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ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

YUGOSLAVIA

ORGANISATION DE COOPÉRATION ET DE DÉVELOPPEMENT ÉCONOMIQUES

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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, 1971-1982 (1 000), annual average	193
Agricultural area (1 000 sq. km) 1980	99.4	Total paid employment (1982, 1 000)	5 980
Forest area (1 000 sq. km) 1978	92.4	of which:	
Population (31.12.1981, 1 000)	22 474	Industry	2 313
Republics:		Building	612
Serbia	9 332	Agriculture (social sector)	210
Croatia	4 606	Active population in private agriculture (31.3.1971 census, 1 000)	3 892
Bosnia and Herzegovina	4 136		
Macedonia	1 919		
Slovenia	1 895		
Montenegro	586		
Major cities (31.3.1971 census):			
Belgrade	1 209		
Zagreb	602		
Skopljc	389		
Sarajevo	292		
Ljubljana	258		

PRODUCTION

Gross national product at factor cost (1981, billion dinars)	2 304.5	Origin of GDP in 1981 (per cent of GDP):	
Gross domestic product per head (1980, US \$)	3 030	Agriculture, forestry and fishing	13.9
Gross fixed capital formation: 1981 (billion dinars)	685.0	Mining and manufacturing	37.2
1981 (per cent of GNP)	27.2	Building	10.3
		Other	38.6

GOVERNMENT

Government consumption (1981, per cent of GDP)	15.8	General government revenue, including social security (1981, per cent of GDP)	33.1
---------------------------------------------------	------	-------------------------------------------------------------------------------------	------

FOREIGN TRADE

	Structure of exports in 1982 (per cent)	Structure of imports in 1982 (per cent)
Food, drinks, tobacco	11.2	5.2
Raw materials and semi-finished goods	39.6	64.3
Finished manufactures	49.2	30.5

THE CURRENCY

Monetary unit: Dinar	Currency units per US \$, average of daily figures:	
	Year 1982	49.3
	March 1983	75.22

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

This Survey is based on the Secretariat's study prepared for the annual review of Yugoslavia by the Economic and Development Review Committee on 17th May 1983.

After revisions in the light of discussions during the review, final approval of the Survey for publication was given by the Committee on 31st May 1983.

INTRODUCTION

Economic policies in 1982 were again very restrictive and Social Product stagnated. The tightening of policy in the 1982 Economic Resolution and a series of measures taken in the course of the year contributed to a sharp fall in domestic demand for the second successive year to bring the cumulative decline to 5½ per cent. Fixed investment was particularly depressed, a large reduction of which has been an important policy objective since 1980. The fall in domestic demand was somewhat greater than originally planned but was in line with the aim to direct substantial resources from the domestic economy to the external sector in order to facilitate balance of payments' adjustment and reduce the long-standing distortions in the functioning of the economy. Influenced considerably by restrictions, the volume of imports fell steeply, but partly reflecting the world recession export volumes also declined rather than increased as had been planned. The current external deficit was cut by half to \$½ billion despite higher payments of interest debt and Yugoslavia was also able to continue considerable reimbursements of capital. The stabilisation programme, involving substantial sacrifices on the part of the population, also contributed to a slowdown of inflation but only to a rate of about 30 per cent which is very high.

Policy in 1983 aims to build on the achievements made in 1982 not only on short-term stabilisation but also to improve medium-term prospects. An important policy package in October 1982 which included a sizeable devaluation of the dinar, measures to improve the utilisation of foreign exchange and higher interest rates will considerably influence developments in 1983. Since then, the dinar has been further devalued in a number of steps, and interest rates raised again. At the same time, agreements have been reached with the international financial community on a financial package to aid the stabilisation programme. In connection with these agreements, policy in 1983 is again restrictive, and ambitious targets for the main components of domestic demand and the balance of payments have been established. Total domestic demand is again projected to fall sharply. The authorities – reflecting their determination to honour their external debt obligations – are aiming to achieve approximate balance in the current external account with the convertible currency area. The substantial sacrifices implied by the policy objectives involve a further large drop in real average earnings. An official target for inflation has not been announced, but reflecting, among other factors, the devaluation effects and measures taken in January to raise substantially prices of a number of important goods and services, some acceleration in inflation in 1983 seems probable.

Part I of this Survey briefly reviews the medium-term background to the imbalances in the economy which the stabilisation programme is designed to correct and, then, discusses the development of demand, output and employment in 1982. The balance of payments and external debt which are central to policy are analysed in Part II while Part III contains a review of monetary and fiscal policies in 1982. Short-term prospects and stabilisation in 1983 and a discussion of the main medium-term issues form Part IV. The Conclusions are summarised in Part V.

I. DOMESTIC DEVELOPMENTS TO END-1982

Medium-term trends

The period between 1973 and 1979 was characterised by unusually fast and unbalanced growth with the economy moving out of phase relative to world developments¹. After the first oil shock, adjustments to the rapidly changing world economic conditions were not made so that the important gains from the broadly-based economic growth up to then were not consolidated. Whereas in the majority of OECD countries energy consumption was reduced and other adjustments started which resulted in a marked deceleration in the trend growth of GDP in the OECD area to some 2¾ per cent (annual rate) between 1973 and 1979, the volume of Yugoslav oil imports increased by about one half and the annual rate of growth of Social Product (SP) accelerated to about 6¼ per cent. These developments were accompanied by a significant shift away from the external sector and towards increasing reliance on the

Table 1. The pattern of growth

	1973	1979	1982
	1965	1973	1979
	Annual percentage change		
OECD, total GDP	4½	2½	½
OECD, Europe GDP	4½	2½	½
<i>Yugoslavia</i>			
Social product	5½	6½	1½
Domestic demand	5½	6½	-1½
<i>of which:</i>			
Fixed investment	6½	9	-5½
Exports of goods and services	(8)	(1)	(5½)
Imports of goods and services	(10)	(2½)	(-8½)
Productivity ¹			
Total (excluding agriculture)	4	2½	-1½
Industry (excluding construction)	4½	3½	-
Cost of living	12½	17½	34½
	Average, per cent of GDP		
Balance of payments			
Current deficit	½	3	2
Trade deficit	5½	9½	6½

1. Per person employed.

Note: Both domestic demand and volume export and import data have been partly adjusted to allow for the large statistical discrepancy. Figures in parenthesis denote a large margin of error.

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

domestic market: the annual rate of growth of exports (goods and services) fell to barely 1 per cent between 1973 and 1979 (compared with a longer-run annual rate of about 8 per cent prior to 1973), while domestic demand expanded faster than SP. The acceleration in the growth of fixed investment from an annual rate of about 5½ per cent before 1973 to 9 per cent in the following six years was particularly important. Fixed investment's share in SP rose from around 30 per cent in 1973 to nearly 35 per cent in

1. For a detailed analysis of structural developments between 1973 and 1979 see OECD Economic Survey on Yugoslavia, May 1981, pp.19-32.

1979, making it the most important factor behind the rising distortions during the second half of the 1970s. The growth of government consumption also exceeded that of the SP.

The inflationary effects and the other distortions arising from unbalanced growth based on import substitution took time to show up. After the first oil shock, a major reappraisal of policy objectives was not seen to be necessary as the emerging external constraint was hidden for a time by a number of favourable developments:

- i) World tourism was considerably less affected than world trade with the result that Yugoslav net tourist earnings more than doubled during the second half of the 1970s. Emigrant and other remittances increased considerably. Yugoslavia profited also from the rapid expansion of OPEC demand for construction work.
- ii) Limited import restrictions were imposed so that at least up to early 1977 the current account deficit was kept within manageable limits.
- iii) International financial markets expanded considerably during this period facilitating and to a certain extent stimulating borrowing by industrialising countries and the debt servicing ratio remained low partly due to relatively low interest rates up to 1979.

These developments together with a strong momentum for expansion at the republican and local levels and popular aspirations to increase living standards, made it difficult to adjust policies and change the pattern of growth in the wake of the second oil shock. Even as late as the end of 1979 when the major imbalances in the economy were largely apparent, the Economic Resolution for 1980 had fixed a target of 5 per cent for the growth of the SP in 1980 with investment being the main expansionary force.

The large imbalances – reflected in the significant rise of the trade and current account deficits to 10 per cent and 5½ per cent of GDP respectively in 1979 – was more than can be explained by the rise in the net oil deficit². Rapidly rising external debt and the almost tripling of the rate of inflation to about 40 per cent in early 1980 made urgent the adoption of corrective measures and brought about an important change in economic objectives and policies. Since mid-1980, the main priority has been the reduction of the balance of payments deficit by restraining domestic demand. The earlier trends in fixed investment and government consumption were reversed late in 1980, and partly policy induced and partly due to the acceleration in inflation, there was a severe squeeze on real average earnings. The stance of policy was again restrictive in the 1981 Economic Resolution, with the emphasis placed on the reallocation of resources in favour of the external sector and of profits at the expense of investment and real average earnings, both of which declined sharply for the second year running. As a result, total domestic demand fell in 1981 which, combined with import controls, led to a marked decline in the current external deficit. These achievements, though important in themselves, proved inadequate to curb inflationary forces which had gathered momentum since 1978. The mechanisms set in place to make possible a reallocation of resources in favour of profits at the expense of earnings (by placing the emphasis on their relative movements) largely explains the acceleration of inflation to the peak of nearly 50 per cent in the first half of 1981 before coming down to somewhat less than 40 per cent towards the end of the year.

Inflation and, more importantly, the rising external debt and the associated rapid increase in the cost of its servicing led to further tightening of policy in the 1982 Economic Resolution. The external debt had more than doubled between early 1978

2. While the net import bill for oil increased by around \$1.6 billion between 1973 and 1979, the current account deficit rose from \$1.2 billion to \$3.7 billion.

and end-1981 which combined with the significant increase in international interest rates, had raised the debt servicing ratio from less than 20 per cent of total export receipts to nearly 25 per cent over this period. Accordingly, the growth targets for 1982 were lowered; domestic demand was forecast to decline, accompanied by a marked decline in the rate of inflation and a movement in the current external account to approximate balance. At the same time, preliminary revisions to the 1981-1985 Plan were made with less ambitious growth targets and a Stabilisation Commission, consisting of high-ranking officials, was set up to study and propose measures to correct the structural imbalances hindering the resumption of self-sustained growth.

However, developments during the first half of 1982 diverged considerably from official projections, mainly with regard to the balance of payments. Moreover, after the introduction of new institutions and arrangements since the late 1970s, economic management became more difficult with the role and power of the Federal authorities being considerably reduced and those of republican, regional and local authorities and institutions greatly strengthened with a parallel weakening of market clearing mechanisms at the national level. This has been most marked in the fields of foreign and internal trade and income and price formation. The unsettled situation in international financial markets and the difficulties in securing the desired kind of finance, prompted the authorities to take additional restrictive measures in the second half-year. The measures described below resulted, by the end of 1982, in some narrowing of the gap between earlier trends and the policy objectives.

Demand, output and employment³

Contrary to the stabilisation objectives, real average earnings increased in the first four months of 1982, the deceleration in inflation exceeding a small slowdown in the growth of nominal average earnings. To correct this and to reverse the upward movement in private consumption, the authorities in early summer put pressure on socio-political bodies and economic agents to reduce considerably the growth of nominal earnings in the rest of the year. In response to the policy initiatives and partly because of a small acceleration of inflation, average real earnings fell sharply during the remaining part of the year, giving a decline of about 3¼ per cent in 1982 as a whole. With the exception of consumption in kind which, due to buoyant agricultural production, increased considerably, all the other main components of personal income changed little in real terms. Reflecting the rise in real personal disposable income (Table 2), consumers' expenditure appears to have also increased a little (Table 3)⁴. Moreover, it seems that purchases of durables, especially of private cars, increased considerably in real terms probably due to fears regarding inflationary developments and also because the price of those products increased at a much slower rate than retail prices on average. The tightening of policy after mid-1982 also led to a sharper fall in general and collective consumption by the public sector than had been planned for 1982 as a whole⁵.

As in 1981, there was a generalised steep decline in fixed investment last year, which brought its share in SP to just over 28 per cent compared with 35 per cent three

3. As explained in earlier OECD Economic Surveys of Yugoslavia, there are long-standing problems with the estimation of certain national accounts and foreign trade and payments statistics which often makes it difficult to correctly assess economic developments. An example of this is the problem of allocating the large statistical discrepancy between the individual demand components. See Technical Notes in the Annex for a discussion of the main statistical problems.

4. On the basis of Yugoslav definitions, there was a small rise in consumers' expenditure, whereas private consumption on SNA (OECD definitions) basis (which also includes expenditure on health, education, social services, etc.) remained stagnant.

5. The decline in real government consumption on a SNA basis was slightly weaker.

Table 2. Household account¹

	1978	1979	1980	1981	1982 Estimates
Net salaries and other personal income in the socialised sector ²	364.5	457.1	570.6	798.1	1 057.0
Social Security transfers	99.6	127.2	158.5	209.1	278.8
Net wages and salaries in the private sector	49.2	59.0	77.9	113.4	148.6
Consumption in kind	39.5	49.6	65.2	97.9	137.1
Remittances from abroad	58.6	65.6	110.3	156.2	399.4
Other income	49.0	72.4	104.1	152.8	
Total income	660.4	830.9	1 086.6	1 527.5	2 020.9
Less taxes ³ and fees	16.5	21.8	29.0	39.2	48.3
Disposable income	643.9	809.1	1 057.6	1 488.3	1 972.6
Private consumption	525.0	670.1	878.2	1 218.7	1 600.4
Savings	118.9	139.0	179.0	269.6	372.2
Money and savings deposits	86.9	87.6	118.3	151.0	255.2
Housing investment	43.9	56.9	71.8	101.3	127.6
Other	-1.3	-0.3	-12.3	17.3	-10.6
Less net consumer credit	10.6	5.2	1.2		
Saving ratio ⁴ (per cent)	18.5	17.2	16.9	18.1	18.9
<i>Memorandum items:</i>					
Real percentage changes, 1980 prices					
Real disposable income	7	3½	—	-½	1
Private consumption	7	5½	½	-1½	—

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 and OECD estimates.

years earlier. Public sector investment in administration, health, education, social and related activities again recorded the sharpest fall (about 25 per cent). In addition to directives to public sector bodies, the freezing of part of the revenues of those bodies accompanied by credit restrictions explain a larger-than-planned fall in public sector investment. Investment in many new buildings and other construction work was discontinued, even if projects were left unfinished. Housing investment also declined more than planned and this seems to have been mainly due to a fall in private housing investment. However, though important in itself, the decline (5½ per cent) in "productive" investment (mainly by enterprises) in 1982 seems to have been somewhat less than planned⁶. It seems that productive investment was stronger than expected in

6. Given the imperfections of macro-economic instruments in the decentralised system of Yugoslavia, the Federal authorities have considerably weaker leverage over enterprise investment than on socio-political bodies' investment. It has been difficult to make enterprises change their investment programmes at short notice in line with the Economic Resolution unless there is direct intervention. It was only when the situation became critical and the authorities felt obliged to intervene directly in an important way, as happened in the second half of 1982, could quick results be obtained. Moreover, the close economic and often institutional ties between local banks and enterprises associated with the long-standing practice of satisfying demand for credit by enterprises and the rapid expansion of inter-enterprise credit, meant that enterprises were not sufficiently constrained in their investment decisions by liquidity problems.

Table 3. Demand and output¹

	Billion dinars current prices	Percentage volume change, 1980 prices					
		1981	1978	1979	1980	1981	1982 ²
Consumers' expenditure	1 143		7.0	5.2	0.7	-1.0	0.5
Collective consumption	198		5.0	7.9	2.7	-0.7	-1.6
Fixed investment	664		13.5	6.4	-1.7	-9.3	-6.2
Final domestic demand	2 005		9.1	5.9	0.0	-3.9	-2.0
Stockbuilding ³	262		-4.6	4.3	1.4	3.0	-3.1
Total domestic demand	2 267		4.0	9.7	1.3	-0.8	-4.8
Foreign balance ³	-76		-0.1	-2.4	5.3	3.2	2.7
Exports	469		-1.9	3.3	8.9	13.1	-3.7
Imports	545		-1.3	9.6	-9.9	-2.1	-13.5
Statistical discrepancy	17		2.8	-0.7	-4.4	-1.0	3.0
Social product	2 208		7.1	7.0	2.2	1.4	0.9
Socialised sector	1 934		9.1	7.2	2.4	1.3	0.3
Private sector, total	274		-4.6	5.8	0.8	2.3	5.3
Excluding agriculture	53		4.2	6.3	3.8	1.3	1.3
Agriculture and forestry	313		-5.2	5.3	-0.1	2.8	6.6
Other activities	1 895		9.4	7.3	2.6	1.2	0.1
Industry	847		8.6	8.2	4.1	4.1	0.1
Construction	223		11.6	9.6	0.2	-4.7	-6.0
Services	825		9.5	5.9	1.7	-0.1	1.0
<i>Memorandum items:</i>							
SNA concepts ⁴							
GDP market prices ⁵	2 410		7½	6½	1½	½	½
Private consumption	1 226		7	5½	½	-1½	0.0
Government consumption	381		6½	5½	2	-5½	-1½

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.

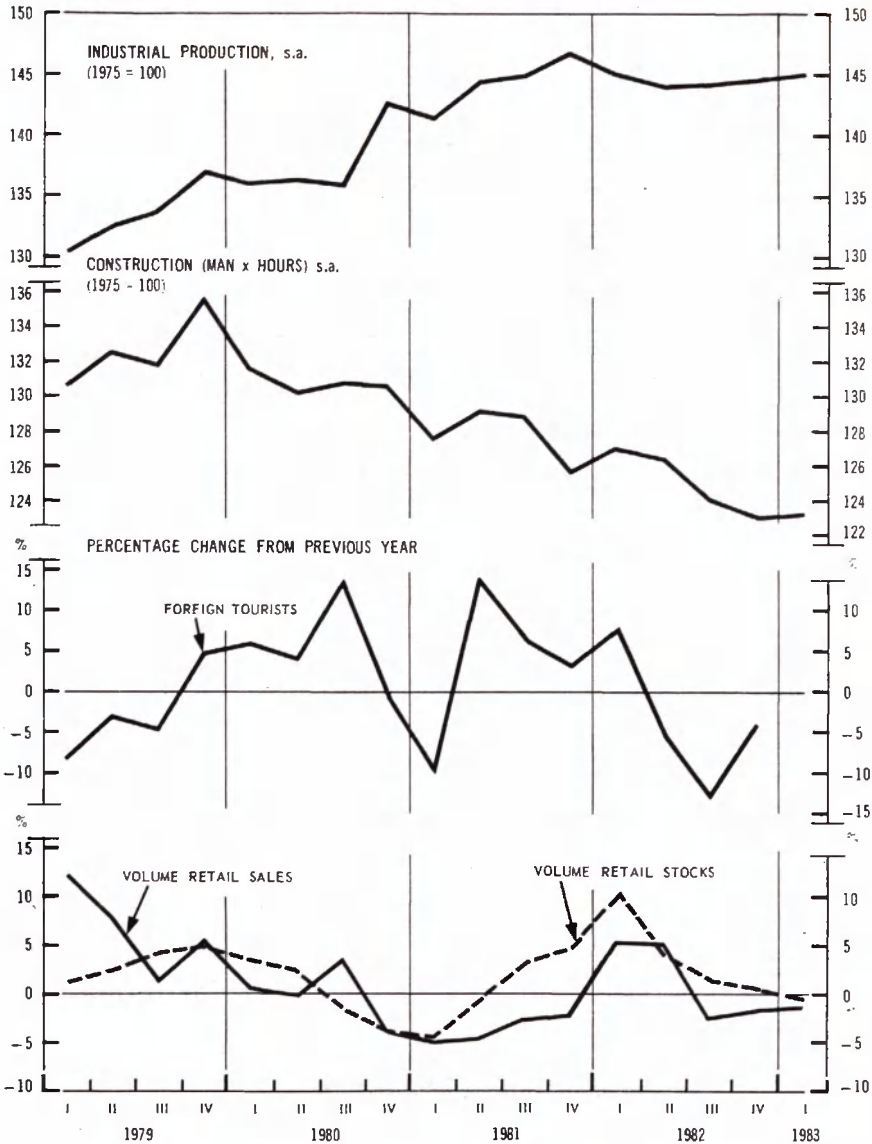
Sources: Direct communication to the OECD and OECD estimates.

the first half of 1982 and it was only after the authorities intervened directly in the second half that sizeable reductions were made. What gross enterprise investment there was in 1982, seems to have been largely to replace or extend existing capacities and only a relatively small part was channelled to new projects.

Final domestic demand fell again in 1982 bringing the cumulative fall to about 6 per cent since 1980 (Table 3). Though stockbuilding data are subject to a wide margin of error, the rate of total inventory accumulation probably slowed down in 1982. Stocks of imported materials declined a little (due to import restrictions) and stocks of certain domestic products rose rapidly because of the fall in domestic demand and buoyant agricultural output. The negative contribution from the change in stockbuilding brought the rate of decline of total domestic demand to about 4¾ per cent last year, the largest fall over the last thirty years. However, there was a substantial fall in the volume of imports (Table 3) which more than compensated the fall in total demand so that SP actually rose a little last year.

Industrial output (excluding construction) remained broadly flat in 1982 as a whole, partly due to supply difficulties (energy and imported materials) and partly due

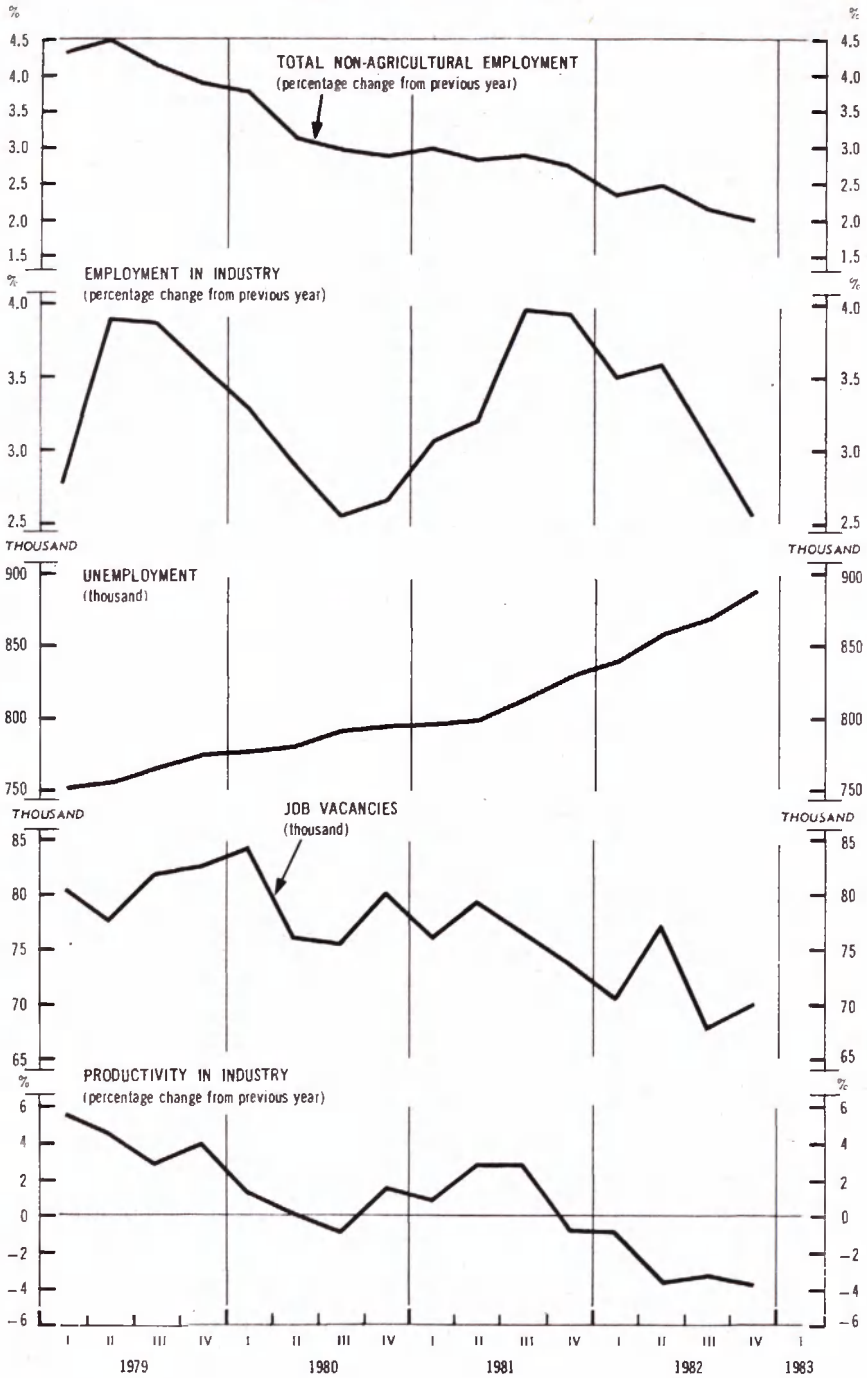
Diagram 1. Current economic indicators



Source: Indcks. direct communication to the OECD and OECD estimates.

to sluggish demand. Mining output increased by some 2½ per cent whereas manufacturing production declined moderately. Reflecting the fall in fixed investment, particularly in building and road works, construction output also declined markedly. Service output showed a moderate increase despite the fall in foreign tourism. Favoured by climatic conditions and also because of a highly stimulative pricing policy, agriculture was the only buoyant sector with the growth of output accelerating to nearly 7 per cent last year. With the exception of sunflower, all other crops and livestock recorded large increases.

Diagram 2. Labour market trends



Source: Index; direct communication to the OECD and OECD estimates.

Despite the stagnation in output and weak growth in public sector employment (due to financial restrictions) total non-agricultural employment grew at about 2¼ per cent in 1982; growth in private sector employment was somewhat above the average and in the socialised sector, slightly below. The faster increase in private sector employment partly reflects the difficulties in finding jobs in the socialised sector and also the fact that a large number of returning emigrants opt for private business. In line with the longer-run trend, female employment increased considerably faster than male employment (3½ per cent and 1¾ per cent respectively). The increase in total employment was accompanied by a significant decline in non-agricultural productivity for the third year in succession; productivity in industry fell by 3 per cent, the first recorded in the last thirty years⁷. Construction was the only sector which recorded a fall in employment (1¾ per cent), but this was insufficient to stem the decline in productivity, which attained 4½ per cent.

The moderate growth of employment in the socialised sector and in private business contributed to maintaining relatively slow growth of the already high rate of unemployment. Moreover, two years in succession of good harvests and rising agricultural incomes probably moderated the outflow of manpower from private agriculture. Total unemployment reached some 860 000 last year, or roughly 9 per cent of the total labour force (including the agricultural labour force). Excluding some 230 000 people who are employed but desire to change jobs, the actual number of unemployed may be around 630 000 or between 6½ and 7 per cent of the labour force. Excluding private agriculture, the rate of unemployment is about 10½ per cent. In addition to the high unemployment figure, the composition of unemployment is uneven with certain groups bearing the heaviest burden. Because people already employed practically cannot lose their jobs, unemployment is mainly concentrated on young persons under 25 years of age; approximate estimates put their share at about four-fifths of total "true" unemployment. About half of the unemployed are skilled and persons with higher qualifications and education. As most of the unemployed are young people without previous work experience, less than half of those registered as unemployed receive unemployment benefits.

Inflationary developments

There was a marked decline in the rate of inflation in the first half of 1982, notably the year-on-year rise in the cost of living fell from 38 per cent in the fourth quarter of 1981 to 30 per cent by mid-1982. This trend reflected:

- i) The lagged effects from the limited changes of the effective exchange rate for more than a year to early autumn 1981.
- ii) A marked fall in world market prices of commodities through 1981 and 1982 influencing mainly producer prices of industrial products whose year-on-year rise fell from 39 per cent in the fourth quarter of 1981 to some 25 per cent in early-1982.
- iii) The inflationary effects of the two previous years' relative income guidelines (which in order to boost capital accumulation stipulated significantly bigger increases in value added than in the wage bill) weakened with price rises beginning to get more in line with wage cost developments.
- iv) Selected sales tax rates were lowered and the increase of certain administered prices was curbed.

7. In a system of self-managed enterprises, lay-offs of individuals are extremely rare (in principle, fluctuations in output and revenues affect workers' incomes) and the momentum for expansion combined with social pressure to ease the unemployment situation makes for continuing recruitment even if output stagnates.

Table 4. Price developments
Percentage change, annual rate

	1978 1975	1979	1980	1981	1982	Dec. 81 Dec. 80	June 82 June 81	Dec. 82 Dec. 81
Producer prices								
Industrial goods, total	7.9	13.2	27.3	44.6	25.0	37.4	24.0	24.5
Investment goods	9.5	6.1	12.3	24.6	15.8	18.7	16.2	18.1
Intermediate goods	7.2	16.1	34.3	48.1	27.1	40.8	26.0	26.1
Consumer goods	8.5	11.1	21.1	44.2	24.8	36.3	23.2	24.5
Agricultural goods	12.9	25.6	35.6	51.5	34.9	38.5	44.1	37.8
Retail prices, total	11.9	21.9	30.4	46.0	29.5	39.3	28.0	30.4
Agricultural products	15.7	20.4	34.1	39.2	43.8	36.0	40.2	42.5
Industrial products	11.3	22.9	31.6	49.4	28.6	41.5	26.0	29.5
Services	13.4	21.7	22.7	29.2	20.3	27.0	18.6	20.6
Cost of living, total	14.2	20.4	30.3	40.7	31.7	36.2	29.7	33.0
Goods	13.6	20.4	31.8	42.9	32.9	37.8	31.7	33.6
of which:								
Food	16.0	18.3	31.5	42.9	38.8	38.0	37.9	40.7
Durables	11.9	22.1	29.4	52.1	27.8	49.4	28.0	23.9
Services	13.7	20.5	20.5	27.1	22.0	25.5	22.0	21.3
Export prices¹	8.6	15	19	9	7			
Import prices¹	7.1	19	19	10	2			

1. In U.S. dollars. These rates of change (especially in 1980 and 1981) are subject to a wide margin of error.
Sources: *Indeks, Monthly Statistical Bulletin*, Federal Statistical Office and direct communication to the OECD.

v) The year-on-year increase in nominal average earnings slowed down a little after the third quarter of 1981.

Despite the substantial slowdown during the first half of 1982, inflation continued to run significantly above the target of 20 per cent. This, together with the gradual elimination of certain temporary factors which had influenced inflation favourably, led the authorities to take measures in the second half year in order to limit the overshooting. Accordingly, a law was passed in July 1982 bringing almost all prices of goods and services under the control of the Federal authorities⁸ with the Federal Community for Prices becoming the principal institution through which applications for price rises and decisions were transmitted. Despite these measures and a slowdown in average earnings (Table 5), price rises gathered momentum during the second half year; the year-on-year rise of the cost of living accelerated to nearly 33 per cent by the end of 1982 which implies a significantly higher rate than that during the second half year. The immediate cause of this steep acceleration is agricultural product prices, which had already begun to rise in early 1982; to boost agricultural output, the authorities fixed high price levels early in the year (for the products produced in 1982) and private farmers operating in the "green" market aligned their prices to those controlled by the authorities so as to compensate for the large rise in the price of inputs (especially of fertilisers and chemicals) since 1979. The continuous decline of the effective exchange rate and the virtual end to the downward movement of world commodity prices also started to have some effect on domestic prices in the second half of the year. The authorities' ruling that only about one-third of the increase in costs due to the devaluation of October 1982 were to be passed on to domestic industrial producer prices, does not seem to have been observed.

8. This law temporarily abolished the powers of the republican, regional and local Communities of Prices, which had been first established in 1981 with the aim of decentralising price fixing.

Table 5. **Average earnings**
Percentage change, annual rate

	1982 '000 dinars	1978 1975	1979	1980	1981	1982	Dec 81 Dec 80	June 82 June 81	Dec 82 Dec 81
<i>Nominal changes</i>									
Net average earnings in the socialised sector, total	12 542	18.4	20.4	20.5	33.6	27.4	34	28.4	23.2
Economic sector, total	12 329	18.1	20.7	20.9	35.0	27.4	35	29.0	23.3
Industry and mining	12 153	17.4	20.2	22.3	37.4	27.2	37	28.4	22.8
Agriculture	12 454	16.0	18.3	24.4	41.4	33.1	36	35.1	28.1
Construction	11 719	18.7	20.0	18.8	31.6	26.8	35	29.4	25.4
Transport	13 430	18.7	21.1	20.6	33.9	26.9	37	28.1	20.3
Trade	11 962	18.9	21.9	17.6	30.1	28.2	30	29.8	25.8
Housing and public utilities	12 216	19.8	21.2	19.9	31.3	27.8	34	30.2	21.8
Financial and other services	15 547	20.1	20.2	16.7	29.3	25.7	31	26.6	20.5
Non-economic sector, total	13 658	19.8	19.6	18.9	27.5	27.1	28	25.7	23.1
Education and culture	13 856	20.3	22.0	18.7	27.9	26.5	31	26.8	24.2
Health and social security	12 966	19.3	20.9	17.6	28.8	27.1	31	28.1	22.1
Government ²	14 269	19.6	15.2	20.8	25.6	27.9	23	21.6	22.6
<i>Real changes³</i>									
Net average earnings in the socialised sector, total		4.3	0.0	-7.5	-5.0	-3.3	-1	-1.0	-7.4
Economic sector, total		4.1	0.2	-7.2	-4.1	-3.3	-1	-0.5	-7.3
of which: Industry		3.5	-0.2	-6.1	-2.3	-3.4	1	-1.0	-7.7
Agriculture		1.2	-1.7	-4.5	0.5	1.1	—	4.2	-3.7
Non-economic sector, total		5.3	-0.7	-8.7	-9.4	-3.5	-6	-3.1	-7.4
of which: Government		5.6	-4.0	-7.3	-11.0	-2.9	-10	-6.2	-7.8
Unit Wage Costs, total ⁴		16.0	17.3	21.3	36.0	31			
of which: Industry		13.3	15.4	20.7	37	32	40	34	30

1. Thousand dinars per month.

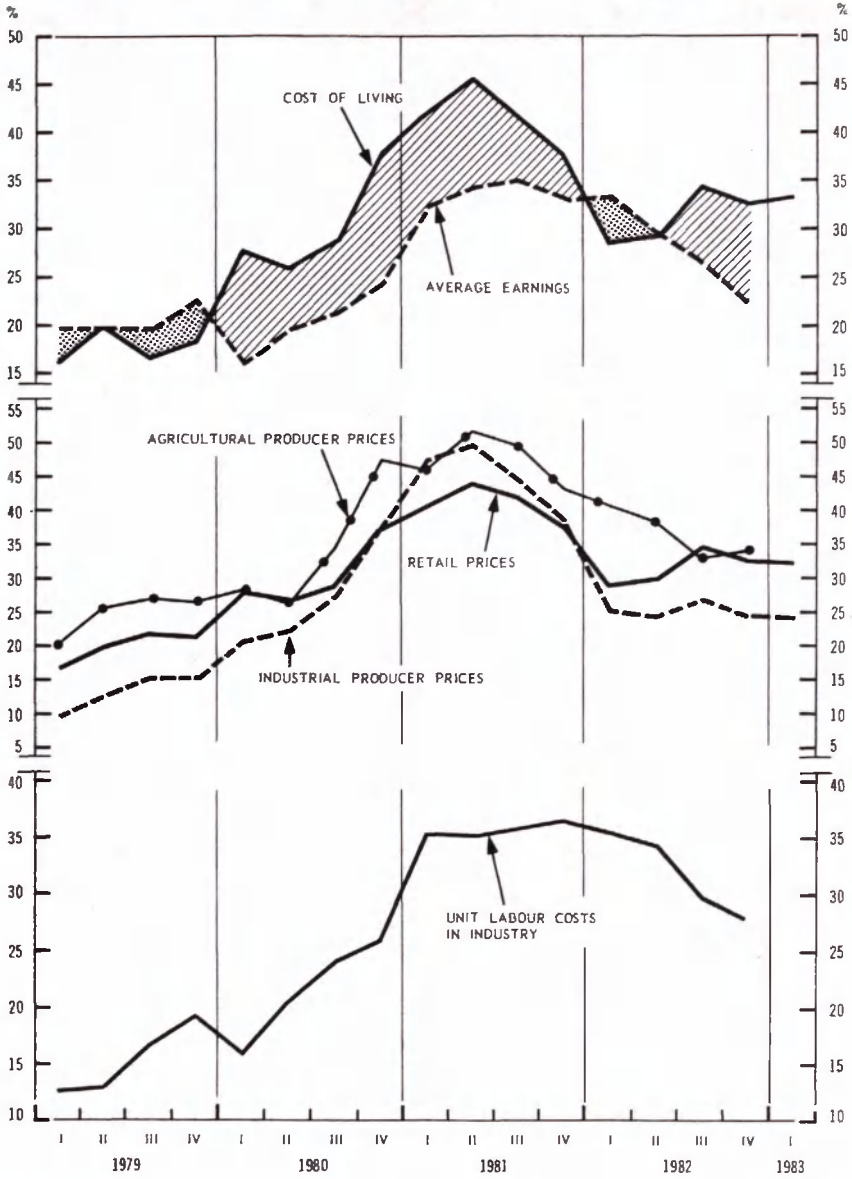
2. Including socio-political organisations.

3. Deflated by cost-of-living index.

4. Excluding agriculture, and provisional data for 1981.

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

Diagram 3. Inflation indicators
 Percentage change from previous year



Source: Indeks; direct communication to the OECD and OECD estimates.

Some necessary upwards adjustments of prices, which had previously been held stable, also took place in the second half year (e.g. producer energy prices rose by some 35 per cent between August and October 1982). The only positive element in the otherwise disappointing inflationary developments was the continuous moderate slowdown in the year-on-year increase in average earnings from about 28½ per cent in

mid-1982 to some 23 per cent at the end of 1982. However, as output growth had also decelerated accompanied by negative productivity growth, the deceleration in the year-on-year increase in unit labour costs in all sectors was somewhat smaller. In industry the deceleration was relatively strong, from 40 per cent at the end of 1981 to about 30 per cent at the end of last year. This deceleration together with sluggish demand contributed importantly in keeping the year-on-year rise of industrial producer prices at about 25 per cent throughout 1982. The slower increase in the price of services (around 20 per cent) principally reflects the partly policy-induced relatively small increase in rents (18 per cent through the year) and the moderate rise in wages in certain service sectors such as health and transportation.

II. BALANCE OF PAYMENTS AND EXTERNAL DEBT

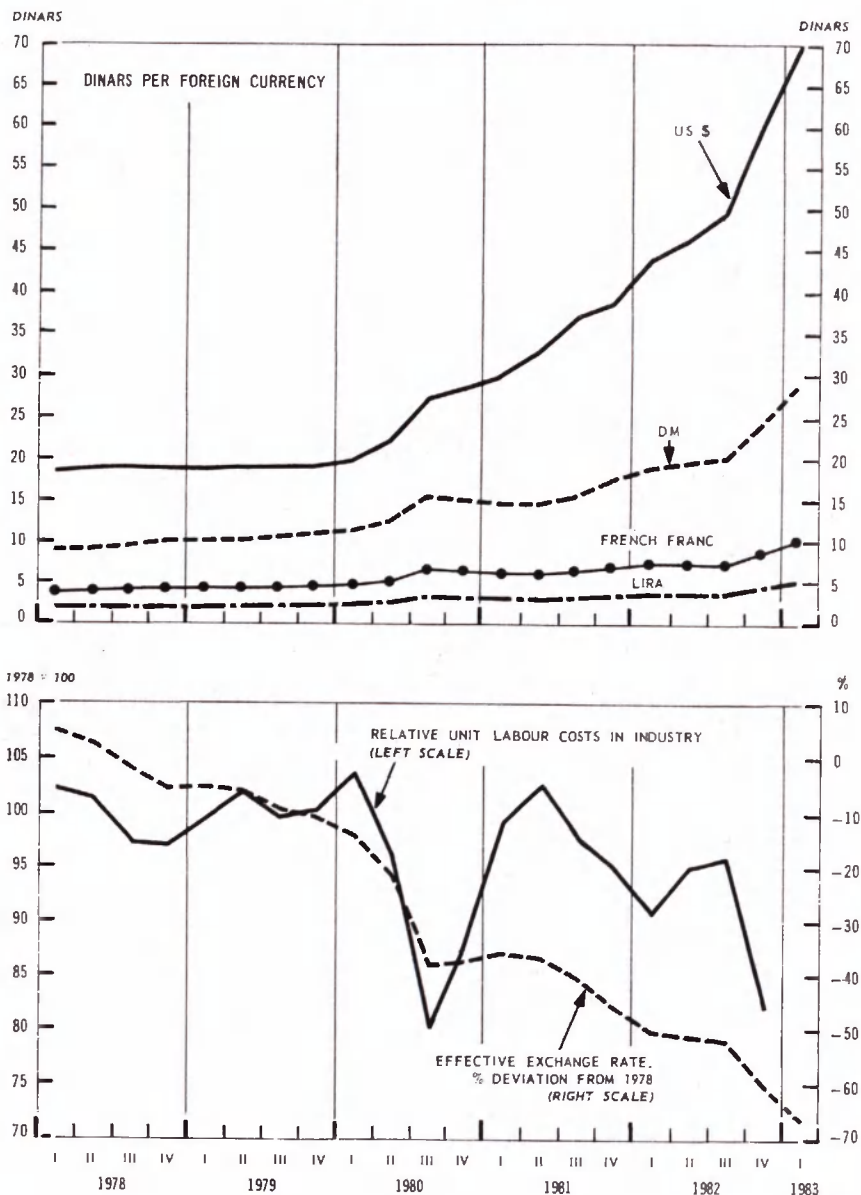
As noted in Part I, balance of payments considerations and the related problem of external indebtedness and its servicing have been at the centre of policy preoccupations since 1980. However, despite the severe measures, the adjustment towards a more manageable level of the current account deficit has been longer and more difficult than the authorities had originally expected. To some extent this was due to the unfavourable external environment. The world recession reduced export growth, adversely affected tourist receipts and led to a reversal of net migration flows which was accompanied by a stagnation of net emigrant remittances. Also, the marked rise in international interest rates probably added almost \$1 billion annually to the current external deficit over the last few years. Domestic factors were also important. The implementation of short-term policies has not always been easy given the normal resistance to the considerable sacrifices demanded and the delays in adjusting key instruments, such as exchange rates and interest rates, complicated the adjustment process. In addition to the direct inflationary effects, the rapid and domestically-oriented growth between 1973 and 1979 entailed large inefficiencies whose costs have persisted. The easy availability of finance and the heavily-subsidized cost of capital (through negative real interest rates) contributed to insufficient evaluation of investment projects and inevitably led to a considerable waste of scarce capital, including foreign exchange resources. There was duplication of a large number of investment projects, mainly between republics, with the result that many industries were working considerably below capacity even before the recession began in 1980⁹. Also, given the republican preference to support their own industries, competition at the national level has considerably weakened accompanied by a fragmentation of the national market.

For a country with a small domestic market, heavily import-substitution oriented development led to the production of an excessively wide range of goods and processes at the expense of specialisation, economies of scale and technological progress. As a result, costs of production in many industrial sectors are comparatively high and there was a marked increase in the capital-output ratio after 1973 accompanied by – contrary to what might be expected – a slowdown in the annual rate of growth of labour productivity in industry in the second half of the 1970s to about two-thirds its earlier long-run rate. A paradox of the policy of import substitution between 1973 and 1979, which is relevant

9. At the peak of the previous cycle in 1979, the margin of unused capacity in industry was 20 per cent.

to the present difficulties, is that foreign dependence instead of diminishing may have risen over time, a development which is reflected in the rising share of imported raw and intermediate materials (excluding oil) in total imports (excluding oil) (Diagram 5). The ratio of raw and intermediate material imports to industrial production also increased from 0.31 in the three years to 1979 to 0.34 in the following three years.

Diagram 4. Exchange rates



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

The high degree of foreign dependence has been demonstrated over the last three years when restrictions on imported materials have had a significant negative impact on industrial production and on exports. Industry has also kept large stocks of imported materials as a hedge against shortages which has considerably added to foreign exchange costs. Another and related aspect is the high degree of dispersion of commodity exports which is almost as large as that of some major industrialised OECD countries. As a consequence the extremely wide range of goods produced has suffered from lack of price and quality competitiveness especially in the highly sophisticated developed OECD markets; merchandize exports in value to convertible currency area have stagnated since 1980 despite the efforts undertaken to further penetrate in these markets. In volume, merchandize exports to the convertible currency area may have actually declined since 1980; exports to the OECD area in 1982 were probably below the level of 1978. Exports on a clearing basis, mainly to Eastern European markets, have to some extent compensated for the fall in the convertible currency area but this is a second-best solution and underlines the prevailing inefficiencies.

Despite the cyclical and structural obstacles outlined above, the balance-of-payments adjustment over the three years to 1982 was considerable. The trade deficit fell sharply to some \$3 billion in 1982, or less than half the 1979 peak (Table 8) and somewhat below the average level between 1976 and 1978. Excluding net imports of oil and gas, the trade deficit fell to \$175 million last year which is the lowest over the last fifteen years. Similarly, the current account deficit has also steadily fallen from the peak of \$3½ billion in 1979 to \$½ billion last year. Performance vis-a-vis convertible currency area has, however, been less successful. The decline in the trade deficit has been more moderate and also because of the high cost of interest payments and unfavourable trends in tourist and net emigrant receipts, the current account deficit with the convertible area was last year, at about \$1½ billion, almost double the official objective and slightly higher than in 1978.

*Trade developments*¹⁰

Trade developments in recent years have been influenced by a variety of factors which are not easy to disentangle. Exchange rate changes had, in different periods, destabilising effects as the real effective exchange rate has considerably fluctuated. Immediately following the mid-1980 devaluation important gains in competitiveness were made. However, within a year these were practically lost despite the continuous depreciation of the dinar; inflation was much higher in Yugoslavia than in trading partners and more than offset the effects of nominal depreciation. After mid-1981 there was a small real depreciation for a short period but the trend was reversed in early-1982 and by mid-October 1982 the level of the real effective rate was clearly uncompetitive, thus inhibiting the desired balance-of-payments adjustment. The 17 per cent devaluation of the dinar on 21st October 1982 did not have time to influence significantly trade in 1982; its positive effects on the trade account will be mainly felt in 1983 and 1984. Though moderate, the temporary upturn in domestic demand in the first half of 1982 also had a negative effect on trade which was reflected in an increase in the trade deficit compared with the second half of 1981. Tighter policy after mid-1982, import restrictions and to a lesser extent, the measures taken in October 1982 (see Part IV),

10. The statistical problems associated with the measurement of foreign trade are examined in the Technical Notes in the Annex. These relate mainly to the use of fixed exchange rates and lead to big variations in trade flows, e.g. in Annex Tables K and L the statistical exchange rate used (in Yugoslav statistics) is \$1 = Din. 27.30 which gives somewhat higher imports and exports for 1981 than shown in Table 8 (supplied by the National Bank of Yugoslavia) which is based on an exchange rate of \$1 = Din. 41.80.

reduced the trade deficit progressively to a seasonally adjusted annual rate of \$2¼ billion in the fourth quarter of last year compared with \$3.4 billion over the previous nine months.

Table 6. Exports and imports¹

	1977	1978	1979	1980	1981	1982
Exports						
Total value	7½	8	19	32½	13½	½
Volume	-3	-1	3½	10½	4½	-6½
Average value	11	9	15	19½	9	7
Imports						
Total value	30½	3½	34½	7½	-3½	-8½
Volume	15	-1½	12½	-10	-12½	-10
Average value	13½	5	19	19½	10	2
Terms of trade	-2½	3½	-3½	-½	-1	5

1. Value and average values are expressed in U.S. dollars.

Note: Because of the use of the statistical exchange rate, trade figures are subject to a wide margin of error especially volume and average value figures since 1980.

Sources: Direct communication to the OECD and OECD estimates.

After rising rapidly in 1980 and 1981, the value of merchandise exports stagnated in 1982 implying a large volume fall (Table 6). In addition to the reasons cited above, cyclical factors and protectionist measures also contributed to the small loss in export market shares. Exports to the OECD area were sluggish (Table 7) reflecting in part a weak demand for raw materials and foodstuffs, which account for a large share of Yugoslav exports to this area. The fall in exports to the Comecon countries was largely due to restrictions, especially in Poland. But also with a view to stimulating exports in convertible currencies, the "accounting" exchange rate applied to transactions with the non-convertible areas was not allowed to depreciate in line with the official rate (applied to transactions in convertible currencies), thus reducing somewhat the incentive to export to the non-convertible area. Exports of consumer goods (including agricultural products) in value actually declined a little, whereas the value of exports of machinery increased considerably, mainly due to exports to Eastern Europe which is a large export market for machinery.

The decline in value of merchandise imports was some 8 per cent and a little over 10 per cent in volume. Imports from all major areas fell in value, particularly from developing countries (about one-fourth). This reflects, to some extent, the lower oil and food imports due to the restrictions and the exceptionally good harvest last year. Oil imports declined from some 11¼ million tons in 1979 to 8½ million last year, or by about 27 per cent, of which 9 per cent was in 1982. The decline in the value of imports from developed (mainly OECD) countries was the smallest, reflecting the heavy dependence on imports of capital and intermediate goods. Imports of final consumer goods declined in value by some 13 per cent and in volume by roughly 20 per cent but as their share is small, this had a relatively limited effect on total imports.

Table 7. **Foreign trade**
\$ billion

	1981					1982					January/February	
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	1982	1982
Exports, total	2.1	2.5	2.4	3.2	10.2	2.2	2.7	2.3	3.1	10.2	2.1	2.3
Convertible	1.2	1.3	1.4	1.8	5.7	1.2	1.5	1.4	1.8	5.9	1.2	1.4
Non-convertible	0.9	1.1	1.2	1.3	4.5	1.0	1.2	0.9	1.3	4.4	0.9	0.9
Developed (mainly OECD)	0.6	0.6	0.7	0.9	2.8	0.7	0.7	0.7	0.8	2.9	0.7	0.7
Developing	0.3	0.5	0.4	0.7	2.0	0.4	0.6	0.5	0.6	2.1	0.4	0.5
Comecon	1.2	1.4	1.3	1.6	5.4	1.1	1.4	1.1	1.6	5.2	1.0	1.1
Imports, total	3.4	4.1	3.4	3.6	14.5	3.1	3.5	3.1	3.6	13.3	3.1	2.8
Convertible	2.7	2.9	2.4	2.6	10.6	2.4	2.6	2.1	2.5	9.6	2.4	1.9
Non-convertible	0.7	1.2	1.0	1.0	3.9	0.7	0.9	1.0	1.1	3.7	0.7	0.9
Developed	1.8	1.9	1.7	1.7	7.2	1.6	1.9	1.4	1.9	6.8	1.6	1.2
Developing	0.7	0.7	0.5	0.7	2.5	0.6	0.5	0.5	0.3	1.9	0.6	0.4
Comecon	0.9	1.5	1.2	1.2	4.9	1.0	1.1	1.1	1.4	4.6	0.9	1.2
Trade balance	-1.3	-1.6	-1.0	-0.4	-4.3	-0.9	-0.8	-0.8	-0.5	-3.1	-1.0	-0.5
Convertible	-1.5	-1.6	-1.0	-0.8	-4.9	-1.2	-1.1	-0.7	-0.7	-3.7	-1.2	-0.5
Non-convertible	0.2	-0.1	0.2	0.3	0.6	0.3	0.3	-0.1	0.2	0.7	0.2	0.0
Developed	-1.2	-1.3	-1.0	-0.8	-4.4	-0.9	-1.2	-0.7	-1.1	-3.9	-0.9	-0.5
Developing	-0.4	-0.2	0.1	-	-0.5	-0.2	0.1	-	0.3	0.2	-	0.1
Comecon	0.3	-0.1	-	0.4	0.5	0.1	0.3	-	0.2	0.6	-0.1	-0.1

1. In convertible currencies.

Note: Figures may not add up because of rounding.

Source: Direct communication to the OECD.

Table 8. **Balance of payments**
\$ billion

	1978		1979		1980		1981		1982	
	Total	Convertible currency area	Total	Convertible currency area	Total	Convertible currency area	Total	Convertible currency area	Total	Convertible currency area
Exports	5.8	4.0	6.8	4.8	9.0	5.6	10.2	5.7	10.2	5.8
Imports	10.4	8.4	14.0	11.4	15.1	11.3	14.5	10.6	13.3	9.6
Trade balance	-4.6	-4.4	-7.2	-6.6	-6.1	-5.7	-4.3	-4.9	-3.1	-3.8
Net tourist receipts	1.0		1.0		1.5		1.6		1.4	1.4
Net emigrant remittances	1.7		1.7		1.5		1.7		1.2	1.2
Net transportation receipts	0.6		0.7		0.8		0.9		1.0	0.9
Net interest dividend payments	-0.3		-0.6		-1.1		-1.6		-1.8	-1.7
Other	0.3		0.8		1.1		0.8		0.8	0.6
Net invisible receipts	3.3	3.1	3.6	3.3	3.8	3.5	3.4	3.1	2.6	2.3
Current account balance	-1.3	-1.3	-3.6	-3.3	-2.3	-2.2	-1.0	-1.8	-0.5	-1.4
Long-term capital, net	1.6	1.4	1.3	1.2	1.9	1.8	0.7	0.7	0.7	0.7
Short-term capital	0.1	0.1	0.2	0.2	0.7	0.7	0.2	0.2	-0.5	-0.5
Bilateral balances	-0.1		0.7		0.4		-0.8		} 0.1	0.2
Other, including errors and omissions	0.1	0.2	-	0.5	-0.9	-0.5	0.5	0.5		
Net official reserves (-increase)	-0.4	-0.4	1.4	1.4	0.2	0.2	0.4	0.4	0.2	1.0
<i>Memorandum items:</i>										
Current balance as a per cent of GDP	2½	2½	5½	5	3½	3½	1½	2½	½	2½
<i>Excluding oil and gas (\$ bill.)</i>										
Current account deficit	-0.0		-1½		-1½		2½		2½	
Trade deficit	-3½		-5½		-3		-1	-1	-1	

Note: The statistical exchange rates applied to convert values into dollars are: for 1978, 1979 and 1980 \$1 = 27.3 dinars and for 1981 and 1982 \$1 = 41.80 dinars.

Source: Direct communication to the OECD.

Invisibles and capital movements

The principal invisible items developed adversely in 1981 and 1982 and for the first time since the early 1950s, the upward trend in the net invisible surplus was reversed; the surplus fell last year by about one-fourth (Table 8) to the same level as in 1975. There was a marked decline in recorded net emigrant remittances¹¹; reflecting uncertainties regarding domestic financial conditions and also because the irregular exchange rate changes, both gross emigrant inflows fell and the gross outflow¹² increased considerably. The decline in net tourist receipts reflects an estimated 10 per cent fall in the number of foreign tourists. In addition to the squeeze on personal incomes in the OECD area, fears of petrol shortages, electricity cuts, the absence of foreign newspapers and magazines to save foreign exchange and rumours of other shortages affected tourism significantly last year. Transportation receipts were also affected by the world shipping crisis. Finally, there was a further big rise in interest payments to almost \$2 billion.

Increasing uncertainty in international financial markets and the heavy burden of debt servicing charges had an important influence on capital movements. The availability of medium-term commercial loans was limited because of foreign banks' desire to reduce credit exposure. Private long to medium-term loans just exceeded amortization payments so that there was a marginal increase in the net debt position in convertible currencies with the private sector. There was some net repayment to commercial banks. On the other hand, short-term debt which had rapidly risen between 1979 and 1981 (partly because of difficulties in obtaining loans with longer maturities) fell by about \$½ billion in 1982. Foreign commercial banks withdrew a considerable part of their short-term deposits with Yugoslav banks and there may have been also some net repayments of supplier credits (including an increase in Yugoslav suppliers' credits to abroad).

The reduction of short-term debt was in line with the authorities' desire to have a more favourable maturity structure by reducing the share of short to medium-term debt. There was some increase in IBRD and IMF credits which roughly offset a small decline in the public or publicly-guaranteed net debt. In total, a small deficit (excluding IMF credits) in net capital movements (including errors and omissions) was recorded in 1982 for the first time for many years. In convertible currencies, the capital account deficit was about \$¼ billion, and together with the current deficit the total deficit in convertible currencies was around \$1½ billion. This was financed by drawings on official reserves of just over \$1 billion and use of IMF credit of a little more than \$½ billion. Capital outflows in non-convertible currencies were more than offset by the current surplus with the result that the combined current and capital account in non-convertible currencies recorded a surplus of \$¾ billion last year.

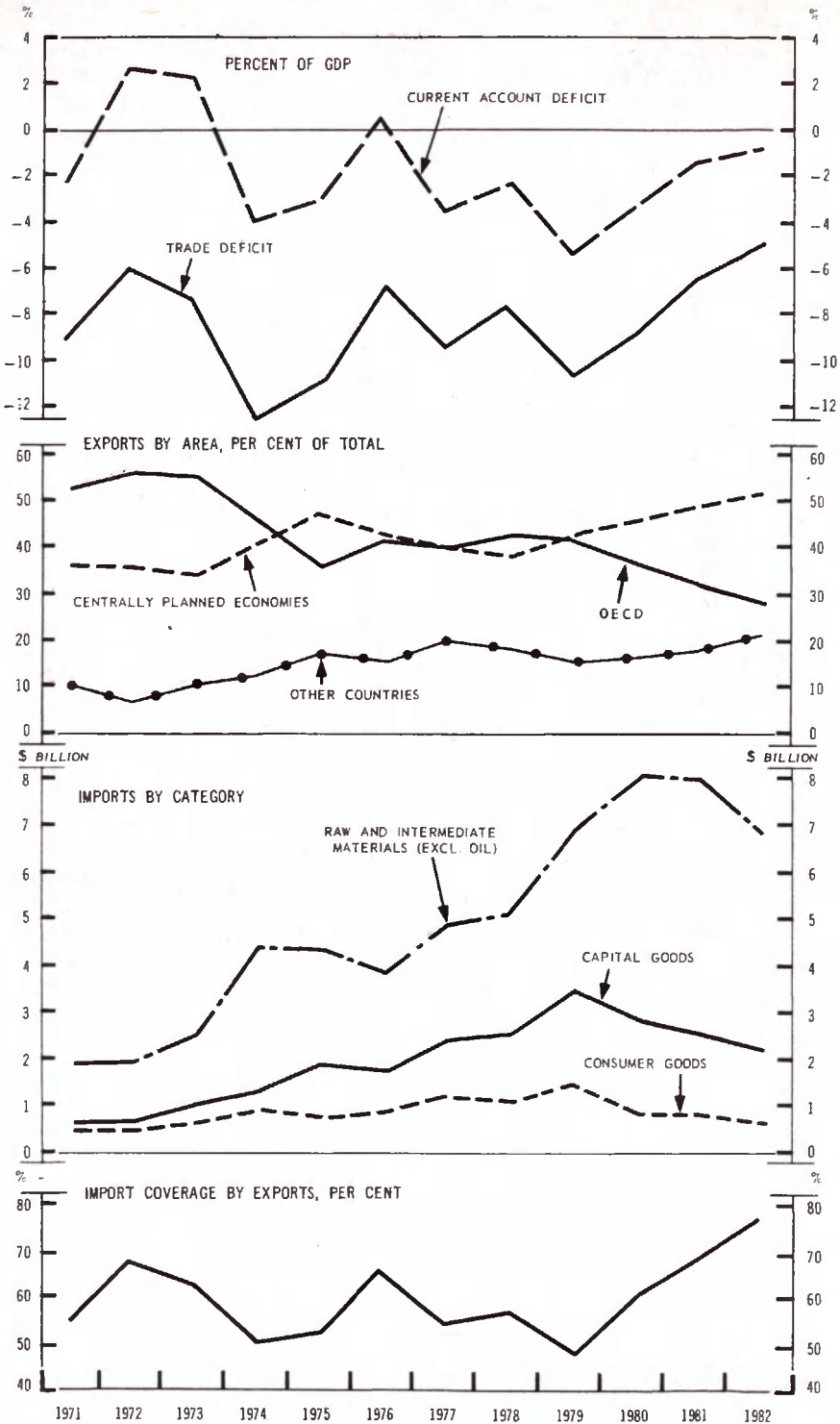
External debt

The increase in external borrowing to finance the rapid expansion of domestic demand and the delays in adjusting after both oil shocks led to a significant rise in net external indebtedness in convertible currencies from about \$4 billion in 1973 to \$18½ billion in 1982, with more than half of the increase taking place over the last four years. All the main items of credit rose rapidly – financial credits, medium-term and suppliers credits for imports of goods and short-term bank credits and deposits. About three-quarters of credits is denominated in US dollars, and a little more than half is on a

11. The fall would have been bigger if, instead of the fixed statistical cross-exchange rate, actual exchange rates were used. See Technical Notes in Annex.

12. Emigrants' remittances to abroad include direct transfers to abroad, travelling expenses of Yugoslav tourists, payments for direct purchases of goods from abroad, etc.

Diagram 5. International trade



Source: Direct communication to the OECD and OECD estimates.

floating interest rate basis (mainly the more recent loans). External debt to the private sector represents a little less than two-thirds, the rest is public (or publicly-guaranteed) debt. Of the latter, just over \$1½ billion is due to the IBRD. The maturity structure has considerably shortened over the last few years, partly because of the general tendency in international markets but also because of the increase in the share of short-term deposits with Yugoslav banks, particularly since 1978. External debt in non-convertible currencies changed very little and at \$1½ billion its servicing does not present a problem.

Table 9. **External debt**
\$ billion

	1973	1975	1977	1978	1979	1980	1981	1982
Total gross indebtedness	4½	6½	9½	11½	15	18½	20	20
Less lending	½	½	1	1	1½	1½	1½	1½
Total net indebtedness	4	5½	8½	10½	13½	17½	18½	18½
of which:								
Public total		2½	2½	3½	3½	4½	6	6½
IMF	½	½	½	½	½	½	1½	1½
IBRD	½	½	½	1	1½	1½	1½	1½
Other	1	1½	1½	2½	2	2½	3½	3
Business banks	½	½	1½	2½	4½	6½	6½	6½
Interest payments	½	½	½	½	¾	1½	2	2
Capital repayments	½	1	1½	1½	2	2½	2	2
Debt servicing, total	1	1½	1½	1½	2½	3½	4	4
(As a per cent of total current account receipts)	(19)	(19)	(19)	(18)	(20)	(20)	(21)	(24)

Note: The figures are not precise estimates; the margin of error is at most \$½ billion on either side for recent years. The data may not add because of rounding.

Sources: OECD, *External Debt of Developing Countries*; IMF, *Yearbook*; IBRD, *Annual Report*; National Bank of Yugoslavia, *Annual Report* and OECD estimates.

The cost of servicing the external debt in convertible currencies has risen faster than the total debt in recent years; from about \$1¾ billion in 1978, debt servicing reached \$4 billion in 1982 or 18 per cent and 24 per cent of total current account receipts respectively. In convertible currencies the ratio is somewhat higher. Whereas in 1978 amortisation accounted for about three-fourths of debt servicing, its share came down to a little less than one-half last year. The reasons for this change are: first, the large increase in nominal interest rates since 1980 combined with the increase in outstanding debt over the last few years and, secondly, because a substantial part of the new loans contracted over the last few years has not yet matured. However, since most of the recent loans are medium-term, repayments will become more important as time passes leading to an increase in amortization over the next couple of years both as a share of total debt-servicing charges and in absolute values. On present indications the debt-servicing ratio should increase further in 1984. But its evolution over the next two or three years will, naturally, depend on the level of interest rates in international financial markets; on the proportion of long-term credits in future capital inflows to Yugoslavia; and on the degree of success of the stabilisation policies in increasing exports of goods and services to the convertible currency area.

III. MONETARY AND FISCAL POLICIES IN 1982¹³

Monetary policy

Demand management relies heavily on monetary policy, the principal instrument being the use of credit ceilings. Until recent years, however, credit expansion was generally excessive, partly due to the policy of low nominal interest rates which, with rapid inflation, meant highly negative real rates. But with better control of credit expansion since 1980, monetary management has improved. In 1982, the authorities increased most interest rates but to levels still below the rate of inflation, and further important increases took place in early 1983.

In 1982, as an integral part of stabilisation policy, the authorities intended to achieve relatively tight monetary conditions. The target growth rates for domestic credit and the money supply in the twelve months to December 1982 were set at around 17 per cent. Quarterly credit ceilings were placed on the lending of commercial banks but after some banks had over-extended in the first half of the year, monthly ceilings were introduced. The growth of domestic credit exceeded marginally the target. The overshoot reflected largely an acceleration in late 1982 associated with the unexpectedly good harvest, credits for holding agricultural stocks being exempted from the credit ceilings. As in 1981, the growth of bank credit was substantially slower than nominal SP (Table 10) which was much higher than assumed when the targets were set¹⁴. This suggests that bank credit conditions were particularly tight. But inter-enterprise credits which are not reflected in recorded credit expansion, seem to have grown at a faster rate than nominal SP. Allowing for this, credit conditions were nevertheless restrictive.

Rapid growth in inter-enterprise credits probably reflected considerable liquidity pressures on the enterprise sector during 1982. With the increase in bank credit extended to enterprises constrained to 17¾ per cent, many firms had difficulties in meeting their financial commitments. The increase in amortization rates¹⁵ from the end of 1981 put further pressure on liquidity. As a result, delays in paying outstanding debts increased and sizeable amounts of inter-enterprise bills were issued. These developments together with the limits placed on long-term credit by the National Bank were important factors in the fall in investment. Credits for investment increased by only 14 per cent in 1982 but it seems that as in 1981 some other credits were used for investment purposes. Outside the enterprise sector, credits to households increased by 31½ per cent or much the same rate as in the previous year. But there was a marked change in its composition; consumer credit which had fallen in 1981 rose somewhat in 1982, while there was a further considerable slowdown in the growth of housing credits for the second year running (Table 10).

While the target for domestic credit expansion was broadly adhered to, the money supply narrowly defined (M1) exceeded considerably the target growth rate of 17 per cent through 1982, increasing by about 26½ per cent, the same rate as in 1981, but a little slower than nominal SP. An important factor explaining the relatively fast rise in M1 was lower-than-projected outflows on net foreign liabilities, thus boosting the money supply. There also seems to have been a change in liquidity preferences, the demand for cash strengthening and currency in circulation rising rapidly in the second half of the year. Quasi-money also rose at much the same rate as during 1981

13. The changes in price and incomes policy in 1982 are referred to in Part I. Exchange rate policy, which mainly affects 1983, is discussed in Part IV.

14. Nominal SP was officially projected to rise by 23 per cent.

15. The obligatory amortization rates were increased considerably in 1982; this meant that enterprises had to put additional funds out of income into special reserves for investment purposes.

Table 10. Money supply and credit

	Billion dinars End 1982	1978	1979	1980	1981	1982
		Billion dinars, change during the year				
Domestic credit expansion ¹	2 369.2	213.1	258.4	350.7	359.4	328.2 ²
Credit	2 233.0	181.6	236.4	320.8	333.6	330.2
Securities	136.2	31.5	22.0	29.9	25.8	-2.0
Non-monetary deposits (increase = -)	-1 041.5	-129.5	-120.1	-116.6	-123.6	-40.1
Foreign exchange transactions	-587.9	-19.4	-79.5	-147.6	-113.2	-212.8
Money supply, M1	739.8	64.2	59.8	86.5	122.6	155.5
Quasi money, M2	1 386.7	117.7	119.0	209.4	258.0	356.7
of which:						
Foreign exchange deposits	671.8	55.8	44.9	118.1	135.5	205.2
Money supply, M3	2 126.5	181.9	178.9	295.8	380.7	512.2
		Percentage change during the year				
Credit	2 228.2	25.4	26.3	28.3	23.0	18.3 ³
Short-term	660.7	24.2	29.5	31.4	53.4	29.4
Long-term	1 567.5	25.7	25.4	27.4	14.0	13.9 ²
of which:						
Total housing	306.4	49.5	40.2	42.1	31.4	20.9
Credit to households	273.1	38.7	29.7	33.9	32.0	31.5
of which:						
Consumer credit	48.9	22.0	6.7	0.4	-7.8	2.3
For housing	170.4	69.2	55.1	57.9	44.9	24.0
Credit to enterprises	1 784.9	26.5	28.0	29.5	24.7	17.8 ²
of which:						
For housing	109.6	40.7	36.7	27.3	28.5	12.6
<i>Memorandum items:</i>						
Money supply, M1	739.8	25.6	19.0	23.0	26.6	26.6
Quasi money, M2	1 386.7	34.7	26.0	36.0	33.0	34.6
Money supply, M3	2 126.5	30.8	23.1	31.2	30.5	31.7
Nominal social product	2 915.0 ³	22.1	29.1	33.1	43.0	32.0

1. Banks and financial institutions.

2. Excluding Din. 113.2 billion representing the effects of devaluation.

3. Social Product for 1982 as a whole.

Source: Direct communication to the OECD.

(Table 10), and exceeded its target reflecting the effects on foreign exchange deposits of the dinar devaluation. The growth of M3 shown in Table 10 during 1982, was much the same (around 30 per cent) as in 1980 and 1981, but with nominal SP slowing down considerably this suggests that while bank credit conditions were restrictive, overall monetary conditions were largely accommodating. This apparent paradox arises from the fact that foreign exchange deposits account for a sizeable part of M3, the quantity of which rises when the dinar is devalued. Because of the foreign exchange deposits, monetary control is made difficult.

The most important change in monetary management in recent years was the intention in the 1981 Economic Resolution to make active use of interest rate policy and to gradually bring interest rates into line with the rate of inflation. The first increases of any size were not made until February 1982, however, when the official discount rate was raised from 6 to 12 per cent and rates for some selective credits were increased.

Further changes were made in March and during the second quarter of 1982 by which time, all loan rates were somewhat higher than in earlier years (Table 11). Interest rates on enterprise deposits were also raised but those for household sight deposits were unchanged. As Table 11 shows, further increases were made in the fourth quarter of 1982 and the first quarter of 1983. Apart from rates on some short and long-term loans and some on household time deposits, interest rates generally still remain substantially below the rate of inflation. The increases have, nevertheless, been significant even though their effects to date have not been as pronounced as might be desirable. This is because the higher rates apply only to new loans, existing credits continuing to be controlled under agreements concluded when rates were lower. The new rates do not apply uniformly to all banks, different banks charging different rates within the bands depending on their deposit structure. But there is evidence that the behaviour of enterprises is beginning to be influenced by the higher costs on new credits and that even efficient firms have recently scaled down their investment plans because of the increased cost of borrowing. It also appears that the structure of deposits has been affected.

Table 11. **Interest rates**
In per cent

	1979	1980	1981	1982		1983 Q1
				Q2	Q4	
Central Bank						
Official discount rate	6	6	6	12	14	22
Credits to banks for selective purposes	1-6	1-6	1-6	4-8	4-9	8-12
Loan rates						
Short-term	6-11	6-12	6-12	12-17	13-20	24-30
Long-term	7½-11	7-12	7-12	9-18	11-21	14-32
Consumer credits	12	12	12	16	18	20-25
Credits for selective purposes	2-7	2-7	2-7	8-12	9-17	8-28
Deposit rates						
Time deposits of OALs ¹						
Up to 1 year	2	2	2	2-4	2-4	7-9
Over 1 year	3-6	3-6	3-6	8-12	8-15	17-23
Deposits by households						
Sight deposits	7½	7½	7½	7½	7½	7½
Time deposits	9-10	9-10	9-10	11-15	13-20	12-28

1. Organisations of associated labour (= enterprises).

Source: *Quarterly Bulletin* of the National Bank and direct communication to the OECD.

According to the National Bank, the increase in interest rates and the restrictions on the use of foreign exchange had the favourable effect of increasing deposits denominated in domestic currency. And indeed, total dinar deposits rose at a faster rate during 1982 than nominal SP for the first time since 1978 (Tables 10 and 12). Household dinar deposits accelerated somewhat compared to 1981 but enterprise deposits decelerated a little as occurred during 1981. But despite the boost to domestic currency deposits, foreign exchange deposits expressed in dinars again increased at a faster rate (Table 12). This was largely due to foreign exchange deposits of households; at the end of 1982 foreign exchange deposits were about 60 per cent of total household deposits, 4 percentage points higher than at the end of 1981. The increase in the dinar value of foreign exchange deposits was more than attributable to devaluation effects so that expressed in foreign exchange, their value actually fell. This was more marked for enterprises, reflecting the fall in foreign exchange earnings, the changes to foreign

exchange regulations and the general liquidity pressures on enterprises. The laws exempting certain purchases made in foreign currency from sales tax and the limited rise in workers' remittances probably influenced households' to draw on their holdings of foreign exchange. The faster rate of withdrawals from foreign exchange accounts through 1982 than during 1981 was reversed in November and December following the measures to restrict the use of foreign exchange taken in conjunction with the dinar devaluation on 21st October 1982 (see below). The measures included an increase in interest rates on foreign exchange deposits which further widened the differential with Euro-currency rates.

Table 12. The structure of deposits

	Billion dinars	Percentage change during the year				
		1978	1979	1980	1981	1982
Deposits in dinar ¹	1 592.8	26.7	27.8	27.2	31.4	34.3
of which:						
Households	338.1	40.1	24.2	11.9	27.8	32.3
Enterprises (OAL)	716.0	18.7	28.5	37.5	33.3	31.1
Deposits in foreign exchange ¹	670.2	55.8	28.9	59.1	46.3	43.9
(expressed in billion \$ U.S.)		(53.4)	(25.6)	(4.2)	(7.0)	(-7.0) ²
Households	484.1	45.8	38.5	55.9	38.9	51.4
(expressed in billion \$ U.S.)		(43.6)	(34.9)	(2.1)	(1.6)	(-3.0) ²
Enterprises (OAL)	186.1	83.1	8.0	68.1	66.2	27.3
(expressed in billion \$ U.S.)		(80.3)	(5.2)	(10.1)	(21.5)	(-19) ²
Total deposits	2 263.0	32.1	28.0	34.2	35.3	37.0

1. Deposits with banks and financial institutions.

2. Approximate estimates showing the order of magnitude.

Source: Direct communication to the OECD.

Fiscal policy¹⁶

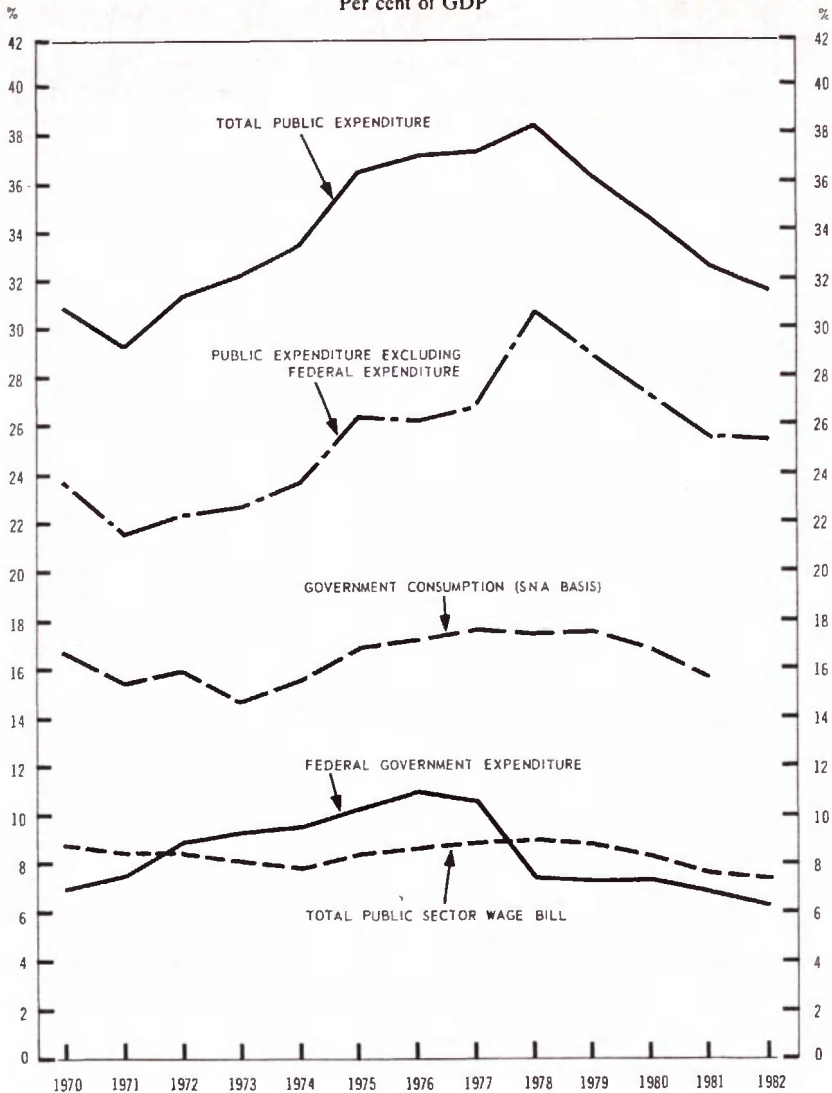
With the Federal budget covering only about 6¼ per cent of SP and the budgets of the republics, provinces and other levels of government required by law to be balanced¹⁷, the role of fiscal policy in demand management is limited. Moreover, since 1979, an objective of policy has been to reduce the share of the public sector in SP. After increasing through much of the 1970s, public expenditure¹⁸ peaked as a proportion of SP at 43¼ per cent in 1978. Since then the share has been substantially reduced to an estimated 34¼ per cent in 1982. Initially, through the annual Economic Resolutions and "compacts", the main reductions were in the share of general and collective consumption, but in 1981 and 1982, most of the reduction in the share seems to have been in investments and public sector pay. As a result of the 1980 Federal Law of Intervention and further interventions powers enacted in 1981 and 1982, the expenditures of all levels of government have been affected. Federal expenditures in SP have fallen substantially - 1¾ percentage points - between 1978 and 1982.

16. For a brief description of the institutional arrangements governing the conduct of fiscal policy see OECD Economic Survey of Yugoslavia, July 1982, pp. 34-35.

17. Deficits or surpluses incurred in one quarter have to be made good in the next quarter.

18. Public expenditure refers to the total in Table 14 and includes the budgets of the Federal, republican and provincial governments, the accounts of the consumers and the self-managed communities of interest, and a few other special funds.

Diagram 6. Public expenditure trends
Per cent of GDP



Source: Direct communication to the OECD and OECD estimates.

Despite the substantially faster increase in inflation than projected, both Federal revenues and expenditure in 1982 increased less than planned. According to preliminary figures, Federal revenues rose by 20½ per cent compared with the estimate of 26½ per cent in the 1982 Budget. The main shortfall (Din. 3.7 billion) was on sales tax receipts reflecting a reduction of rates on some products during the year as well as a slightly weaker development of private consumption than forecast. The sharper-than-expected fall in imports resulted in a small shortfall in customs duties (Din. 2 billion) but this was partly offset by higher receipts from other sources. Federal expenditures increased by 17¼ per cent – some 5¼ percentage points less than projected – with significant shortfalls in all the main components except grants to republics and provinces and

Table 13. **Federal budget**
Billion dinars

	1978	1979	1980	1981	1982 Preliminary outcome	1983 Plan
Regular revenues	72.6	93.5	109.5	164.8	199.0	245.3
Customs duties	23.4	24.6	20.7	26.2	28.3	39.0
Basic sales tax	26.3	37.7	47.4	71.3	85.2	106.2
Contributions from republics and autonomous provinces	20.8	28.4	38.5	63.8	80.4	94.0
Other	2.2	2.8	2.9	3.5	5.1	6.1
Expenditure	77.8	97.3	129.5	167.0	195.7	243.5
National defence	42.6	55.1	76.3	101.0	117.8	152.5
Administration	6.2	7.1	9.3	13.8	14.9	17.4
Grants to republics and provinces	7.0	10.5	14.3	16.0	20.7	24.3
Investment	1.9	2.4	2.0	1.1	1.5	1.0
Supplement to pension funds	16.4	19.4	24.9	31.3	38.9	45.1
Subsidies and tax reimbursement	1.4	—	—	—	—	—
Other	2.3	2.8	2.7	3.8	1.9	3.2
Balance on regular account	-5.2	-3.8	-20.0	-2.2	3.3	1.8
Allocations	4.3	4.7	2.5	2.4	3.3	1.8
Budget reserves	0.3	0.2	0.1	0.3	0.2	0.1
Debt repayment and other	4.0	4.5	2.4	2.1	3.1	1.7
Financing						
Receipts	9.5	8.5	22.5	4.6	—	—
Borrowing from National Bank	9.5	8.5	9.2	4.6	—	—
Bond issues	—	—	13.3	—	—	—

Source: Direct communication to the OECD.

supplements to pension funds. With Federal revenues growing faster than expenditures there was a turnaround from deficit in 1981 to a surplus (regular account) of Din. 3.3 billion (Table 13).

The consolidated public sector was also in surplus in 1982 for the second successive year (Table 14), pointing to very restrictive fiscal conditions. Total government revenue, while increasing by about 2 to 3 percentage points less than nominal SP, rose substantially more than assumed, reflecting mainly the faster inflation than planned. The growth of revenues was constrained in 1982 by a supplement to the 1981 Federal Intervention Law and by a law limiting the revenues of the socio-political communities and the communities of interest from turnover taxes which rose by only 18 per cent. But special taxes on trade by republics and communities rose by 27 per cent and 28 per cent respectively while revenues of the self-managed communities of interest from other sources rose by an average 29 per cent¹⁹. Personal income tax increased by 18 per cent – well below the rise in average pay – but there were much larger increases in other direct taxes which in total rose at a rate only a little less than that of nominal SP. Apart from the laws restricting turnover tax revenues, the growth of indirect taxes was constrained by the fall in imports and lower rates on some products noted earlier. The sizeable increase in receipts from “other taxes and non-tax revenue” in Table 14, reflects those items such as gasoline tax which were not subject to growth limits. As in 1981, the

19. These cover mostly social expenditures, the increases being for health protection (27 per cent), pensions (32 per cent), child welfare (28 per cent) and education (26 per cent).

growth of total government expenditure in 1982²⁰ was a little below that of revenue so that there was an increase in the surplus (Table 14). To ensure that the surpluses of levels of government other than the Federation were not reflected in higher general and collective consumption and investment, a special law was passed to freeze temporarily part of their cash reserves.

Table 14. Consolidated revenue and expenditure of the public sector¹
Billion dinars

	1978	1979	1980	1981	1982 ²
Revenue					
Direct taxes ³	232.5	279.6	351.4	458.6	586.3
Indirect taxes ⁴	126.3	157.7	190.0	272.9	324.1
Other taxes and non-tax revenue	25.5	33.4	46.1	66.3	94.5
Total revenue	384.3	470.7	587.6	797.8	1 004.9
Expenditure					
National defence and administration	83.9	103.8	141.2	190.8	242.0
Education	57.4	67.5	82.2	110.9	123.0
Social security and welfare	146.5	178.6	220.6	286.6	386.1
Interventions in the economy	38.1	42.2	53.1	66.0	83.8
Other expenditure ⁵	63.4	77.7	101.2	130.0	151.8
Total expenditure	389.3	469.8	598.3	784.3	986.7
Surplus or deficit	-5.0	0.9	-10.7	13.5	18.2
Financing					
Foreign financing, net	-0.1	—	—	—	—
Domestic financing, net	5.1	-0.9	10.7	-13.5	-18.2

1. Includes budgets, funds and communities of interest at all levels of Government. Excludes the funds 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.

IV. SHORT-TERM STABILISATION AND LONGER-TERM ADJUSTMENT

The authorities have reacted resolutely to the gravity of the immediate situation and the long-term economic problems. Many of the previous policies and objectives are being reassessed and, as outlined earlier in this Survey, a large number of emergency measures have been taken. Many of these are very severe and represent a sizeable break with earlier official attitudes, but most are of a temporary nature and will be lifted when the longer-term policies of the Stabilisation Programme are introduced and the economic situation begins to improve. For more permanent institutional and structural changes, complex consultation and negotiations with all interested parties are required before any decisions can be made. To examine the changes needed over the medium term, the Economic Stabilisation Commission referred to in Part I above was

20. Preliminary estimate. The breakdown of public expenditure in 1982 was not yet available at the time of the preparation of the Survey.

established in early 1982. The Commission's terms of reference are very wide and its findings are to be incorporated in a Long-Term Economic Stabilisation Programme which will cover a large number of inter-related issues such as anti-inflationary, energy and regional policies and the strategy for foreign economic relations. Most of the individual reports on the various subjects have been published and approved by the authorities. Their recommendations will be translated into policies when voted by Parliament and will become the basis for the elaboration of the longer-run economic and social development plan. The findings will also be reflected in the revised 1981-85 Plan.

The recent reorientation of policies and short and medium-term objectives were explained to the OECD's Economic and Development Review Committee by the Yugoslav Delegation at a special meeting on 24th January 1983. In their presentation, the Yugoslav authorities spelt out their policies to achieve the priority economic objectives for 1983, these being:

- i) The prompt honouring of all external obligations due in 1983.
- ii) Creation of conditions for the increase of production and exports in spite of the further limitation of imports.
- iii) The achievement of a surplus on the current external account in 1983²¹

On the medium term, the authorities advised the Committee that a radical revision of development priorities and tasks had been undertaken. As a result of the policy changes the Government said that Yugoslavia had "embarked upon a more lasting orientation towards a qualitatively new phase of development in which growth shall be achieved primarily through the greater competitiveness of the Yugoslav economy, the strengthening of its integration at the national and international level, increased production and productivity on the basis of specialisation in the international division of labour..."

The severity of the short-term policy approach and the determination to honour their external commitments have increased confidence of the international financial community which is underwriting the stabilisation efforts by providing a package of financial aid in 1983. The key elements in the package are the provision by a number of OECD countries of official loans totalling \$1.4 billion (mainly export credits), \$600 million drawings from the IMF, \$500 million credits from the Bank for International Settlements²² (BIS), and a \$4 billion arrangement with Western commercial banks²³. At the same time, the International Bank for Reconstruction and Development is to speed up disbursements on undisbursed loans of nearly \$1 billion, so that about \$400 million in loans are envisaged from this source in 1983. The balance of payments and the implementation of the new monetary policy will, together with other aspects of economic policy, be reassessed together with the IMF and any changes to targets thought necessary will be made in mid-year. However, reflecting procedural delays and the nature of some of these loans (especially due to tied loans) disbursements in 1983 are likely to be somewhat less than was originally envisaged.

Short-term stabilisation

The overriding determinant of short-term policy and the 1983 outlook is the balance of payments constraint. A large number of steps were taken in 1982 to ease the external constraint but these proved insufficient and further measures have proved

21. This objective is currently being reassessed.

22. The BIS credit is a short-term loan (to be repaid in 1983).

23. This is made up of \$600 million new loans, a rescheduling of \$1.4 billion medium-term loans maturing in 1983 and a rollover from 1983 to 1985 repayments of between \$1.8 billion and \$2 billion of short-term credits.

necessary in 1983. Beginning in May 1982, rules were laid down for the allocation of foreign exchange to give top priority to debt-servicing payments. The measures were modified and strengthened in December 1982²⁴. Prior to this, important administrative measures to control the outflow of foreign exchange accompanied the 17 per cent devaluation of the dinar on 21st October 1982. Some of the measures were also intended to limit the use of foreign exchange in domestic transactions and foreign currency hoarding by households and enterprises²⁵. Another important move (included in the Law on Foreign Exchange Operations passed at the end of December 1982) is the shift in policy emphasis towards more unified planning and control of foreign transactions. Whereas over the last few years, balance of payments projections for Yugoslavia as a whole were practically the sum of individual republics and autonomous provinces, under the new law balance of payments priorities and projections will be established for Yugoslavia as a whole, with the republics and regions being responsible for the implementation of these projections. In addition, restrictions on imports were strengthened several times in the recent period.

Another fundamental aspect of external policy has been the adoption of a more market-oriented foreign exchange policy in late 1982, beginning with the October devaluation. Including the latter, the dinar has been devalued in several steps to give a 40 per cent effective depreciation in seven months to May 1983, which implies a sizeable real effective depreciation. In view of the differential inflation rate with partner countries, the effective exchange rate will be continuously adjusted through 1983 to give a further improvement in external competitiveness. From mid-October 1982 to end-1983, the objective – agreed with the IMF and which will be jointly reviewed in mid-1983 – is to attain a substantial total real effective depreciation. The policy of continuous adjustments to the exchange rate will have beneficial effects in promoting exports to the convertible currency countries and in fostering a further shift in resources to the external sector. A large devaluation will also help offset the adverse effects on exporters who can no longer sell at a premium foreign exchange earnings in excess of their immediate requirements. On the other hand, it will inevitably accelerate inflation. And it is uncertain whether there is sufficient potential in the short term for additional exports of non-agricultural goods and services to the convertible area that would justify the size of the real devaluation envisaged.

24. The allocation of foreign exchange earnings was modified to give top priority simultaneously to debt servicing payments and to the needs of exporting enterprises, followed by the needs of the Federation, oil imports, then suppliers of materials and equipment to export industries and lastly junior levels of government and infrastructure work. The rest of foreign exchange will be sold to selected banks which are to become the nucleus of the foreign exchange market. In addition, commercial banks were made responsible for ensuring that foreign borrowing by enterprises is properly serviced, enterprises are obliged to hold a single foreign exchange account with only one bank (to enable better monitoring of foreign exchange dealings) and foreign exchange risk was transferred from banks to enterprises.

25. Restrictions on the use of foreign currency and cheques for domestic transactions were strengthened. An inter-bank agreement providing for an upper limit of \$250 per month cash withdrawals (in foreign exchange) from foreign exchange accounts of residents was temporarily applied (this measure has already been lifted). There is no limit on payments by cheque to abroad (so that the convertibility of foreign exchange deposits was maintained). Yugoslav residents travelling abroad for tourism are obliged to make non-interest bearing deposits (for one year) with selected banks; for the first trip the deposit amounts to Din. 5 000 or just over one-third of average earnings per year and for subsequent trips in the same year a new deposit for each trip is required, the amount increasing by Din. 2 000 for each trip; i.e. Din. 7 000 for the second and Din. 9 000 for the third, etc. It is intended to remove these latter restrictions towards the end of 1983 but in the meantime travelling abroad will be considerably reduced so that there will be a large saving on foreign currency spending, which to a substantial extent, has offset gross tourist earnings in the past. Direct imports by residents were also severely limited and the turnover tax exemption for durable goods purchases was restricted mainly to non-residents. Finally, limitations on oil use were adopted (including rationing of petrol of 40 litres per car per month).

The sizeable projected reduction in domestic demand in 1983 has necessitated very restrictive demand management although the fiscal and monetary targets set out below will be extremely difficult to achieve. As in each year since 1978, the share of the public sector in SP is expected to fall in 1983. Consolidated public sector expenditure (except transfers) is planned to grow by about 13 per cent in current prices. 10 percentage points less than projected nominal SP. As in 1982, the National Bank will not provide any credit to the Federal budget which is expected to be in small surplus. Largely due to a big rise in defence expenditure, Federal budget expenditures are planned to increase by about 25 per cent in value; apart from defence, all other Federal expenditure items are budgeted to rise by some 17 per cent. To ensure adequate finance of the Federal budget, it is envisaged that certain tax rates will be raised and that an increased proportion of customs duties will accrue to the Federal government. The rate of increase of republican, provincial and local government expenditure (about 12 per cent) is forecast to be less than half that of Federal expenditure. Other public sector expenditure²⁶ through self-managed communities of interest and special funds should grow at about 18 per cent. With the exception of defence expenditure all other expenditure categories are projected to fall substantially in real terms. In particular, public sector investment is planned to decline sharply – in health, culture, education, social activities and administration the rate is expected to be over 60 per cent. Real average earnings in the public sector are also forecast to decline appreciably. In addition, certain price subsidies by republican and regional governments will gradually be eliminated in the course of 1983.

In conformity with the law that self-managed communities of interest and junior levels of government cannot have surpluses or deficits, and because it is easier to monitor revenues than expenditure, the authorities have decided to reinforce the control over revenues so as to ensure the realisation of the very restrictive fiscal targets for 1983. Accordingly, the system introduced in mid-1982 – through which increases in public sector revenues in excess of targets were largely frozen and only to a limited extent returned to contributors – has been strengthened this year. Revenues will be monitored every month, and if for three successive months revenues exceed the projections, the excess will be put in special blocked accounts with the National Bank of Yugoslavia at least until the end of 1984. Measures will be taken, however, to return some of these revenues to contributors through tax and contribution refunds. This system is expected to prompt public bodies to adjust fairly quickly both revenues and expenditure in line with the targets. If, despite these measures, there is a surplus at the end of 1983, this will also be frozen for at least one year. In addition to these general norms pertaining to the overall budgetary trends in 1983, the authorities decided to restrict expenditure in the first quarter of 1983 to one-fourth the level in 1982, which implies a small decline from the level reached at the end of 1982.

The stance of monetary policy in 1983 is extremely restrictive. To strengthen the control of liquidity, the principal monetary target in 1983 is net domestic assets of the banking system (NDA) rather than credit expansion. Operationally, however, attention is now focused mainly on the liability side of the banks' balance sheets because of the earlier availability of data and also because NDA captures certain items on the liability side of the banks' balance sheets which were not previously accurately monitored. Money supply broadly defined accounts for some four-fifths of NDA and net foreign liabilities the remaining one-fifth. Because of the considerable foreign currency liabilities (including foreign currency deposits with commercial banks incorporated in the money supply), the net effects of exchange rate movements on the dinar value of

26. This consists mainly of transfer payments – social security benefits, pensions, education and health expenditure and other social payments – as well as selected investment expenditures.

these deposits will not be taken into account in estimating the target growth of NDA and the outcome. A 12 per cent target for the growth of NDA during 1983 has been set (about 5 per cent during the first six months). Including the valuation effect, (i.e. the rise in the dinar value of foreign exchange deposits and other foreign exchange liabilities), these targets are consistent with a projected growth of net domestic credit of about 13½ per cent and 18 per cent for money supply broadly defined. These are very restrictive targets, and even if velocity rises markedly, it may be difficult to realise them without important disruptions to activity. The authorities have also reduced from 25 to 20 per cent the proportion of short-term credits that enterprises are allowed to use for long-term investment. In order to improve the control mechanisms and prevent large deviations which may be difficult to correct afterwards, credit expansion is now monitored on a monthly basis instead of at the end of each quarter as in the past. Efforts are also being made to reinforce control over inter-enterprise credit (the equivalent of more than 50 per cent of recorded credit expansion) and legislation is being prepared to this end. This obliges debtor enterprises to repay their debts even if this requires a decline in their wage payments; sanctions on enterprises not complying with the law are envisaged.

A central aspect of the reorientation of monetary policy has been the rise in interest rates. By the end of March 1983, interest rates on most categories of dinar deposits had more than trebled from their end-1981 level and there have been correspondingly large increases in most lending rates (see Table 11 of Part I). While some rates remain relatively low, particularly on selective credits²⁷, some are now positive in real terms, nominal rates being more than 20 percentage points higher than in 1979. These changes – recommended in several earlier OECD Economic Surveys of Yugoslavia – and the declared intention to move to overall positive real interest rates as soon as is considered feasible, can be expected to have important favourable effects on the functioning of the economy over the longer run. Adjustment difficulties in the short run will, however, also occur.

The original aim in the 1983 Economic Resolution is to achieve a current account surplus with the convertible currency area. To this end it relies largely on depressing domestic demand. Thus domestic demand is projected to fall considerably this year, but because of reduced imports and a strong planned rise in exports, real SP is expected to increase a little (Table 15). The targets for real demand are difficult to reconcile, however, and apart from general and collective consumption, which is forecast to be flat, all the other main components of domestic demand show substantial declines which seem difficult to realise²⁸. The planned fall in consumers' expenditure of 6 per cent is based on a fall in real average earnings of about 7½ per cent and roughly unchanged other household incomes. The above-average cut in real average earnings projected in the public sector may be realised but, in the rest of the economy there is likely to be resistance to such a large fall which would bring the cumulative decline to about 20 per cent since 1979. In the first quarter of 1983 real average earnings were 10 per cent below the level of a year earlier. The projected acceleration in nominal earnings during the rest of the year and a fall in inflation should bring the year-on-year real decline to some 6 per cent in 1983. Moreover, households may draw on their foreign exchange deposits whose dinar value is increasing rapidly because of higher interest rates and the policy of continuous devaluation. These factors, together with the statistical carryover from 1982

27. Lending rates on credits to exports and agriculture are 10 per cent and, for other priority activities 12 per cent. Selective credits are about one-quarter of domestic credit expansion.

28. There is a large discrepancy between identifiable demand components and SP which corresponds to a positive contribution of 7¼ per cent to SP in 1983 and suggests that either the demand components will be stronger and/or SP will be weaker than forecast.

Table 15. **The 1983 Economic Resolution and prospects**
Annual percentage volume change

	1982	1983	
		Economic Resolution	OECD estimates
Consumers' expenditure	1	-6	-13
General and collective consumption	-11	1	-1
Fixed investment	-61	-20	-10
Final domestic demand	-2	-10	-4
Stockbuilding	-3	-1	-1
Total domestic demand	-4	-10	-4
Foreign balance	2	2	2
Exports of goods and services	-3	8	2
Imports of goods and services	-13	-4	-7
Statistical discrepancy	3	7	—
Social product	1	1	-1
of which: Industry	—	2	-1
<i>Memorandum items:</i>			
Merchandise exports (volume) to convertible currency area	-2	20	7
Employment	2	2	1
Productivity	-2	-1	-3
Cost of living	31		35
<i>Monetary targets¹ (excluding valuation effects²)</i>			
M1	26	12	
M2	13	13	
M3	17	13	
Net domestic assets	15	12	
Domestic credit	18	13	

1. December to December.
2. Excluding the valuation effects, i.e. the increase in net foreign exchange liabilities due to the devaluation of the dinar.

Sources: Direct communication to the OECD and Secretariat estimates.

and the early 1983 trends in retail sales (Table 16), suggest that consumers' expenditure will probably fall considerably less than projected.

Credit restrictions, increases in interest rates and tighter controls of new projects are officially expected to result in a 20 per cent fall in the volume of fixed investment in 1983. Investments by the public sector and enterprises in the socialised sector are projected to decline by 60 and 22 per cent respectively while private sector enterprise and housing investments are forecast to rise a little. Substantial cuts in investment will certainly be achieved but, as in the last two years, there may be a tendency in the projections to overestimate the capacity of enterprises to reduce sharply investment. Moreover, enterprise investment was maintained at a fairly high level in the second half of 1982 which suggests that attainment of the target will require a much faster rate of decline *through* the year than the targeted 22 per cent. While it is doubtful whether the target in fixed investment will be reached, a substantial fall is likely as in the previous two years. Taking account of a small negative contribution from stockbuilding, the fall in total domestic demand is expected to be significantly smaller than projected in the Economic Resolution. Such a development would mean that resources equivalent to about 10 per cent of GDP have been made available to the external sector since 1980.

Table 16. **Conjunctural indicators**
Percentage change over a year earlier

	1980	1981		1982					1983					
	Average	Average	Q4	Average	Q1	Q2	Q3	Q4	Q1	Feb.	March	April		
Industrial production	4.2	4.3	2.7	0.1	2.8	—	-0.7	-1.2	0.0	-1.0	0.5	-3.2		
s. a. a. r. ¹			(4.2)		(—)	(-4.0)	(-1.3)	—	0.0	0.0	-2.0			
Construction (hours worked)	-2.2	-4.0	-3.7	-3.0	-0.7	-2.1	-3.7	-2.1	-3.0	-7.0	-3.0			
Volume retail sales	1.0	-5.7	-4.8	1.9	5.5	4.1	-3.2	-0.5	-1	-1.5	-2.2	-5.7		
Volume retail stocks	0.7	-6.9	2.3	5.0	11.3	6.6	0.8	1.9	0.0	—	-0.7	-2.7		
Producer prices, industrial	27.3	45.1	38.6	25.0	25.6	24.2	27.2	24.6	24.2	24.8	24.6	25.7		
Retail prices, total	30.4	47.1	41.5	29.5	28.1	26.5	31.8	30.3	31.2	31.9	31.9	35.7		
Industrial goods	31.6	49.3	44.2	28.6	28.8	24.5	30.2	29.5	29.3	33.2	30.4	35.7		
Agricultural goods	34.1	38.9	34.3	43.8	33.2	29.5	47.1	45.4	47.9	51.3	47.4	45.4		
Services	22.7	29.9	27.2	20.3	19.7	20.6	22.4	20.1	22.1	22.6	21.8	21.9		
Cost of living	30.3	40.8	37.8	31.7	29.2	30.1	34.6	32.8	34.1	35.0	35.6	38.2		
Food	31.5	42.9	39.4	38.8	33.5	36.3	44.1	40.7	42.5	46.4	42.7	42.7		
Net average earnings, total	20.5	33.6	33.0	27.4	33.2	29.5	26.6	22.2		20.4				
Business	20.9	35.0	34.0	27.4	33.7	29.7	26.2	22.1						
Government	18.9	27.5	28.8	27.9	30.9	28.4	28.2	22.4						
Real net average earnings, total	-7.5	-5.7	-3.4	-3.3	3.5	0.3	-6.2	-8.0		-10.8				
Employment (excluding private agriculture)	3.2	2.9	2.7	2.2	2.2	2.3	2.1	2.1		2.1				
				\$ billion (seasonally adjusted annual rate)										
Trade deficit	6.1	4.3	2.4	3.1	3.3	3.5	3.3	2.3	1.6					
Exports	9.0	10.2	11.5	10.2	9.3	10.8	9.3	11.4	9.7					
Imports	15.1	14.5	13.8	13.3	12.6	14.3	12.6	13.7	11.3					

1. Seasonally adjusted annual rate over six months earlier.

2. Provisional.

Source: Direct communication to the OECD.

Reflecting the restrictive stance of policy, the expected fall in domestic demand, and the effects of devaluation, a considerable reduction in the external imbalance in 1983 is projected. Originally, the main targets were to achieve a 20 per cent increase in the volume of exports and a current account surplus of \$1½ billion with the convertible currency area. These targets are being revised partly because the trade deficit in 1982 turned out to be larger than was thought when the Economic Resolution was agreed but also to take account of a reassessment of likely external demand. The effects of the large projected devaluation on trade flows are difficult to judge, but they may not be very marked in 1983. Apart from the constraints on the growth of exports arising from shortages of imported inputs, the short-term potential growth of non-agricultural exports to the convertible currency area would seem smaller than implied in the trade and exchange rate targets. The trade account will benefit, however, from the large increase in agricultural production in 1982 which will boost exports and help to limit imports. Also, after a time lag, the recent reduction in oil prices should be favourably reflected in the trade account. Secretariat estimates suggest that exports in dollar terms to the convertible currency area may rise by a little over 10 per cent in value and imports fall by somewhat less than 10 per cent to give a reduction in the trade deficit from \$3¼ billion in 1982 to between \$2 to \$2½ billion this year²⁹. In the first quarter, the trade deficit with this area was \$500 million or some two-fifths of the level of a year earlier. With regard to invisible receipts, the continuing world shipping crisis should depress transport receipts, and the squeeze on personal incomes in OECD Europe and rising unemployment are likely to restrain gross tourist receipts. However, travel and direct import restrictions and the measures to limit the use of foreign exchange for domestic transactions may lead to a small rise in net emigrant remittances. On balance, and assuming that interest payments remain reasonably stable, the invisible surplus with the convertible currency area may fall slightly. In total, the current account deficit with the convertible currency area is expected to fall considerably – from \$1½ billion in 1982 to about \$¼ to ½ billion in 1983.

The considerable balance of payments and domestic demand adjustments expected in 1983, are unlikely to be matched by an improvement in inflation. An important reason for this is that policy measures such as the devaluations and the selected price rises since last December³⁰ have resulted in an acceleration in the short term. Indeed, by the second half of 1982, the year-on-year rate of increase in the cost of living was picking up and by April 1983 it has reached 38 per cent, or 8 percentage points higher than a year earlier.

Over the past year, a number of measures have been taken to try to control prices and the growth of nominal incomes. Most are temporary, however. Responsibility for price fixing – as noted in Part I above – was shifted in July 1982 from the republican and regional Communities to the Federal Community for Prices, and extensive price controls and a selected freeze of prices were imposed. These measures were relaxed at the beginning of this year and the responsibility for price rises of many products and services was again transferred to republican and regional Communities so that maximum prices for these products and services were removed. Enterprises are not, as under the previous arrangement, obliged to ask approval from the Federal authorities for all price rises; rather they have to register these price rises with republican and/or regional Communities, which will intervene only if certain price rises are contrary to the

29. Reflecting the policy to have a deficit with clearing countries (in order to stimulate exports to the convertible currency area) the overall trade deficit is therefore expected to fall by about one-third to slightly above \$2 billion in 1983.

30. Prices of energy, some food items, and transport and rents were significantly raised, in some cases by 35 per cent.

general price policy and/or to specific criteria³¹. Unless the authorities formulate another policy, centralised price fixing (with the exception of certain products and services of national priority)³² is planned to be removed by the end of June 1983 and price monitoring will again become the responsibility of the republican and regional Communities for Prices.

The control of incomes has mainly concerned real earnings, but in the second half of 1982 when nominal personal income growth risked upsetting the Stabilisation Programme, the authorities intervened to restrain nominal earnings. This policy was further strengthened in the Economic Resolution for 1983; average earnings (per worker) in the first quarter of 1983 are not allowed to exceed the level attained in the last quarter of 1982, which after taking into account seasonal factors implies a very small increase. In addition, in some republics agreements between enterprises were signed to regulate personal income growth. To strengthen the mechanisms and to ensure that nominal earnings growth does not unduly accelerate, the authorities have reinforced the control of the Social Accounting Service on personal income payments.

Moreover, the authorities intend to reinforce the regulations concerning nominal personal income in loss-making enterprises so that workers bear the burden of adjustment. It has been stipulated that nominal personal incomes should fall, if necessary, to the minimum guaranteed level, which is roughly a little less than two-thirds the average income level (and in some republics as low as half the average level). In a few cases, where even this downward adjustment does not suffice to restore financial equilibrium, it is envisaged that enterprises should close, as happened in a couple of cases in the second half of 1982. Premia and other allowances paid to employees³³ which do not come under the heading of personal incomes and which saw a substantial rise over the last couple of years, especially in 1982, are also to be better controlled.

The Social Accounting Service (through which all receipts and payments of enterprises are made) is in principle responsible for ensuring that enterprises observe the guidelines and the agreements relating to personal income changes. The law being debated to expand the activities of the Social Accounting Service will change the priorities of enterprises in meeting their financial obligations. At present, personal incomes have first call on enterprises' receipts but if the new system is accepted, external financial obligations must be paid first, followed by domestic bills and then amounts owing to the authorities. Enterprises, after meeting these obligations, will then be able to pay personal incomes. Acceptance of the new law should represent an important step towards improving the financial management of enterprises.

Taking account of the above considerations, the Secretariat has prepared tentative estimates for 1983³⁴. Following the slowdown in the first quarter of 1983, the growth of average earnings is expected to accelerate (because of accelerating inflation) giving an increase of about 26 per cent for 1983 as a whole which would help to keep the growth of

31. These criteria refer to (i) productivity changes; (ii) movements in world prices; (iii) balance of demand and supply; (iv) social policy objectives; (v) allocation of enterprise income for loss-making enterprises; (vi) operation of market forces, etc. Many of these criteria are not rigorously defined, permitting different interpretations.

32. Centralised price control will be maintained only on a limited number of goods such as oil, certain agricultural products, iron ore and cigarettes.

33. When added to personal income growth, these payments lower the decline in real average earnings in the enterprise sector by about half, i.e. from 3½ per cent to 1¾ per cent in 1982.

34. Because of (i) the statistical problems reviewed in this Survey (e.g. for 1982 – the base year for the 1983 estimates – the statistical discrepancy is 3 per cent of SP and more than explains the actual increase of the SP); (ii) the policy changes that may be introduced after the mid-year review, notably with regard to the exchange rate, and also because of the difficulty of gauging the extent of import restrictions, the OECD projection is subject to a wide margin of error.

unit wage costs to roughly 27 per cent. Combined with a squeeze on enterprises' profits, the development of unit wage costs may approximately offset the specific price increases early this year (discussed in Part I) and higher food prices so that domestic costs could rise by somewhat less than 30 per cent in 1983 as a whole. The effects of the real effective devaluation of the dinar since mid-October 1983³⁵ are expected to add about 5 percentage points to domestic prices, suggesting an increase in the cost of living of about 35 per cent³⁶ on a yearly basis. A fall in the personal savings rate from the high level of 1982 may moderate the fall in private consumption to just less than 2 per cent. The decline in investment (notably public sector investment) will be substantial though possibly less than envisaged in the Economic Resolution. With a slower rate of stockbuilding, total domestic demand may decline by a little over 4 per cent.

Reflecting weak export demand, the difficulty in adjusting rapidly from domestic to export-oriented production for developed countries, and sluggish tourist and shipping receipts, total exports may grow by some 2 per cent in 1983 as a whole, but at a much higher rate through the year. Because of delays in completing the financial package and also because of the general policy of import restrictions, total imports are forecast to fall markedly in 1983 for the fourth year running to give a positive contribution to the SP from the change in the real foreign balance of about 2¼ per cent. In total, SP may fall by just over 1 per cent instead of the 1 per cent rise in the Economic Resolution. The size of the shortfall will depend on:

- i) The tightness of import restrictions which because of short-term foreign exchange needs may result in greater disruptions to production and the capacity of industry to export than assumed.
- ii) The extent to which the restrictive stance of policy is adjusted during the year to allow for the higher inflation than assumed in the original targets.

Industrial production may also fall a little in 1983, which would be the first decline since 1967. Construction should also decline markedly while service output may remain broadly stagnant. In these circumstances, the official forecast of 2 per cent growth of employment seems optimistic, so that unemployment will again increase and be accompanied by a further fall in productivity.

Medium-term issues

Important measures have been taken which will improve the functioning of the economy over the longer run, but many of the major structural deficiencies and problems of policy formulation and co-ordination identified in earlier OECD Economic Surveys of Yugoslavia are still under review by the authorities or remain to be confronted. The most important of these concern the systems of price and wage determination, demand management, the efficiency of investment, and foreign exchange management.

The medium-term objective is to reduce the rate of inflation to 10 per cent by 1985 but without fundamental reforms this will be difficult to achieve. Apart from the factors discussed below, inflationary pressures are likely to remain strong reflecting the periodic adjustments to relative prices of some important goods, the unavoidable effects on prices

35. Between mid-October 1982 and May 1983 the effective depreciation of the dinar was about 40 per cent, which after taking into account wholesale price differentials gives a real effective depreciation of the order of 20 per cent.

36. This is based on the assumption that there will not be any further real effective depreciation after May 1983. If on the other hand there is a further real effective depreciation, there will not only be an additional direct effect causing a stronger increase in the cost of living, but it will also indirectly lead to a stronger acceleration in pay increases (as workers try to make good the incremental loss of real incomes), thus raising the domestic component of inflation as well, which may risk a renewed price-wage spiral.

of structural adjustments in the economy, falling productivity and the inbuilt inflationary expectations resulting from the long period of rapid price increases³⁷. A major difficulty is the long-standing tradition of protection. The absence of foreign competition has been more pronounced since the recent imposition of severe import restrictions and has therefore been partly responsible for the development of the strong domestic inflationary forces. The lack of competition is particularly important in consumer goods from convertible currency countries, which account for less than 5 per cent of total imports. Moreover, the growing imports on a clearing basis, especially from Eastern European countries do not provide effective competition.

The effects of insufficient competition from abroad have been exacerbated by inadequate internal competition. The latter reflects largely the system of price formation which encourages restrictive practices thus limiting trade between regions. Prices of most products and services, from light consumer goods to electricity, differ from one republic to another and sometimes from one region to another within the same republic according to the policies of the individual Communities of Prices. The predominance of producer interests in these Communities (which are to a large extent protected from foreign and internal competition) often results in oligopolistic price fixing which leads to the fragmentation of the market. The Communities for Prices at the local level established in early 1981 to control prices were not intended to deal with an exceptionally inflationary situation as has been experienced since 1979. Nevertheless, reflecting largely the lack of competition associated with the fragmentation of the national market, the change in responsibility for prices from the Federal body to the local Communities for Prices failed to curb inflationary forces. Given the balance of payments constraint, it is perhaps unrealistic to suggest that competition from imports could be importantly increased in the near future. But it is hard to see why measures aimed at a substantial increase in internal competition could not be taken. This will, in particular, require the reduction of barriers hindering the free movement of goods and services throughout the whole economy.

Incomes policy would also seem to have an important role in reducing inflation. As with price formation, market forces do not play a major role in income determination. The main difficulty with the present incomes policy – as already noted in this and several previous OECD Economic Surveys – is that it is mainly concerned with the distribution of total income between the wage and salary bill and non-wage income, therefore placing the emphasis on the development of *real* personal earnings and incomes. The underlying features of income determination have not altered for a considerable time³⁸. The authorities have announced that over the medium term the increase in nominal earnings and the associated domestic inflationary pressures will be gradually reduced by enforcing a stringent credit and interest rate policy and by setting the example in the public sector of decelerating personal income increases. These measures will improve financial management, but they do not focus on the inherent inflationary biases in the income determination system. It is essential that more attention is paid to market criteria and financial conditions in the determination of nominal incomes. It seems puzzling that in a country where most decisions are consensus-based following detailed

37. The high rate of inflation itself causes important distortions which are superimposed on the other problems and in turn tend to fuel inflation. For example, when inflationary expectations are low, companies try to increase productivity in order to increase total income and profits but when inflation is very high, as at present, an increase in productivity of 3 or 4 per cent may contribute only one-tenth of the increase in total company income and, therefore, considerably less attention is paid to structural adjustment associated with gains in productivity. Companies try either to maintain price relativities or to increase the prices of their own products more than others as a means of achieving income increases.

38. For a description of price and wage determination systems see OECD Economic Survey of Yugoslavia, July 1982, pp. 37-39.

discussions between the parties concerned, that an effective incomes policy, which takes account of the inflationary consequences of increases in nominal wages, has not been achieved.

Under the system of self management, the determination of personal incomes is outside the control of the authorities who can only lay down general criteria. Recognising the importance of nominal income changes, the Stabilisation Commission has recommended new criteria which are being discussed with the trade unions to attain formation of nominal incomes with a downward inflationary bias. The proposed criteria will relate nominal income growth to what is termed the social efficiency of the use of capital. In essence, the ratio of savings to the value of the capital stock in each enterprise will be related to the average ratio in each republic and province and enterprises will be able to pay higher personal incomes only when their ratio is above the republican or provincial average ratio by some specified amount (when the ratio of individual enterprises is below the republican or regional average ratio then average earnings paid by these enterprises should also be kept below the level of republican or regional average earnings). It is intended that depreciation allowances will be charged to keep the volume of capital constant, the aim being to limit resort to price rises as a means of increasing the distribution of personal incomes.

Demand management is a second area in which there are major considerations of policy co-ordination. The effectiveness of monetary policy should be enhanced by the control of net domestic assets of the banking system and the rise in interest rates. But, as noted in Part II above, the higher interest rates do not apply to existing loans and rates on selective credits remain very low. Also, earlier measures to restrict inter-enterprise credits have proved to be ineffective and it may be difficult to control them under the new regulations. A further issue is the effect on monetary management of the large foreign exchange deposits of the household sector which are favoured by the interest rate structure. Because of extensive decentralisation and the large degree of independence of many public bodies, the Federal Government has only limited control on public expenditure other than its own (around 7 per cent of Social Product) and thus effective use of fiscal policy for demand management is very difficult. Nevertheless, there has been important fiscal restraint in recent years with an elimination of the Federal deficit and a reduction since 1978 of the share of total public expenditure in SP by 9 percentage points to about 34 per cent. Given the total claims on national resources in this period a reduction was necessary and appropriate, although it affected public investment to an excessive degree. For the future, the counter-cyclical role of fiscal policy could be enhanced by changes in the structure of taxation – for example more uniform transaction or sales taxes throughout the country. The structure of taxation has been considered by the Stabilisation Commission and recommendations are being prepared.

The specific features of public finance in Yugoslavia also raise important questions from the resource allocation point of view. As noted, a distinctive feature is that the largest part of revenue and expenditure of general government is determined on a regional or local basis with special provisions for resource transfers to the less developed regions. It can be argued that linking directly contributions by households and enterprises in each region and even municipality to the provision of social services and collective consumption has great economic and social merits. On the other hand, the very substantial reduction in relative terms of Federal expenditure may have gone too far. Regional decisions on expenditure of an "economic" rather than a social character – e.g. on public investment, subsidies or basic public tariffs like electricity – are extremely difficult to co-ordinate in practice. There is evidence of duplication of projects and distortions in relative prices and costs which are exacerbated by the incidence of differences in regional tax rates. These arrangements have contributed to the

fragmentation of the national market and have reduced average economic efficiency. Within the framework of regional autonomy the problem of the efficient functioning of the national economy remains to be solved.

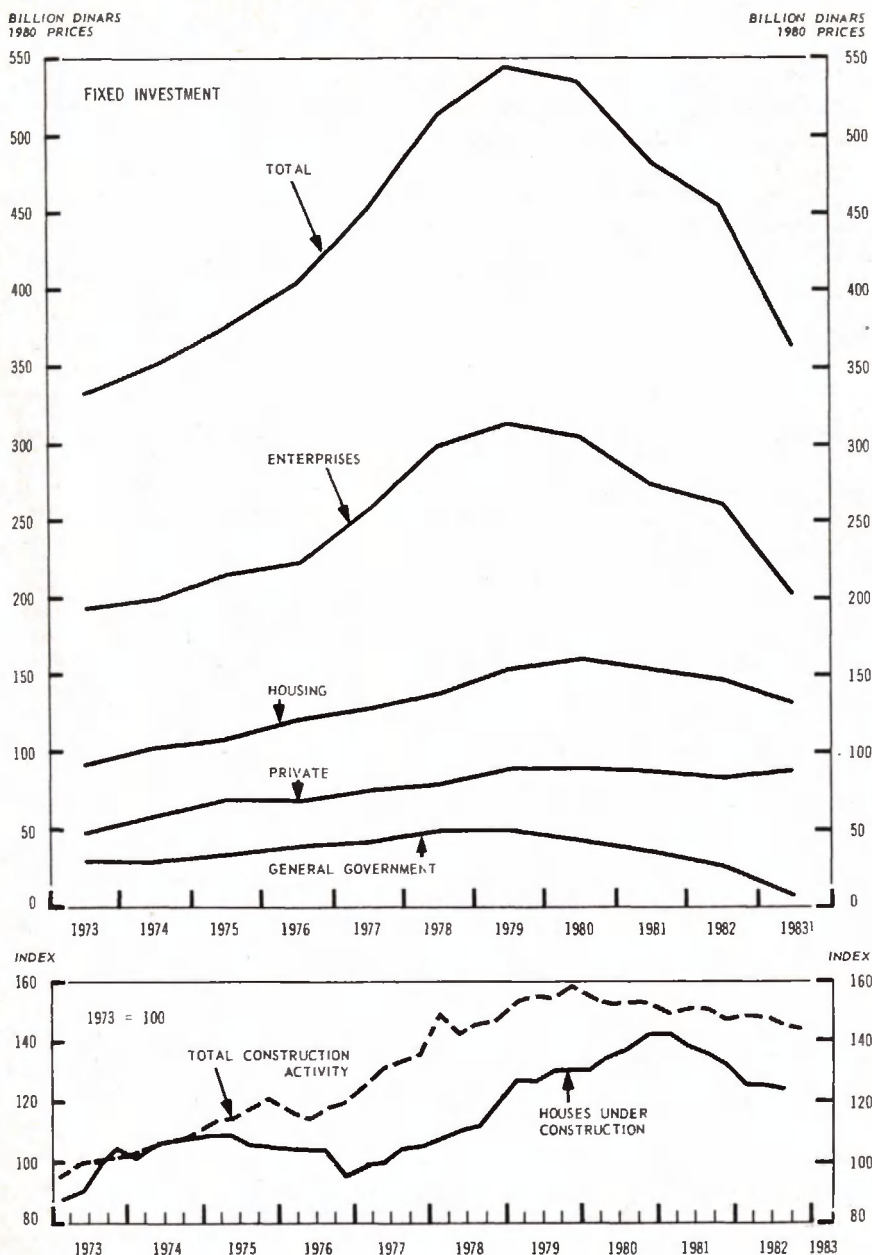
Another major problem analysed in earlier OECD Surveys of Yugoslavia was the high, but often uneconomic volume of fixed investment which entailed inefficient allocation of scarce resources. (The average share of fixed investment in GDP for 1978-1980 was over 30 per cent, roughly comparable to that of Japan.) The duplication of projects in the different republics and provinces and strongly negative real interest rates were the main reasons for high investment expenditures undertaken without sufficient consideration of their real rate of return. The new policy of higher interest rates should, over time, automatically screen many uneconomic investment projects though it needs to be complemented by strict control of the volume of selective credits which continue to carry very low interest rates³⁹. However, important inefficiencies seem likely to remain as long as there is a fragmented national market involving impediments to the inter-regional movement of capital, goods and services and until more competitive domestic markets have developed.

But the measures taken recently to reduce investment considerably because of the urgent balance of payments constraint point to a more general problem of efficient selection. As on similar occasions in the past, special consultations and procedures at the national and regional level are taking place to select projects that should go ahead or be suspended with some inevitable waste. This is clearly an inferior screening method *ex post* compared with automatic market signals *ex ante* including, most importantly, a relatively stable value of the national currency and less distorted relative prices. Such objective criteria for selection of investment projects are also extremely important for long-term planning which too often in the past has put the emphasis on material balances and technical coefficients without due consideration of economic factors. Even in such areas as energy and transport, the pervasive effects of high inflation, different and inconsistent regional practices concerning public tariffs, indirect taxes and subsidies have made it extremely difficult to elaborate investment plans on the most cost-effective basis for the national economy.

Finally, there are the problems of the balance of payments and foreign exchange arrangements. In the past, pressures on the balance of payments with the convertible currency area gave rise to various forms of export-import linkages which together with those associated with the large share of trade on a bilateral basis and the system of regional foreign trade management, inevitably led to misallocation of scarce resources. The recent measures to improve the control of foreign exchange, develop a unified foreign exchange market and move towards national planning of the balance of payments are to be welcomed. However, the measures represent initial and small steps in the right direction and considerably more needs to be done. The efficient management of foreign exchange will be difficult to attain so long as the proportion of household savings held in foreign exchange accounts remains high and continues to rise (56 per cent of total household deposits at end-1981 and 60 per cent at end-1982). As noted in earlier OECD Surveys, the very rapid expansion of these accounts has helped to undermine confidence in the national currency and has, in practice, favoured use of scarce foreign exchange for private consumption while imports of essential production goods had to be restricted. Also, the present system of rationing scarce foreign exchange for imports is costly, penalising in particular potential exporters who do not already have

39. The maintenance of extremely low rates of interest on old loans points to the major problem of economic accounting for the existing capital stock. Although wrong decisions of the past cannot be undone, special measures are needed (e.g. through depreciation allowances) to take account of the present opportunity cost of running installed equipment.

Diagram 7. Investment pattern



1. Official projections.

Source: Indeks and direct communication to the OECD.

access to foreign exchange. It is essential that this rationing system is changed to make it more transparent and reflect relative opportunity costs as far as possible. Without this, the efficiency in external transactions on a nationally co-ordinated basis, which is necessary over the medium term, will be hampered.

V. CONCLUSIONS

The overriding objective of economic policy in recent years has been to reduce the current external deficit so as to facilitate overseas debt servicing. The large imbalances of the economy which developed in the second half of the 1970s had led to considerable borrowing abroad (see Parts I and II of this Survey) while the difficulties of adjustment were exacerbated by the effects of the world recession and the high level of international interest rates. In 1982, economic policy became distinctly more restrictive so that domestic demand fell substantially and administrative measures were taken to reduce the volume of imports. As a result, the current account deficit declined to about \$500 million. The deficit with the convertible area (around \$1½ billion) was more than accounted for by interest payments on foreign debt and, in addition, there were substantial repayments of capital.

Faced with similar debt-servicing charges of around \$5 billion in 1983 and determined to honour their obligations, the Yugoslav authorities took further measures to again cut substantially real incomes and domestic demand. The main targets and policy measures have been determined in consultation with the International Monetary Fund who, together with the Bank for International Settlements, a number of OECD countries and a consortium of foreign commercial banks are providing financial support to underwrite the stabilisation programme. Without this package of foreign financial aid it would have been necessary to aim at an unlikely sizeable current account surplus with the convertible currency area in order to meet external obligations. In fact, severe import restrictions in the recent period have encompassed raw materials and intermediate goods, seriously disrupting production both for the domestic market and exports, and have accentuated underlying inflationary pressures.

The forthcoming financial aid, the expected gradual recovery of economic activity in the OECD area and the decline in oil prices should alleviate the problems of short-term adjustment of the Yugoslav economy. But these problems remain formidable and the authorities are showing a remarkable resolve to achieve the stabilisation objectives by imposing sacrifices in real incomes and consumption for the third successive year and reducing the level of investment. For the short term there are a number of important question marks. The setting of demand-management policies, particularly monetary policy, for 1983 is very restrictive. While it is essential for both balance of payments and inflation reasons that demand management is restrictive, there is, nevertheless a risk that the monetary and public expenditure targets will impose a greater reduction of real domestic demand and disruption to the economy than is necessary. It seems essential, therefore, that developments are closely monitored in the course of the year and the targets adjusted realistically if necessary. Moreover, the policy of shifting to a more appropriate exchange rate is welcome but the target for devaluation of the dinar in real terms may be more than is justified by the potential of the economy to divert resources to the external sector in the short term. At the same time, there are sizeable inflation effects which will make the process of disinflation and medium-term restructuring more difficult. Accordingly, when considering in mid-1983 the appropriate exchange rate adjustments, it is essential to take account of the inflationary consequences as well as the balance of payments.

Beyond the short-term stabilisation measures, the Yugoslav authorities have embarked since last year upon a more lasting reorientation of economic policy which was presented to the Economic and Development Review Committee of the OECD in January 1983. The main objectives are improved functioning of the economy and the correction of its structural imbalances by means of an increased role of market forces and an expansion, over the medium term, of Yugoslavia's international economic

relations in a multilateral approach. These orientations conform to the general principles that inspire the work of the Organisation and were strongly supported by the Committee.

The elaboration of concrete policies to implement these general objectives is now in process. Many of the issues have been discussed by the Stabilisation Commission whose final report is expected to be presented by the end of June. A great number of structural issues will need to be addressed and Part IV of this Survey recalls some of the problems raised in previous OECD Surveys. The most important perhaps is the permanent tendency towards high inflation. Without a solution to the inflation problem, demand will have to be held at a sub-optimal level with resultant high unemployment for a longer period than the economy's potential warrants. Stricter monetary and fiscal policies will help, but a major problem – signified in OECD Surveys since the mid-1960s – lies with the system of price and income determination and how to improve the functioning of the self-management system of the economy. An essential condition for better performance would seem to be the strengthening of competitive forces within a more integrated national market.

- i) The opening of the economy to imports from the convertible currency area could play an important role in strengthening competition, although the scope for action in this direction in the short run is obviously limited by the balance-of-payments constraint.
- ii) Further efforts to remove impediments to the free flow of capital and goods and services inside the Yugoslav economy would also serve to increase competition. The limited room for action on imports makes it even more important to make away with official regulations and oligopolistic practices which have led to the present fragmentation of the domestic market.

In addition, however, it seems indispensable to deal with the problem of the wage-price spiral by some form of appropriate policy to prevent excessive increases in nominal incomes and prices. The various systems of price surveillance and control applied so far have not produced lasting results. And the measures applied to control the relative movements of wages and enterprises' surplus have often resulted in declines of real wages without any deceleration of inflation.

The endemic problem of inflation is closely related with other structural issues recalled in this Survey – notably the high volume of often wasteful fixed investment in the past; the fragmentation of the domestic market; the structural problems of public finance; the high degree of export-import linkages and the disaggregated arrangements for foreign trade and external payments. Some important steps have been taken to deal with these problems, a notable example being the radical and welcome change of interest rate policy. But it is clear that a comprehensive and consistent reassessment of policies is required. The present Survey has raised questions about contradictions in the management of the economy and major economic problems and how they might be overcome. In particular, it would seem that decentralisation of economic decision-making in Yugoslavia – a welcome and essential feature of the system – will only function efficiently if it has as a national complement more effective macro-economic policies at the Federal level. This includes the need for a unified balance of payments strategy within an integrated national market. Despite all the severe measures taken in recent years, the fact that the national currency does not play its proper role, being undermined by very high inflation and the flight into foreign currencies, is hampering the achievement of economic and social objectives. As a result, emergency physical and administrative controls are inevitably imposed and maintained on many aspects of economic life. Moreover, the tendency for physical medium-term planning by sectors which underpins the whole system, does not pay sufficient attention – because of high inflation – to relative costs and prices. A more pervasive operation of market forces

would help ease these contradictions and to develop a more efficient and less inflationary economy. It is to be hoped that the recommendations of the Stabilisation Commission will provide the basis for concrete measures to make efficient the working of the economy on a unified and market-oriented basis.

TECHNICAL NOTES¹

INTERPRETING FOREIGN TRADE AND NATIONAL ACCOUNTS STATISTICS

Valuation of foreign transactions

In recent years there have been serious problems affecting the conversion into dinars of foreign transactions involving goods and services, tourism migrants' remittances, and other transfers. The conversion to dinars from the currency in which the transaction actually occurred was carried out using the exchange rate prevalent at the beginning of each year, as fixed conversion factors for the whole of that year. The subsequent conversion to US dollars for international reporting was also done by means of beginning-year exchange rates. This procedure did not take account of the movements in exchange rates in the course of each year, and these have been very marked in recent years. In dollar terms, foreign transactions were understated during periods when the dollar was falling against major world currencies from 1978 to 1980, and were overstated when the dollar was tending to rise in 1981-82. The authorities have announced that, when certain technical problems connected with processing the trade statistics have been resolved, the conversion of foreign transactions will be done using the exchange rates prevailing at the date of the transactions.

Table 1 shows Yugoslavia's foreign trade with Germany, Italy and the OECD area as a whole, both as reported in Yugoslavian trade statistics, and as reported in the trade statistics of its partner countries. Since countries report imports cif and exports fob, the percentages given in every third line of the table should, in the absence of timing difference, provide estimates of average freight and insurance costs expressed as percentages of fob values.

Throughout Table 1 the values of goods recorded as imports of Yugoslavian trade statistics are lower than the values of goods recorded as exports from partner countries. This leads to the unacceptable conclusion that freight and insurance costs on Yugoslavian imports are negative. As regards exports, the percentages all have the right signs except for exports to Italy in 1981, but in many cases they appear to be implausibly high. Problems of this kind are certainly not confined to Yugoslavia, and examination of reported trade between other OECD countries reveals similar kinds of inconsistencies. For other countries, however, the discrepancies are generally on a smaller scale, and Table 1 suggests that Yugoslavia's foreign trade (both imports and exports) was seriously understated in the period shown.

Changes in stocks

A striking feature of Yugoslavia's national accounts is that stocks – inventories of raw materials, finished goods, and work in progress – have been rising strongly during the last two decades. In each of the last ten years the current price increase in stocks in Yugoslavia has accounted for about 7 per cent of GDP on average, whereas for the OECD area as a whole the increase in stocks was only about 1 per cent of GDP. Moreover, stocks in Yugoslavia have increased every year since the mid-1950s, while in every other OECD country (except Japan) stocks have fallen in at least one, and usually in several, years during this period.

The basic source of data for the stock estimates are annual returns from establishments in the "material" or "productive" sector, showing the value of inventories and work in progress at end-year prices. Respondents may well have difficulties in estimating appropriate end-year stock prices during periods of inflation, and there may be a tendency in some cases to overstate prices in order to show the establishment's production record in as favourable a light as possible. Another problem is that in order to calculate the change in stocks from one year to the next, the Statistical Office converts the stock estimates from end-year to mid-year prices; the indices used for this purpose are now believed to have consistently understated the degree of price inflation incorporated in the end-year stocks estimates as reported in the establishment survey. It seems likely, therefore, that the estimates of stock changes include an element of stock appreciation, which may have been quite substantial in recent years.

In addition to valuation problems of this kind, there are also some questions about the coverage of the stock estimates. In particular, the increase in stocks may include goods produced during the year, but which

1. These notes do not take account of any comments the Yugoslav authorities may have.

remained in inventories at the end of the year, because of defects in workmanship or design. If a certain number of unsaleable goods are indeed being systematically included in the stock change estimates, this may be seen as another aspect of the valuation problem: positive prices are being attached to items which in reality have near-zero values. There are also some doubts as to whether stockbuilding by state agencies is accurately reported and fully included in the stock series.

Statistical discrepancy

The Social Product, which is the principle aggregate of the Yugoslavian system of accounts, and which may be taken as broadly equivalent to "business sector GDP" is estimated by adding compensation of employees, income from self-employment, operating surplus and consumption of fixed capital of the "business sector". When estimates are then made of the final uses of the Social Product – consumption, investment and net exports – there remains a statistical discrepancy that in some recent years has amounted to around 1½ per cent of the Social Product in current prices, which is somewhat larger than in most other OECD countries. Particularly unfortunate is the fact that in the last few years there have been large swings in the statistical discrepancy in the constant price estimates of final expenditures. To put it in other words, it has not been possible to allocate accurately the real growth of the Social Product among the components of final demand.

Almost by definition it is impossible to explain statistical discrepancies: if it were known what caused them, steps would be taken to eliminate them. It is unlikely that the problem connected with estimating the stock increase could be responsible for the discrepancy, since if the stock increase is being overstated on the final-uses side of the Social Product account, value-added on the other side of the account would have to be reduced by an identical amount. A more likely explanation may be found in the valuation of foreign transactions, but there are almost certainly some quite large errors in the estimates of either consumption expenditure or fixed investment, or both.

The Social Product system

Yugoslavia regularly provides the OECD with annual national accounts statistics compiled according to the UN-OECD System of National Accounts (SNA)². These statistics are used in the Survey and are also published in the OECD annual National Accounts. However, the basic system of accounts used by Yugoslavia is the Material Product System (MPS)³, and numerous tables and accounts based on this system have also been included in the Survey. The most important difference between the MPS and the SNA is that the former designates a large group of services as "non-material" or "unproductive". According to the MPS, these services do not generate value-added but only result in a redistribution of the value added generated by the "productive" industries, i.e. those producing goods and "material" services.

The accounting rules and definitions of the MPS are more flexible than those of the SNA. Countries have considerable freedom in adapting the MPS guidelines to their own particular socio-economic situation, and this compounds the difficulties of interpreting MPS statistics for a particular country. In Tables 2 to 7 below, the six accounts of the Material Product System as applied by Yugoslavia are presented using, as far as possible, the terminology of the SNA. There is a brief explanation of how each account relates to the SNA equivalent.

The Social Product Account (Table 2) deals with the activities of "productive" industries, defined as industries that produce either goods or material services. The latter consist of freight and passenger transport, wholesale and retail distribution, and hotels and restaurants. All other services – health, education, cultural and recreational services, public administration and defence, banking, insurance and personal services such as hairdressers and laundries – are classified as "non-material" and do not contribute to the Social Product.

The left-hand side of the account shows the output of "productive" industries, while the right-hand side shows how the output is used – for household consumption, fixed capital formation, stockbuilding, etc. The account refers to the gross Social Product; if the last entry on each side of the account – intermediate consumption – is deducted, what remains is the "Social Product". (This aggregate is still "gross" in the sense that consumption of fixed capital has not yet been deducted). As the Social Product is the main aggregate of the Yugoslavian accounting system, it is interesting to compare it with the main SNA aggregate – Gross Domestic Product:

Social Product and Gross Domestic Product
Current prices in billion dinars

	1974	1975	1976	1977	1978	1979	1980	1981
Social Product (SP)	407	503	593	734	902	1 165	1 553	2 208
Gross Domestic Product (GDP)	473	577	683	835	1 013	1 294	1 724	2 410
SP as per cent of GDP	86	87	87	88	89	90	90	92

2. *A System of National Accounts*, United Nations, New York, 1968.

3. This system is described in *Basic Principles of the System of Balances of the National Economy*, United Nations, New York, 1977.

In Yugoslavia two kinds of units produce goods and material services. First and most important are the workers' co-operatives, which are referred to in Yugoslavian terminology as "organisations of associated labour" and are referred to as "enterprises" in the Survey. Workers in "organisations of associated labour" manage the fixed and financial assets (the "social assets") of the organisation. Most industrial output – mining, manufacturing, construction and utilities is generated by workers' co-operatives. Secondly, there are self-employed persons working alone or with members of their family. The self-employed are mainly important in agriculture and catering, handicrafts, and private house-building.

Item 1.1.1 is similar to the SNA item compensation of employees, but it is shown net of taxes and social contributions and it also excludes benefits in kind. Item 1.2 includes current expenditures by workers' co-operatives on vacation bonuses, and recreational and other services provided for the workers; in the SNA these would be regarded as benefits in kind and included in compensation of employees if they mainly benefit employees, or in intermediate consumption if they mainly benefit the employer. The gross fixed capital formation referred to in item 1.2 consists mainly of investment in housing for members of workers' co-operatives.

The sum of items 1.3 and 1.4 plus the gross fixed investment from item 1.2, constitute the net saving (or "undistributed profits") of workers' co-operatives. When items 1.5 through 1.8 are added, the result is equivalent to the gross operating surplus in SNA terms. It can therefore be seen that the total of items 1.1 through 1.8 closely approximate the gross value added as defined in the SNA. It will overstate gross value added to the extent that item 1.2 includes current outlays on services provided to the workforce that would be classified as intermediate consumption according to the rules of the SNA.

Item 1.10 is less than total household consumption expenditure because it excludes purchases of "non-material" services which, in recent years, have amounted to 7 to 8 per cent of total household consumption expenditure. Item 1.11 consists of the intermediate consumption of general government and financial institutions; the nearest SNA equivalent – government final consumption expenditure – would be obtained by adding government wages and salaries and deducting consumption of goods and material services by financial institutions. The other final uses listed in this account – items 1.12, 1.13, and 1.14 – have close equivalents in the SNA: respectively, gross fixed capital formation, increase in stocks and the balance of trade in goods and services.

Table 3 is similar in many respects to the SNA Income and Outlay Account for Households. The main difference is that wages and salaries are shown net of direct taxes and social contributions, so that these items do not need to be shown in the disbursements side of the account.

Household final consumption expenditure in SNA terms is obtained by the addition of items 2.2 and 2.1.1. The latter item consists of purchases of personal services and various (usually non-material) charges for medical, educational and cultural services. Item 2.1.2 consists of the few remaining charges against household income, so that all that remains on the disbursements side of the account is household saving. This is broken down into two components – gross fixed capital formation, i.e. housing investment (item 2.3) and financial saving (item 2.4).

The receipts side of the account requires little explanation. Items 2.5 and 2.6 show wages, salaries and self-employment income from "productive" and "productive" and "non-productive" activities respectively. The other items consist of current receipts which have close equivalents in the receipts side of the SNA income and outlay accounts.

Table 4 has no close equivalent in the SNA. It can best be described as a combined production and income/outlay account for industries producing non-material services.

In Yugoslavia there are several kinds of units that provide non-material service. First, there are around several thousand bodies termed "self-managing communities of interest" that provide health, educational and cultural services to the general population. They are funded by social contributions paid by the working population that make use of the services provided, and they are managed by committees elected by the providers and consumers of the services provided. Most communities of interest are locally organised, but a few – such as those involved in higher education – operate at a state or provincial level. Second, there are ministries and other agencies of the federal and state governments which perform the traditional government functions of public administration and defence. These bodies are referred to as social-political communities in the Yugoslavian accounts. A third group consists of banks and insurance companies which are organised on the lines of workers' co-operatives but are subject to government control with regard to their investment, lending and interest rate policies. Finally, there are workers' co-operatives and self-employed persons providing personal services.

Most of the entries in this account are self-explanatory. The "state sector" in item 3.1.1 refers to the total of the first three kinds of bodies described in the previous paragraph: "other" in 3.1.2 refers to workers' co-operatives and self-employed persons providing personal services. Saving on an SNA basis is obtained as the sum of items 3.7 and 3.8. The latter item refers to investment by "non-productive" bodies in "productive" assets. Examples include investment in irrigation systems and investments to repair earthquake damage. On the right-hand side of the accounts, receipts are classified according to their source – industries producing goods and material services, households, and units providing non-material services.

A close approximation to government final consumption expenditure on an SNA basis can be obtained as the sum of items 3.1.1 (state sector wages and salaries) and 3.4 (intermediate consumption of goods and

material services). It is only an approximation, however, because both items include financial institutions as well as government, and item 3.1.1 is net of direct taxes and social contributions.

Table 5 is not really an account as the term is usually understood, since exactly the same items appear on both the consumption and expenditure sides. The main interest of the account is that in the Yugoslavian national accounts publication items 4.1.1 and 4.1.2 are broken down according to type of goods and services – food, drink and tobacco, clothing and footwear, etc. It should be noted that neither household final consumption expenditure, nor government final consumption expenditure can be derived from this account, since it refers only to consumption of goods and material services.

The entries in Table 6 have close equivalents in the SNA capital accumulation and financing account. The account covers all sectors in the economy – productive industries, households and non-productive units. It shows how gross capital formation (5.1 + 5.2) is financed by consumption of fixed capital (5.3), net saving of productive industries (5.4 + 5.5), net saving of non-productive units (5.6 + 5.7), net saving of households (5.8 + 5.9), net borrowing from abroad (5.10) and capital transfers (5.11).

Table 7 is very similar to the SNA External Account, except that payments and receipts of property and entrepreneurial income and of compensation of employees are treated as transfers rather than as factor income transactions. Tourism receipts shown in Item 6.1.3 include only payments by tourists to workers co-operatives (mainly for catering and hotel services). Payments by tourists, for food and accommodation provided by the self-employed are included in item 6.2.2. Item 6.5.3 – tourism payments – include the total amounts withdrawn by households from their foreign exchange accounts, and will therefore include payments for other purposes as well as tourism. Items 6.2 and 6.6 include factor income transactions between, on the one hand, the rest of the world and, on the other, resident households, workers' co-operatives of self-employed persons. Factor income transactions involving the government or financial institutions, such as payments of interest on government debt, are recorded in items 6.3 and 6.7.

Table 1. Comparison between trade by Yugoslavia as reported by Yugoslavia and as reported by trading partners
US\$ millions at monthly rates

	1978	1979	1980	1981
<i>Trade with Germany</i>				
Imports:				
(a) as reported by Yugoslavia	147.0	184.9	202.0	156.5
(b) as reported by Germany	209.9	263.7	237.3	187.0
(a) – (b) as per cent of (b)	-30	-30	-15	-16
Exports:				
(a) as reported by Yugoslavia	38.5	47.8	61.8	55.5
(b) as reported by Germany	77.4	100.2	107.2	95.2
(b) – (a) as per cent of (a)	101	110	73	71
<i>Trade with Italy</i>				
Imports:				
(a) as reported by Yugoslavia	67.5	87.2	88.8	82.8
(b) as reported by Italy	73.6	104.2	101.8	90.7
(a) – (b) as per cent of (b)	-8	-16	-13	-9
Exports:				
(a) as reported by Yugoslavia	43.3	54.7	66.1	64.9
(b) as reported by Italy	56.5	66.2	74.4	61.4
(b) – (a) as per cent of (a)	30	21	13	-5
<i>Trade with all OECD countries</i>				
Imports:				
(a) as reported by Yugoslavia	458.9	590.0	633.3	535.5
(b) as reported by OECD	542.4	707.8	685.2	579.1
(a) – (b) as per cent of (b)	-15	-17	-8	-8
Exports:				
(a) as reported by Yugoslavia	177.6	213.9	264.7	222.7
(b) as reported by OECD	249.9	314.4	341.2	281.3
(b) – (a) as per cent of (a)	41	47	29	26

Source: Monthly Statistics of Foreign Trade (Series A). OECD.

Table 2. **Social product account**
Dinars, millions

Generation of gross social product	1980	1981	Uses of gross social product	1980	1981
1.1. Wages and salaries, and income from self employment, after deducting direct taxes and social contributions	573 256	851 456	1.10. Household consumption of goods and material services	818 829	114 330
1.1.1. In cash	508 017	753 597	1.11. Consumption of goods and material services by units providing	143 060	198 200
1.1.2. Consumption of own produce	65 239	97 859	1.11.1. Health, education and cultural services	63 484	91 650
1.2. Current expenditures and gross fixed capital formation by workers' cooperatives for the benefit of their employees	94 081	102 137	1.11.2. Public administration, defence, banking and insurance services	79 576	106 550
1.3. Gross fixed capital formation not elsewhere specified	140 479	241 404	1.12. Goods and material services used for gross fixed capital formation	545 664	676 623
1.3.1. Workers' cooperatives	125 211	216 921	1.12.1. Industries producing goods and material services	386 297	471 154
1.3.2. Self-employed persons	15 268	24 483	1.12.2. Units providing non-material services	159 367	205 469
1.4. Net increase in stocks and financial assets of workers' cooperatives	26 092	39 130	1.13. Increase in stocks	119 622	238 087
1.5. Social contributions paid by workers' cooperatives, employees and self-employed	260 005	351 025	1.14. Exports less imports of goods and material services	-132 439	-124 726
1.6. Direct taxes paid by workers' cooperatives employees, and self-employed	195 067	277 914	1.15. Statistical error	58 353	79 655
1.7. Bank interest and insurance premiums paid by workers' cooperatives and self-employed	111 585	145 435	1.16. Intermediate consumption of goods and material services	2 091 229	3 018 142
1.8. Consumption of fixed capital	152 524	202 638			
1.9. Intermediate consumption of goods and material services	2 091 229	3 018 142			
Total	3 644 318	5 229 281	Total	3 644 318	5 229 281

Table 3. **Balance of disbursements and receipts of households**
Dinars, millions

Disbursements	1980	1981	Receipts	1980	1981
2.1. Outlays on collective and other non-material services	88 382	118 273	2.5. Wages and salaries, and income from self employment, after deducting direct taxes and social contributions, in industries producing goods and material services	573 256	851 456
2.1.1. Direct expenditure on collective and other non-material services	59 428	79 040	2.5.1. In cash	508 017	753 597
2.1.2. Voluntary social contributions, indirect taxes, stamp duties and insurance premiums	28 954	39 233	2.5.2. Consumption of own produce	65 239	97 859
2.2. Household consumption of goods and material services	818 829	1 143 300	2.6. Wages and salaries and income from self-employment after deducting direct taxes and social contributions, in units providing collective and other non-material services	140 498	182 916
2.2.1. In cash	753 590	1 045 441	2.6.2. State sector	137 806	179 496
2.2.2. Consumption of own produce	65 239	97 859	2.6.3. Other	2 692	3 420
2.3. Gross fixed capital formation	71 771	101 190	2.7. Benefits received under social insurance and welfare schemes	158 549	210 870
2.4. Net increase in financial assets	44 995	78 612	2.8. Current expenditure by workers' cooperatives for the benefit of their employees, and transfers, not elsewhere specified, to households from units providing collective services	32 518	27 697
			2.9. Insurance claims with respect to motor vehicles and other non-productive personal property, scholarships, rewards, winnings from games of chance, and other transfers to households not elsewhere specified	8 840	12 280
			2.10. Net migrants' remittances and other transfers to households from abroad	110 316	156 156
Total	1 023 977	1 441 375	Total	1 023 977	1 441 375

Table 4. **Collective and other non-material services**
Dinars, millions

Disbursements	1980	1981	Receipts	1980	1981
3.1. Wages and salaries, and income from self-employment, after deducting direct taxes and social contributions	140 498	182 916	3.11. Receipts from industries producing goods and material services	566 657	774 374
3.1.1. State sector	137 806	179 496	3.11.1. Social contributions paid by workers' cooperatives, employees and self-employed	260 005	351 025
3.1.2. Other	2 692	3 420	3.11.2. Direct taxes paid by workers' cooperatives, employees and self-employed	195 067	277 914
3.2. Benefits paid to households under social insurance and welfare schemes	158 549	210 870	3.11.3. Bank interest and insurance premiums	111 585	145 435
3.3. Insurance claims with respect to motor vehicles and other non-productive personal property, scholarships, rewards, winnings from games of chance, and other transfers to households not elsewhere specified	18 849	23 240	3.12. Household outlays on collective and other non-material services	88 382	118 273
3.4. Consumption of goods and material services by units providing	143 060	198 200	3.12.1. Direct expenditure on collective and other non-material services	59 428	79 040
3.4.1. Health, education and cultural services	63 484	91 650	3.12.2. Voluntary social contributions, indirect taxes, stamp duties and insurance premiums	28 954	39 233
3.4.2. Public administration and defence, banking and insurance services	79 576	106 550	3.13. Receipts from units providing non-material services	92 316	117 433
3.5. Social contributions paid to units providing non-material services	92 316	117 433	3.13.1. Health, education and cultural services	75 140	98 857
3.6. Consumption of fixed capital	11 156	14 878	3.13.2. Public administration, defence, banking and insurance services	17 176	18 576
3.7. Gross fixed capital formation in assets to be used by units providing non-material services, and net increase in stocks and financial assets by such units	114 062	157 996	3.14. Net transfers received, not elsewhere specified	11 236	16 225
3.8. Gross fixed capital formation in assets to be used for the production of goods and material services	24 325	36 607			
3.9. Grants to industries producing goods and material services	15 355	35 400			
3.10. Net transfers to the rest of the world	40 421	48 765			
Total	758 591	1 026 305	Total	758 591	1 026 305

Table 5. **Balance of final consumption expenditure on goods and material services**
Dinars, millions

Consumption	1980	1981	Expenditure	1980	1981
4.1. Household consumption of goods and material services	818 829	1 143 300	4.4. Household expenditure on goods and material services	818 829	1 143 300
4.1.1. In cash	753 590	1 045 441	4.4.1. In cash	753 590	1 045 441
4.1.2. In kind	65 239	97 859	4.4.2. In kind	65 239	97 859
4.2. Consumption of goods and material services by units providing health, education and cultural services	63 484	91 650	4.5. Expenditure on goods and material services by units providing	143 060	198 200
4.3. Consumption of goods and material services by units providing public administration and defence, and banking and insurance services	79 576	106 550	4.5.1. Health, education and cultural services	63 484	91 650
			4.5.2. Public administration and defence, banking and insurance services	79 576	106 550
Total	961 889	1 341 500	Total	961 889	1 341 500

Table 6. **Gross capital formation and financing account**
Dinars, millions

Gross capital formation	1980	1981	Financing	1980	1981
5.1. Gross fixed capital formation	545 664	676 623	5.3. Consumption of fixed capital	163 680	217 516
5.1.1. In industries producing goods and material services	386 297	471 154	5.3.1. In industries producing goods and material services	152 524	202 638
5.1.2. Other	159 367	205 469	5.3.2. In units providing non-material services	11 156	14 878
5.2. Increase in stocks	119 622	238 087	5.4. Net saving of industries producing goods and material services	166 517	280 534
			5.4.1. Gross fixed capital formation	140 479	241 404
			5.4.2. Net increase in stocks and financial assets	26 092	39 130
			5.5. Gross fixed capital formation by workers' cooperatives for the benefit of their employees	71 572	85 400
			5.6. Gross fixed capital formation by units providing non-material services in assets to be used for the production of goods and material services	24 325	36 607
			5.7. Gross fixed capital formation by units providing non-material services in assets to be used for the provision of non-material services, and net increase in stocks and financial assets of such units	114 062	157 996
			5.8. Gross fixed capital formation by households	71 771	101 190
			5.9. Net increase in financial assets of households	44 995	78 612
			5.10. Net borrowing from abroad	62 544	17 335
			5.11. Net transfers, not elsewhere specified, received by units providing non-material services	-11 236	-16 225
			5.12. Statistical error	-42 998	-44 225
Total	665 286	914 710	Total	665 286	914 710

Table 7. **External account**
Dinars, millions

Receipts	1980	1981	Payments	1980	1981
6.1. Exports of goods and services	382 900	436 144	6.5. Imports of goods and services	515 339	560 870
6.1.1. Goods (f.o.b. at Yugoslavian border)	245 086	298 362	6.5.1. Goods (c.i.f. at Yugoslavian border)	411 257	430 166
6.1.2. Transport, insurance and services n.e.s.	107 383	100 927	6.5.2. Transport, insurance and services n.e.s.	31 667	46 144
6.1.3. Tourism	30 431	36 855	6.5.3. Tourism	72 415	84 560
6.2. Transfers received by households from abroad	110 565	159 257	6.6. Transfers paid by households to abroad	249	3 101
6.2.1. Migrants' remittances	107 580	97 298	6.7. Transfers paid by units providing non-material services	46 546	64 775
6.2.2. Other transfers	2 985	61 959			
6.3. Transfers received by units providing non-material services	6 125	16 010			
6.4. Deficit on current transactions	62 544	17 335			
Total	562 134	628 746	Total	562 134	628 746

STATISTICAL ANNEX

Table A. Social product (Yugoslav definitions and concepts)

Millions of dinars

	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981 ¹
Current prices											
Consumers' expenditure	110 514	137 025	168 877	220 187	275 283	326 191	397 837	487 200	622 447	818 829	1 143 300
Collective consumption	17 508	21 286	26 708	35 962	49 620	60 265	72 556	86 439	110 900	143 060	198 200
Gross fixed capital formation	64 651	73 977	85 502	117 387	163 287	207 283	267 956	357 314	447 581	545 665	684 961
Change in stocks	21 983	14 500	31 957	57 827	44 760	30 286	59 100	28 767	82 209	119 622	239 622
Foreign balance	-15 043	-8 024	-14 550	-44 698	-43 606	-25 897	-59 553	-73 768	-118 527	-132 439	124 726
Exports of goods and services	40 575	56 026	72 278	95 128	105 231	120 851	129 855	146 929	201 309	382 900	436 144
Imports of goods and services	55 618	64 050	86 828	139 826	148 837	146 748	189 408	220 697	319 836	515 339	560 870
Statistical discrepancy	4 863	6 631	7 832	20 555	13 651	-5 568	-3 592	15 863	20 807	58 352	66 893
Social product	204 476	245 395	306 326	407 220	502 995	592 560	734 304	901 815	1 165 417	1 553 089	2 208 250
1972 prices											
Consumers' expenditure	130 960	137 025	140 695	151 030	156 174	163 097	174 595	186 737	197 101	198 481	196 496
Collective consumption	20 256	21 286	22 160	23 774	25 980	28 448	30 553	32 540	34 015	33 670	32 050
Gross fixed capital formation	72 668	73 977	77 074	84 054	92 181	99 689	109 114	120 589	128 293	120 717	108 887
Change in stocks	25 967	14 500	21 344	31 095	19 132	15 380	22 123	9 683	25 300	29 319	41 965
Foreign balance	-20 911	-8 024	-14 719	-24 866	-23 556	-9 075	-22 878	-22 521	-36 370	-18 598	-7 289
Exports of goods and services	47 622	56 026	59 835	60 424	59 346	68 189	64 508	63 991	67 455	74 851	83 982
Imports of goods and services	68 533	64 050	74 554	85 290	82 902	77 264	87 386	86 512	103 825	93 449	91 271
Statistical discrepancy	6 600	6 631	11 130	14 598	19 982	3 652	11 814	20 771	23 798	17 275	14 288
Social product	235 540	245 395	257 684	279 685	289 893	301 191	325 321	347 799	372 317	380 864	386 397

1. Preliminary data.

Source: Direct communication to the OECD.

Table B. National product and expenditure (standardized definitions and concepts)

Millions of dinars, current prices

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981 ¹
Consumers' expenditure on goods and services	95 593	121 722	151 687	187 146	244 100	294 900	351 500	428 950	528 400	672 125	881 140	1 226 437
Government current expenditure on goods and services	30 484	36 686	45 290	52 742	74 300	97 900	118 700	147 500	177 200	227 500	290 967	380 850
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	684 961
Change in stocks	13 638	21 983	14 702	31 957	57 800	44 600	30 300	59 100	28 767	82 209	119 622	239 622
Exports of goods and services	31 841	42 909	59 206	76 436	101 100	111 200	129 500	136 400	153 220	206 575	383 634	438 177
less: Imports of goods and services	40 494	56 291	64 996	87 951	142 000	150 000	148 800	190 800	221 188	325 232	527 173	571 226
Statistical discrepancy	-807	3 651	3 296	7 832	20 013	15 313	-5 683	-13 906	-10 994	-16 822	29 843	11 424
Gross domestic product at market prices	181 918	235 311	283 162	353 664	472 700	577 200	682 800	835 200	1 012 719	1 293 936	1 723 698	2 410 245
Income from the rest of the world	5 728	10 024	15 411	22 644	26 710	26 773	29 000	34 800	55 570	64 687	115 943	170 096
Income payments to the rest of the world	1 610	2 236	2 818	3 778	4 800	4 273	5 000	6 400	8 300	15 604	34 971	57 520
Gross national product at market prices	186 036	243 099	295 755	372 530	494 610	599 700	706 800	863 600	1 059 989	1 343 019	1 804 670	2 522 821
Indirect taxes	15 864	22 041	27 279	29 239	58 070	62 000	71 200	105 300	123 085	163 085	195 332	269 014
Subsidies	1 287	2 790	7 015	8 194	12 280	15 000	10 000	26 100	26 400	34 233	42 894	50 711
Gross national product at factor cost	171 459	223 848	275 491	351 485	448 820	552 700	645 600	784 400	963 217	1 214 167	1 652 232	2 304 518
Depreciation and funds for other purposes	16 644	21 180	27 979	36 290	50 840	61 000	70 000	83 600	102 717	128 507	174 746	236 125
Net national product at factor cost	154 815	202 668	247 512	315 195	397 980	491 700	575 600	700 800	860 500	1 085 660	1 477 486	2 068 393

1. Preliminary data.

Source: Direct communication to the OECD.

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

	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981 ¹
Agriculture, forestry and fishing	38 005	43 890	60 277	71 682	83 552	97 463	111 936	112 636	146 842	201 025	304 192
Mining and quarrying	5 360	6 426	7 492	11 113	13 182	14 780	17 360	19 679	24 315	38 544	56 919
Manufacturing	62 002	74 980	94 637	132 331	160 275	180 359	221 395	271 936	343 933	481 113	699 372
Electricity, gas and water	5 200	6 536	8 428	11 526	14 268	17 081	20 562	24 548	31 533	45 030	59 839
Construction	23 402	28 083	32 516	40 247	53 870	63 399	78 786	100 024	128 446	167 770	226 019
Transports and communication	17 675	21 492	26 337	34 464	44 111	50 921	58 892	73 723	97 013	127 239	176 500
Wholesale and retail trade	27 215	32 208	39 342	51 590	62 523	77 072	87 894	111 241	145 390	195 237	264 400
Banking, insurance, real estate and business and financial services		6 070	7 820	10 047	12 724	17 061	20 627	27 334	36 557	43 932	59 88180
Community, social and personal services	30 815	38 134	48 196	60 779	80 752	99 313	131 280	165 603	203 680	255 421	324 459
Others services	316	411	432	454	606	585	661				
Gross domestic product at factor cost	216 060	259 980	327 704	426 910	530 200	621 600	756 100	915 947	1 165 084	1 571 260	2 191 942
Net payment of income payable to factors of production by the rest of the world	7 788	12 593	19 320	21 910	22 500	24 000	28 300	47 270	49 083	80 972	112 576
Gross national product at factor cost	223 848	275 491	351 485	448 820	552 700	645 600	784 400	963 217	1 214 167	1 652 232	2 304 518
Adjustment	-	2 918	4 461	-	-	-	-	-	-	-	-

1. Preliminary data.

Source: Direct communication to the OECD.

Table D. Gross fixed investment
Millions de dinars, current prices

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981 ¹
Total	51 723	64 651	73 977	85 500	117 400	163 200	207 300	268 000	357 300	447 600	545 600	685 000
Private sector	9 657	13 335	16 098	22 100	28 200	30 900	36 300	45 700	53 600	71 000	88 500	121 600
Social sector	42 066	51 316	57 879	63 400	89 200	132 300	171 000	222 300	303 700	376 600	457 100	563 400
<i>By activity:</i>												
Productive	36 304	45 684	50 455	57 600	79 600	114 200	146 600	192 500	260 800	319 600	386 300	485 700
Non-productive	15 419	18 967	23 522	27 900	37 800	49 000	60 700	75 500	96 500	128 000	159 300	199 300
<i>By industry:</i>												
Agriculture and forestry	3 818	4 722	5 687	8 282	11 078	12 100	14 700	20 800	26 000	31 500	36 700	51 200
Industry	15 895	21 000	24 250	26 014	38 588	64 000	80 700	98 000	136 000	157 800	199 600	254 600
Building	1 642	1 700	2 015	2 340	3 328	4 000	4 800	9 300	10 900	13 800	14 400	19 300
Transportation	8 393	9 103	9 995	12 803	16 102	21 000	27 700	37 000	52 000	65 900	72 900	81 200
Trade, catering, tourism	5 791	6 985	6 144	5 190	7 218	9 400	10 400	15 900	20 000	28 890	32 200	40 500
Housing, communal activities	12 438	15 332	18 512	23 166	31 145	39 000	48 700	59 800	77 000	103 600	134 200	172 500
Other social sector	3 746	5 809	7 374	7 705	9 941	13 700	20 300	27 200	35 400	46 110	55 600	65 700
<i>By sector of asset:</i>												
Machinery and equipment	19 919	24 705	27 936	33 200	47 000	66 730	86 100	110 900	139 600	167 900	191 600	232 800
Domestic	11 499	13 553	16 400	18 800	27 100	35 530	50 200	64 900	85 600	109 000	125 500	163 700
Imported	8 420	11 152	11 536	14 400	19 900	31 200	35 900	46 000	54 000	58 900	66 100	69 100
Building	30 037	37 622	43 218	47 300	64 600	88 960	110 700	141 300	194 800	249 800	309 400	386 700
Other	1 767	2 324	2 823	5 000	5 800	7 510	10 500	15 800	22 900	29 900	44 600	65 500

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

	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
<i>National income:</i>											
Net wages and salaries of employees in productive enterprises and production of individual producers for own consumption	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	29 688	35 437	42 958	62 334	83 643	108 780	131 681	171 856	206 920	260 005	
Interest and enterprise taxes	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	30 937	32 530	44 927	63 356	78 364	64 839	88 612	111 050	159 419	260 652	
National income	186 138	220 959	275 549	363 350	454 336	528 458	661 878	812 923	1 054 003	1 400 565	
plus: Depreciation	18 338	24 436	30 777	43 939	48 659	64 102	72 426	88 892	111 414	152 524	
Social product	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	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	20 054	24 149	28 675	37 321	48 294	58 440	74 007	91 644	114 369	140 498	
Receipts from Social Security and other welfare funds	18 146	23 688	30 114	38 329	49 890	63 548	79 102	99 600	127 190	158 549	
Other domestic transfer receipts	964	1 067	3 603	4 479	5 749	7 716	11 768	17 434	30 018	41 358	
Net transfers from abroad	11 452	17 403	25 395	29 839	31 248	34 615	37 513	58 582	65 649	110 316	
Total income received	139 845	173 420	216 092	276 018	343 203	417 781	512 465	628 848	788 506	1 023 977	
Consumers' expenditure on goods and services of productive sector	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	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	10 127	12 018	15 869	19 836	26 129	34 912	44 069	54 318	69 560	88 382	
Savings	19 204	24 377	31 346	35 995	41 791	56 678	70 559	87 330	96 499	116 766	
Savings ratio (in %)	13.7	14.1	14.5	13.0	12.2	13.6	13.8	13.9	12.2	11.4	

Source: FSO, Statisticki Godisnjak.

Tableau F. Agriculture

	Unit or base	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
<i>Indices of agricultural output</i>	1951-1955 = 100													
Total		175	187	184	197	209	203	217	227	213	225	225	228	(244)
Crop production		167	180	179	195	199	193	205	212	186	205	204	206	(227)
Livestock production		190	194	197	209	235	235	244	263	268	270	273	279	(287)
<i>Production of selected commodities</i>														
Wheat	Mill. metric tons	3.8	5.6	4.8	4.8	6.3	4.4	6.0	5.6	5.4	4.5	5.1	4.3	5.2
Maize	-	6.9	7.4	7.9	8.3	8.0	9.4	9.1	9.9	7.6	10.1	9.3	9.8	11.1
Sugar beet	-	2.9	3.0	3.3	3.3	4.3	4.2	4.7	5.3	5.2	5.9	5.2	6.2	5.7
Meat	Thous. metric t	811	880	817	839	1 000	1 031	1 034	1 144	1 237	1 227	1 207	1 221	...
Forestry cuttings	Mill. cubic metres	17.5	17.9	17.3	17.4	18.2	18.6	18.5	19.5	19.7	19.9	19.4	20.4	(20.0)
Number of tractors in use ¹	Thousand	80.0	96.7	120.5	150.0	195.1	225.5	260.9	296.8	342.0	385.1	415.7	458.6	...
Consumption of fertilizers	Thous. metric t	1 678	1 747	1 821	1 919	1 817	1 964	1 970	2 056	2 147	2 203	2 131	2 384	...

1. At end of year.

Source: Direct communication to the OECD.

Table G. Industrial production

	Unit or base	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
<i>Indices of industrial production</i>		1970 = 100												
Total	Original base	100	110	119	126	139	147	152	167	181	195	204	212	212
Mining	1953 = 100	100	108	110	117	124	130	133	139	143	148	153	158	162
Manufacturing		100	110	119	126	140	149	154	168	184	200	208	218	217
Basic metals		100	108	121	132	150	157	158	171	188	196	199	214	211
Metal products		100	109	107	123	140	154	157	175	199	219	226	237	238
Chemicals		100	117	132	146	169	178	182	206	234	251	275	301	299
Textiles		100	107	118	125	135	142	145	152	158	172	182	189	187
Food, drinks, tobacco		100	111	119	126	136	137	147	160	173	187	189	195	199
<i>Output of selected commodities</i>														
Electricity	Billion kWh	26.0	29.5	33.2	35.1	39.5	40.0	43.6	48.6	51.3	55.0	59.4	60.4	62.1
Lignite and brown coal	Mill. metric tons	27.4	29.8	30.3	31.9	33.0	35.0	36.3	38.6	39.2	41.7	46.6	51.5	54.2
Petroleum products ¹	-	7.1	7.8	8.4	9.1	10.4	10.9	11.7	13.8	14.2	15.8	15.2	13.4	13.6
Copper or	-	9.4	10.3	11.9	14.2	14.9	14.6	17.4	17.5	17.1	16.4	19.6	18.3	19.7
Lead ore	Thous. metric t	127	124	120	119	120	127	122	130	124	130	121	119	113
Zinc ore	-	101	99	97	97	95	103	107	112	104	102	95	89	70
Crude steel	Mill. metric tons	2.2	2.4	2.6	2.7	2.8	2.9	2.8	3.2	3.5	3.5	3.6	4.0	3.9
Cement	-	4.4	4.9	5.8	6.3	6.6	7.1	7.6	8.0	8.7	9.1	9.3	9.8	9.7
Metal and wood-working machines	Thous. metric t	10.9	12.6	15.9	12.5	15.5	17.1	20.5	28.6	31.9	37.5	46.4	46.3	49.3
Building machines	-	26.8	28.4	28.0	34.4	34.6	34.6	38.4	47.1	67.8	82.6	71.4	71.3	63.3
Rotating machines	-	21.5	26.0	26.8	30.7	34.3	39.8	30.1	34.9	40.6	44.1	43.6	47.3	49.2
Pulp and cellulose	-	450	489	517	527	560	527	495	584	612	608	606	642	659
Cotton fabrics	Mill. sq. metres	390	391	374	361	365	376	385	384	410	418	385	377	372

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

Table H. Labour force and employment
Thousands

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
Active population (mid-year estimate) ¹	8 834	8 890	9 014	9 034	9 087	9 147	9 206	9 242	9 286	9 324	9 385	9 871	...
Paid employment	3 850	4 034	4 210	4 306	4 514	4 758	4 925	5 148	5 383	5 615	5 798	5 966	6 105
Registered unemployment	320	291	315	382	449	540	635	700	735	762	785	809	826
Other labour force ¹	4 664	4 565	4 489	4 346	4 124	3 849	3 646	3 394	3 168	2 947	2 802	3 096	...
Worker emigration (net) ²	783	923	1 020	1 100	1 035	940	870	825	800	790	770	770	760
Yugoslav workers employed in Germany ³	423	478	475	535	470	410	390	375	360	360	350	336	320
Paid domestic employment by sector:													
Social sector ⁴	3 765	3 944	4 115	4 213	4 423	4 667	4 833	5 052	5 280	5 506	5 681	5 846	5 980
Productive activities	3 130	3 279	3 422	3 495	3 671	3 876	4 004	4 182	4 364	4 560	4 709	4 848	4 955
Non-productive activities	635	665	693	718	752	791	829	870	916	946	972	998	1 025
Private sector (excluding agriculture)	85	90	95	93	91	91	92	96	103	109	117	120	125
Paid domestic employment by industry ⁴ :													
Agriculture	159	158	160	161	168	176	178	179	183	188	191	200	210
Industry	1 438	1 512	1 591	1 638	1 726	1 819	1 874	1 954	2 022	2 102	2 162	2 242	2 313
Construction	412	424	430	420	444	479	500	531	567	602	622	622	612
Transportation and communication	291	303	315	320	329	346	357	372	381	387	399	408	416
Trade	357	385	411	429	452	476	494	507	529	558	582	596	607

1. Including Yugoslav workers temporarily employed abroad.

2. According to the Federal Bureau of Employment.

3. September figures (1981: 31.3).

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

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
Agricultural producer prices	115	145	180	225	257	291	333	373	417	524	709	1 087	...
Industrial producer prices	109	126	140	158	205	250	266	291	315	357	455	658	822
Materials	112	132	146	165	232	285	301	328	354	410	550	793	1 009
Capital good	105	118	126	138	156	191	216	236	250	265	297	372	430
Consumer goods	107	121	136	154	188	227	239	265	291	323	391	562	701
Export unit values, in dollars	109	114	121	144	191	208	217	244	266	305	364	395	...
Import unit values, in dollars	108	112	118	142	207	218	224	255	267	318	381	421	...
Cost of living													
Total	111	128	149	178	216	268	299	345	394	474	617	870	1 149
of which:													
Food	112	131	156	190	220	273	312	369	425	503	661	946	1 309
Services	108	122	134	156	186	231	260	295	338	407	490	623	762
Wage per person employed in social sector	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 banks¹ excluding financial and other organizations and internal banks
Billions of dinars, end of period

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
Total short-term operations	118.4	139.1	169.1	227.7	274.9	397.8	494.3	870.6	1 356.4	1 981.4
Gold and foreign exchange	26.9	27.1	21.3	47.3	49.0	56.7	34.0	75.7	133.1	133.7
Foreign exchange receivables	6.3	7.4	16.6	11.2	10.2	8.7	10.3	51.2	147.2	284.6
Loans to organizations of associated labour performing economic activities	63.0	74.5	96.8	116.4	135.9	176.2	233.0	307.9	474.6	612.6
Loans to the Federal government and to other public institutions	2.4	2.8	7.2	12.5	16.9	14.3	14.7	17.4	24.3	37.2
Loans to households	1.1	1.9	2.5	3.8	4.8	4.8	5.8	7.7	11.8	10.9
Other assets ²	18.7	25.4	24.7	36.5	58.1	137.1	196.5	410.7	565.4	902.4
Total long-term operations	241.9	298.7	367.8	473.7	603.3	778.1	968.0	1 241.9	1 425.2	1 764.2
Foreign exchange receivables from the rest of the world	1.2	2.1	4.1	0.7	7.9	10.0	13.6	20.7	25.8	32.2
Loans to organizations of associated labour performing economic activities	147.2	186.4	230.9	290.3	365.8	454.9	571.0	733.7	812.5	1 013.9
Loans to the Federal government and to other public institutions	42.0	47.4	58.5	70.0	89.5	101.9	120.1	137.2	147.6	154.6
Loans to households	7.5	11.6	17.5	24.7	38.1	48.0	53.2	57.3	63.3	91.3
Loans for housing construction	34.5	40.5	45.2	59.1	64.9	97.0	136.0	193.2	253.8	307.7
Other assets ³	9.5	10.7	11.6	28.9	37.1	66.3	74.1	99.8	122.2	164.5
Total assets	360.3	437.8	536.9	701.4	878.2	1 175.9	1 462.3	2 112.5	2 784.6	3 745.6
Total short-term liabilities	195.1	244.3	312.8	423.2	519.2	698.6	860.5	1 268.8	1 696.0	2 264.1
Foreign exchange liabilities	29.7	39.4	51.0	57.1	73.1	111.0	157.3	321.5	477.3	645.4
Money supply	77.6	97.2	130.7	206.5	251.1	315.3	375.1	461.6	584.3	740.0
Other and restricted deposits	61.7	72.6	89.9	112.4	135.2	155.2	195.7	254.7	329.8	509.0
Other ⁴	26.1	35.1	41.2	47.2	59.8	117.1	132.4	231.0	304.6	369.7
Total long-term operations	145.0	170.6	196.7	241.6	314.2	419.4	536.4	769.7	998.9	1 376.9
Foreign exchange liabilities	29.5	39.2	52.9	71.6	98.9	144.6	197.1	349.6	512.1	783.3
Time deposits	30.3	34.7	42.0	55.8	71.8	105.2	132.1	163.1	208.4	252.4
Loans	85.2	96.7	101.8	114.2	143.5	169.6	207.2	257.0	278.4	341.2
Funds	20.2	22.9	27.4	36.6	44.8	57.9	65.4	74.0	86.7	104.6
Total liabilities	360.3	437.8	536.9	701.4	878.2	1 175.9	1 462.3	2 112.5	2 781.6	3 745.6

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

SITC SECTIONS		1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
Imports														
0. and 1.	Food, drink and tobacco <i>of which:</i> Cereals and cereal preparations	207	296	308	508	666	420	637	784	605	977	991	788	689
		18	100	73	57	213	17	142	92	20	271	302	98	228
2.	Raw materials <i>of which:</i> Textile fibres and waste	314	312	336	486	1 004	739	693	940	995	1 205	1 544	1 637	1 422
		110	118	137	193	419	255	248	335	348	376	415	457	424
3.	Mineral fuels	138	193	176	358	951	943	1 082	1 296	1 431	2 248	3 549	3 786	3 433
5.	Chemicals	267	297	349	450	811	834	791	989	1 140	1 653	1 824	2 027	1 658
6.	Semi-manufactures <i>of which:</i> Base metals	826	917	844	1 081	1 806	1 747	1 364	1 763	1 698	2 243	2 376	2 595	2 007
		427	469	427	521	881	963	700	841	835	1 151	1 313	1 419	1 040
7. and 8.	Finished manufactures <i>of which:</i> Machinery Transport equipment	1 102	1 187	1 170	1 598	2 239	2 899	2 731	3 791	4 058	5 637	4 674	4 816	4 071
		629	768	785	981	1 382	1 987	1 935	2 580	2 833	3 993	3 450	3 417	2 810
4. and 9.	Other	326	250	233	434	576	628	548	814	796	1 038	766	944	897
		20	51	49	30	65	115	69	70	56	56	106	108	54
	Total	2 874	3 253	3 232	4 511	7 542	7 697	7 367	9 633	9 983	14 019	15 064	15 757	13 334
Exports														
0. and 1.	Food, drink and tobacco <i>of which:</i> Live animals and meat Cereals and cereal preparations	314	319	392	459	412	478	618	607	687	720	1 023	1 157	1 147
		159	176	247	251	148	222	261	267	313	300	352	629	431
		21	11	8	62	73	36	103	86	80	23	108	152	113
2.	Raw materials <i>of which:</i> Wood	157	149	184	275	360	282	429	510	451	619	665	554	497
		64	66	84	157	183	140	248	315	265	318	368	293	251
5.	Chemicals	97	129	143	176	384	380	353	331	469	636	1 010	1 377	1 073
6.	Semi-manufactures <i>of which:</i> Base metals	492	494	603	814	1 245	1 180	1 337	1 204	1 259	1 606	1 994	2 414	2 251
		256	246	308	444	748	579	603	492	497	606	697	700	662
7. and 8.	Finished manufactures <i>of which:</i> Machinery Ships	595	698	886	1 088	1 342	1 712	2 077	2 409	2 598	2 939	3 996	5 162	5 043
		192	242	301	365	491	622	802	1 000	1 030	1 329	1 656	2 117	2 147
		142	136	162	178	248	304	287	415	421	252	317	310	323
3., 4. and 9.	Other	24	26	29	41	62	40	64	195	204	274	289	265	230
	Total	1 679	1 814	2 237	2 853	3 805	4 072	4 878	5 256	5 668	6 794	8 977	10 929	10 241

Source: Direct communication to the OECD.

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

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
Imports, cif													
OECD countries	1 981	2 140	2 113	2 820	4 562	4 677	4 038	5 481	5 890	8 530	7 951	8 395	6 832
EEC	1 334	1 435	1 423	1 905	3 016	3 162	2 876	3 806	3 829	5 794	5 219	5 588	4 486
Italy	378	396	400	531	889	869	760	1 029	827	1 146	1 117	1 291	1 023
Germany	567	617	604	856	1 356	1 437	1 233	1 571	1 801	2 888	2 500	2 243	1 858
United States	160	198	198	185	357	417	370	546	615	1 059	1 015	957	846
Other	487	507	492	730	1 189	1 098	792	1 129	1 446	1 677	1 717	1 850	1 500
Centrally planned economies ¹	593	778	802	1 117	1 755	1 907	2 259	2 781	2 498	3 566	4 535	4 961	4 621
of which: USSR	193	281	283	408	752	807	1 002	1 301	1 375	1 793	2 698	2 966	2 737
Developing countries:	300	336	316	574	1 225	1 112	1 070	1 371	1 595	1 923	2 578	2 401	1 881
In Africa	78	85	100	146	292	159	258	323	397	570	936	1 126	833
In America	81	78	93	189	275	185	212	327	222	308	468	357	221
In Far-East	71	83	65	63	114	180	118	164	440	185	247	252	350
In Middle-East	70	90	57	176	544	588	482	555	536	860	927	666	477
Total	2 874	3 253	3 232	4 511	7 542	7 697	7 367	9 633	9 983	14 019	15 064	15 757	13 334
Exports, fob													
OECD countries	942	960	1 272	1 588	1 773	1 452	2 040	2 101	2 437	2 988	3 348	3 501	2 883
EEC	655	645	809	1 018	1 044	930	1 327	1 395	1 305	2 083	2 368	2 531	2 091
Italy	255	226	308	465	432	372	596	664	531	716	833	1 012	781
Germany	198	210	264	319	364	316	426	390	472	739	778	867	720
United States	90	109	150	233	316	265	354	297	371	373	393	387	311
Other	197	206	313	337	413	258	359	409	761	532	587	583	481
Centrally planned economies ¹	545	666	807	970	1 581	1 924	2 069	2 109	2 180	2 747	4 149	5 433	5 228
of which: USSR	242	267	329	407	668	1 012	1 142	1 138	1 394	1 401	2 489	3 644	3 424
Developing countries:	192	188	158	295	451	696	769	1 046	1 051	1 059	1 480	1 995	2 130
In Europe	10	1	1	1	1	3	4	6	3	4	5	4	4
In Africa	60	68	55	113	170	289	307	469	467	543	735	876	883
In America	22	42	43	66	62	68	57	122	47	27	57	74	65
In Far-East	65	41	20	55	90	161	203	151	300	128	206	311	293
In Middle-East	35	36	39	60	128	175	198	298	234	357	477	730	885
Total	1 679	1 814	2 237	2 853	3 805	4 072	4 878	5 256	5 668	6 794	8 977	10 929	10 241

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

	1972 ¹	1973	1974	1975	1976	1977	1978	1979	1980	1981 ²	1982 ³
Trade balance	-992	-1 658	-3 715	-3 625	-2 489	-4 380	-4 317	-7 225	-6 086	-4 828	-3 089
Exports, fob	2 241	2 853	3 805	4 072	4 878	5 254	5 671	6 794	8 978	10 229	10 247
Imports, cif	-3 233	-4 511	-7 520	-7 697	-7 367	-9 634	-9 988	-14 019	-15 064	-15 757	-13 336
Services and transfers, net	1 411	2 143	2 532	2 622	2 654	2 798	3 061	3 564	3 795	4 078	2 625
Transportation	240	323	396	473	429	568	585	731	832	1 044	980
Foreign travel	219	589	644	702	725	750	930	1 028	1 515	1 853	1 415
Investment income	-155	-181	-198	-281	-279	-258	-300	-633	-1 084	-1 710	-1 773
Private transfers and workers' remittances	1 049	1 412	1 379	1 310	1 415	1 427	1 745	1 710	1 539	2 042	1 255
Other services	58		311	418	364	311	101	728	993	849	748
Current Balance	419	485	-1 183	-1 003	165	-1 582	-1 256	-3 661	-2 291	-750	-464
Long-term capital, net	810	424	677	1 141	1 285	1 263	1 597	1 590	2 281	1 458	479
Loans received	838	601	702	1 219	1 415	1 463	1 702	1 740	2 516	1 708	679
Loans extended	-28	-177	-25	-78	-130	-200	-105	-150	-235	-250	-200
Short-term capital, net	-153	-38	13	6	-	75	247	283	739	261	-506
Bilateral balances (-: capital outflow)	113	-	196	-137	-146	161	-65	-664	354	-770	-805
Errors and omissions	-646	-285	200	123	183	147	-52	-153	-484	-79	284
Reserve movements (+: increase)	543	586	-97	130	1 487	64	471	-1 277	599	120	-1 012

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

2. Trade figures in this table differ from those in tables K and L. In the above table the statistical exchange into for 1981 used by the authorities is \$1=41.80 dinars and in the latter tables it is \$1=27.30 dinars.

3. Preliminary data.

Sources: *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	Luxem- bourg	Nether- lands	New Zealand	Norway	Portugal	Spain	Sweden	Switzer- land	Turkey	United Kingdom	United States	Yugo- slavia ¹	
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 ²	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	»	Number	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	
	Net average annual increase	Mid-1970 to Mid-1980	%	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	Total civilian	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 ³	
	of which: Agriculture, forestry, fishing	»	% of total	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 ⁴	»	»	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 ¹¹	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 ⁹	57.3	24.1	211.1	122.8	101.5	52.9	522.9	2 587.1	56.2 ²⁴	
	Average annual volume growth ⁶	1975 to 1980	%	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	
	Per capita	1980	US \$ ¹¹	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		1980	% of GDP	22.8	25.3	21.4	23.1	18.3	24.6	21.6	23.6	23.5 ⁸	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	
	of which: Transport, machinery and equipment	1979	»	..	9.8	6.0	8.1	7.6	8.6	9.2	9.1	8.6	6.6	9.8 ¹⁹	8.0	10.7	9.2 ²²	8.7	7.8	9.9	7.1	6.9 ¹⁹	7.3	7.1	..	9.3	7.4	..	
	Residential construction	»	»	4.2 ¹⁰	14.2	6.5	5.3	6.9	6.3	6.4	6.5	9.2	5.7	6.4 ¹⁹	5.1	7.4	6.6 ²³	5.8	3.3	5.3	3.7	..	5.0	..	3.8	3.0	4.8	7.2	
	Average annual volume growth ⁶	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 ¹²		1980	% of GDP	21.4 ¹⁰	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 ⁹	29.9	20.5	18.9	17.3	26.7	16.6	19.2	18.3	37.0	
GENERAL GOVERNMENT	Current expenditure on goods and services	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	16.1	9.8	15.9	18.1	16.0 ⁹	19.7	14.8	10.8	28.4	12.9	13.7	20.0	17.4	17.6	
	Current disbursements ¹³	»	»	29.6 ¹⁰	42.2	46.2	35.8	49.4	34.6	42.1	40.9	29.7	25.0 ²³	41.7 ¹⁹	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 receipts	»	»	32.5 ¹⁰	44.2	43.2	35.8	50.3	38.2	43.4	42.9	30.6	34.0 ²³	37.8 ¹⁹	35.7	26.6	52.2	55.8	..	52.2	26.9	27.5	57.4	33.2	23.8	39.0	32.5	..	
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	Private consumption per capita	1980	US \$ ¹¹	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	
	Passenger cars, per 1 000 inhabitants	1978	Number	479	272	302	410 ²³	219	235	327	346	80	339	194	300	185	423	288	395	282	118	178	345	324	11 ¹⁴	256	536	85	
	Telephones, per 1 000 inhabitants	1979	»	440 ¹⁹	375	352	666	609	470	415	434	281	444 ¹⁹	174	318	460	547	486	545 ¹⁹	423	132	294	772	700	39	480	793	79 ¹⁹	
	Television sets, per 1 000 inhabitants	1977	»	351 ¹⁴	247 ¹⁴	286	428 ¹⁴	338	363 ¹⁴	372	308	127 ¹⁴	214 ¹⁴	193	224	239 ²⁰	293 ¹⁴	279	259 ¹⁴	270 ¹⁴	76 ¹⁴	185 ¹⁴	363 ¹⁴	285 ¹⁴	44 ¹⁴	324	571 ²⁰	199	
	Doctors, per 1 000 inhabitants	1977	»	1.5 ¹⁴	2.3	2.1	1.8	2.0	1.6	1.6 ¹⁴	2.0	2.2	1.7 ¹⁶	1.2	2.3	1.2	1.1	1.7	1.4	1.8	1.5	1.8	1.8 ¹⁴	2.0	0.6	1.5	1.7	1.3	
	Full-time school enrolment ¹⁵	1979	% of age group	44.4	32.0 ²³	61.3 ²³	64.9 ²³	57.4 ²³	68.5	55.9	45.4 ¹⁹	45.4 ²⁰	..	50.5	43.9 ¹⁴	71.4	37.3 ¹⁹	65.0	44.8 ²³	65.0	33.4 ¹⁴	41.3 ¹⁹	56.3 ¹⁴	70.1 ²³	12.7 ²⁰	46.2 ²³	75.0	52.2	
	Infant mortality ¹⁷	1980	Number	11.0	13.9	11.2 ²³	10.9 ²³	8.8 ²³	7.7 ²³	10.0	13.5 ²³	18.7 ²³	5.4 ²³	12.4 ²³	14.3	7.4	11.5	8.7 ²³	12.6 ²³	8.8 ²³	26.0 ²³	11.1	6.7	8.5 ²³	..	11.8	12.6	33.4 ¹⁹	
WAGES AND PRICES	Average annual increase																												
	Hourly earnings in industry ¹⁸	1975 to 1980	%	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	»	»	»	»	»	»	»	»	»	»	»	»	»	»	»	»	»	»	»	»	»	»	»	»	»	»	»	»
FOREIGN TRADE	Exports of goods, fob	1980	US \$ million ¹¹	22 068	17 364	64 500 ⁷	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	
	As percentage of GDP	»	%	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	
	Average annual volume increase	1975 to 1980	%	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 ²⁵	2.1	6.3	4.7	6.7	6.7	3.8	
	Imports of goods, cif	1980	US \$ million ¹¹	20 208	24 252	71 676 ⁷	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	
	As percentage of GDP	»	%	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	
	Average annual volume increase	1975 to 1980	%	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 ²⁵	0.8	9.0	-4.1	3.9	6.7	0.5	
TOTAL OFFICIAL RESERVES ²⁴		End-1980	US \$ million	2 044	6 223	9 349 ⁷	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	
	As percentage of imports of goods	In 1980	%	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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