduct of their own affairs, especially with regard to investment.

Foreign economic relations and the associated institutional arrangements have also been the focus of recent debate. The most important issue is the inadequate competitiveness of Yugoslav manufactures, especially in advanced industrialised countries. Some of the factors underlying this are structural deficiencies, such as the lack of specialisation, the associated high costs of production and the pattern of investment noted above, the easing of which depends on a rationalisation of production over the medium term. In the short term, the effects on the current external account of the lack of competitiveness can, and have been, reduced by depressing domestic demand, which is not, however, sustainable over the longer run.

The release of resources to the external sector also requires an active use of foreign exchange rate policy and the adoption of measures to reduce the attractiveness to producers of the domestic market. In fact, though customs duty rates have been lowered consistently for a number of years, the high effective protection accorded to domestic producers does not seem to have been significantly eroded; the increasing use of direct controls and other import restrictions has probably more than compensated for the competitive effects from the reduction in customs duty rates making it profitable for inefficient producers to expand capacity and production for the domestic market. Moreover, effective protection (which has also been reinforced by moderate exchange rate adjustments in the past) probably outweighs the advantages accruing to exporters in the form of tax drawbacks<sup>55</sup> and some other fiscal advantages so that potential exporters may find it more attractive to sell to the domestic market.

The exchange rate is an important instrument in correcting and (as has been the case over the last twelve months) improving competitiveness arising from big differences in relative inflation. But, enterprises knowing that excessive rates of cost increases will ultimately be covered through exchange rate changes may relax their financial discipline allowing a bigger increase in domestic costs than may otherwise be the case. Accordingly, a successful exchange rate policy requires

54. Enterprises in the republics with net food imports are encouraged to make joint ventures with agricultural surplus Republics for food production. Similarly, the Plan states that up to one-half of the transfer of capital from the more developed Republics to the less developed Republics and provinces (including Kossovo) should take the form of joint ventures.

55. About 60 per cent of customs duties are paid back to exporters.

financial discipline by enterprises and more effective surveillance on wages and price trends. Acknowledging these factors, the authorities have adopted a more active exchange rate policy since about mid-1981. But its effects are likely to be limited in the absence of a single market for foreign exchange. The foreign trade flows relying mainly on Republican and regional "communities of interest for foreign economic relations" may make the achievement of a unified foreign exchange market difficult. In addition, the concept of a unified market through increasing the powers of the National Bank and by obliging exporters to dispose of their foreign exchange earnings to a supervised market is gaining ground. Indeed, in May 1982, temporary measures were taken to increase the supply of foreign exchange and reduce the impediments to its free movement between regions<sup>56</sup>. It is to be recalled that foreign exchange transactions have for a long time—well before the "communities of interest" were formed—been hampered by the retention by exporters of part of their earnings in foreign exchange. A further consideration impinging on foreign exchange management is the high and rising proportion of household savings held in foreign exchange (see above).

Under the present system, foreign trade is based on strict export-import targets projected for each Republic and autonomous province within the framework of an overall balance of payments projection for Yugoslavia as a whole. These individual projections are established through a continuous process of mutual agreement between the Republics and the Federal authorities. The principal criteria for fixing the individual projections are the export capacity of Republics, their import needs and the level of economic development. Each enterprise within the Republican "communities" has the right to decide what it wants to export and import in order to meet its trade projections, the implementation of these projections resting with the various "communities for foreign economic relations" at the Republican and provincial levels. As a result, there is considerable leeway in the interpretation of these criteria which sometimes make it difficult to reach an agreement, especially since enterprises in Republics with higher export potential wish to keep most of their foreign exchange earnings whereas in other Republics, enterprises who require more imports to support a faster rate of growth claim a big share of the export earnings. The direct export-import linkages also reflect the relatively large share of Yugoslav trade—especially industrial exports—which is on a bilateral basis as well as the scarcity of foreign exchange.

This situation has many drawbacks and the authorities now envisage corrections to the apparent distortions. Some considerations in this respect are that a more realistic exchange rate—within a single foreign exchange market—and a more national-orientation of the communities would probably be beneficial to exports and reduce the need for the present complex administrative and contractual arrangements. Such changes also seem likely to foster a more efficient pattern of production by promoting an improved assessment at all levels of government of their potential investment projects, and hence the national requirements of resource allocation.

56. The measures which run to the end of 1982 require companies to repatriate their export earnings within 60 rather than 90 days and forces companies to sell 15.9 per cent of hard currency export earnings to the National Bank which will then place them on the domestic foreign exchange market; until the measures, companies were required to sell 10 per cent of convertible currency earnings to the National Bank.

### III. REVISED 1981-1985 PLAN AND SHORT-TERM PROSPECTS

#### Revised 1981-1985 Plan

In light of domestic developments and international economic prospects, medium-term policies are being reassessed starting with preliminary revisions to the 1981-1985 Plan. The changes to targets are shown in Tables 16 and 17. The targets in the tables to be discussed below will be adjusted in light of the longer-term stabilisation programme presently being considered by the authorities as a basis for revising the Plan and policies. The downward adjustments to the domestic demand components and SP reflect the principal aim to achieve a current external surplus in the period 1983 to 1985—rather than approximate external balance in the original Plan—so that debt servicing charges can be brought down to manageable levels. Although under review, the target growth rate of exports of goods and

Table 16. Revised 1981-1985 Plan and 1982 Economic Resolution  
Annual percentage volume change at 1980 prices

	1980	1981	Economic Resolution 1982	Plan		Revised Plan	
				1980 1975	1985 1980	1985 1980	1985 1982 <sup>1</sup>
Consumers' expenditure	3	-11	—	4½	2½	2	3½
Collective consumption	2½	3	-1	5½	3	2½	4½
Fixed investment	-2	-7½	-6	7½	1	-2½	—
Final domestic demand	—	-3½	-2	5½	2½	½	2½
Stockbuilding <sup>2</sup>	1½	-1	-1	½	½	½	1
Total domestic demand	1½	-3½	-2½	5½	2½	½	3½
Exports <sup>3</sup>	9	12½	9½	3½	8	8½	7½
Imports <sup>3</sup>	-10	-2½	5½	½	1	3½	4½
Foreign balance <sup>2</sup>	6½	5	½	½	2	1½	1
Statistical discrepancy	-4½	2	4½	-1	½	1½	—
Social product	2½	1½	2½	5½	4½	3	3½
Agriculture	½	1½	4	2½	4½	3½	4
Industry	4	4	3½	6½	5	4½	4½
of which: Energy	6	1½	6	7	6½	5½	7
Construction	½	-6½	-4½	7	1	2½	-½
Services	1½	1½	3	5½	4	3½	4
<i>Memorandum items:</i>							
Exports	9	11	9½	3½	8½	8½	6½
Goods	11	11	8½	4	8	8½	6½
Services	5	9½	11	1½	9½	8½	7½
Imports	-10	-2½	5½	½	1	3½	4½
Goods	-10½	-4½	6½	½	1	3	4½
Raw materials	-5½	-2	16	2½	3½	5½	4½
Capital goods	-23	-15½	-35½	-7	-8½	-6	10½
Consumer goods	-8½	-9	3½	6½	-2	-1½	-1
Services	-6½	12½	-1	5	1	4½	3½

1. The targets for the last three years of the 1981-1985 Plan period have been derived from the outcome of 1981 and the 1982 Economic Resolution.

2. Percentage point contribution to the Social Product growth.

3. Goods and services.

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



services of  $8\frac{1}{2}$  per cent (annual average) over the Plan period seems optimistic<sup>57</sup>, particularly if the impediments to export growth discussed in Part II above were not to be quickly reduced. However, it is probable that the current balance target will be broadly met. This is because the authorities have announced that any shortfalls in export growth will be compensated by a reduction in imports, the target for which has been considerably increased, implying a steady recovery in import growth (volume) from 1982 onwards. Trade movements are now being monitored on a monthly basis, any divergencies from the targets having to be made good in the following months.

Except for government consumption, whose target rate of growth remains about the same in the revised Plan, the projected growth of consumers' expenditure and especially of fixed investment have been scaled down (Table 16). The growth in consumers' expenditure is officially expected to come mainly from a small growth in real social transfers to households (mainly pensions), a positive real growth of real incomes in the agricultural sector and the forecast continuing rise in employment. Net average earnings in the socialised sector are expected to decline slightly over the full period of the Plan, but because of the substantial decline in 1981, some real growth is expected over the three years to 1985. The sizeable reduction in the fixed investment targets reflects, among other things, an adjustment to earlier high levels of investment<sup>58</sup>, the need to provide room for some growth of private consumption and the high import content of investment. After taking account of the declines in 1981 and 1982, the Plan implies that total fixed investment (volume) will remain flat between 1983 and 1985. Business investment is expected to pick up moderately from 1982 on, but investment in other sectors is projected to fall until 1985.

The forecast for stockbuilding has also been revised down slightly. It appears that except for certain materials which are in short supply due to import restrictions, enterprises have a tendency to maintain stocks at a high level relative to output. The increase in interest rates should help address this imbalance particularly if a more unified national market could be achieved. Total domestic demand is targeted to rise by  $\frac{3}{4}$  per cent each year of the Plan period but at an annual rate of  $3\frac{1}{4}$  per cent over the three years to 1985; the target would seem to be achievable if the appropriate policies are in place. The realisation of the targets for total domestic demand and SP is, however, heavily dependent on the projections for private consumption and exports and imports. The revisions imply a pick up in the growth of SP after 1982 (Table 16).

With the exception of construction, the growth targets of output have been reduced (Table 16) and apart from agriculture to rates significantly lower than longer-run trends. The achievement of the agricultural output target may thus require policy changes. The growth of output in industry and services will be influenced by exports which suggests that the targets may not be reached. Services output is also likely to be affected by the low projected growth rates of private and government consumption.

The provisional downward changes to the demand and output targets are not accompanied by a reassessment of the growth of non-agricultural employment, which remains at 2 per cent a year in the revised Plan (Table 17). As a result, productivity will bear the brunt of the adjustment, which from an annual rate of

57. The outlook for world trade up to the end of 1983 at least is relatively weak, and in particular the expected slowdown in OPEC markets is likely to adversely affect export receipts. On services, the prolonged depression in world shipping and the recent slowdown in the growth of world tourism could make the target hard to fulfil.

58. The new targets are forecast to bring the share of fixed investment in SP down from 35 per cent (in current prices) in 1980 and 30 per cent in 1981 and 25 per cent in 1985.



Table 17. Selected revised Plan projections  
Annual percentage change

	1980	1981	Economic Resolu- tion 1982	Plan		Revised Plan	
				1980	1985	1985	1985
				1975	1980	1980	1983 <sup>1</sup>
<i>Employment</i>							
Total population	1	1	1	1	1	1	1
Labour force	1	1	1	1½	1	1	1
Total employment	1	1	1	1	1	1	1
Total (excluding agriculture)	3½	3	2	2½	2	2	2
Socialised sector	3½	3	2	4	2½	2	2
Socialised sector (productive activities only)	3½	3	2	4	2½	2½	2
<i>Productivity</i>							
Total	1½	1½	2½	4½	4	2½	3½
Total (excluding agriculture)	-1	-1	—	2	2½	1	1½
Socialised sector (productive activities only)	-1	-1	1	2½	2	1	1½
Industry	1½	1	1½	3½	2½	2	2½
<i>Earnings</i>							
Real net average earnings (per employee in socialised sector)	-7½	-5	0	1	2	-1	1½
Real total personal disposable income	-1½	-3	1	5½	3½	2	3½
<i>Prices (implicit deflators)</i>							
GDP	30½	40½	20	18½	14½	20	13½
Agriculture	33	43½	21½	17	12½	21½	14½
Industry	34	45	22	18½	14½	22	15
Private consumption	30½	41	20	18½	14½	20½	14½

1. The targets for the last three years of the 1981-1985 Plan period have been derived from the outcome of 1981 and the 1982 Economic Resolution. Sources: Direct communication to the OECD and Five Year Plan, 1981-1985.

growth of 4½ per cent in the second half of the 1970s is expected to rise at 2½ per cent annual rate over the Plan period. The slower growth of productivity accords with the authorities' desire to limit the effects of slow growth on unemployment. Nevertheless, the planned increase in employment is consistent with continuing, though moderate, rises in unemployment. At the same time, such a slow growth in productivity may be contrary to the needs of modernisation and restructuring of industry and an improvement of the financial situation of enterprises, including greater reliance on self-financed investment. The annual rate of growth of productivity in industry is estimated to be 2 per cent (and about 2½ per cent over the last three years of the Plan period) which is fairly low especially for a cyclical recovery and suggests rather weak underlying trends. The medium-run growth of productivity in services is also expected to be minimal which is in contrast to the trend in the OECD area.

Turning to incomes and prices, the revised Plan allows for an annual increase of just over 1 per cent in real net average earnings in the three years to 1985. Given the sizeable falls in real earnings in the last two years, price controls and the system of income determination, real earnings may well increase more than the target, especially as revised incomes are projected to rise by over 20 per cent each year. Should this eventuate, it would be contradictory to some of the Plan's objectives for improving the financial position of enterprises. It would also increase inflationary pressures. The revised inflation target implies an annual rate

of inflation of 14½ per cent (cost of living) over the period 1983 to 1985. Though more realistic than in the original Plan, the target may be on the low side on the basis of present policies and without changes to the system of price formation, whose main inadequacies were touched on in Part II above. The authorities are discussing the adoption of a strict anti-inflation programme aimed at reducing the rate of inflation to 10 per cent by 1985.

### *Short-term prospects*

Conforming to the medium-term stabilisation objectives, the Economic Resolution for 1982<sup>59</sup> calls for a continuing restrictive stance of policy, with all macro-economic targets adjusted accordingly. As with the 1981-1985 Plan, the main objectives in 1982 are a continuing improvement of the balance of payments, a sharp deceleration in the rate of inflation and a moderate acceleration in the growth of SP. It may, however, prove difficult to simultaneously attain all the targets as the carry-over from 1981 is not as favourable in some key areas as the authorities would have desired and a recovery of private consumption emerged in the first quarter of the year. If there is also a shortfall on the foreign trade targets, important elements of the stabilisation programme risk being undermined. The authorities, of course, may take measures in the course of the year—as they have often done in the past—to put some aggregates back on course, but some targets are still unlikely to be achieved.

An important potential inconsistency between the inflation and domestic demand forecasts in the Economic Resolution and recent developments is the continuing rapid year-on-year increase in net average earnings. After lagging behind price rises for about two years, the increase in net average earnings of 34 per cent in the year to early 1982 was around 5½ percentage points higher than that of the cost of living. As well as implying a rise in real earnings out of line with the Economic Resolution, the cost-increasing effect of the recent acceleration of average earnings in a period of slow growth points to upward pressure on the inflation rate. Apart from a sharp reduction in the rise in nominal earnings, the authorities have several alternatives open to them if the cost of living target of an increase of 17 per cent through the year is not to be significantly exceeded<sup>60</sup>; the exchange rate could be used to moderate import prices, profits could be squeezed or inflation could be suppressed through price controls and agreements. These alternatives, however, run-counter to either the priority of encouraging growth of exports or the aim of improving the financial position of the enterprise sector so as to increase their self-financing of investment.

The rise in real net average earnings in the first quarter of 1982 has already led to a strengthening of private consumption as reflected in a 5 per cent increase in the volume of retail sales (year-on-year) compared with 1¼ per cent a year earlier. On these trends, the target for private consumption in the 1982 Economic Resolution could be expected to be substantially exceeded unless measures are taken to reduce the growth of net average earnings or inflation is permitted to accelerate. Stronger than forecast private consumption, as seems probable, carries with it the risk of a diversion of resources from the external sector and hence, if not corrected, have an adverse affect on the stabilisation programme. Public consumption is expected to be kept within the limits set by the Economic Resolution given the tight control the authorities have on their expenditures.

59. The main demand and output components in the Resolution are in Table 16. Other targets are in Table 17.

60. In May 1982 the year-on-year increase in the cost of living was 29½ per cent and that of retail prices 24½ per cent.

**Table 18. Conjunctural Indicators**  
Percentage change over a year earlier

	1981	1981		1982				
		Q4	Dec.	Q1	Feb.	March	April	May
Industrial production	4.0	2.9	4.8	2.6	2.2	2.3	1.1	-0.6
s.a.a.r. <sup>1</sup>		(0.8)	(—)	(-1.4)	(-1.8)	(-4.0)	(-1.4)	(-7.9)
Construction (hours worked)	-2.0	-3.9	-4.2	-1.0	-0.7	-0.5	-2.7	
s.a.a.r. <sup>1</sup>		(-3.0)	(-4.6)	(-6.1)	(-10.6)	(—)	(-1.6)	
Volume retail sales	-6.0	-4.2	-4.4	5.0	1.2	4.2	3.0	
s.a.a.r. <sup>1</sup>		(-1.7)	(-8.4)	(6.9)	(1.9)	(7.9)	(6.3)	
Volume retail stocks	1.5	3.6	6.4	10.4	13.7	7.4		
Producer prices, industrial	45.0	38.3	37.4	26.0	24.9	24.9	23.3	24.1
Retail prices, total	46.0	41.4	39.3	28.6	28.4	27.0	26.0	26.3
Industrial goods	49.4	44.1	41.5	29.1	29.5	26.6	24.2	24.8
Agricultural goods	39.2	34.3	36.0	35.4	33.3	38.0	43.3	42.4
Services	29.2	27.2	27.0	19.5	17.0	20.4	22.5	20.4
Cost of living	40.7	37.5	36.2	28.8	28.0	28.4	28.7	29.4
Food	42.9	39.4	38.0	33.4	31.6	33.4	35.2	36.3
Net average earnings, total	33.6	33.0	34.0	33.0	33.5	33.8		
Business	35.0	33.7	35.4	33.6	34.1	34.5		
Government	25.6	28.6	22.7	30.3	30.8	31.3		
Real net average earnings, total	-5.1	-3.3	-1.6	3.3	4.3	4.2		
Employment (excluding private agriculture)	2.9	2.7	2.6	2.2	2.3	2.2		
\$ billion, annual rate								
Trade deficit	-4 828	-404	29	-3 637	-3 346	-2 827		
Exports	10 929	13 763	19 088	8 851	8 099	10 885		
Imports	15 757	14 167	19 059	12 488	11 445	13 712		

1. Seasonally adjusted annual rate over six months earlier.  
Source: Direct communication to the OECD.

For the third year running, the official forecast is for a sizeable fall in fixed investment. Reflecting the delays and discontinuation of a number of construction projects, government investment is again estimated to decline considerably<sup>61</sup>. Though smaller than in 1981, the forecast fall in business investment remains substantial (6½ per cent in 1982). Restrictions on imports of equipment and import credits, a probable tighter squeeze on business profits than had been envisaged in the Resolution (largely due to the higher than planned increase in net average earnings) and restrictive credit conditions, suggest that the fall in business investment may even be exceeded, as was the case in 1981. For the first time for many years, housing investment is expected to decline in 1982; investment, by business and government sectors (to house employees) is expected to decline much faster than housing investment by individuals. The Resolution also envisages a negative contribution of stockbuilding to SP growth which appears plausible. This may be composed of a somewhat higher level of stockbuilding of finished goods (both at the factory and retail level) and of a lower level of raw and intermediate materials (mainly of foreign origin). Total domestic demand is thus officially forecast to fall

61. Government investment is relatively small as it excludes most investment in transport, infrastructure, energy, etc.



by  $2\frac{1}{2}$  per cent, but whether this target is met will depend importantly on the successful containment of the growth of private consumption.

The projected strong growth of the volume of exports of goods and services of  $9\frac{1}{4}$  per cent in 1982, while lower than in 1981 (Table 16), may be on the high side particularly as the target includes a 12 per cent increase in merchandise exports to convertible currency countries:

- i) The growth of world trade is again expected to be moderate (about 2 per cent).
- ii) Reflecting weaker oil revenues, OPEC import demand is expected to slow down in 1982.
- iii) As the trade account with eastern European countries was balanced in 1981, the need for an export drive in these markets is reduced. Also reflecting financing difficulties in some bilateral markets, their demand for imports is also likely to be limited.
- iv) Though exchange rate policy has compensated for relative cost differentials with the OECD area over the last eighteen months or so, it has not provided Yugoslav exports with the competitive edge necessary to generate sustained growth.
- v) The continuing recession in many OECD countries and squeezes on real incomes seem likely to limit the growth of services (volume) below the target of 11 per cent.
- vi) Import restrictions in foreign markets remain a hindrance to Yugoslav export growth.

Already in the first five months of 1982 export growth appears to have been substantially weaker than planned<sup>62</sup>. As it is likely that import volumes will be cut to compensate for any deficiency in exports<sup>63</sup>, the real foreign balance may still impart a positive contribution to the growth of SP but to a considerably smaller extent than planned. In total, the growth of SP is expected to be less than the  $2\frac{1}{2}$  per cent target.

Industrial production in the five months of 1982 was only  $1\frac{1}{4}$  per cent higher than a year earlier (Table 17), the increase being higher in mining than in manufacturing. Seasonally adjusted, industrial production has been broadly flat since early 1981. These trends suggest that a substantial pick-up in industrial production through the year will be required to fulfil the projected growth rate of  $3\frac{1}{2}$  per cent. A recovery in industrial production may be affected, however, by restrictions on imports of raw materials and intermediate goods and by export prospects. Depending partly on climatic conditions, the forecast recovery in agricultural production is expected in response to improved incentives to producers. Reflecting the slower rise in output and the restrictive stance of fiscal policy, employment growth in the socialised sector slowed down a little in the latter part of 1981, the change being more marked in the government than in the business sector. The probable development of industrial production and government outlays suggests that employment growth may also be below the official target of 2 per cent.

The current external deficit in 1982 was projected to fall a little to  $\$1$  billion but the authorities now expect that approximate balance may be achieved. With convertible currency countries, the deficit was originally forecast to be reduced from

62. Provisional estimates give a rise in export volume of 5 per cent, with a similar rate for exports to convertible currency countries. Exports to OECD have increased at a much higher rate.

63. Import growth exceeded the monthly target (in relation to exports) during the first two months of 1982 and the authorities seem to have taken measures to moderate import growth in March and April so as to restore the trade deficit in line with the target.



about \$1½ billion in 1981 to \$½ billion in 1982<sup>64</sup> while the clearing account was forecast to be in balance compared with a surplus of \$½ billion last year. The trade deficit is expected to rise a little made up of a small improvement in trade with convertible currency countries being more than offset by a change in the clearing account. A substantial increase in net invisible receipts (21 per cent in \$US) all on account of convertible currencies is officially forecast. Tourism is expected to rise by 16 per cent (\$US) to be the most buoyant service component while with international interest rates easing, interest and dividend payments which rose by 62 per cent in 1981 are officially forecast to stay at about last year's level. In the first few months of 1982, the trade deficit was somewhat smaller than close to the target—mainly because of import restrictions—but the deficit with convertible currency countries was wider than expected. Details of invisible receipts are not available, but the targets may be optimistic for the reasons cited above. In total, the current external account is expected to be in balance in 1982 in line with the revised official forecasts.

#### IV. CONCLUSIONS

In 1981 for the second successive year, the main priorities of economic policy were the reduction in the large external and inflationary imbalances which had developed in the second half of the 1970s<sup>65</sup>. The stance of policy was restrictive and specific measures were taken to promote exports, reduce imports and slowdown the rise in prices. With domestic demand falling sharply, substantial resources were diverted to the external sector which enabled Social Product to rise a little, industrial production to continue to expand and employment growth to be maintained. There was also a greater reduction in the current external deficit than had been targeted for in the 1981 Economic Resolution. Progress in combatting inflation was less evident, the average rate of price increases—at about 40 per cent—was higher than in 1980. However, in the latter part of the year and into early 1982, price rises slowed down to a year-on-year rate of over 25 per cent.

Developments in the external sector and inflation last year reflected mainly unavoidable short-term policy reactions rather than fundamental adjustments in the economy—which inevitably take considerable time. Of necessity, the essential stabilisation measures relied heavily on demand management even though there are adverse consequences for growth and employment. In view of the need to consolidate the improvement in the current external account achieved in 1981 and the forecast rate of inflation, the cautious stance of policy as set out in the 1982 Economic Resolution is clearly required. Fiscal policy is again restrictive in 1982 and more importantly, the recent increases in interest rates will improve the effectiveness of credit policy. It would seem desirable, however, that the still large gap between price rises and nominal interest rates is further reduced. Strict surveillance of the growth of selective credits is also essential. The same consideration applies to the rapid increase in suppliers' credits. Without corrective measures, the increasing use of foreign exchange in domestic transactions would

64. If the current external deficit is eliminated this implies a broadly balanced current account with convertible currency countries.

65. For a detailed discussion of the major imbalances, see OECD Economic Survey of Yugoslavia, May 1981, pp. 19-26.

pose a threat to effective monetary control and the stability of the domestic currency.

There are signs in the first quarter of 1982 that some of the main objectives of the Resolution may not be achieved without further policy measures. In particular, reflecting developments in average earnings, there is a risk of some strengthening of inflationary pressures. It is to be hoped that the official price target for the increase in the cost of living will be broadly adhered to and that real incomes will be kept stable. But further measures may be required if the momentum of disinflation is to be maintained and the gains so far in the external sector consolidated. But in controlling inflation it is essential to attack its causes rather than its symptoms. And as the authorities have recognised in the Stabilisation Programme, reliance on depressing domestic demand, expensive export promotion measures and import controls to ease external constraint—largely manifest in the sizeable external debt and servicing costs—is not a sustainable option over an extended period.

It is also important that policies remain relatively tight over a sufficiently long period, there being little scope for an easing of policy in the near future if the basis for a return to viable and sustained expansion is to be attained within the period of 1981-1985 Five Year Plan. The downward revisions to the main targets in the Plan are, therefore, in the right direction but their achievement will partly depend on the strength of the world economy. Moreover, whether or not they accord more closely with the adjustment needs of the economy will largely depend on the outcome of the current review of the medium-term strategy as, for reasons discussed below, demand-management policy by itself is insufficient to correct the large imbalances in the economy.

It is essential that the mechanisms for determining incomes and prices are made more effective, as without substantially freer play of market forces, wage and price pressures will continue to remain strong. Income determination raises difficulties in most OECD economies but in Yugoslavia because of the commitment to employment growth and the support of enterprises, market discipline in income formation does not appear to be as effective as generally elsewhere. And as argued in Part II above, the new price system introduced in early 1981 was not able to function smoothly in that year and inflationary pressures strengthened for some time rather than abating. Under these conditions the formation of wages and prices did not conform with the anti-inflationary objective and the aim to increase the role of competitive forces. Accordingly, it is essential that part of the longer-term Stabilisation Programme now being formulated includes a thorough review of the price and income regulations if inflation is to be brought permanently under control.

There is the problem of efficient allocation of resources which is related to the underlying high inflation and the insufficient external competitiveness of the economy. In the past, investment has often been excessive and wasteful leading to duplication of plant, inappropriate choice of processes and products and inadequate attention to design and quality, factors which together with the weak external environment have contributed to the large trade deficit with convertible currency countries. Inefficiencies in resource allocation have also resulted from the impediments to inter-regional movements of capital and from inadequate co-ordination of regional investment plans. The high rates of investment in the 1970s exceeded the emphasis in the Five Year Plans on rapid growth and was unduly facilitated by the availability of ample credit at highly negative real interest rates. The present curbs on investment and the intention to improve the control of investment projects are likely to increase the efficiency of investment and production. Another important measure is the recent increase in interest rates—advocated in earlier OECD Economic Surveys of Yugoslavia—which should also lead to a marked improvement in the selection of investment projects. However, interest rates are still substantially below the rate of inflation and further increases are needed if enterprises are to be



subject to reasonable economic discipline in making their investment decisions. This, as well as other possibilities being discussed by the authorities would probably contribute to better integration of the Yugoslav market by promoting restructuring of industry and greater mobility of capital. More realistic interest rates would also reduce the attractiveness of capital/labour substitution and thus foster employment growth.

The organisation and management of foreign trade and foreign exchange would seem to require modification so as to promote a rapid increase in net exports of goods and services over the medium term which must remain a principal objective of policy. As pointed out in Part II above, the present system of foreign trade relying partly on regional export and import projections together with the scarcity of foreign exchange encourages direct import-export linkages, thus permitting some misallocation of resources including foreign exchange. The latter is partly manifest in the illegal shadow exchange rates. While the impediments arising from the structure of foreign trade relations and foreign exchange management are now being discussed and temporary but limited measures to ease the supply and free movement of foreign exchange were announced in May, it is essential that the trading arrangements are quickly reviewed if improved export performance is to be put on a sound and lasting footing. One further consideration is that while export performance would be improved by a lowering of trade barriers against Yugoslav exports, greater unification of foreign trade and exchange markets is also very important.

The Stabilisation Programme is intended—among other things—to tackle the problems of high inflation, inefficient resource allocation and the inadequate external competitiveness. Indeed, success over the medium term in achieving a return to more viable growth will largely depend on a reorientation in the management of the economy within a framework of prudent demand management. But this Survey, by concentrating on the most pressing short and medium-term economic problems, should not detract from the considerable achievements over the last two years in addressing the issues, and particularly the substantial reduction in the current external deficit, the more active use of interest rates, improved control of investment and some steps to curb the fragmentation of the national market. Some of the short-term stabilisation objectives were achieved in 1981, the policy stance in the 1982 Economic Resolution seems appropriate and the revised targets in the 1981-1985 Five Year Plan conform more closely to the potential of the economy than the earlier Plan. It is to be hoped that the review of medium-terms policies within the Stabilisation Programme being prepared will enable the necessary structural adjustments to be made so as to permit the Plan's targets to be met.



*STATISTICAL ANNEX*

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Table A. **Social product (Yugoslav definitions and concepts)**  
Millions of dinars

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980 <sup>1</sup>
Current prices											
Consumers' expenditure	86 305	110 514	137 025	168 877	220 187	275 283	326 191	397 837	487 200	622 447	818 829
Collective consumption	14 689	17 508	21 286	26 708	35 962	49 620	60 265	72 556	86 439	110 900	143 060
Gross fixed capital formation	51 723	64 651	73 977	85 502	117 387	163 287	207 283	267 956	357 314	447 581	545 665
Change in stocks	13 638	21 983	14 500	31 957	57 827	44 760	30 286	59 100	28 767	82 209	119 622
Foreign balance	-9 723	-15 043	-8 024	-14 550	-44 698	-43 606	-25 897	-59 553	-73 768	-118 527	-167 828
Exports of goods and services	30 381	40 575	56 026	72 278	95 128	105 231	120 851	129 855	146 929	201 309	359 345
Imports of goods and services	40 104	55 618	64 050	86 828	139 826	148 837	146 748	189 408	220 697	319 836	527 173
Statistical discrepancy	575	4 863	6 631	7 832	20 555	13 651	-5 568	-3 592	15 863	20 807	93 741
Social product	157 207	204 476	245 395	306 326	407 220	502 995	592 560	734 304	901 815	1 165 417	1 553 089
1972 prices											
Consumers' expenditure	120 960	130 960	137 025	140 695	151 030	156 174	163 097	174 595	186 737	197 319	198 481
Collective consumption	20 269	20 256	21 286	22 160	23 774	25 980	28 448	30 553	32 540	34 000	33 670
Gross fixed capital formation	69 478	72 668	73 977	77 074	84 054	92 181	99 689	109 114	120 589	128 293	121 914
Change in stocks	18 941	25 967	14 500	21 344	31 095	19 132	15 380	22 123	9 683	25 300	28 350
Foreign balance	-16 828	-20 911	-8 024	-14 719	-24 866	-23 556	-9 075	-22 878	-22 521	-29 682	-13 434
Exports of goods and services	45 941	47 622	56 026	59 835	60 424	59 346	68 189	64 508	63 991	63 702	70 518
Imports of goods and services	62 769	68 533	64 050	74 554	85 290	82 902	77 264	87 386	86 512	93 384	83 952
Statistical discrepancy	5 127	6 600	6 631	11 130	14 598	19 982	3 652	11 814	20 771	17 087	11 883
Social product	217 947	235 540	245 395	257 684	279 685	289 893	301 191	325 321	347 799	372 317	380 864

1. Preliminary data.

Source: Direct communication to the OECD.



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

	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980 <sup>1</sup>
Consumers' expenditure on goods and services	79 944	95 593	121 722	151 687	187 146	244 100	294 900	351 500	428 950	528 400	672 125	879 140
Government current expenditure on goods and services	26 054	30 484	36 686	45 290	52 742	74 300	97 900	118 700	147 500	177 200	227 500	285 967
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	545 665
Change in stocks	7 297	13 638	21 983	14 702	31 957	57 800	44 600	30 300	59 100	28 767	82 209	119 622
Exports of goods and services	27 383	31 841	42 909	59 206	76 436	101 100	111 200	129 500	136 400	153 220	206 575	383 634
less: Imports of goods and services	29 894	40 494	56 291	64 996	87 951	142 000	150 000	148 800	190 800	221 188	325 232	527 173
Statistical discrepancy	1 034	-867	3 651	3 296	7 832	20 013	15 313	-5 683	-13 906	-10 994	-16 822	1 843
Gross domestic product at market prices	152 867	181 918	235 311	283 162	353 664	472 700	577 200	682 800	835 200	1 012 719	1 293 936	1 688 698
Income from the rest of the world	2 724	5 728	10 024	15 411	22 644	26 710	26 773	29 000	34 800	55 570	64 687	115 943
Income payments to the rest of the world	1 290	1 610	2 236	2 818	3 778	4 800	4 273	5 000	6 400	8 300	15 604	34 971
Gross national product at market prices	154 301	186 036	243 099	295 755	372 530	494 610	599 700	706 800	863 600	1 059 989	1 343 019	1 769 670
Indirect taxes	12 628	15 864	22 041	27 279	29 239	58 070	62 000	71 200	105 300	123 172	163 085	195 332
Subsidies	935	1 287	2 790	7 015	8 194	12 280	15 000	10 000	26 100	26 400	34 233	42 894
Gross national product at factor cost	142 608	171 459	223 848	275 491	351 485	448 820	552 700	645 600	784 400	963 217	1 214 167	1 617 232
Depreciation and funds for other purposes	14 238	16 644	21 180	27 979	36 290	50 840	61 000	70 000	83 600	102 717	128 507	174 746
Net national product at factor cost	128 370	154 815	202 668	247 512	315 195	397 980	491 700	575 600	700 800	860 500	1 085 660	1 442 486

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

1. Preliminary data.

Source: Direct communication to the OECD.

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

	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980 <sup>1</sup>
Agriculture, forestry and fishing	27 129	29 612	37 346	43 273	59 250	70 900	80 700	97 250	113 700	115 228	149 207	199 151
Mining and quarrying	3 460	4 103	5 503	6 860	8 900	13 740	17 600	20 700	25 200	28 728	35 278	51 153
Manufacturing	39 086	48 590	63 889	77 570	98 514	130 020	171 600	191 400	239 200	287 165	360 679	494 130
Electricity, gas and water	3 779	4 411	5 477	6 891	8 450	9 500	13 200	15 400	19 200	25 600	32 040	44 606
Construction	15 180	19 490	25 108	29 888	33 600	43 750	57 400	61 600	79 400	99 079	127 512	164 235
Transport and communication	9 463	12 391	16 281	19 254	23 600	28 400	34 300	44 800	53 700	73 800	95 500	123 482
Wholesale and retail trade	14 325	17 367	23 501	27 193	33 150	42 000	52 600	56 300	71 500	88 100	117 750	153 075
Income from finance, insurance and real estate (land not built upon)	2 432	2 811	3 666	4 846	6 500	7 600	8 700	9 800	14 200	17 500	22 366	29 431
Owner-occupied housing	1 230	1 464	1 860	2 300	3 000	3 600	4 200	5 000	5 900	7 098	8 685	11 376
Public administration and defence	6 951	7 762	9 611	11 757	15 000	23 500	27 200	32 600	41 100	49 400	56 600	70 750
Health and education	8 684	10 416	13 209	16 476	19 700	26 983	31 300	35 000	44 800	58 500	72 423	89 877
Other services	6 654	8 646	11 003	13 672	18 040	27 317	31 400	21 450	48 200	65 749	87 044	104 994
Gross domestic product at factor cost	141 174	167 341	216 060	259 980	327 704	426 910	530 200	591 300	756 100	915 947	1 165 084	1 536 260
Net payment of income payable to factors of production by the rest of the world	1 434	4 118	7 788	12 593	19 320	21 910	22 500	24 000	28 300	47 270	49 083	80 972
Gross national product at factor cost	142 608	171 459	223 848	275 491	351 485	448 820	552 700	615 300	784 400	963 217	1 214 167	1 617 232
Adjustment	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.

1. Preliminary data.

Source: Direct communication to the OECD.

Table D. **Gross fixed investment**  
Millions of dinars, current prices

	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
<b>Total</b>	41 049	51 723	64 651	73 977	85 500	117 400	163 200	207 300	268 000	357 300	447 600	545 600
Private sector	7 423	9 657	13 335	16 098	22 100	28 200	30 900	36 300	45 700	53 600	71 000	88 500
Social sector	33 626	42 066	51 316	57 879	63 400	89 200	132 300	171 000	222 300	303 700	376 600	457 100
<i>By activity:</i>												
Productive	30 021	36 304	45 684	50 455	57 600	79 600	114 200	146 600	192 500	260 800	319 600	386 300
Non-productive	11 028	15 419	18 967	23 522	27 900	37 800	49 000	60 700	75 500	96 500	128 000	159 300
<i>By industry:</i>												
Agriculture and forestry	3 299	3 818	4 722	5 687	8 282	11 078	12 100	14 700	20 800	26 000	31 500	36 700
Industry	13 000	15 895	21 000	24 250	26 014	38 588	64 000	80 700	98 000	136 000	157 800	199 600
Building	1 365	1 642	1 700	2 015	2 340	3 328	4 000	4 800	9 300	10 900	13 800	14 400
Transportation	7 237	8 393	9 103	9 995	12 803	16 102	21 000	27 700	37 000	52 000	65 900	72 900
Trade, catering, tourism	4 274	5 791	6 985	6 144	5 190	7 218	9 400	10 400	15 900	20 000	28 890	32 200
Housing, communal activities	9 474	12 438	15 332	18 512	23 166	31 145	39 000	48 700	59 800	77 000	103 600	134 200
Other social sector	2 400	3 746	5 809	7 374	7 705	9 941	13 700	20 300	27 200	35 400	46 110	55 600
<i>By sector of asset:</i>												
Machinery and equipment	16 433	19 919	24 705	27 936	33 200	47 000	66 730	86 100	110 900	139 600	167 900	191 600
Domestic	9 288	11 499	13 553	16 400	18 800	27 100	35 530	50 200	64 900	85 600	109 000	125 500
Imported	7 145	8 420	11 152	11 536	14 400	19 900	31 200	35 900	46 000	54 000	58 900	66 100
Building	22 689	30 037	37 622	43 218	47 300	64 600	88 960	110 700	141 300	194 800	249 800	309 400
Other	1 927	1 767	2 324	2 823	5 000	5 800	7 510	10 500	15 800	22 900	29 900	44 600

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

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
<i>National income:</i>											
Net wages and salaries of employees in productive enterprises and production of individual producers for own consumption	70 798	89 229	107 113	128 305	166 050	208 022	253 462	310 075	361 588	451 280	573 256
Taxes on income and Social Security payments	24 625	29 688	35 437	42 958	62 334	83 643	108 780	131 681	171 856	206 920	260 005
Interest and enterprise taxes	29 813	36 284	45 879	59 359	71 610	84 307	101 377	131 510	168 429	236 384	306 652
Accumulation of productive enterprises and individual producers	17 599	30 937	32 530	44 927	63 356	78 364	64 839	88 612	111 050	159 419	260 652
National income	142 835	186 138	220 959	275 549	363 350	454 336	528 458	661 878	812 923	1 054 003	1 400 565
<i>plus: Depreciation</i>	14 372	18 338	24 436	30 777	43 939	48 659	64 102	72 426	88 892	111 414	152 524
Social product	157 207	204 476	245 395	306 326	407 289	502 995	592 560	734 304	901 815	1 165 417	1 553 089
<i>Household account:</i>											
Net wages and salaries of employees in productive enterprises and production of individual producers for own consumption	70 798	89 229	107 113	128 305	166 050	208 022	253 462	310 075	361 588	451 280	573 256
Net wages and salaries of employees in non-productive enterprises	16 012	20 054	24 149	28 675	37 321	48 294	58 440	74 007	91 644	114 369	141 360
Receipts from Social Security and other welfare funds	14 556	18 146	23 688	30 338	38 329	49 890	63 548	79 102	99 600	127 190	158 549
Other domestic transfer receipts	781	964	1 067	800	1 268	1 778	2 651	3 666	4 881	7 008	8 840
Net transfers from abroad	6 599	11 452	17 403	25 395	29 839	31 248	34 615	37 513	58 582	65 649	110 565
Total income received	108 746	139 845	173 420	213 513	272 807	339 232	412 716	504 363	616 295	765 496	992 570
Consumers' expenditure on goods and services of productive sector	75 783	98 107	122 162	150 477	197 967	249 083	295 351	362 117	447 710	572 842	753 590
Consumption of self-produced commodities	10 522	12 407	14 863	18 400	22 220	26 200	30 840	35 720	39 490	49 605	65 239
Consumer payments to non-productive sector	8 384	10 127	12 018	14 829	19 836	26 129	34 912	44 069	54 318	69 560	88 382
Savings	14 057	19 204	24 377	29 807	32 784	37 820	51 613	62 457	74 777	73 489	85 359
Savings ratio (in %)	12.9	13.7	14.1	14.0	12.0	11.1	12.5	12.4	12.1	9.6	8.6

Source: FSO, *Statistički Godisnjak*.

Table F. Agriculture

	Unit or base	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
<i>Indices of agricultural output</i>	1951-1955 = 100													
Total		183	175	187	184	197	209	203	217	227	213	225	225	(228)
Crop production		190	167	180	179	195	199	193	205	212	186	205	204	(204)
Livestock production		173	190	194	197	209	235	235	244	263	268	270	273	(283)
<i>Production of selected commodities</i>														
Wheat	Mill. metric tons	4.9	3.8	5.6	4.8	4.8	6.3	4.4	6.0	5.6	5.4	4.5	5.1	4.3
Maize	—	7.8	6.9	7.4	7.9	8.3	8.0	9.4	9.1	9.9	7.6	10.1	9.3	9.8
Sugar beet	—	3.6	2.9	3.0	3.3	3.3	4.3	4.2	4.7	5.3	5.2	5.9	5.2	6.2
Meat	Thous. metric t.	770	811	880	817	839	1 000	1 031	1 034	1 144	1 237	1 227	1 207	..
Forestry cuttings	Mill. cubic metres	17.1	17.5	17.9	17.3	17.4	18.2	18.6	18.5	19.5	19.7	19.9	19.4	20.4
Number of tractors in use <sup>1</sup>	Thousand	68.2 <sup>2</sup>	80.0	96.7	120.5	150.0	195.1	225.5	260.9	296.8	342.0	385.1	415.7	..
Consumption of fertilizers	Thous. metric t.	1 820	1 678	1 747	1 821	1 919	1 817	1 964	1 970	2 056	2 147	2 203	2 131	..

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	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	
<i>Indices of industrial production</i>		1970 = 100													
Total	Original base	92	100	110	119	126	139	147	152	167	181	195	204	212	
Mining	1953 = 100	93	100	108	110	117	124	130	133	139	143	148	153	158	
Manufacturing		92	100	110	119	126	140	149	154	168	184	200	208	218	
Basic metals		91	100	108	121	132	150	157	158	171	188	196	199	214	
Metal products		89	100	109	107	123	140	154	157	175	199	219	226	237	
Chemicals		86	100	117	132	146	169	178	182	206	234	251	275	301	
Textiles		96	100	107	118	125	135	142	145	152	158	172	182	189	
Food, drinks, tobacco		91	100	111	119	126	136	137	147	160	173	187	189	195	
<i>Output of selected commodities</i>															
Electricity	Billion kWh	23.4	26.0	29.5	33.2	35.1	39.5	40.0	43.6	48.6	51.3	55.0	59.4	60.4	
Lignite and brown coal	Mill. metric tons	25.8	27.4	29.8	30.3	31.9	33.0	35.0	36.3	38.6	39.2	41.7	46.6	51.5	
Petroleum products <sup>1</sup>	—	5.7	7.1	7.8	8.4	9.1	10.4	10.9	11.7	13.8	14.2	15.8	15.2	13.4	
Copper ore	—	8.1	9.4	10.3	11.9	14.2	14.9	14.6	17.4	17.5	17.1	16.4	19.6	18.3	
Lead ore	Thous. metric t.	118	127	124	120	119	120	127	122	130	124	130	121	119	
Zinc ore	—	97	101	99	97	97	95	103	107	112	104	102	95	89	
Crude steel	Mill. metric tons	2.2	2.2	2.4	2.6	2.7	2.8	2.9	2.8	3.2	3.5	3.5	3.6	4.0	
Cement	—	4.0	4.4	4.9	5.8	6.3	6.6	7.1	7.6	8.0	8.7	9.1	9.3	9.8	
Metal and wood-working machines	Thous. metric t.	9.9	10.9	12.6	15.9	12.5	15.5	17.1	20.5	28.6	31.9	37.5	46.4	46.3	
Building machines	—	23.4	26.8	28.4	28.0	34.4	34.6	34.6	38.4	47.1	67.8	82.6	71.4	71.3	
Rotating machines	—	15.3	21.5	26.0	26.8	30.7	34.3	39.8	30.1	34.9	40.6	44.1	43.6	47.3	
Pulp and cellulose	—	475	450	489	517	527	560	527	495	584	612	608	606	642	
Cotton fabrics	Mill. sq. metres	415	390	391	374	361	365	376	385	384	410	418	385	377	

1. Crude petroleum and refined.  
Source: Direct communication to the OECD.



Table H. **Labour force and employment**  
Thousand

	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
Active population (mid-year estimate) <sup>1</sup>	8 780	8 834	8 890	9 014	9 034	9 087	9 147	9 206	9 242	9 286	9 324	9 385	9 562
Paid employment	3 706	3 850	4 034	4 210	4 306	4 514	4 758	4 925	5 148	5 383	5 615	5 798	5 966
Registered unemployment	331	320	291	315	382	449	540	635	700	735	762	785	809
Other labour force <sup>1</sup>	4 743	4 664	4 565	4 489	4 346	4 124	3 849	3 646	3 394	3 168	2 947	2 802	2 787
Worker emigration (net) <sup>2</sup>	572	783	923	1 020	1 100	1 035	940	870	825	800	790	770	770
Yugoslav workers employed in Germany <sup>3</sup>	265	423	478	475	535	470	410	390	375	360	360	350	340
Paid domestic employment by sector:													
Social sector <sup>4</sup>	3 622	3 765	3 944	4 115	4 213	4 423	4 667	4 833	5 052	5 280	5 506	5 681	5 846
Productive activities	3 011	3 130	3 279	3 422	3 495	3 671	3 876	4 004	4 182	4 364	4 560	4 709	4 848
Non-productive activities	611	635	665	693	718	752	791	829	870	916	946	972	998
Private sector	84	85	90	95	93	91	91	92	96	103	109	117	120
Paid domestic employment by industry <sup>4</sup> :													
Agriculture	162	159	158	160	161	168	176	178	179	183	188	191	200
Industry	1 385	1 438	1 512	1 591	1 638	1 726	1 819	1 874	1 954	2 022	2 102	2 162	2 242
Construction	394	412	424	430	420	444	479	500	531	567	602	622	622
Transportation and communication	281	291	303	315	320	329	346	357	372	381	387	399	408
Trade	336	357	385	411	429	452	476	494	507	529	558	582	596

1. Including Yugoslav workers temporarily employed abroad.

2. According to the Federal Bureau of Employment.

3. September figures (1981: 31.31).

4. Data on workers in the social sector by economic activities from 1969-1976 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

	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
Agricultural producer prices	100	115	145	180	225	257	291	333	373	417	524	709	1 087
Industrial producer prices	100	109	126	140	158	205	250	266	291	315	357	455	658
Materials	100	112	132	146	165	232	285	301	328	354	410	550	791
Capital goods	100	105	118	126	138	156	191	216	236	250	265	297	372
Consumer goods	100	107	121	136	154	188	227	239	265	291	323	391	562
Export unit values, in dollars	100	109	114	121	144	191	208	217	244	266	305	364	395
Import unit values, in dollars	100	108	112	118	142	207	218	224	255	267	318	381	421
Cost of living													
Total	100	111	128	149	178	216	268	299	345	394	474	617	870
<i>of which:</i>													
Food	100	112	131	156	190	220	273	312	369	425	503	661	946
Services	100	108	122	134	156	186	231	260	295	338	407	490	623
Wage per person employed in social sector	100	118	145	169	196	250	309	357	424	513	617	744	995

Source: Direct communication to the OECD.

**Table J. Consolidated balance sheet of all banks<sup>1</sup>  
excluding financial and other organizations and internal banks**  
Billions of dinars, end of period

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
<b>Total short-term operations</b>	93.6	118.4	139.1	169.1	227.7	274.9	397.8	494.3	870.6	1 356.4
Gold and foreign exchange	15.6	26.9	27.1	21.3	47.3	49.0	56.7	34.0	75.7	133.1
Foreign exchange receivables	6.8	6.3	7.4	16.6	11.2	10.2	8.7	10.3	51.2	147.2
Loans to organizations of associated labour performing economic activities	54.7	63.0	74.5	96.8	116.4	135.9	176.2	233.0	307.9	474.6
Loans to the Federal government and to other public institutions	2.8	2.4	2.8	7.2	12.5	16.9	14.3	14.7	17.4	24.3
Loans to households	0.9	1.1	1.9	2.5	3.8	4.8	4.8	5.8	7.7	11.8
Other assets <sup>2</sup>	12.8	18.7	25.4	24.7	36.5	58.1	137.1	196.5	410.7	565.4
<b>Total long-term operations</b>	204.6	241.9	298.7	367.8	473.7	603.3	778.1	968.0	1 241.9	1 425.2
Foreign exchange receivables from the rest of the world	0.8	1.2	2.1	4.1	0.7	7.9	10.0	13.6	20.7	25.8
Loans to organizations of associated labour performing economic activities	124.8	147.2	186.4	230.9	290.3	365.8	454.9	571.0	733.7	812.5
Loans to the Federal government and to other public institutions	35.4	42.0	47.4	58.5	70.0	89.5	101.9	120.1	137.2	108.6
Loans to households	6.0	7.5	11.6	17.5	24.7	38.1	48.0	53.2	57.3	63.3
Loans for housing construction	29.9	34.5	40.5	45.2	59.1	64.9	97.0	136.0	193.2	253.8
Other assets <sup>3</sup>	7.7	9.5	10.7	11.6	28.9	37.1	66.3	74.1	99.8	161.2
<b>Total assets</b>	298.2	360.3	437.8	536.9	701.4	878.2	1 175.9	1 462.3	2 112.5	2 784.6
<b>Total short-term liabilities</b>	150.9	195.1	244.3	312.8	423.2	519.2	698.6	860.5	1 268.8	1 696.0
Foreign exchange liabilities	25.4	29.7	39.4	51.0	57.1	73.1	111.0	157.3	321.5	477.3
Money supply	55.2	77.6	97.2	130.7	206.5	251.1	315.3	375.1	461.6	584.3
Other and restricted deposits	48.9	61.7	72.6	89.9	112.4	135.2	155.2	195.7	254.7	329.8
Other <sup>4</sup>	21.4	26.1	35.1	41.2	47.2	59.8	117.1	132.4	231.0	304.6
<b>Total long-term operations</b>	125.8	145.0	170.6	196.7	241.6	314.2	419.4	536.4	769.7	998.9
Foreign exchange liabilities	20.8	29.5	39.2	52.9	71.6	98.9	144.6	197.1	349.6	512.1
Time deposits	28.3	30.3	34.7	42.0	55.8	71.8	105.2	132.1	163.1	208.4
Loans	76.7	85.2	96.7	101.8	114.2	143.5	169.6	207.2	257.0	278.4
<b>Funds</b>	21.5	20.2	22.9	27.4	36.6	44.8	57.9	65.4	74.0	86.7
<b>Total liabilities</b>	298.2	360.3	437.8	536.9	701.4	878.2	1 175.9	1 462.3	2 112.5	2 781.6

1. Data 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

		1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
<b>SITC SECTIONS</b>														
<b>Imports</b>														
0. and 1.	Food, drink and tobacco	147	207	296	308	508	666	420	637	784	605	977	991	788
	<i>of which:</i> Cereals and cereal preparations	26	18	100	73	57	213	17	142	92	20	271	302	98
2.	Raw materials	264	314	312	336	486	1 004	739	693	940	995	1 205	1 544	1 637
	<i>of which:</i> Textile fibres and waste	135	110	118	137	193	419	255	248	335	348	376	415	457
3.	Mineral fuels	104	138	193	176	358	951	943	1 082	1 296	1 431	2 248	3 549	3 786
5.	Chemicals	221	267	297	349	450	811	834	791	989	1 140	1 653	1 824	2 027
6.	Semi-manufactures	544	826	917	844	1 081	1 806	1 747	1 364	1 763	1 698	2 243	2 376	2 595
	<i>of which:</i> Base metals	254	427	469	427	521	881	963	700	841	835	1 151	1 313	1 419
7. and 8.	Finished manufactures	846	1 102	1 187	1 170	1 598	2 239	2 899	2 731	3 791	4 058	5 637	4 674	4 816
	<i>of which:</i> Machinery	516	629	768	785	981	1 382	1 987	1 935	2 580	2 833	3 993	3 450	3 417
	Transport equipment	208	326	250	233	434	576	628	548	814	796	1 038	766	944
4. and 9.	Other	8	20	51	49	30	65	115	69	70	56	56	106	108
	<b>Total</b>	<b>2 134</b>	<b>2 874</b>	<b>3 253</b>	<b>3 232</b>	<b>4 511</b>	<b>7 542</b>	<b>7 697</b>	<b>7 367</b>	<b>9 633</b>	<b>9 983</b>	<b>14 019</b>	<b>15 064</b>	<b>15 757</b>
<b>Exports</b>														
0. and 1.	Food, drink and tobacco	289	314	319	392	459	412	478	618	607	687	720	1 023	1 157
	<i>of which:</i> Live animals and meat	159	159	176	247	251	148	222	261	267	313	300	352	629
	Cereals and cereal preparations	20	21	11	8	62	73	36	103	86	80	23	108	152
2.	Raw materials	142	157	149	184	275	360	282	429	510	451	619	665	554
	<i>of which:</i> Wood	63	64	66	84	157	183	140	248	315	265	318	368	293
5.	Chemicals	91	97	129	143	176	384	380	353	331	469	636	1 010	1 377
6.	Semi-manufactures	431	492	494	603	814	1 245	1 180	1 337	1 204	1 259	1 606	1 994	2 414
	<i>of which:</i> Base metals	208	256	246	308	444	748	579	603	492	497	606	697	700
7. and 8.	Finished manufactures	503	595	698	886	1 088	1 342	1 712	2 077	2 409	2 598	2 939	3 996	5 162
	<i>of which:</i> Machinery	165	192	242	301	365	491	622	802	1 000	1 030	1 329	1 656	2 117
	Ships	101	142	136	162	178	248	304	287	415	421	252	317	310
3. 4. and 9.	Other	18	24	26	29	41	62	40	64	195	204	274	289	265
	<b>Total</b>	<b>1 474</b>	<b>1 679</b>	<b>1 814</b>	<b>2 237</b>	<b>2 853</b>	<b>3 805</b>	<b>4 072</b>	<b>4 878</b>	<b>5 256</b>	<b>5 668</b>	<b>6 794</b>	<b>8 977</b>	<b>10 929</b>

Source: Direct communication to the OECD.

Table L. Imports and exports by area  
Millions of US dollars.

	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
	Imports, cif												
OECD countries	1 379	1 981	2 140	2 113	2 820	4 562	4 677	4 038	5 481	5 890	8 530	7 955	8 395
EEC	963	1 334	1 435	1 423	1 905	3 016	3 162	2 876	3 806	3 829	5 699	5 220	5 588
Italy	317	378	396	400	531	889	869	760	1 029	827	1 146	1 117	1 291
Germany	389	567	617	604	856	1 356	1 437	1 233	1 571	1 801	2 887	2 500	2 243
United States	93	160	198	198	185	357	417	370	546	615	1 059	1 015	957
Other	323	487	507	492	730	1 189	1 098	792	1 129	1 446	1 172	1 720	1 850
Centrally planned economies <sup>1</sup>	511	593	778	802	1 117	1 755	1 907	2 259	2 781	2 498	3 542	4 526	4 961
of which: USSR	168	193	281	283	408	752	807	1 002	1 301	1 375	1 793	2 698	2 966
Developing countries	245	300	336	316	574	1 225	1 112	1 070	1 371	1 595	1 947	2 583	2 401
in Africa	72	78	85	100	146	292	159	258	323	397	570	936	1 126
in America	51	81	78	93	189	275	185	212	327	222	317	468	357
in Far-East	65	71	83	65	63	114	180	118	164	440	67	86	252
in Middle-East	57	70	90	57	176	544	588	482	555	536	993	1 093	666
<b>Total</b>	<b>2 134</b>	<b>2 874</b>	<b>3 253</b>	<b>3 232</b>	<b>4 511</b>	<b>7 542</b>	<b>7 697</b>	<b>7 367</b>	<b>9 633</b>	<b>9 983</b>	<b>14 019</b>	<b>15 064</b>	<b>15 757</b>
	Exports, fob												
OECD countries	822	942	960	1 272	1 588	1 773	1 452	2 040	2 101	2 437	2 986	3 358	3 501
EEC	563	655	645	809	1 018	1 044	930	1 327	1 395	1 305	1 928	2 365	2 531
Italy	226	255	226	308	465	432	372	596	664	531	716	833	1 012
Germany	162	198	210	264	319	364	316	426	390	472	739	778	867
United States	93	90	109	150	233	316	265	354	297	371	373	393	387
Other	166	197	206	313	337	413	258	359	409	761	685	600	583
Centrally planned economies <sup>1</sup>	455	545	666	807	970	1 581	1 924	2 069	2 109	2 180	2 731	4 137	5 433
of which: USSR	206	242	267	329	407	668	1 012	1 142	1 138	1 394	1 401	2 489	3 644
Developing countries	198	192	188	158	295	451	696	769	1 046	1 051	1 077	1 482	1 995
in Europe	1	10	1	1	1	1	3	4	6	3	4	5	4
in Africa	57	60	68	55	113	170	289	307	469	467	543	734	876
in America	39	22	42	43	66	62	68	57	122	47	34	57	74
in Far-East	63	65	41	20	55	90	161	203	151	300	42	51	311
in Middle-East	37	35	36	39	60	128	175	198	298	234	454	635	730
<b>Total</b>	<b>1 474</b>	<b>1 679</b>	<b>1 814</b>	<b>2 237</b>	<b>2 853</b>	<b>3 805</b>	<b>4 072</b>	<b>4 878</b>	<b>5 256</b>	<b>5 668</b>	<b>6 794</b>	<b>8 977</b>	<b>10 929</b>

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

	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981 <sup>2</sup>
Trade balance	-1 435	-992	-1 658	-3 715	-3 625	-2 489	-4 380	-4 317	-7 225	-6 086	-4 828
Exports, fob	1 817	2 241	2 853	3 805	4 072	4 878	5 254	5 671	6 794	8 978	10 929
Imports, cif	-3 252	-3 233	-4 511	-7 520	-7 697	-7 367	-9 634	-9 988	-14 019	-15 064	-15 757
Services and private transfers	1 079	1 412	2 144	2 532	2 622	2 654	2 798	3 061	3 564	3 795	4 078
Transportation	224	240	323 <sup>1</sup>	396	473	429	568	585	731	832	999
Foreign travel	141	219	589 <sup>1</sup>	644	702	725	751	930	1 028	1 515	
Investment income	-139	-155	-181	-198	-281	-279	-258	-300	-633	-1 084	-1 710
Private transfers and workers' remittances	789	1 049	1 413	1 379	1 310	1 415	1 427	1 745	1 710	1 539	2 042
Other services	64	59		311	418	364	310	101	728	993	
Official transfers	-1	-1	-1	—	—	—	—	—	—	—	—
Current balance	-357	419	485	-1 183	-1 003	165	-1 582	-1 256	-3 661	-2 291	-750
Non-monetary capital (including errors and omissions)	132	-14	301	731	1 203	1 046	1 383				
Long-term, net	579	557	596	679	1 076	1 093	1 402	1 350	1 084	1 923	
Other (including errors and omissions)	-447	-571	-295	52	127	-47	-19				
Allocation of SDR's	22	24	—	—	—	—	—	—	37	38	
Monetary movements	203	-429	-786	-452	200	1 211	-199				
Bilateral balances	—	-113	—	-195	137	146	-161				
Net gold and foreign exchange position	-73	-538	-508	-257	63	1 065	-38	336	-1 474	180	
National Bank and commercial banks' credit, net IMF account, SDR's	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 <sup>1</sup>
POPULATION	Mid-1980	Thousands	14 616	7 509	9 857	23 959	5 125	4 780	53 713	61 566	9 599	229	3 401	57 042 <sup>2</sup>	116 782	365	14 144	3 131	4 087	9 966	37 381	8 316	6 373	45 078	56 010	227 658	22 340
	»	Inhabitants per sq. km of land area	2	89	323	2	119	16	97	248	73	2	48	189	309	141	418	12	13	108	74	18	154	58	230	24	87
	Mid-1970 to Mid-1980	Net average annual increase	1.4	0.1	0.2	1.2	0.4	0.4	0.6	0.1	0.9	1.1	1.4	0.6	1.2	0.7	0.8	1.1	0.5	1.0	1.1	0.3	0.2	2.4	0.1	1.1	0.9
EMPLOYMENT	1980	Thousands	6 242	3 070	3 751	10 655	(2 470)	2 192	21 142	25 265	(3 347)	(101)	1 149	20 572	55 360	159	4 677	1 270	1 914	3 951	11 254	4 232	3 012	14 610	24 397	97 270	9 690 <sup>3</sup>
	»	of which: Agriculture, forestry, fishing	6.5	10.5	3.0	5.5	(8.1)	11.6	8.8	6.0	(29.7)	(11.9)	19.1	14.2	10.4	5.7	6.0	11.0	8.5	28.3	18.9	5.6	7.2	60.4	2.6	3.6	..
	»	Industry <sup>4</sup>	31.0	40.3	34.8	28.5	(28.6)	34.4	35.9	44.8	(30.0)	(37.6)	32.4	37.8	35.3	38.2	31.8	33.6	29.7	35.7	36.1	32.2	39.5	16.3	38.0	30.6	22.3
»	Other	»	62.5	49.2	62.2	66.0	(63.3)	54.0	55.3	49.2	(40.3)	(50.5)	48.5	48.0	54.3	56.1	62.2	55.4	61.8	36.0	45.0	62.2	53.3	23.3	59.4	65.8	41.9
GROSS DOMESTIC PRODUCT at market prices	1980	US \$ billion <sup>11</sup>	140.0	77.0	116.5	253.3	66.4	49.9	651.9	819.1	40.4	2.8	17.8	394.0	1 040.0	4.6	167.6	23.3 <sup>9</sup>	57.3	24.1	211.1	122.8	101.5	52.9	522.9	2 587.1	56.2 <sup>5</sup>
	1975 to 1980	Average annual volume growth <sup>6</sup>	2.5	3.5	2.9	3.0	2.6	3.1	3.3	3.6	4.4	3.7	3.9	3.8	5.1	2.3	2.5	0.7	4.6	5.2	2.2	1.2	1.6	2.8	1.6	3.9	5.6
	1980	Per capita	9 580	10 250	11 820	10 580	12 950	10 440	12 140	13 310	4 210	12 410	5 190	6 910	8 910	12 570	11 850	7 442	14 020	2 430	5 650	14 760	15 920	1 170	9 340	11 360	2 516
GROSS FIXED CAPITAL FORMATION of which: Transport, machinery and equipment	1980	% of GDP	22.8	25.3	21.4	23.1	18.3	24.6	21.6	23.6	23.5 <sup>9</sup>	26.5	27.9	20.0	31.7	25.3	21.0	17.8	25.0	20.9	19.6	20.3	23.8	18.0	17.8	18.2	35.5
	1979	»	..	9.8	6.0	8.1	7.6	8.6	9.2	9.1	8.6	6.6	9.8 <sup>10</sup>	8.0	10.7	9.2 <sup>22</sup>	8.7	7.8	9.9	7.1	6.9 <sup>19</sup>	7.3	7.1	..	9.3	7.4	..
	»	Residential construction	4.2 <sup>10</sup>	14.2	6.5	5.3	6.9	6.3	6.4	6.5	9.2	5.7	6.4 <sup>10</sup>	5.1	7.4	6.6 <sup>22</sup>	5.8	3.3	5.3	3.7	..	5.0	..	3.8	3.0	4.8	7.2
»	Average annual volume growth <sup>6</sup>	1975 to 1980	1.6	2.2	1.6	2.3	-0.3	-2.2	2.0	5.2	3.8	2.3	7.6	3.5	4.7	1.1	1.4	-7.7	-0.5	4.7	-0.9	-0.2	2.2	-0.2	0.3	3.3	5.7
GROSS SAVING RATIO <sup>12</sup>	1980	% of GDP	21.4 <sup>10</sup>	26.2	16.3	21.5	14.4	24.8	21.7	23.1	25.6	24.5	19.8	22.3	30.7	50.1	20.1	19.3 <sup>9</sup>	29.9	20.5	18.9	17.3	26.7	16.6	19.2	18.3	37.0
GENERAL GOVERNMENT	1979	% of GDP	16.2	18.0	17.7	19.4	25.2	18.4	14.9	20.0	16.3	11.7	20.0	9.8	15.9	18.1	16.0 <sup>9</sup>	19.7	14.8	14.8	10.8	28.4	12.9	13.7	20.0	17.4	17.6
	»	Current expenditure on goods and services	29.6 <sup>10</sup>	42.2	46.2	35.8	49.4	34.6	42.1	40.9	29.7	25.0 <sup>22</sup>	41.7 <sup>10</sup>	41.1	24.2	43.5	55.1	..	47.1	30.7	26.7	56.8	29.9	23.4	40.0	31.5	..
	»	Current disbursements <sup>13</sup>	32.5 <sup>10</sup>	44.2	43.2	35.8	50.3	38.2	43.4	42.9	30.6	34.0 <sup>22</sup>	37.8 <sup>10</sup>	35.7	26.6	52.2	55.8	..	52.2	26.9	27.5	57.4	..	23.8	39.0	32.5	..
»	Current receipts	»	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
NET OFFICIAL DEVELOPMENT ASSISTANCE	1980	% of GNP	0.5	0.2	0.5	0.4	0.7	0.2	0.6	0.4	..	..	..	0.2	0.3	..	1.0	0.3	0.8	..	..	0.8	0.2	..	0.3	0.3	..
INDICATORS OF LIVING STANDARDS	1980	US \$ <sup>11</sup>	5 800	5 650	7 540	5 950	7 270	5 720	7 690	7 340	2 750	7 560	3 310	4 270	5 220	7 430	7 200	4 550	6 600	1 790	3 950	7 630	10 128	851	5 581	7 370	1 343
	1978	Private consumption per capita	479	272	302	410 <sup>23</sup>	219	235	327	346	80	339	194	300	185	423	288	395	282	118	178	345	324	11 <sup>14</sup>	256	536	85
	1979	Passenger cars, per 1 000 inhabitants	440 <sup>19</sup>	375	352	666	609	470	415	434	281	444 <sup>19</sup>	174	318	460	547	486	545 <sup>19</sup>	423	132	294	772	700	39	480	793	79 <sup>19</sup>
	1977	Telephones, per 1 000 inhabitants	351 <sup>14</sup>	247 <sup>16</sup>	286	428 <sup>14</sup>	338	372	308	308	127 <sup>14</sup>	214 <sup>14</sup>	193	224	239 <sup>20</sup>	293 <sup>14</sup>	279	259 <sup>14</sup>	270 <sup>14</sup>	76 <sup>14</sup>	185 <sup>14</sup>	363 <sup>14</sup>	285 <sup>14</sup>	44 <sup>14</sup>	324	571 <sup>20</sup>	199
	1977	Television sets, per 1 000 inhabitants	1.5 <sup>14</sup>	2.3	2.1	1.8	2.0	1.6	1.6 <sup>14</sup>	2.0	2.2	1.7 <sup>16</sup>	1.2	2.3	1.2	1.1	1.7	1.4	1.8	1.5	1.8	1.8 <sup>14</sup>	2.0	0.6	1.5	1.7	1.3
	1979	Doctors, per 1 000 inhabitants	44.4	32.0 <sup>22</sup>	61.3 <sup>22</sup>	64.9 <sup>22</sup>	57.4 <sup>22</sup>	68.5	55.9	45.4 <sup>19</sup>	45.4 <sup>19</sup>	..	..	50.5	43.9 <sup>14</sup>	71.4	37.3 <sup>19</sup>	65.0	65.0	33.4 <sup>14</sup>	41.3 <sup>19</sup>	56.3 <sup>14</sup>	70.1 <sup>22</sup>	12.7 <sup>20</sup>	46.2 <sup>22</sup>	75.0	52.2
	1979	Full-time school enrolment <sup>15</sup>	11.0	13.9	11.2 <sup>23</sup>	10.9 <sup>23</sup>	8.8 <sup>23</sup>	7.7 <sup>23</sup>	10.0	13.5 <sup>23</sup>	18.7 <sup>23</sup>	..	..	12.4 <sup>23</sup>	14.3	7.4	11.5	8.7 <sup>23</sup>	12.6 <sup>23</sup>	26.0 <sup>23</sup>	11.1	6.7	8.5 <sup>23</sup>	..	11.8	12.6	33.4 <sup>23</sup>
	1980	Infant mortality <sup>17</sup>	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
WAGES AND PRICES	Average annual increase																										
	1975 to 1980	Hourly earnings in industry <sup>18</sup>	10.3	7.4	8.8	10.1	11.2	11.1	13.6	6.1	24.2	43.4	16.6	21.2	8.4	..	6.1	15.4	9.4	14.5	25.7	9.9	2.8	35.5	14.9	8.5	19.0
»	Consumer prices	10.6	5.3	6.4	8.7	10.4	10.7	10.5	4.1	16.3	41.5	14.1	16.6	6.5	6.1	6.0	14.4	8.4	21.8	18.6	10.5	2.3	50.1	14.4	8.9	17.9	
FOREIGN TRADE	1980	US \$ million <sup>21</sup>	22 068	17 364	64 500 <sup>7</sup>	64 944	16 740	14 148	111 312	191 688	5 184	924	8 508	77 904	129 588	..	73 836	5 421	18 492	4 644	20 820	30 924	29 616	2 748	115 176	220 704	8 568
	»	Exports of goods, fob	15.8	22.8	55.7	25.8	25.2	28.2	17.2	23.3	12.3	33.0	47.8	19.8	12.5	..	46.0	23.3	32.2	19.3	9.8	25.3	29.9	5.2	22.4	8.6	15.2
	1975 to 1980	As percentage of GDP	3.7	9.3	5.9	6.3	6.2	10.5	6.8	6.3	8.9	12.7	9.6	5.9	9.2	..	4.6	8.1	9.2	..	9.9 <sup>24</sup>	2.1	6.3	4.7	4.7	6.7	3.8
	1980	Average annual volume increase	20 208	24 252	71 676 <sup>7</sup>	58 992	19 320	15 612	134 856	185 856	10 632	996	11 148	99 708	141 108	..	76 872	5 468	16 956	9 300	34 176	33 420	36 336	6 252	120 156	241 200	14 436
»	Imports of goods, cif	14.5	31.8	61.8	23.4	29.1	31.2	20.8	22.5	25.2	35.6	62.6	25.4	13.6	..	47.9	23.5	29.5	38.7	16.1	27.4	36.7	11.8	23.3	9.4	25.7	
»	As percentage of GDP	5.0	9.7	5.5	3.2	3.2	2.3	8.7	7.3	3.9	4.9	10.3	7.6	4.4	..	4.7	0.9	4.4	..	0.7 <sup>24</sup>	0.8	9.0	-4.1	3.9	6.7	0.5	
»	Average annual volume increase	1975 to 1980	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
TOTAL OFFICIAL RESERVES <sup>24</sup>	End-1980	US \$ million	2 044	6 223	9 349 <sup>7</sup>	4 029	3 459	1 914	30 994	52 261	1 301	176	2 876	26 117	25 717	..	13 607	353	6 100	1 784	12 516	3 690	19 374	1 442	21 492	27 395	1 467
	In 1980	As percentage of imports of goods	10.1	25.7	13.0	6.8	17.9	12.3	23.0	28.1	12.2	17.7	25.8	26.2	18.2	..	17.7	6.5	36.0	19.2	36.6	11.0	53.3	23.1	17.9	11.4	10.2

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

8. Excluding ships operating overseas.  
9. Fiscal year beginning April 1st.  
10. Fiscal year beginning July 1st.  
11. At current prices and exchange rates.  
12. Gross saving = Gross national disposable income minus private and government consumption.  
13. Current disbursements = Current expenditure on goods and services plus current transfers and payments of property income.  
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. 1978.  
20. 1975.  
21. 1972.  
22. 1977.  
23. 1979.

24. Gold included in reserves is valued at 35 SDR per ounce (see IMF, International Financial Statistics, series Total Reserves).  
25. 1976 to 1980.  
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); Statistical Office of the European Communities, Basic Statistics of the Community; IMF, International Financial Statistics; UN, Statistical Yearbook.  
National sources have also been used when data are not available according to standard international definitions.



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