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April 24, 1984

To : Members of the Executive Board  
From : The Secretary  
Subject: Yugoslavia: Supplementary Background  
Material for the GATT

The attached paper has been prepared by the staff to supply more recent background information on Yugoslavia in connection with the forthcoming consultations between the CONTRACTING PARTIES to the GATT and Yugoslavia. In the absence of objection from an Executive Director by noon on Monday, April 30, 1984, the paper will be transmitted to the CONTRACTING PARTIES for their information and use.

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INTERNATIONAL MONETARY FUND

YUGOSLAVIA

Supplementary Background Material for the GATT

Prepared by the European and Exchange and Trade Relations Departments

Approved by Brian Rose and Subimal Mookerjee

April 24, 1984

This supplement updates the Fund report of February 25, 1983, entitled "Yugoslavia--Recent Economic Developments."

I. Recent Economic Developments

1. Domestic developments

Subsequent to the introduction of a three-year stabilization program in 1981, the Yugoslav authorities have been following a policy of restraining domestic demand and adjusting relative prices, in an effort to shift resources to the external sector. After declining by an average of 1.8 percent in 1981-82, total domestic demand dropped further by 3.6 percent in 1983, primarily due to a decline in gross fixed investment of more than 12 percent, the fourth consecutive annual decline in investment (Table 1). Private consumption fell by nearly 2 percent, considerably less than might have been expected, given the estimated drop in real wages in the socialized sector of 10 percent in 1983, and the cumulative fall of 25 percent over the last four years (Table 2). <sup>1/</sup> Public consumption also declined, reflecting efforts to reduce the size of the public sector. However, mainly in response to a fall in real interest rates, there was an increase in inventories, despite the scarcity of imports. Total exports of goods and services remained roughly unchanged, although there was a strong improvement in exports to the convertible currency area. As imports declined further, however, the foreign balance rebounded somewhat, exerting an expansionary impact equivalent to 1.2 percent of GSP. Nevertheless, this was not sufficient to prevent a decline in GSP of 2.5 percent (following an increase of 1.8 percent in 1981 and a decline of 1.9 percent in 1982).

A 12-month effort to control inflation via a price freeze was abandoned in late July 1983. The price freeze was replaced by a system in which prices could be freely determined for about 45 percent of industrial output, while prices for a further 45 percent were subject to approval by Communities for Prices at the federal and regional levels, and the remaining 10 percent was subject to price ceilings set by the price authorities. Subsequently, inflation surged in the second half of the year, due largely to the release of pent-up inflationary pressures,

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<sup>1/</sup> Non-wage income comprises more than 40 percent of household incomes.

and intensified by an active exchange rate policy. On top of these pressures, administered prices were increased sharply in late December, notably for the electric energy sector and the railways, contributing to a 10 percent jump in the industrial producer price index that month. Industrial producer prices increased by 55 percent during 1983 as a whole, compared with 25 percent in 1982 (Table 3). To control the inflationary surge and to dampen inflationary expectations, a temporary price freeze was imposed at the end of the year; it is to be lifted by the end of April 1984.

## 2. Fiscal policy

Public sector bodies other than the federal government are required by law to balance their budgets. In practice, they have typically achieved small surpluses, which are either redistributed in the following year or used to increase bank balances. The federal government--which, until recent years, had recorded sizable deficits--moved to approximate balance in the 1981-83 period, giving rise to a surplus for the public sector as a whole. As a ratio to GSP, this surplus fell from about 1 percent in 1981-82 to about 1/2 percent in 1983.

The policy of the authorities in 1982 and 1983 was to reduce the share of the public sector in the economy and, to this effect, limits were imposed on public sector revenues. This put an implicit control on expenditures, given the plan to balance the budget of the federation and the requirement to balance the budgets at the various other levels of government. In 1983, an effort was made to place a nominal limit on the increase in public sector revenue, but, because of the much higher-than-expected rate of inflation toward the end of the year, this did not prove feasible. Nevertheless, revenues declined substantially in real terms as total revenues increased by 31.5 percent, compared with a 40 percent increase in the GSP deflator (Table 5).

The authorities plan to follow broadly similar policies in 1984, limiting the growth rate of public sector revenues to 85 percent of the increase in retail prices, and accumulating an overall public sector surplus of the same magnitude, relative to revenues, as in 1983. Expenditure restraints will be concentrated on payments of subsidies, particularly those paid to exporters through the Community of Interest for Foreign Economic Relations, which will be either reduced substantially or eliminated.

## 3. Monetary policy

In 1983, as a major component of the stabilization program, the National Bank of Yugoslavia again imposed limits on credit expansion. The unanticipated rise in inflation, which became pronounced in the second half of 1983, caused the limits on net domestic assets (NDA) of the banking system to be even more restrictive than expected. Total domestic credit increased by 31 percent in nominal terms in 1983, but declined by 17 percent in real terms, compared with 6 percent the year

before (Table 7). Although the limits on NDA were observed with a margin to spare, the nominal growth of M2 in 1983 was 38 percent, or 5 percent higher than had been forecast. A large part of the growth in the money stock was due to valuation changes on foreign currency deposits, which accounted for 43 percent of M2 at the end of 1983, compared with 31 percent a year earlier. Nevertheless, M2 fell by 12 percent in real terms.

Interest rates on bank deposits and on credits by the National Bank of Yugoslavia were raised by up to 8 percentage points in early 1983, in an effort to bring interest rates closer to positive levels in real terms. National bank interest rates were raised once more by 8-10 percentage points in July, bringing the discount rate to 30 percent (Table 8). In the event, the rise in the inflation rate to exceptionally high levels led to a sharp decline in real interest rates during the year. The authorities intend to raise real interest rates substantially during 1984.

## II. Balance of Payments and Exchange Rate Developments

### 1. Balance of payments

Following the adoption of the stabilization program, the current account position of the balance of payments improved somewhat in 1981-82. The global current account deficit was reduced from US\$3.7 billion in 1979 to US\$0.6 billion in 1982 (Table 9). However, developments vis-a-vis the convertible currency area were somewhat less impressive, i.e., a decline in the deficit from \$3.3 billion in 1979 to \$1.6 billion in 1982 (Table 10). Moreover, exports to the convertible currency area remained stagnant in nominal dollar terms in 1981-82, partly because of depressed markets for Yugoslav products, but, more importantly, due to insufficient price competitiveness of Yugoslav exports in spite of the depreciation of the dinar in mid-1980 and mid-1981. The improvement in the current account in these years, therefore, stemmed wholly from a compression of imports. The capital account came under increasing pressure in 1981, and particularly in 1982, when sharply lower inflows of medium- and long-term capital coincided with an outflow of short-term capital. As a result, gross foreign reserves declined by \$1.0 billion in 1982.

The step devaluation in late 1982, and an active exchange rate policy during 1983, resulted in a sharp improvement in the competitive position of Yugoslav goods. At the same time, the restrictive demand management policies were intensified in order to release resources for the external sector. These measures were the main factors behind a 13 percent increase in exports to the convertible currency area. Total exports, however, remained roughly unchanged. Imports declined further, and this, together with a small improvement on the services account, contributed to a sharp improvement on the current account with the convertible currency area to a surplus of \$300 million, and a similar surplus on the global current account. Capital account developments were again less favorable. Medium- and long-term capital inflows

improved sharply, due to a financial package encompassing support from foreign governments, commercial banks, and the IBRD. However, the position regarding short-term capital and unrecorded transactions deteriorated dramatically, partly due to difficulties in obtaining payments from certain importing countries, but also reflecting the incentive to capital exports provided by sharply negative real interest rates. As a result, foreign reserves, which had already declined to an uncomfortably low level, registered a marginal decline, rather than the intended substantial improvement (Table 12). During the first few months of the year, reserves have declined somewhat further on account of nominal seasonal developments, but are expected to increase during 1984 as a whole.

The rate of increase in external debt slowed down substantially in 1981 and 1982, mainly due to the difficulties experienced in obtaining new loans (Table 13). In 1982, when a large part of the deficit on the current account of the balance of payments was financed by a sharp reduction in the holdings of external reserves, recorded external debt increased by only \$0.3 billion. In 1983, external debt rose by \$1 billion to \$19.5 billion, reflecting the inflow of funds from the financial package mentioned above. The policy intention of the Yugoslav authorities is to reduce the level of external indebtedness during 1984 and over the medium term.

## 2. Exchange rate developments

Following exchange rate realignments in mid-1980 and mid-1981, and further adjustments at the end of 1981, the exchange rate policy pursued until October 1982 aimed at maintaining the real effective exchange rate of the dinar unchanged in terms of a payments-weighted currency basket (Chart 1). Due to the large share of the U.S. dollar in the official basket, the dinar appreciated slightly against a basket reflecting trade patterns more closely, and, in particular, against western European countries. During the year--particularly the second half--balance of payments developments with the convertible currency area worsened, and the shortage of foreign exchange became acute. Against this background, the dinar was devalued by 16.7 percent on October 2, 1982. For the year as a whole, the real effective exchange rate depreciation totaled 13 percent. In January 1983, the dinar was depreciated further by 6.5 percent in terms of the Yugoslav currency basket, and an active exchange rate policy was pursued in the period until November 1983; this led to a depreciation of 47 percent in nominal effective terms and 28 percent in real effective terms during the first 11 months of the year. In December 1983 and the first few months of 1984, the authorities switched to a policy of maintaining the nominal effective exchange rate unchanged without adjusting for the divergence between domestic and foreign prices, thus reducing somewhat the real depreciation registered earlier in the year. As of end-February, the real effective exchange rate was estimated to be 15 percent lower than at the beginning of 1983.

### III. Exchange and Trade System

A major institutional change in Yugoslavia's restrictive system occurred in 1977-78, when a number of new laws introduced the principle of decentralization in the field of exchange and trade policy, resulting in less involvement by the federal authorities in decisions about import quotas and the allocation of foreign exchange. According to this system, the Federal Assembly formulates the decision on the country's foreign exchange policy for each year of which the balance of payments and foreign exchange balance projections are component parts. The projections contain the mutually adjusted plans of the balance of payments of the republics and autonomous provinces, as well as the foreign exchange expenditures and revenues of the Federation. Actual implementation of the foreign exchange policy is carried out by the organizations of associated labor (OALs) themselves, within the framework of communities of interest for foreign economic relations.

Self-managing communities of interest for foreign economic relations (CIFERs) have been set up in each republic and autonomous province; these, in turn, are members of the Yugoslav Community of Interest, within which they coordinate their activities and establish unified criteria for achieving the agreed volume of exports of goods and services and the procedure for borrowing and lending abroad. Within the regional and national CIFERs, the OALs negotiate their rights and obligations and coordinate their programs and actions on the basis of self-management agreements. The basic tenet underlying these self-management agreements is that foreign exchange belongs to the OAL that realizes it. Commodities are classified in three categories: liberalized goods (LB); goods subject to individual quotas established in quantities (RK) or in dinars (DK); and goods subject to ad hoc licensing (D). <sup>1/</sup> In principle, quotas for particular items are allocated by self-management agreements between producing, consuming, and importing organizations of associated labor within the self-managing communities of interest. Imports of liberalized goods may also in practice be restricted by the nonavailability of foreign exchange. Foreign exchange for the payment of imports from the convertible currency area is obtained either from the foreign exchange receipts of the importing OAL itself, or is made available on the basis of self-management agreements concluded within the self-managing communities of interest.

Amendments to the foreign exchange law in January 1983 shifted the focus of foreign exchange allocation away from the regional approach toward a sectoral approach. Also, the amendments introduced surrender requirements for federal and republican/provincial purposes, and stipulated that surplus foreign exchange, after various specified purposes--

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<sup>1/</sup> At the end of 1983, of the 5,900 positions and subpositions in Yugoslav foreign trade nomenclature, some 4,600 were classified on the LB list and some 1,300 on the restricted list. In 1983, the share of the value of imports on the LB list was estimated at 47 percent of total imports, compared with 42 percent in 1980.

including import needs of the exporting enterprise--had been satisfied, had to be sold to a commercial bank rather than be kept in the foreign exchange account of the OAL. According to the amended system and subsequent decisions during the year, the general system for allocating an exporter's foreign exchange receipts would be determined as specified in Appendix I. The amounts an exporter could retain for his own use would increase somewhat if he succeeded in surpassing the exports targeted in the resolution of foreign exchange policy. The amendments only provided a framework for the allocation of foreign exchange. OALs were to form groups according to activities, within which they were to agree on the allocation for the various purposes which would differ among groups, but would be based on unified criteria established by the Yugoslav Community of Interest in cooperation with the Yugoslav Chamber of the Economy.

These arrangements were originally to be concluded by the end of June 1983, but this process proved difficult. Only a few groups were able to reach agreement. As a result, throughout 1983 the system seems to have been implemented in much the same way as in previous years. There was virtually no scope for a unified foreign exchange market. Certain special arrangements were concluded. For example, 28 percent of foreign exchange receipts from exports of agricultural food products, tobacco, and fruit products, was to be allocated for imports of raw materials for fertilizers and pesticides, and 15 percent of foreign exchange from the proceeds of exports of livestock and livestock products for raw materials for animal and fish feed.

Further modifications in the application of the foreign exchange law were introduced early in 1984. Some 54 percent of the foreign exchange earnings of exporters of goods and nonfactor services are to be channeled through the National Bank of Yugoslavia to cover specified payments needs. These are essentially the same as specified in the 1983 amendments, the most important of which are: (1) the needs of the Federation; (2) the need to increase reserves of the NBY; (3) the debt obligations of the NBY; (4) imports of essential raw materials for the supply of the domestic market and certain consumer goods; and (5) imports of fuels and resources to search for fuels. The main difference, when compared with 1983, is that a specific allocation for imports of goods of special importance has been included in the portion a priori channeled to the NBY and that the rigid assignment of fixed percentages has been abandoned.

The remaining 46 percent is divided into two parts. An exporter is entitled to keep one part for recognized foreign exchange needs. The second part, the residual, is to be sold to the unified exchange market, from which net users of foreign exchange can purchase up to the amount of their recognized foreign exchange needs. Recognized foreign exchange needs are to cover obligations on the basis of foreign credits, imports of raw materials and semimanufactures, spare parts for the maintenance of equipment, and payments for invisibles necessary to maintain the production process. These are to be determined for each OAL in self-management agreements within groups of OALs, on the basis of unified

criteria established by the Yugoslav Community of Interest in cooperation with the Yugoslav Chamber of the Economy. As in 1983, the amount that may be retained by an exporter will be increased if the increase in exports exceeds a certain level. The 1984 amendments are more specific than those of 1983 on how to form the groups within which OALs are to reach agreement; inability to form groups delayed the implementation of the 1983 amendments. OALs could choose to determine their recognized foreign exchange need within either the general associations within the Yugoslav Chamber of the Economy 1/ or certain other types of associations at the national level, or, subject to approval, within large production associations (conglomerates such as Rade Koncar and Iskra). Twelve special associations of the latter type were approved. Although all groups have been formed, the actual calculation of individual amounts has not yet been completed, and it remains unclear to what extent these provisions will allow a unified foreign exchange market to emerge.

Restrictions on payments and transfers for current international transactions are maintained in accordance with the transitional arrangements under Article XIV, with the exception of the restriction on the availability of exchange for foreign travel, which is maintained under Article VIII.

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1/ Corresponding roughly to branch organization.

Yugoslavia: Allocation of Foreign Exchange, 1983

Foreign exchange receipts <u>1/</u>	100
Allocations established by acts of Parliament or decree of the Federal Executive Council	
For needs of the Federation	5
For buildup of reserves of the NBY	3
For imports of energy raw materials	17
For needs of socio-political collectives in republics and autonomous provinces	15 <u>2/</u>
Fund for the repayment of debt of enterprises which have insufficient foreign exchange earnings <u>3/</u>	<u>4.7</u>
Total	44.7
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Allocations to be established within groups of enterprises	
For the discharge of obligations of the exporting basic organization of associated labor arising from foreign credits	x
For the satisfaction of the reproduction requirements of the BOAL in question	x
For importation of essential goods to supply the domestic market	x
For the satisfaction of reproduction needs of BOALs whose contribution to exports cannot be established or is insufficient to meet necessary import requirements	x
For reproduction requirements of BOALs which have established import needs but do not participate in exports	x
For enterprises who are prohibited to export	<u>x</u>
Total	xx
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Residual to be sold to the banking system	xx
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1/ After the sharing of final exporter with his suppliers, according to self-management agreement.

2/ Maximum amount.

3/ According to The Law on Payment of Debts in Foreign Currencies passed in July 1983.

Table 1. Yugoslavia: National Accounts 1/

	1982		1981	1982	1983	
	Billions of dinars: current prices	Percent of total			Preliminary Plan 2/ estimate	
			(In 1980 prices; percent change)			
Private consumption	1,510.7	51.5	-1.0	0.5	-6.0	-1.7
Public consumption	260.1	8.9	-0.7	-1.6	0.2	-4.0
Gross fixed investment	<u>854.8</u>	<u>29.2</u>	<u>-10.8</u>	<u>-6.2</u>	<u>-20.0</u>	<u>-12.5</u>
Final domestic demand	2,625.6	89.6	-4.5	-2.0	-10.0	-5.4
Stockbuilding <u>3/</u> <u>4/</u>	307.6	10.5	2.9	-0.4	6.9 <u>5/</u>	1.3
Total domestic demand	2,933.2	100.1	-1.4	-2.2	-1.8	-3.6
Exports of goods and nonfactor services	710.1	24.2	-1.1	-9.0	8.8	-0.3
Imports of goods and nonfactor services	<u>712.6</u>	<u>24.3</u>	<u>-13.2</u>	<u>-9.6</u>	<u>-4.3</u>	<u>-6.0</u>
Foreign balance <u>3/</u>	-2.5	-0.1	3.2	0.2	2.7	1.2
Gross social product <u>1/</u>	2,930.7	100.0	1.8	-1.9	0.9	-2.5
<u>Memorandum item:</u> GSP deflator			40.4	34.4	20.0	40.2

Sources: Data provided by the Yugoslav authorities; and staff estimates.

1/ GSP estimated by staff as the arithmetic average of demand and production estimates; stockbuilding is a residual. Foreign balance estimated from balance of payments data converted at market exchange rates.

2/ Resolution for the Annual Plan for the year indicated.

3/ Change in percent of preceding year's GSP at constant prices.

4/ Calculated as a residual.

5/ Includes "unallocated consumption," the discrepancy between demand and production estimates.

Table 2. Yugoslavia: Nominal and Real Net Personal  
Income per Worker in the Socialized Sector

	Net Personal Income Per Worker					Cost of Living 1981=100	Real Net Personal Income Per Worker				
	Socialized sector		Of which: Economic sector		1981=100		Socialized sector		Of which: Economic sector		
	Dinars per month	Percent change <u>1/</u>	Dinars per month	Percent change <u>1/</u>			1981=100	Percent change <u>1/</u>	1981=100	Percent change <u>1/</u>	
1978	5,075	20.8	4,913	20.6	45.4	113.5	5.7	111.8	5.5		
1979	6,113	20.5	5,928	20.7	54.7	113.4	--	111.9	0.1		
1980	7,368	20.5	7,167	20.9	71.3	105.0	-7.4	104.0	-7.1		
1981	9,846	33.6	9,675	35.0	100.0	100.0	-4.8	100.0	-3.8		
1982	12,542	27.4	12,329	27.4	131.6	96.8	-3.2	96.9	-3.1		
1983											
Jan.-Nov.	15,527	25.5	15,339	25.9	181.6	86.9	-9.8	87.3	-9.5		
1981 December	11,590	34.0	11,277	35.4	111.6	105.5	-1.4	104.4	-0.4		
1982 December	14,284	23.2	13,900	23.3	148.2	97.9	-7.2	97.0	-7.2		
1983											
1st quarter	13,703	19.9	13,508	20.4	156.9	88.7	-10.6	89.0	-10.3		
2nd quarter	15,040	22.1	14,802	22.4	173.9	87.8	-10.6	88.0	-10.4		
3rd quarter	16,147	26.1	16,030	26.8	188.8	86.9	-8.7	87.8	-8.2		
October	17,620	35.4	17,520	36.6	209.3	85.5	-7.6	86.5	-6.3		
November	18,336	35.9	18,009	35.9	221.4	84.1	-10.2	84.1	-10.2		

Sources: Federal Statistics Office, Indeks; and data provided by the Yugoslav authorities.

1/ Change from corresponding period of preceding year.

Table 3. Yugoslavia: Domestic Price Developments

	Weights in 1982 (In percent)	1981	1982	1983	1981	1982	1983				1984														
		Average year			Dec.	Dec.	Mar.	June	Sept.	Dec.	Jan.	Feb.													
													(Percentage change from one year earlier)												
Industrial producer prices	100.0	44.7	25.0	32.0	37.4	24.7	24.6	27.5	34.3	55.0	60.5	57.9													
Investment goods	10.1	25.0	15.8	22.1	18.7	17.9	18.1	19.6	26.7	29.9	38.9	35.6													
Intermediate goods	54.0	47.1	27.1	33.9	40.8	26.2	23.7	29.5	38.4	61.4	64.6	64.5													
Consumer goods	35.9	42.9	24.8	31.7	38.3	24.6	27.9	26.9	31.0	52.2	59.8	63.9													
Retail prices	100.0	46.0	29.5	39.1	39.3	30.7	31.9	34.3	42.8	58.4	60.0	58.2													
Of which:																									
Agricultural products	5.1	39.2	43.8	44.1	36.0	44.7	47.4	40.4	42.5	54.0	53.1	38.5													
Manufactures	79.7	49.4	28.6	39.3	41.5	30.0	30.4	34.8	43.5	59.9	62.8	64.0													
Services	9.0	29.2	20.3	29.7	27.0	19.7	21.8	25.6	32.7	50.0	47.1	46.4													
Cost of living	100.0	40.7	31.7	40.9	36.2	32.7	35.6	36.6	43.4	60.1	61.2	55.9													
Of which:																									
Food	42.9	42.9	38.8	44.9	38.0	40.1	42.7	38.8	44.4	63.2	62.5	61.1													
Clothing	12.5	37.5	35.2	40.6	37.6	36.1	33.3	38.2	44.1	51.7	55.2	56.6													
Rent	2.7	29.9	18.0	34.4	34.6	18.1	21.7	40.1	37.0	45.6	45.6	45.4													
GSP deflator	...	40.4	34.4	40.2																					

Sources: Federal Statistics Office, Indeks; and data provided by the Yugoslav authorities.

Table 4. Yugoslavia: Budget of the Federation

(In billions of dinars)

	1980	1981	1982	<u>1983</u> Revised budget	<u>1984</u> Budget
<b>Revenue</b>					
Customs duties and other import fees	20.7	26.2	28.3	44.6	83.8
Contributions from republics and provinces	38.5	63.8	80.4	97.4	130.6
General turnover and sales taxes	47.4	71.3	85.2	112.0	150.1
Other taxes	0.2	0.2	0.3	0.5	0.8
Nontax revenue	<u>2.5</u>	<u>3.3</u>	<u>4.8</u>	<u>7.6</u>	<u>8.7</u>
Total revenue (percent change)	109.4 (16.9)	164.8 (50.7)	199.0 (20.8)	262.1 (31.7)	374.0 (42.7)
<b>Expenditure</b>					
Administration	18.6	21.9	26.0	33.2	41.6
Defense	76.1	99.8	118.2	154.6	233.9
Grants to republics and provinces	14.3	16.6	20.8	24.8	29.7
Grants to funds and communities of interest	18.7	24.8	29.8	43.7	60.0
Investment	0.8	0.9	0.4	1.3	1.8
Other or discrepancy	<u>1.2</u>	<u>3.7</u>	<u>1.5</u>	<u>2.6</u>	<u>2.8</u>
Total expenditure (percent change)	129.7 (33.3)	167.1 (28.8)	196.7 (17.7)	260.2 (32.3)	369.8 (42.1)
Surplus or deficit (as a percentage of GSP)	-20.3 (-1.3)	-2.3 (-0.1)	2.3 (0.1)	1.9 (--)	4.2 (0.1)

Source: Data provided by the Yugoslav authorities.

Table 5. Yugoslavia: Public Sector Revenue

	Revenue for General Consumption						Revenue for Collective Consumption <u>3/</u>	Total Public Sector Revenue
	Budgets			Community of Interest for		Total <u>2/</u>		
	Federation	Republics, provinces	Local govern- ments	Foreign Economic Relations <u>1/</u>	Other			
(In billions of dinars)								
1979	58.9	68.5	35.8	24.9	3.4	191.5	233.8	425.3
1980	66.9	89.4	44.5	27.7	2.7	231.2	292.0	523.2
1981	95.2	129.3	57.1	33.6	5.6	320.8	386.6	707.4
1982	117.0	151.8	73.6	40.6	8.9	391.8	499.8	891.7
1983	161.2	197.3	87.5	75.0	8.6	529.6	643.0	1,172.6
(Percentage change from year earlier)								
1980	13.6	30.6	24.3	11.2	-21.6	20.7	24.9	23.0
1981	42.3	44.6	28.3	21.3	107.4	38.7	32.4	35.2
1982	22.9	17.4	28.9	20.9	58.5	22.1	29.3	26.0
1983	37.7	30.0	18.9	84.5	-2.8	35.2	28.6	31.5

Source: Data provided by the Yugoslav authorities.

1/ Revenue comprises customs duties and other taxes on imports; outlays comprise payments to export producers.

2/ Equal to total revenue of sociopolitical communities.

3/ Revenue of communities of interest for collective consumption.

Table 6. Yugoslavia: Public Sector Operations by Level of Government  
(In billions of dinars)

	1979	1980	1981	1982	1983 <sup>1/</sup>
Federal budget					
Revenues	93.6	109.4	164.8	199.0	262.1
Expenditures	97.3	129.7	167.1	196.7	260.2
Of which: Transfers to other budgets	(10.5)	(14.3)	(16.0)	(20.7)	(24.3)
Transfers to funds and communities of interest	(15.2)	(18.7)	(24.8)	(38.9)	(55.0)
Surplus or deficit	-3.7	-20.3	-2.3	2.3	--
Budgets of republics and autonomous provinces					
Revenues	50.2	67.3	85.9	101.1	120.3
Of which: Grants from other governmental units	(10.5)	(14.3)	(16.0)	(20.7)	(24.3)
Expenditures	50.1	64.6	82.5	96.7	118.3
Of which: Transfers to other governmental units <sup>2/</sup>	(4.9)	(5.3)	(7.6)	(8.0)	(9.0)
Surplus or deficit	0.1	2.7	3.4	4.4	2.0
Budgets of communes and cities					
Revenues	39.8	49.8	58.5	81.6	97.5
Of which: Grants from other governmental units	(3.3)	(5.3)	(7.6)	(8.0)	(9.0)
Expenditures	38.5	48.4	57.8	78.1	94.5
Of which: Transfers to other governmental units	(...)	(3.0)	(4.0)	(5.0)	(6.0)
Surplus or deficit	1.3	1.4	0.7	3.5	3.0
Social security funds <sup>3/</sup>					
Revenues	165.3	209.0	284.2	372.4	476.9
Of which: Grants from federal budget	(15.2)	(18.7)	(24.8)	(38.9)	(55.0)
Expenditures	<u>162.4</u>	<u>208.2</u>	<u>276.7</u>	<u>367.2</u>	<u>472.9</u>
Surplus or deficit	2.9	0.8	7.5	5.2	4.0
Funds and interest communities <sup>4/</sup>					
Revenues	152.5	193.4	257.1	323.4	433.8
Of which: Grants from federal budget	(1.6)	(3.0)	(4.0)	(5.0)	(6.0)
Expenditures	<u>152.1</u>	<u>188.7</u>	<u>254.7</u>	<u>321.2</u>	<u>430.8</u>
Surplus or deficit	0.3	4.7	2.4	2.2	3.0
Consolidated public sector <sup>5/</sup>					
Revenues	470.7	587.6	797.8	1,004.9	1,296.3
Expenditures	<u>469.8</u>	<u>598.3</u>	<u>786.1</u>	<u>987.3</u>	<u>1,292.4</u>
Surplus or deficit	0.9	-10.7	11.7	17.6	3.9
Domestic financing, net	-0.9	10.7	-11.7	-17.6	-3.9

Source: Data provided by the Yugoslav authorities.

<sup>1/</sup> Preliminary.

<sup>2/</sup> Not including agreed contributions to the federal budget.

<sup>3/</sup> Including communities for child protection and health, pension, and invalid insurance.

<sup>4/</sup> Excluding social security funds above and the Fund for the Development of Underdeveloped Regions. Data on these funds and interest communities are estimated by treating them as a residual using data on the consolidated public sector, grants, and transfers, and on expenditures and revenues of other levels of government.

<sup>5/</sup> Exclusive of grants and transfers among governmental units.

Table 7. Yugoslavia: Monetary Survey

(In billions of dinars)

	1980	1981	1982				1983			
	Dec.	Dec.	March	June	Sept.	Dec.	March	June	Sept.	Dec.
Money supply (M1)	461.6	584.3	593.8	616.3	664.9	739.8	747.3	764.4	833.6	888.6
Quasi-money	768.7	1,030.0	1,118.7	1,157.1	1,210.0	1,386.7	1,568.5	1,677.7	1,808.0	2,038.7
Of which										
Foreign exchange deposits	(318.7)	(466.6)	(517.7)	(523.5)	(544.1)	(671.7)	(821.7)	(917.5)	(1,069.5)	(1,250.5)
Broad money (M2)	1,230.3	1,614.3	1,712.5	1,773.4	1,874.9	2,126.5	2,315.8	2,442.1	2,641.6	2,927.3
Net foreign assets	-254.3	-375.1	-415.5	-436.1	-468.9	-587.9	-688.6	-856.6	-1,003.8	-1,201.6
Net domestic assets	1,484.8	1,989.4	2,128.0	2,209.5	2,343.8	2,714.4	3,004.4	3,298.7	3,645.4	4,128.9
Other items, net	-83.5	61.6	115.0	102.3	132.7	345.2	486.0	645.6	814.1	1,012.6
Domestic credit	1,568.3	1,927.8	2,013.0	2,108.3	2,211.1	2,369.2	2,518.4	2,653.1	2,831.3	3,116.3
			(Percentage change from previous year)							
Memorandum items:										
M1	23.0	26.6	24.5	21.8	21.9	26.6	25.9	24.0	25.4	20.1
M2	33.6	26.6	33.1	30.7	27.7	31.7	35.2	37.7	40.9	37.7

Source: National Bank of Yugoslavia.

Table 8. Yugoslavia: Selected Interest Rates

(In percent)

	1978	1979	1980	1981	1982		1983	
					June	Oct.	Feb.	July
Central Bank interest rates								
Official discount rate and liquidity credits <u>1/</u>	6	6	6	6	12	14	22	30
Selective credits <u>2/</u>	1-6	1-6	1-6	1-6	4-8	4-9	8-12	18-22
Commercial bank interest rates								
Deposit rates								
Sight deposits of OALs <u>3/</u>	--	--	--	--	1	1	4	4
Dinar deposits of households								
Sight	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
3 months	...	...	...	...	...	...	12	12
6 months	...	...	...	...	...	...	15	15
Long term <u>4/</u>	9-10	9-10	9-10	9-10	11-15	13-20	18-28	18-28
Foreign currency deposits of households <u>5/</u>								
Sight	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
Long term <u>4/</u>	9-10	9-10	9-10	9-10	9-10	9-12.5	9-12.5	9-12.5
Lending rates								
Short-term credits	7.5-11.5	8.5-11.5	9-12	9-12	9-16	9-21	32	30-38
Long-term credits	7.5-11	7.5-11	7-12	7-12	9-18	11-21	30-32	30-38

Source: National Bank of Yugoslavia.

1/ The rate on liquidity credits was 8 percent for the period 1978-81.2/ Credits for exports, agriculture, and imports.3/ Organizations of Associated Labor.4/ Lower rate for one-year deposit; higher rate for three-year deposit.5/ No interest is paid on foreign exchange deposits of OALs.

Table 9. Yugoslavia: Overall Balance of Payments

(In millions of U.S. dollars)

	1980	1981	1982	1983
Exports, f.o.b.	8,973	10,205	9,923	9,914
Percentage change in volumes	11.0	4.7	-6.2	--
Percentage change in unit values	19.0	8.6	3.7	--
Imports, c.i.f.	15,064	14,528	12,810	12,154
Percentage change in volumes	-10.4	-12.6	-10.0	-5.1
Percentage changes in unit values	20.0	10.4	-2.2	--
Trade balance	-6,086	-4,323	-2,887	-2,240
Nonfactor services, credit	4,518	4,845	3,672	3,577
Nonfactor services, debit <u>1/</u>	4,246	4,439	4,171	2,894
Nonfactor services, net	272	406	-499	683
Balance on exports of goods and nonfactor services	-5,814	-3,917	-3,386	-1,557
Workers' remittances	4,607	4,592	4,493	3,363
Interest payments, net	-1,084	-1,621	-1,731	-1,532
Current account balance	-2,291	-946	-624	274
Medium- and long-term capital, net	1,924	548	187	1,181
Short-term capital, including errors and omissions	-159	740	41	-2,164
Bilateral balances (surplus -)	354	-776	-805	244
Overall balance	-172	-434	-1,575	-465
Use of Fund resources	304	672	563	410
Change in reserves	-132	-238	1,012	55

Sources: Data provided by the Yugoslav authorities; and Fund staff estimates.

1/ Including outflow under workers' remittances.

Table 10. Yugoslavia: Balance of Payments with  
the Convertible Currency Area, 1980-83 1/

(In millions of U.S. dollars)

	1980	1981	1982	<u>1983</u> Est.
Exports, f.o.b.	5,656	5,720	5,526	6,271
Volume (percentage change) <u>3/</u>	...	-6.9	-6.8	13.6
Unit value (percentage change)	...	8.6	3.7	--
Imports, c.i.f.	11,321	10,600	9,069	8,069
Volume (percentage change) <u>3/</u>	...	-15.2	-16.3	-11.0
Unit value (percentage change)	...	10.4	-2.2	--
Trade balance	-5,665	-4,880	-3,543	-1,798
Services (net)	3,462	3,059	1,941	2,097
Workers' remittances	2,043	2,077	1,663	1,610
Tourism	988	1,195	704	875
Interest payments	-1,084	-1,590	-1,692	-1,489
Other	1,515	1,377	1,266	1,101
Current balance	-2,203	-1,821	-1,602	299
Medium- and long-term capital	1,830	583	-126	1,140
Loans received (net)	2,065	818	51	1,297
Drawings	(3,909)	(2,513)	(1,815)	(3,660)
Repayments	(-1,844)	(-1,695)	(-1,764)	(-2,363)
Loans extended (net)	-235	-235	-177	-157
Short-term capital through the banking system	739	167	-506	-670
Other short-term capital, errors and omissions	-538 <u>2/</u>	636 <u>2/</u>	659	-1,234
Overall balance	-172	-435	-1,575	-465
Use of Fund credit	304	672	563	410
Purchases	374	760	608	590
Repurchases	70	88	45	180
Reserve movements (increase -)	-132	-237	1,012	55

Sources: Data provided by the Yugoslav authorities; and Fund staff estimates.

1/ Calculated on the basis of statistical exchange rates of currencies to the U.S. dollar which may result in significant over- or underestimation of balance of payments flows, depending on currency composition and actual movement of currencies against the dollar. Staff calculations suggest that trade flows are underestimated by some 2 percent in 1982 and may be overestimated by a similar amount in 1983.

2/ Including allocation of SDRs of US\$38 million in 1980 and 1981.

3/ Official estimates of volume and unit values are only calculated for total trade flows. The volume changes for trade with the convertible currency area have been estimated on the basis of official unit values for total trade.

Table 11. Yugoslavia: Balance of Payments with  
the Nonconvertible Currency Area, 1980-83

(In millions of U.S. dollars)

	1980	1981	1982	<u>1983</u> Est.
Exports, f.o.b.	3,322	4,485	4,397	3,643
Imports, c.i.f.	-3,743	3,928	3,741	4,085
Trade balance	-421	557	656	-442
Services (net)	333	318	322	417
Current account	-88	875	978	-25
Capital movements	94	-35	-61	41
Errors and omissions	-360	-64	-112	-260
Total	-354	776	805	-244
Bilateral balance (surplus -)	354	-776	-805	244

Sources: Data provided by the Yugoslav authorities; and Fund staff estimates.

Table 12. Yugoslavia: External Reserves

(In millions of U.S. dollars; end of period)

	National Bank of Yugoslavia: Official Reserves					Foreign Assets of Deposit Banks	Total
	Reserve position in the Fund	SDRs	Gold <u>1/</u>	Foreign exchange	Total		
1976	--	10	62	1,980	2,052	658	2,710
1977	--	13	64	2,031	2,108	666	2,774
1978	81	20	69	2,288	2,457	783	3,245
1979	--	54	73	1,203	1,330	638	1,968
1980	--	13	78	1,371	1,462	1,102	2,567
1981							
1st quarter	--	22	78	1,408	1,508	1,130	2,638
2nd quarter	--	21	78	1,415	1,504	987	2,501
3rd quarter	--	33	78	1,435	1,546	1,044	2,590
4th quarter	--	84	78	1,540	1,702	985	2,687
1982							
1st quarter	--	37	78	1,038	1,157	821	1,978
2nd quarter	--	25	78	819	925	851	1,776
3rd quarter	--	--	78	846	927	760	1,687
4th quarter	3	--	78	771	850	825	1,675
1983							
1st quarter	--	--	78	769	843	828	1,671
2nd quarter	--	--	78	858	936 <u>2/</u>	808	1,744 <u>2/</u>
3rd quarter	--	--	78	975	1,053 <u>2/</u>	644	1,697 <u>2/</u>
4th quarter	55	--	78	922	1,055	567	1,622
1984							
January	--	12	78	830	920	566	1,488
February	--	--	78	862	940	577	1,517

Source: Data provided by the Yugoslav authorities.

1/ Value at US\$42.22 per ounce.

2/ Including BIS credits.

Table 13. Yugoslavia: External Debt Disbursed and Outstanding

(In millions of U.S. dollars; end of period)

	1979	1980	1981	1982	1983 <sup>1/</sup>
Repayable in convertible currency	13,680	17,608	18,337	18,488	19,525
Medium- and long-term	12,812	15,558	16,025	16,678	18,385
Public and publicly guaranteed	3,530	4,697	5,957	6,380	8,984
IMF	456	760	1,252	1,754	2,068
IBRD	1,143	1,359	1,483	1,576	1,716
Other	1,931	2,578	3,222	3,050	5,200
Private	9,282	10,861	10,068	10,298	9,401
Commercial banks	5,120	6,110	6,350	6,040	...
Other	4,162	4,751	3,718	4,258	...
Short-term	868	2,050	2,312	1,810	1,140
Repayable in bilateral currencies	1,490	1,542	1,531	1,528	1,569
Total debt	15,170	19,150	19,868	20,016	21,094

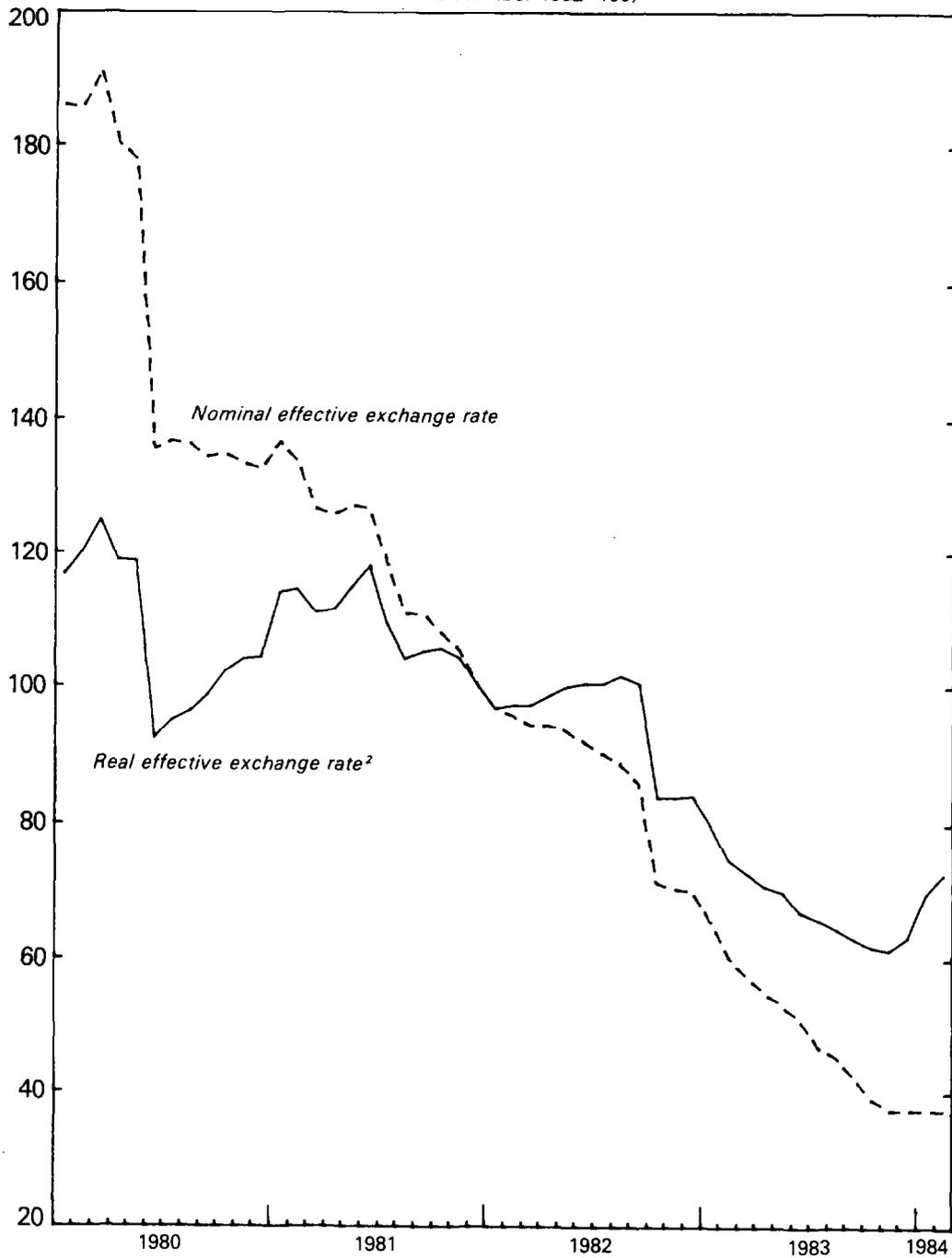
Sources: Data provided by the Yugoslav authorities; and Fund staff estimates.

<sup>1/</sup> Staff estimates based on official estimates as of end-September 1983.

11



CHART 1  
YUGOSLAVIA  
EFFECTIVE EXCHANGE RATE OF THE DINAR<sup>1</sup>  
(End of December 1982=100)



Sources: IMF, *International Financial Statistics*, and data provided by the Yugoslav authorities.  
<sup>1</sup>Effective exchange rate indices are based on the Yugoslav currency basket utilized in 1982-83.  
<sup>2</sup>Relative producer prices adjusted for exchange rate changes.

1  
2  
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