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AGENDA**

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CONFIDENTIAL

February 29, 1972

To: Members of the Executive Board

From: The Acting Secretary

Subject: Yugoslavia - Review and Consultation Under Stand-By
Arrangement

Attached are the staff's analysis and recommendation relating to consultation with Yugoslavia under paragraphs 10 and 11 of the letter of June 24, 1971 annexed to the stand-by arrangement for Yugoslavia. It will be noted that this paper has been prepared on the basis of a letter expected to be received shortly from the Yugoslav authorities.

This subject has been tentatively scheduled for discussion at a meeting to be held on Friday, March 10, 1972.

Att: (1)

INTERNATIONAL MONETARY FUND

Yugoslavia--Review and Consultation Under Stand-By Arrangement

Proposed by the European Department and the
Exchange and Trade Relations Department

(In consultation with the Legal Department
and the Treasurer's Department)

Approved by Albin Pfeifer and Ernest Sturc

February 24, 1972

I. Introduction

Pursuant to the final sentences of paragraphs 10 and 11 of the letter of June 24, 1971 annexed to the stand-by arrangement for Yugoslavia (EBS/71/196, Sup. 1, 7/31/71), a review of the economic situation was carried out in Belgrade between November 10 and November 25, 1971 and between February 1 and February 9, 1971.^{1/}

The penultimate sentence of paragraph 10 of the letter of June 24, 1971 provides that Yugoslavia will consult the Fund in the event that any changes are made that affect the interpretation on operation of the credit limits contained in paragraph 10. Some changes of this nature were approved by the Fund in December 1971 (Decision No. 3462-(71/124), approved December 10, 1971). In the course of the discussions, the Yugoslav representatives proposed further changes in the definitions relating to the credit system in Yugoslavia. As foreseen in paragraphs 10 and 11 of the letter of June 24, 1971, the Yugoslav Government is proposing limits on total domestic credit and certain categories of foreign borrowing for the remaining period of the stand-by arrangement.^{2/}

Under the stand-by arrangement, Yugoslavia has the right to purchase from the Fund an amount equivalent to SDR 83.5 million for a period of one year from July 30, 1971. The stand-by arrangement provides that purchases shall not, without the consent of the Fund, exceed the equivalent of SDR 41.75 million prior to November 15, 1971, the equivalent of SDR 51.75 million prior to February 15, 1972, and the equivalent of SDR 68.5 million prior to April 15, 1972. Yugoslavia purchased the equivalent of SDR 15.0 million on August 16, 1971, the equivalent of SDR 10.0 million on September 1, 1971, the equivalent of SDR 6.75 million on October 7, 1971, the equivalent of SDR 5.0 million on November 1, 1971, and the equivalent of SDR 15.0 million on December 21, 1971, yielding total purchases to date equivalent to SDR 51.75 million. Yugoslavia's

^{1/} The discussions were conducted by a staff team comprising Messrs. Geoffrey Tyler, Hubert Neiss, Richard Williams, and Carl-Heinz Tretner in November 1971. In February 1972, Mr. Morris Goldstein replaced Mr. Tretner.

^{2/} This paper has been prepared on the basis of a draft letter, describing the economic policies and the above limits, which has been agreed with the Yugoslav Government. The letter is expected to be received shortly, when it will be circulated.

right to purchase beyond the first credit tranche under the stand-by arrangement was interrupted in terms of paragraph 4(ii) of the stand-by arrangement from September until December 10, 1971, when the Fund reached an understanding as to a modification in the letter of intent (Executive Board Decision No. 3462-(71/124) adopted December 10, 1971).

II. Developments in the Second Half of 1971

1. Output and demand

The growth of nonagricultural output slowed down gradually during the second half of 1971. The rise of industrial production, which was increasing at an unsustainable annual rate of about 12 per cent in the first half of the year, decelerated to about 8 per cent by the end of the year. There are also indications that the boom in construction activity has moderated. Agriculture had a very good year after a setback in 1970, and for 1971 as a whole, agricultural output was 7 per cent higher. The increase in the real social product amounted to 9 per cent.

The moderation in the growth of domestic demand during 1971 was mostly due to a tapering off of the investment boom. Private and public consumption rose by 7.5-8.0 per cent in real terms, about the same as in 1970. The growth of real fixed investment was reduced from 18 per cent in 1970 to 8 per cent in 1971.

Table 1. Output and Domestic Demand

(Percentage change against previous year; at constant prices)

	1970	1971	1972 ^{1/}
Output			
Agriculture	-5.1	6.9	1.3
Industry and mining	10.0	10.4	5.8
Construction	9.1	6.8	6.3
Services	<u>9.2</u>	<u>10.4</u>	<u>7.8</u>
Social product	5.8	9.3	5.6
Domestic demand			
Private consumption	7.8	7.7	3.1
Public consumption	7.9	7.7	0.8
Fixed investment	<u>18.4</u>	<u>8.3</u>	<u>3.9</u>
Total (excluding inventory investment)	10.9	7.9	3.1

Source: Data supplied by the Yugoslav authorities.

^{1/} Forecast.

Apart from the restrictive monetary policy in the second half of 1971 and a less buoyant public sector activity, investment was directly dampened by a number of special measures taken in July 1971, directed against illiquid working organizations.^{1/} In addition, a compulsory deposit with the National Bank of 30 per cent of the value of new investment was required from working organizations in the noneconomic sector. The most important measures against illiquid working organizations was the prohibition of new investment by economic organizations which are incurring losses, until they have been reorganized, and the prohibition of business banks which cannot meet demands for loan disbursements to grant new investment credits or issue new guarantees for investment. In November 1971, the regulations on compulsory settlement of debts by working organizations were tightened and stricter fines were provided for nonobservance.

2. Incomes and prices

Personal income payments continued to rise excessively during the second half of 1971. For the year as a whole, personal income per employee in the social sector was 22 per cent higher than in 1970 or twice as much as the original target of the Government. In 1971, an institutionalized incomes policy was introduced for the first time. In the first four months, control was exercised by the Federation and subsequently by the republics.^{2/} However, republican exemptions from the Federal law turned out to be excessive, and the ensuing republican laws were generally not restrictive enough. Some republics were also slow in enacting the laws and their implementation proved to be difficult.

Under the impact of strongly rising unit labor costs, inflation continued unabated. The upward pressure on prices was intensified by rising import costs following the devaluation in January 1971 and by upward adjustments of a number of administered prices of basic materials, energy, and transportation in February 1971. Producers' prices of industrial goods rose by 16 per cent during 1971 and retail prices by 18 per cent. In November 1971, the existing system of price control was considerably tightened and no new price increases were authorized during December.

3. Public sector

After the constitutional amendments were passed in mid-1971, important fiscal functions were transferred to the republics. Customs duties remained virtually the only independent revenue source of the Federation and federal expenditures were limited to administration, defense, a small part of public investments, and certain subsidies. The excess of expenditure over revenue raised by the Federation itself is financed through the transfer of republican revenue. Final data for 1971 are only available for the Federal budget. Federal expenditure, which accounts for about one fourth of total public expenditure, rose by 12.8 per cent. This is slightly more than implied by the Government's policy for 1971, under which expenditure increases in all budgets were to be restrained through the provision that increases in major revenue items beyond 10.8 per cent were to be blocked (see SM/71/183, pp. 36-38). The authorities estimate

^{1/} All organizations, including those of the Government, apart from those in the private sector.

^{2/} Includes the autonomous provinces of Vojvodina and Kosovo-Metohija.

that expenditure of all budgets increased by about 12 per cent above the revenue level of 1970. Blocked revenue at the end of November 1971 amounted to Din 810 million. This relatively low level is explained by the fact that taxes were reduced in 1971, especially the tax on personal income, and that blocked revenue was used to finance the reorganization of economic organizations suffering losses. Investment operations of the extrabudgetary funds, which have been a significant source of inflationary pressures, have been transferred to the republics; they remained in deficit in 1971, although no data are yet available.

4. Money and credit

After a strong monetary expansion in the second quarter of 1971, money and credit expanded at slower rates during the second half. Monetary policy was kept restrictive throughout the latter period. Exemptions from this policy were only granted for the financing of crop purchases, especially wheat, the export of capital goods, and seasonal increases in personal income payments. Separate ceilings were imposed on most types of bank credit and increases in some types of credit were prohibited. Short-term credit during the second half of 1971 expanded at an annual rate of 8.4 per cent, compared to 19.2 per cent in the first half. The rise of investment credit slowed down from an annual rate of 18.6 per cent in the first half to 15.1 per cent in the second half. The outstanding amounts at the end of December 1971 were Din 87.7 million for short-term credit and Din 122.1 million for investment credit. The limits incorporated in the stand-by arrangement for that date were Din 87.5 million and Din 122.5 million, respectively. Under the impact of credit restraint and a deterioration in net foreign assets, the money supply rose considerably less during 1971 than during the previous year, viz., by 13.5 per cent compared with 17.9 per cent during 1970.

Table 2. Domestic and Investment Credit, Second Half of 1971
(In billions of dinars; end of month)

	<u>Domestic credit</u>		<u>Investment credit</u>	
	<u>Actual</u>	<u>Limit^{1/}</u>	<u>Actual</u>	<u>Limit^{1/}</u>
June	84.2		113.7	
July	85.4		115.6	
August	84.9		116.4	
September	84.4	84.4	117.5	117.5
October	86.3		118.1	
November	87.2		119.6	
December	87.7	87.5	122.1	122.5

Source: Data supplied by the Yugoslav authorities.

^{1/} Incorporated in the stand-by arrangement.

5. Balance of payments

There was a marked improvement in the balance of payments in the second half of 1971. The trade deficit fell from US\$854 million in the first half to US\$585 million in the second half, and the current account showed a surplus of US\$144 million compared with a deficit of US\$468 million in the first half. These improvements were partly seasonal, especially in the case of tourism and transportation, but they also reflect a reduction of the high import demand due to the increased supply of domestic agricultural goods, the gradual slowdown of industrial production, and a reduction of imported inventories after the devaluation. Compared with the same period of 1970, imports were 33 per cent higher in the first half of 1971 and 2 per cent lower in the second half. Exports, on the other hand, were slightly lower in the first half and 16 per cent higher in the second half. These percentage comparisons tend to exaggerate the improvement since imports were rising strongly during 1970 and exports were behaving poorly. As in the preceding years, impressive gains were achieved in receipts from tourism, transportation, and workers' remittances.

Table 3. Balance of Payments, 1971

(In millions of U.S. dollars)

	1970	1971	1971		1972 ^{1/}
			First half	Second half	Forecast
Exports	1,680	1,814	792	1,022	2,010
Imports	-2,874	-3,253	-1,646	-1,607	-3,440
Trade balance	-1,194	-1,439	-854	-585	-1,430
Net services and transfers	854	1,115	386	729	1,310
Current balance	-340	-324	-468	144	-120
Long-term loans received	636	640	318	322	740
Long-term loans repaid	-335	-420	-200	-220	-510
Net agricultural commodity credits	-32	75	15	60	4
Net short-term capital ^{2/}	-28	-127	127	-254	-86
Overall balance ^{3/}	-99	-156	-208	66	28

Source: Data supplied by the Yugoslav authorities.

^{1/} In 1972 U.S. dollars; see p. 15 for discussion of trade data.

^{2/} Including errors and omissions.

^{3/} Excluding SDR allocation.

On the capital account, about the same amount of long-term loans were received in 1971 as in 1970, i.e., about US\$640 million, but repayments rose by 25 per cent to US\$420 million. Both receipts and repayments were about equally distributed between the two halves of the year.

The overall balance of payments was in surplus in the second half, but showed a deficit of US\$156 million (excluding SDR allocation) for the year as a whole. It was financed by net purchases from the Fund and a deterioration of Yugoslavia's position vis-à-vis the bilateral area. Valued at prevailing exchange rates, gold and convertible reserves of the National Bank, including an allocation of SDR 22 million, rose by US\$40 million in the first half of 1971 and fell by US\$4 million in the second half, despite an increase of about US\$8 million due to net gains from the realignment of currencies. At the end of 1971 they amounted to US\$176 million, valued at prevailing exchange rates.

6. Foreign debt

At the time of the discussions preceding the stand-by arrangement, the Yugoslav authorities concurred with the staff team's concern about the rapid growth in external debt and, given the average maturity of the debt, the implication for the debt service burden. The Yugoslav authorities' policies in this area for the period of the stand-by arrangement through December 31, 1971 are described in paragraph 11 of the letter of intent of June 24, 1971. Two elements of the program were included as performance criteria, and Yugoslav performance has been consistent with those undertakings. First, it was agreed that outstanding short-term credits registered with the National Bank, which had increased sharply in 1970, would not increase further in 1971. These debts are controlled mainly by conditions governing counterpart payments established by the National Bank. In practice, the control mechanism could not be administered precisely, and the authorities found it difficult to know at any point in time the exact outstanding amount. The National Bank operated to control the total of short-term credits, including its own obligations, which is a broader concept than that covered by the performance criterion. At the end of November 1971, the total amount of outstanding short-term credits was US\$268 million, US\$5 million below the total at the end of 1970. Second, the authorities undertook not to increase the ceiling on the outstanding level contracted or guaranteed by business banks above US\$900 million in 1971; this limit was also observed. The US\$900 million figure was US\$105 million above the limit established for 1970. Subsequent to the approval of the stand-by arrangement, the authorities decided to continue the limit on business banks at the 1970 level of US\$795 million, and to utilize the additional US\$105 million as a reserve for special use of the Government. Since the Government utilized only US\$5 million of the reserve, the effective limit for the year was US\$800 million. Changes in the amounts outstanding of such credits guaranteed by business banks are reflected in total B of Table 4. Whereas such debt outstanding had risen by about US\$300 million in 1970, the net increase was about US\$90 million during the first nine months of 1971.

Table 4. External Medium-Term and Long-Term Debt in Convertible Currencies^{1/}(In millions of U.S. dollars)^{2/}

	Debt Outstanding at End of Period				Scheduled amortiza- tion ^{3/} 1972
	Excluding undisbursed		Including undisbursed		
	1969	1970	Sept. 1971	1970	
A. Officially guaranteed	<u>1,066.2</u>	<u>1,045.8</u>	<u>1,119.5</u>	<u>1,294.8</u>	<u>1,448.8</u>
IBRD	208.9	238.4	263.8	373.9	512.9
EURO/IMA	8.4	8.0	7.7	8.0	7.8
U.S. PL 480	238.0	206.1	246.8	208.2	249.0
Other official loans	297.4	305.7	326.0	383.6	374.3
Private bank credits	25.6	21.9	22.3	26.4	22.3
Suppliers' credits	280.8	242.9	249.0	289.9	278.6
Others ^{4/}	7.1	4.8	3.9	4.8	3.9
B. Guaranteed by Yugoslav business banks or not guaranteed	<u>515.3</u>	<u>813.1</u>	<u>889.0</u>	<u>1,092.3</u>	<u>1,216.8</u>
C. Total (A + B)	<u>1,581.5</u>	<u>1,858.9</u>	<u>2,008.5</u>	<u>2,387.1</u>	<u>2,665.6</u>
					<u>282.2</u>
					<u>12.4</u>
					<u>0.9</u>
					<u>14.3</u>
					<u>116.4</u>
					<u>4.9</u>
					<u>62.6</u>
					<u>1.3</u>
					<u>495.0</u>

Source: Data supplied by the Yugoslav authorities.

^{1/} With maturity over one year; excluding outstanding purchases from the Fund.^{2/} Of the weight and fineness in effect on July 1, 1944.^{3/} On debt outstanding on September 30, 1971.^{4/} Prewar bonds and settlement for nationalized property.

The results for other aspects of the debt control program were mixed. The 20 per cent reserve requirement in foreign exchange against foreign financial credits guaranteed by business banks was kept in force and the authorities believe that this discouraged foreign borrowing by banks and enterprises for dinar liquidity purposes. Similarly, the 10 per cent reserve requirement against other types of foreign loans guaranteed by business banks was kept in force. On the other hand, progress made toward implementing a comprehensive debt reporting and registration system has been less than envisaged. While all the necessary forms were prepared and instructions sent to the National Banks in the republics, the responses have been both slow and inaccurate. The National Bank has provided technical assistance and the authorities hope that substantial progress can be made during the first half of 1972.

In order to improve somewhat the structure of its foreign debt, the Government of Yugoslavia has reached or is in the process of negotiating, agreements with several Western creditor countries for rescheduling or refinancing credits on terms much more favorable with respect to interest rates and maturities than the average of Yugoslav debt outstanding. Agreements have already been reached with France, Germany, Italy, and the United States for amounts approximately equivalent to US\$250 million at market value for various periods. In addition, discussions are underway with several other creditors relating to an additional US\$30 million.

During the first nine months of 1971, external medium-term and long-term debt outstanding in convertible currency (excluding undisbursed) increased by US\$149 million; the increase in 1970 was US\$277 million. Moreover, unlike 1970, when all of the increase was in nonofficially guaranteed suppliers' and financial credits of shorter maturities (total B of Table 4), in 1971 almost one half the increase was in officially guaranteed credits other than suppliers' credits. Total medium-term and long-term external debt in convertible currency outstanding at the end of September 1971^{1/} was US\$2,008 million, or US\$2,666 million including undisbursed. Scheduled amortization payments for 1972 on debt outstanding in September 1971 totaled US\$495 million, or almost 25 per cent of the total amount outstanding.

7. Trade and payments system

The Yugoslav trade and payments system as it stood on April 1, 1971 was described in detail in SM/71/183 (7/19/71). Measures introduced prior to the approval of the current stand-by arrangement, which constitute adaptations of the system, halted the trend toward further liberalization evident during the earlier part of the year; these are summarized further below. On December 21, 1971, with the concurrence of the Fund, the par value of the dinar was devalued by 18.75 per cent in terms of gold; Yugoslavia availed itself of wider margins under paragraph 1(a) of Executive Board Decision No. 3463-(71/126) adopted December 18, 1971 (EBS/71/364), and has informed the Fund that its intervention currency is the U.S. dollar. The dollar rate for the dinar following the devaluation

^{1/} Excluding outstanding purchases from the Fund.

of the dinar is Din 17 per US\$1. The effective depreciation of the dinar vis-à-vis Yugoslavia's main trading partners, following the devaluation of the dinar and other exchange rate changes, is about 20 per cent. Rates for major currencies are quoted by the National Bank in line with actual spot rates for the U.S. dollar against the various currencies in major foreign exchange markets.

No further progress has been made in transfer of items from restricted to the liberalized (LB) import list. While the list of items subject to global exchange quotas (GDK) was not broadened, in July 1971 the absolute value of the global exchange allocations was reduced for the second half of 1971. However, provision was made for the utilization of such reductions in phased amounts during the course of 1972. It is difficult to judge the extent to which the July measure had an impact on import demand since GDK imports may be financed from other sources of foreign exchange, such as retention quotas, and many firms had unused global exchange quotas carried over from past years, which were not affected by the July measure. For 1971 as a whole, GDK imports increased by about 17 per cent as compared to an increase in liberalized imports of about 25 per cent. Other measures taken in July 1971 prior to the approval of the current stand-by arrangement included: (1) a prohibition on sales on credit terms of imported automobiles and all other industrial products whose import content is more than 50 per cent of the domestic selling price, except those produced under industrial co-operation agreements with foreign partners; (2) changes in the administration of the system of import licenses for automobiles effectively to prohibit their import by all levels of Government; (3) an increase in the import surcharge from 2 per cent to 6 per cent; (4) increases in import duties on several "luxury" consumption items; and (5) tighter limits for imports by individuals, viz., US\$1,600 per year in the case of machines, tools, and spare parts for professional use.

Measures taken after the stand-by arrangement was granted, which also are adaptations of the system, include: (1) the extension of the import surcharge beyond the end of 1971; (2) a broadening of the list of commodities which require a special import permit ("accordance");^{1/} (3) changes in the regulations governing acquisition of foreign exchange for travel abroad; and (4) a reduction in the proportion of foreign exchange which an enterprise selling consumer goods in Yugoslavia for foreign exchange may retain. The Yugoslav authorities consider the first two measures to be temporary. The list of commodities for which "accordances" are required was cut sharply by about two thirds in June 1971 to 54 items whose import value in 1971 was US\$263 million, or approximately 8 per cent of 1971 imports. In November 1971, 39 items were added to the list whose 1971 import value was US\$135 million, or 4.2 per cent of 1971 imports. The staff team was advised that the 39 items comprise mostly certain items of clothing, radios and similar appliances, paper goods, and building materials. The "accordance" system is designed to provide a control mechanism and not a prohibition. The recent additions comprise items which the authorities believe had been heavily stockpiled in

^{1/} See SM/71/183 (7/19/71), p. 95.

anticipation of the recent devaluation, or those being imported for resale by firms whose operations ordinarily would not include such imports. The system is to be administered on the basis of a case-by-case examination with legitimate requirements to be approved without undue delay.

A measure approved in late 1971, effective January 1, 1972, abolished the US\$32 annual travel allowance but increased the limit on taking dinars out of the country from Din 100 to Din 500; whereas the US\$32 was an annual limit, the Din 500 can be taken out each time a person travels. The authorities do not believe that the result is likely to be a reduction in travel or in expenditure abroad. Because of enforcement difficulties, the US\$32 per annum could be acquired by anyone, whether or not there was intention to travel. The November measure thus was designed primarily to eliminate illegal purchase of travel exchange to be used for other purposes. Until January 1, 1972, enterprises selling consumer goods within Yugoslavia for foreign exchange could retain 50 per cent of the foreign exchange thus earned; the 50 per cent was reduced to 15 per cent on that date.

Also within the time frame of the stand-by arrangement, three measures were taken to stimulate the inflow of capital to Yugoslavia: (1) in order to stimulate the voluntary repatriation to Yugoslavia of investment income of Yugoslav enterprises earned abroad--not subject to repatriation requirements--the foreign exchange law was amended to allow Yugoslav organizations to use all profits repatriated from abroad as a retention quota; (2) the regulations governing the operations of joint ventures were liberalized by the elimination of the provision that the foreign partner must either reinvest or deposit in a Yugoslav bank 20 per cent of its annual profits. Also, provisions have been made for repatriation of the foreign investors' equity and safeguards have been made to prevent changes in contracts that would worsen his position; and (3) effective January 1, 1972, nonresident foreigners may hold dinar accounts in Yugoslavia which are freely transferable to other nonresidents, may be used directly for purchases of goods and services in Yugoslavia, or be freely converted into any convertible currency. For some time such deposits probably will be limited to modest working balances by foreign firms doing regular business in Yugoslavia.

III. Program for 1972

The draft letter to the Managing Director referred to on page 1, describes the economic projections of the Yugoslav authorities and the policy measures that are proposed. The letter contains, in paragraphs 10 and 11, limits on total domestic credit and foreign indebtedness covering the remaining period of the stand-by arrangement.

1. Production and demand

The authorities are aiming at a real social product in 1972 about 6 per cent greater than in 1971. The price increase from end-1971 to end-1972 is forecast to be 5 per cent, and the annual average personal income per worker in 1972 to be 17 per cent greater than in 1971.

Given that real social product in 1971 was 9 per cent greater than in 1970, the forecast increase between the whole years 1971 and 1972 of 6 per cent implies an increase in the rate of production during the course of 1972 of only about 3 per cent. This seemed a particularly slow rate to the staff team in the light of a medium-term trend rate of growth of around 7 per cent. The forecast would seem reasonable only on the basis of a substantial decrease in the growth rate of private and public consumption, in addition to a slower growth of investment expenditure. While there are already signs that the slowdown in investment has occurred, there are as yet few signs of the deceleration in private and public consumption. As regards private consumption, which is particularly important because of its large absolute size, the achievement of the required deceleration to a rate below that of real social product will depend on a sizable increase in the personal savings ratio, which will not be easy on the basis of past recent experience.

2. Prices and incomes

The forecast price increase, if achieved, would represent a drastic change in trend from 1971, particularly in view of the higher import prices that followed from the devaluation of December 1971. The authorities are using a number of measures to bring about the change. Firstly, they intensified the price control by completely freezing prices in late November 1971. This freeze is to continue until at least the end of February 1972 and will probably be extended for a few months until a more permanent system of price control is established jointly by the Federation, the republics, and the communes. Secondly, the Government may make reductions in customs tariffs and in the import surcharge, currently at a rate of 6 per cent, in order to moderate the effect of the devaluation on domestic prices. Thirdly, the authorities believe that nominal personal incomes will increase more moderately in 1972 than in 1971, thereby reducing the cost pressure on prices. The staff team recognized that these influences would help to lower the rate of price increase. However, they commented that, even with the addition of a tight monetary policy, it would be difficult indeed to reduce the price increase to no more than 5 per cent during 1972, although a figure substantially less than the increase of 16 per cent in 1971 should be feasible.

As explained earlier, incomes policy was ineffective in 1971. For 1972, the authorities are forecasting a significant moderation in the rate of increase of personal incomes per worker to 17 per cent, comparing the 1972 average with that of 1971. The system of control in 1972 is based on republican laws which have already been passed. These laws, however, endeavor to place the biggest limitations on the higher personal incomes and generally there are no limitations on increases that may be granted to workers with incomes below the republican averages. Given the experience of 1971, it seemed to the staff team that this loophole in the laws could affect their efficiency. The Yugoslav representatives said that if incomes did increase more rapidly than planned, it had been agreed between the Federation and the republics that the former could impose its own direct restrictions.

3. Fiscal policy

In 1972, the new system of decentralized fiscal responsibility will be in operation for the first complete fiscal year. As explained in earlier reports, under the constitutional amendments adopted in mid-1971, the major part of fiscal responsibility has been transferred to the republics. The Federation is left, on the expenditure side, with the normal central administrative functions, of which defense is the major item. The Federation no longer has any responsibility for extrabudgetary expenditures, which are now undertaken by the republics. However, during an interim period, the Federal budget includes some investment expenditure by the Federation in respect of specified investment projects in the less developed republics. On the revenue side, Federation receipts come virtually entirely from customs revenues and from contributions from the republics, the latter supplying about 50 per cent of total revenue. All taxation other than customs tariffs resides with the republics.

At the time of the discussions, detailed information on public sector expenditure was available only in respect of the Federation. The forecast overall surplus in 1972 of the latter is about Din 0.5 billion. Total expenditure is estimated to increase by almost 30 per cent, but the most important element in this is the rebate of customs duties to exporters. This item is estimated to more than treble in 1972 following the devaluation, the full year effect of the import surcharge of 6 per cent and the increase in the value of imports. These rebates are netted from revenue and expenditure, the latter would show an increase in 1972 of 15 per cent. Given the increase in prices between 1971 and 1972, such a level of expenditure would represent an increase in real terms of a relatively small amount.

As mentioned above, no data are available on the budgets or extra-budgetary funds of the republics for 1972. According to a resolution adopted by the Federal Assembly, nominal expenditure in all budgets should increase by not more than 14 per cent. However, the Yugoslav representatives indicated that there are indications that the republics as a whole may prefer to have an increase in expenditure of less than this amount and reduce tax revenues correspondingly.

4. Monetary policy

The main impact of the constitutional amendments on monetary policy was the allocation of a certain proportion of the planned annual amount of rediscounts to republican National Banks. The amount to be allocated and its distribution among republican National Banks has to be agreed by the Interrepublican Committee on Monetary Questions by a two thirds majority. Overall monetary policy continues to be proposed and executed by the National Bank of Yugoslavia. The proposals for overall monetary policy are submitted by the National Bank of Yugoslavia to the Federal Executive Council and, if accepted, are then put before the National Assembly. The Board of Governors of the National Bank of Yugoslavia is composed of representatives of the republics and decisions are by a two thirds majority. The National Bank of Yugoslavia has direct power over reserve requirements.

The system of banking operations has been changed for 1972. Previously the operations of the business banks were divided into two separate balance sheets, short-term and investment. Now, the operations of the two parts of the banking system have been amalgamated. On the former basis, the limits on credit contained in the stand-by arrangement comprised limits on both domestic credit (i.e., short-term credit) and investment credit. Now that the balance sheets have been amalgamated, there is only one category of credit, viz., total domestic credit. The new total domestic credit is not precisely the sum of the old domestic credit plus investment credit, since about Din 9 billion was doubly counted. This double counting represented credits from the National Bank to other banks for investment purposes and an item "unused investment resources" of banks. Consequential minor changes have been made in the money supply.

Table 5. Money Supply and Bank Credit^{1/}

(In billions of dinars; end of period)

	<u>Money supply</u>		<u>Total bank credit</u>	
	<u>Previous</u>	<u>New</u>	<u>Previous</u>	<u>New</u>
	Definition		Definition	
1970	38.4	37.5	181.5	172.3
1971	43.6	43.0	209.8	200.6

Source: Data supplied by the Yugoslav authorities.

^{1/} Yugoslav definitions.

The Yugoslav authorities believe that the new concept will increase the effectiveness of credit control since previously it was often difficult to prevent shifts taking place between the two balance sheets when one form of credit was tight. This especially was the case when short-term credit was being restricted; at such times it had often been possible to use investment credit in place of short-term credit. The staff team agreed that the new system should be more effective.

For 1972, the Federal Assembly has accepted a monetary target of an increase of 12 per cent in money supply between December 1971 and December 1972. The limits on total domestic credit (new definition) have been set at Din 205.1 billion for end-February 1972 and Din 214.0 billion for end-June 1972, and these have been incorporated as performance criteria for the remainder of the stand-by arrangement, as foreseen in paragraphs 10 and 14 of the letter of June 24, 1971. Implicitly, these limits are equivalent to annual rates of increase of the old domestic credit of 12 per cent and the old investment credit of 15 per cent. The corresponding annual rates of increase for 1971 as a whole and for the second half of 1971 are shown in Table 6. The rate of credit expansion proposed for the first half of 1972 is less than that for 1971 as a whole and only slightly greater than that prevailing in the second half of 1971, which was a period of tight monetary policy.

Table 6. Rate of Increase in Credit

(In per cent; annual rates)

	Previous definition			New definition
	Domestic credit	Investment credit	Total credit	Total domestic credit
December 1970-December 1971	13.7	17.0	15.6	16.4
December 1970-June 1971	19.2	18.6	18.8	19.9
June 1971-December 1971	8.4	15.1	12.4	13.0
December 1971-June 1972	12.0	15.0	13.4	13.4

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

5. Balance of payments forecast

Table 3 includes a summary of the balance of payments forecast for 1972. A more detailed table is included in Appendix 1. The Yugoslav representatives explained that the trade figures for 1972 should be adjusted to take account of price changes and agreed with the staff team that in current 1972 U.S. dollars, which was the basis of the remainder of the forecast, the trade deficit would perhaps be about US\$30-40 million greater. The Yugoslav representatives thought, however, that there were underestimations elsewhere in the forecast, especially in the services account, which would compensate for this adjustment.

The staff team differed from the Yugoslav representatives on some components of the forecast but, on balance, the overall result appeared reasonable on the assumption that domestic prices rose by something more than 5 per cent, but that the increase in real social product was not greatly exceeded. In particular, the staff team considered that receipts from exports and workers' remittances could be higher than forecast; the extent of the effective devaluation in December 1971, and past experience following devaluations support this view. The Yugoslav representatives were cautious with respect to workers' remittances because of the current prospects for employment of foreign workers in Europe, especially in Germany, but agreed that in past periods of slack in the German economy, Yugoslav workers had fared significantly better than most other nationalities. Imports could well be higher than forecast. The Yugoslav representatives said that the coming into operation of new capacity in basic industries and the still high level of imported inventories would tend to curb import growth. Any substantially greater than estimated expansion in real domestic expansion and/or domestic price increases would, of course, cast doubt upon the 1972 forecast. On capital account, the estimates should be realizable since important bilateral negotiations have been concluded (page 8 above).

6. Foreign debt

It is evident from the balance of payments forecast that Yugoslavia will require a continued heavy gross inflow of foreign capital in 1972. Nevertheless, the authorities concurred fully with the staff team's assessment that again in 1972 they should continue with the program to check the possibility of excessive borrowing by banks and enterprises. Therefore, the program includes as performance criteria limits on the permissible level of outstanding guarantees by business banks and the level of short-term foreign debt outstanding. The limit on guarantees is US\$900 million, the same as for 1971. The authorities have decided to retain US\$100 million of this amount for foreign credits to be specifically authorized by the Government; US\$800 million would be available directly to the business banks. At the end of 1971 business bank guarantees on loans outstanding totaled US\$640 million, so there is an available margin of US\$160 million for 1972. The amount of new guarantees which may be extended will, of course, depend on the amount of guaranteed loans repaid. It should be noted, however, that the global guarantee limit comprises the sum of

guarantee limits on all authorized business banks, some of which are quite small and whose guarantees are not acceptable to foreign suppliers. For that reason, the staff team was informed that it is unlikely that the full margin available to banks could be utilized during 1972. In the recent past, the unused margin has varied between US\$120-160 million.

The limit on short-term debt is a slightly more comprehensive category than the concept of "registered" credits described in paragraph 11 of the letter of June 24, 1971 in as much as obligations of the National Bank also are included. The limit for 1972 on amounts outstanding was set at US\$300 million, the same as the total outstanding at the end of 1969. This may allow for a small increase over the total outstanding at the end of 1971 (the end of November 1971 total was US\$268 million); because of unpredictable seasonal factors, and some imprecision of control over operations other than those of the National Bank, the staff team believes that a modest available margin is appropriate. The authorities intend to keep in effect in 1972 the deposit or counterpart requirements, in both foreign exchange and dinars, with respect to foreign borrowing as described in paragraph 11 of the letter of intent of June 24, 1971.

The foreign debt system in Yugoslavia is complicated, and a brief appendix describing the system is attached to this paper. The debt limits described above are not comprehensive, since outside their control are foreign loans directly guaranteed by the Government and the National Bank, loans authorized by special government decisions which, although guaranteed by business banks are outside their guarantee limits, and loans to enterprises from foreign suppliers which do not carry any guarantee. However, the latter category is believed to be very small and not likely to increase in a quantitatively important way because of the usual business practice of suppliers to Yugoslavia, while the other categories are under the direct control of the authorities.

7. Trade and payments system

The global exchange quotas for 1972 have been established at the level set initially for 1971. However, enterprises will also be able to utilize in 1972 the amounts by which the initial 1971 quotas had been reduced for the second half of that year. In certain aspects, the system at the present time is somewhat less liberal than anticipated at the time of the discussions in May-June, 1971 (EBS/71/196; 7/16/71). In particular, the liberalized import list was not enlarged, the scope of export-import linking arrangements was not reduced, and the import surcharge has not been eliminated. The Yugoslav authorities informed the staff team that, although the timetable was set back, action is planned in all three areas during the course of 1972. The surcharge is still considered a temporary measure and plans are currently being made for its elimination or reduction in the case of those industries where, following the recent devaluation, pressure for price increases are strongest. Additionally, there is basic agreement with the republics to utilize selected reductions in import duties to counteract the price effects of the recent devaluation.

Basically, the agreement is to narrow the spread between the lowest and highest duty rates by reducing duties in those commodities currently in excess of 20 per cent. In the case of the commodity lists and linking arrangements, the Ministry of Foreign Trade had presented a proposal for review by republican governments in November 1971. The proposal was not acceptable because it included the liberalization of too many raw materials and intermediate goods and too few final commodities. The Ministry is preparing a revised proposal which must be completed by April 1972. The Yugoslav authorities expect that some part of the proposal, including both import liberalization and reduction of linking arrangements, will come into effect in the course of 1972.

There is also a proposal, already approved by an interrepublican committee to establish a uniform retention quota of 20 per cent for all export enterprises with the exception of hotels, for which the retention quota would be 45 per cent. Currently, the basic retention quotas are 7 per cent, except for hotels for which the quota is 20 per cent, but with a complicated structure of rates which go up to 24 per cent, or up to 40 per cent in the case of hotels (page 94, SM/71/183, 7/19/71). The proposed system thus involves a substantial simplification of the rate structure; the average rate of retention quota at present is 12-15 per cent. The retention quotas would remain nontransferable and could be used for service of foreign debt and imports of goods and services for the direct end-use of the enterprise. The major advantages to economic organizations of a larger retention quota are greater scope to freely import items on the GDK list over and beyond the enterprises' global exchange quota, and to contract for additional foreign debt. The retention quota does not involve any special advantage with respect to importation of items on commodity quota lists or those for which import licenses or "accordances" are required.

IV. Staff Appraisal

During the second half of 1971, the Yugoslav economy showed the first signs that the stabilization program was beginning to bring results. The change in trend was most evident in the balance of payments outcome, notably in the trade account. Part of the improvement was seasonal but, even after allowing for the seasonal pattern of receipts in tourism and to a lesser extent workers' remittances, the improvement is quite evident. By the final months of the year, it was also clear that the measures to restrain the excessive growth in investment expenditure, especially that not adequately financed, had sharply reduced the growth rate of this category of expenditure. Important as these improvements are, the end-year situation with respect to the rate of increase of prices and personal incomes remains a matter for serious concern. If these rates cannot be reduced quickly and by substantial amounts, the improvement in the balance of payments would be jeopardized.

The Yugoslav Government is fully aware of the need to continue with a firm stabilization program in 1972. The debate over the constitutional amendments led to something of a hiatus in effective policy-making in 1971; in this respect the situation should be more settled in 1972. The target of 5 per cent for the price increase will be extremely difficult to achieve but even if it were exceeded by several percentage points, this would be a good accomplishment, given that the price effects of the December devaluation have not yet worked their way into the price structure.

The monetary program for 1972, including the limits described in the draft letter referred to on page 1, continues the restrictive course of the second half of 1971. By the end of that year, economic organizations as a whole were in a tight liquidity situation. The credit expansion allowed under the credit limits for the remainder of the period of the stand-by arrangement should assist in preventing excessive expenditures, especially as credit policy is being reinforced by measures to control investment. Although information on fiscal policies for 1972 is far from complete, there is no reason to believe that it should run counter to monetary policy. Incomes policy remains a difficult area. Hopefully, the measures introduced by the republics will slow down the growth of personal income to the target rate. However, the fact that there are quite wide exemptions to the limitations casts some doubt on the likely effectiveness of the republican measures. If this doubt should prove justified, it will be essential for the Federal authorities to act quickly and resolutely in applying direct controls at the Federal level.

The devaluation of December 1971 is to be welcomed, since it should restore the competitiveness that was partly lost during the inflation of 1971. The measures in the trade and payments system that were undertaken in the second half of 1971 and the beginning of 1972 represent some reversal of the trend toward greater liberalization that has existed in recent years. This reversal is the more regrettable since it runs counter to the expectations of the Yugoslav Government when the stand-by arrangement was being discussed. The staff continues to believe that the structure of the economy will benefit from further liberalization and therefore welcomes the intention of the authorities to return to the trend of liberalization during 1972.

The balance of payments aim over the period of the stand-by arrangement, i.e., no net change in the foreign assets of the banking system, should be attainable. There was an overall surplus during the second half of 1971 and any deficit during the first half of 1972, which is the seasonally weak half of the year, should not be greater than this surplus. The balance of payments target will not be achieved without an increase in foreign indebtedness but the structure of indebtedness is improving in certain respects, in that short-term debt has been stabilized and there has been some shift from medium-term commercial credits to longer-term financial borrowings, on more favorable terms.

V. Recommendation

In the draft letter referred to on page 1, the Minister of Finance of Yugoslavia has described the policies for 1972 with special reference to the first half of the year. Accordingly, the following decision is submitted for the consideration of the Executive Board:

Yugoslavia has consulted with the Fund pursuant to paragraph 3 of the stand-by arrangement for Yugoslavia (EBS/71/196, Sup. 1, 7/30/71) and the letter of intent of June 24, 1971 annexed thereto to reach understandings on the performance criteria for the remaining period of the stand-by arrangement. The letter of February , 1972 from the Minister of Finance of Yugoslavia shall be annexed to the stand-by arrangement for Yugoslavia, and the letter of June 24, 1971 annexed to it shall be read as supplemented by the letter of February , 1972.

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Yugoslavia--Basic Data

A. Annual Figures

Area	256,000 km ²					
Population	20.6 million					
Active population (1971 estimate)	8.9 million					
Employment in the socialized sector (1970 average)	3.9 million					
National income						
Social product (1971 preliminary)	Din 201.7 billion (US\$13.4 billion) ^{1/}					
Average net income per employee in the socialized sector	Din 17,173 (US\$1,145) ^{1/}					
	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971^{2/}</u>	<u>1972</u> Forecast
<u>Increase in the social product</u> (per cent)						
At current prices	5	8	18	16	28.0	...
At constant prices	2	4	10	5	9.3	5.6
<u>Production by main sectors</u>						
Increase (per cent at constant prices)						
Agriculture	-1.1	-2.3	9.3	-7.9	6.8	1.3
Industry	0.5	6.7	10.9	9.1	10.4	5.8
Others	4.6	6.7	9.8	9.5	11.0	7.7
Contribution to the social product (per cent)						
Agriculture	26.5	24.8	24.7	21.6	22.1	21.3
Industry	36.8	37.6	37.9	39.3	34.8	34.8
Others	36.7	37.6	37.4	39.0	43.1	43.9
<u>Demand by main sectors</u>						
Increase (per cent at constant prices)						
Private consumption	5.6	7.0	7.5	6.5	7.7	3.1
Public consumption	2.6	10.3	8.9	7.0	7.7	0.8
Gross investment in fixed assets	-7.3	19.3	10.6	18.4	8.3	3.9
<u>Prices and wages</u>						
Increase (per cent)						
Consumer prices	6.4	5.6	7.3	9.6	15.1	...
Producers' prices of industrial goods	2.1	--	3.1	10.2	15.1	...
Personal income per employee (socialized sector)	13.6	9.5	14.8	18.5	22.0	17.0

^{1/} Converted at the rate of US\$1 = Din 15.

^{2/} Preliminary.

Yugoslavia--Basic Data

A. Annual Figures (cont'd)

	1967	1968	1969	1970	1971 Prelim- inary	1972 Fore- cast
<u>Money and credit</u>						
(In billions of dinars, end of period)						
Money supply	23.1	28.2	32.0	37.2	...	...
Short-term credit of banks	45.5	54.6	63.8	77.1	87.5	...
(Percentage change)						
Money supply	-1.5	22.1	13.5	16.3	...	...
Short-term credit of banks	4.4	19.8	17.0	20.8	13.5	...
<u>Public finance</u> (in millions of dinars)						
Total public sector						
Revenue	38,743	42,468	48,961	57,677	68,644	...
Expenditure	37,314	39,832	46,717	56,318	66,773	...
Federal Government ^{1/}						
Revenue	15,443	17,237	19,128	20,892	17,464	24,252
Expenditure	14,803	15,646	18,419	20,968	18,352	23,770
<u>Foreign trade</u> (at U.S. dollar prices)						
Increase (per cent)						
Exports	2.6	1.0	16.7	13.9	8.0	...
Imports	8.4	5.3	18.8	34.4	13.2	...
<u>Balance of payments</u> ^{2/}						
(In millions of U.S. dollars)						
Imports, c.i.f.	-1,708	-1,797	-2,135	-2,874	-3,253	...
Exports, f.o.b.	1,253	1,265	1,475	1,680	1,814	...
Trade balance	-455	-532	-660	-1,194	-1,439	...
Net services and transfers	373	426	552	854	1,115	1,310
Net capital ^{3/}	147	63	186	241	168	148
Monetary movements	-65	43	-78	74	134	-52
Gold and foreign exchange holdings, all banks (end of year)	137	184	342	243	240 ^{4/}	340
Bilateral balances (end of year)	170	123	65	-34	-53	-83
<u>External medium-term and long-term debt</u> in convertible currency						
(In millions of U.S. dollars, end of September 30, 1971)						
Total debt including undisbursed	3,374					
Total debt net of undisbursed	2,331					
<u>IMF</u>						
Quota	SDR 207 million					
Fund holdings of dinars, January 31, 1972	SDR 269 million					
Par value	Din 17.0 = US\$1 as of December 21, 1971					
Participant in SDR account						

^{1/} Large changes in 1971 and 1972 are due to a fiscal reform.^{2/} At 1972 U.S. dollars for 1972 forecast.^{3/} Includes errors and omissions; excludes SDR allocation.^{4/} Includes a gain of \$10 million resulting from the currency realignment in December 1971.

Yugoslavia--Basic Data

B. Short-Term Indicators

(Percentage change against previous year)

	1969				1970				1971			
	III	IV	I	II	III	IV	I	II	III	IV	Preliminary	
1. Industrial production	13.5	7.7	11.3	8.4	6.8	11.1	11.0	12.4	9.5	9.3		
2. Employment (socialized sector)	4.7	4.2	3.2	3.4	4.4	4.8	5.2	5.0	...	...
3. Unemployment	2.3	-1.5	-3.7	-2.4	-1.0	-6.4	-11.4	-11.4	-8.6	...		
4. Personal income (socialized sector)	15.9	14.3	16.1	16.7	19.4	22.5	19.1	23.8	21.1	...		
5. Consumer prices (retail)	7.1	8.7	8.2	8.6	10.6	11.2	10.9	13.5	14.6	15.9		
6. Wholesale prices (Industrial goods)	5.2	6.2	6.2	6.9	9.0	9.7	10.7	15.0	15.2	16.2		
7. Money supply	7.7	11.3	14.3	20.2	19.0	16.3	10.1	8.7	12.6	...		
8. Short-term credit	...	...	15.7	18.1	19.6	19.3	17.1	18.6	17.2	13.7		
9. Exports	19.7	17.7	33.6	16.6	5.3	6.4	--	-1.4	19.8	12.6		
10. Imports	16.8	11.9	6.7	30.3	50.3	48.3	45.0	23.9	2.7	-6.0		
11. Gold and convertible foreign exchange	58.3	85.9	42.3	36.5	32.0	-28.9	-39.4	-13.9	-26.1	-1.6		

Sources: Indeks; and Statisticki Bilten.

Indices 7, 8, and 11, refer to end of quarter, all other indices are quarterly averages.
Index 11 includes foreign exchange held by banks.
Index 7 excludes government demand deposits.

Table 1. Social Product

	1970 In billions of dinars	1968	1969	1970	1971 ^{1/} Percentage change at constant prices	1972 ^{2/}
Manufacturing and mining	55.3	6.7	10.9	10.0	10.4	5.8
Agriculture, forestry, and fishing	34.1	-2.3	9.3	-5.1	6.8	1.3
Trade and catering	31.0	7.1	11.9	10.1	10.5	7.4
Construction	13.8	7.4	9.0	9.1	6.8	6.3
Transport and communications	13.6	6.0	11.0	9.0	11.3	8.5
Arts, crafts, and others ^{3/}	<u>9.8</u>	<u>6.5</u>	<u>5.7</u>	<u>6.7</u>	<u>8.8</u>	<u>8.2</u>
Total	157.6	4.3	10.2	5.8	9.3	5.6

Source: Data supplied by the Yugoslav authorities.

^{1/} Estimate.

^{2/} Forecast.

^{3/} Including housing and communal activities.

Table 2 . Industrial Production

(1967 = 100)

	1968	1969	1970	1971
Total				
I	97	106	118	131
II	106	120	129	145
III	104	118	126	138
IV	<u>117</u>	<u>126</u>	<u>140</u>	<u>153</u>
Average	106	118	128	141
Intermediate goods				
I	98	108	119	133
II	109	121	132	147
III	107	122	131	142
IV	<u>114</u>	<u>125</u>	<u>137</u>	<u>...</u>
Average	106	119	130	...
Capital goods				
I	94	109	117	129
II	110	123	131	146
III	104	116	120	130
IV	<u>117</u>	<u>123</u>	<u>145</u>	<u>...</u>
Average	107	119	128	...
Consumer goods				
I	98	108	119	133
II	105	118	127	145
III	103	110	124	138
IV	<u>123</u>	<u>130</u>	<u>143</u>	<u>...</u>
Average	107	118	128	...

Sources: Indexes; and data supplied by the Yugoslav authorities.

Table 3 . Domestic Expenditure

	<u>1970</u> In billions of dinars	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971^{1/}</u>	<u>1972^{2/}</u>
		Percentage change at constant prices				
Private consumption	85.7	7.0	7.5	7.8	7.7	3.1
Public consumption	16.5	10.3	8.9	7.9	7.7	0.8
Fixed investment ^{3/}	<u>47.1</u>	<u>19.3</u>	<u>10.6</u>	<u>18.4</u>	<u>8.3</u>	<u>3.9</u>
Total	164.9	5.7	10.7	11.6	9.1	3.7
Total (excluding inventory investment)	149.3	10.6	8.5	10.9	7.9	3.1

Source: Data supplied by the Yugoslav authorities.

^{1/} Estimate.

^{2/} Forecast.

^{3/} Economic and noneconomic fixed investment.

Table 4. Income of Households

	<u>1970</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>Jan.-Oct. 1971</u> <u>Jan.-Oct. 1970</u>
	In billions of dinars				Change in per cent of current prices
Personal income from socialized sector	55.6	9.5	18.5	20.6	25.0
Fringe benefits	6.8	15.4	14.7	30.8	41.9
Social security benefits	13.5	6.3	25.3	28.6	28.6
Income from private agriculture	7.6	-5.8	30.3	19.7	22.8
Income from private small traders	0.7	-20.0	14.6	43.8	32.1
Remittances from abroad and other cash receipts	<u>21.9</u>	<u>26.0</u>	<u>27.6</u>	<u>35.7</u>	<u>42.8</u>
Total	106.1	10.5	21.5	25.1	30.0

Source: Indeks.

Table 5 . Wages and Unit Labor Costs in Industry

(1967 = 100)

	1968	1969	1970	1971
Personal income per employee				
I	102	116	134	161
II	105	123	143	175
III	111	130	151	183
IV	<u>119</u>	<u>137</u>	<u>165</u>	<u>204</u> ^{1/}
Average	110	127	148	181 ^{1/}
Unit labor costs				
I	103	111	118	135
II	102	107	118	135
III	108	115	132	150
IV	<u>104</u>	<u>114</u>	<u>131</u>	<u>152</u> ^{1/}
Average	104	112	125	143 ^{1/}

Source: Indeks.^{1/} Preliminary.

Table 6. Price Indices

(1967 = 100)

	1968	1969	1970	1971
Retail prices				
I	103.8	110.1	119.1	132.1
II	105.6	113.1	122.8	139.4
III	105.6	113.1	125.1	143.5
IV	<u>107.5</u>	<u>116.9</u>	<u>130.0</u>	<u>150.8</u>
Average	105.6	113.3	124.2	141.5
Cost of living				
I	105.7	112.1	123.5	137.9
II	109.5	117.4	127.7	147.1
III	104.5	114.0	128.0	147.5
IV	<u>108.0</u>	<u>119.3</u>	<u>133.7</u>	<u>155.9</u>
Average	106.9	115.7	128.2	147.1
Producers' prices of industrial goods				
I	99.0	101.7	109.1	121.9
II	100.0	102.1	112.1	129.5
III	100.0	103.4	114.4	134.1
IV	<u>101.0</u>	<u>105.7</u>	<u>118.9</u>	<u>137.5</u>
Average	100.0	103.1	113.6	130.8

Source: Indeks.

Table 7. Monetary Survey

	1968	1969	1970	November	
				1970	1971
(End of period; in billions of dinars)					
Money and quasi-money					
Money	28.3	32.0	37.2	35.3	41.4
Currency	9.6	11.9	14.9	15.2	18.3
Demand deposits ^{1/}	16.4	17.8	20.0	19.3	22.4
Float	2.3	2.3	2.3	0.8	0.7
Quasi-money ^{2/}	26.5	32.0	37.2	35.2	43.9
Total	54.8	64.0	74.4	70.5	85.3
Counterparts					
Domestic credit	54.6	64.7	77.1	73.9	87.2
Government	6.6	7.0	8.4	6.7	7.8
Nongovernment	48.0	57.7	68.7	67.2	79.4
Foreign assets (net)	1.3	0.9	-2.5	-1.7	-4.7
Other items (net)	-1.1	-1.6	-0.2	-1.7	2.8
Total	54.8	64.0	74.4	70.5	85.3
(Changes during the year; in billions of dinars)					
	1968	1969	1970	Dec. '69- Nov. '70	Dec. '70- Nov. '71
Money and quasi-money					
Money ^{1/}	5.2	3.7	5.2	3.3	4.2
Quasi-money ^{2/}	2.8	5.5	5.2	3.2	6.7
Total	8.0	9.2	10.4	6.5	10.9
Counterparts					
Domestic credit	9.1	10.1	12.4	9.2	10.1
Foreign assets and other items (net)	-1.1	-0.9	-2.0	-2.7	0.8
Total	8.0	9.2	10.4	6.5	10.9

Source: Data supplied by the Yugoslav authorities.

^{1/} Excluding deposits of the Federation.

^{2/} Consists of "other sight liabilities," time deposits up to one year, "restricted deposits," foreign exchange deposits, and participation in international financial organizations.

Table 8. Revenues and Expenditures of the Federal Budget

(In millions of dinars)

	1968	1969	1970	1971 (Estimates)		1972
				A ^{1/}	B ^{2/}	Planned
Revenue						
Turnover tax	5,355	6,599	8,243	...	5,213	--
Tax on personal incomes	2,293	1,554	1,483	...	25	--
Customs duties	2,822	3,108	4,315	...	7,310	11,088
Other revenue	358	293	326	...	386	912
Resources for investment in the economy	--	--	--	--	272	--
Contributions from republics and autonomous provinces	--	--	--	--	4,256	12,252
Total	10,828	11,554	14,367	14,666	17,464 ^{3/}	24,252
Expenditure^{4/}						
Defense	6,406	6,933	7,788	8,938	8,938	11,731
Administration	1,105	1,205	1,545	1,700	1,700	2,376
Additional funds to republics	1,140	1,242	1,367	1,429	1,429	1,772
Grants and subsidies to social sector	640	527	704	1,207	1,207	363
Regional development	221	263	304	60	60	--
Contribution to social insurance funds	828	819	977	885	885	1,806
Investments	--	--	--	--	2,255	1,260
Other expenditure	53	210	311	437	1,878 ^{5/}	4,442 ^{5/}
Total	10,393	11,199	12,996	14,656	18,352	23,770
Surplus or deficit	435	355	1,371	10	-890	482
Financing						
External (net)	-46	48	-39	-35	36	-12
Domestic (net)	-389	-307	-1,332	25	854	-470
Bank borrowing	(...)	(...)	(-185)	(-239)	(-239)	(-309)
Other borrowing	(-82)	(-77)	(-80)	(-85)	(745) ^{6/}	(-31)
Balance (residual) ^{7/}	(...)	(...)	(-1,067) ^{8/}	(349)	(348)	(-120)

Source: Data supplied by the Yugoslav authorities.

1/ Adjusted estimates refer to the fiscal performance prior to the fiscal reform in 1971 and are comparable with 1970. Excludes transfers from the previous extrabudgetary accounts amounting to Din 2,796 million of revenue and Din 3,696 million of expenditure.

2/ Estimates as of September 1971 following the fiscal reform; not comparable with 1972 forecast which reflects the structural changes for a full year.

3/ Excluding the surplus from the preceding year (Din 500 million) and receipts from the issuance of bonds and foreign borrowing (Din 900 million).

4/ Excluding allotments to reserve funds which amount to Din 115 million in 1968, Din 115 million in 1969, and Din 132 million in 1972.

5/ Including Din 1,100 million for refund of taxes and Din 341 million for various expenditure in 1970, which were transferred from the extrabudgetary account, and Din 3,860 million for refund of taxes in 1971.

6/ Including bonds issued which amounted to Din 830 million.

7/ Primarily bank deposits.

8/ Including surpluses blocked on a special account amounting to Din 935 million.

Table 9. Consolidated Receipts and Expenditures
of Public Sector^{1/}

(In millions of dinars)

	1967	1968	1969	1970	1971 ^{2/} Estimate
Revenue					
Federal turnover tax	5,876	6,635	8,059	9,984	8,220
Tax on personal incomes	15,622	17,884	20,929	25,962	30,314
Customs duties	2,331	2,822	3,108	4,315	7,310
Business capital tax	2,805	3,125	3,455	3,130	820
Repayment of principal and interest on government investment funds	1,320	1,319	1,621	1,370	2,838
Fund for the reconstruction and construction of Skopje	974	933	970	348	750 ^{3/}
Other revenue	<u>9,815</u>	<u>9,750</u>	<u>10,819</u>	<u>12,568</u>	<u>18,392^{3/}</u>
Total	38,743	42,468	48,961	57,677	68,644
Expenditure^{4/}					
Administration	3,367	3,718	4,476	5,304	6,395
Defense	5,401	6,434	6,980	7,865	9,046
Education	4,154	4,729	5,939	7,442	8,010
Welfare	1,254	1,483	1,745	2,152	2,885
Communal activity	397	451	577	666	871
Investments	3,877	4,695	5,286	6,455	13,930 ^{5/}
Investment credits	3,420	3,633	5,334	5,941	
Grants to extrabudgetary institutions	1,043	1,101	713	908	1,465
Other expenditures	2,988	2,313	2,216	2,413	2,568
Expenditures of the Social Security Funds	<u>11,413</u>	<u>11,275</u>	<u>13,451</u>	<u>17,172</u>	<u>21,603</u>
Total	37,314	39,832	46,717	56,318	66,773
Surplus or deficit	1,429	2,636	2,244	1,359	1,871
Financing					
External (net)	-596	-804	-729	-874	...
Domestic (net)	-833	-1,832	-1,515	-485	...
Bank borrowing (net)	(...)	(-2,093)	(-1,653)	(518)	(...)
Other borrowing (net)	(...)	(-82)	(-77)	(-265)	(...)
Balance (residual) ^{6/}	(...)	(343)	(215)	(-738)	(...)

Source: Data supplied by the Yugoslav authorities.

^{1/} Budgets and extrabudgetary funds of all levels of government.^{2/} Based on revised estimates in case of the federal budget and the social security fund and on planned figures for other public entities.^{3/} Including receipts from compulsory loans collected from economic organizations.^{4/} Excluding allotments to reserve funds, which amount to Din 435 million in 1967, Din 237 million in 1968, Din 220 million in 1969, and Din 245 million in 1970.^{5/} Staff estimate which assumes a shortfall in disbursement of investment credits of Din 1.5 billion.^{6/} Reflects primarily changes in bank deposits of republics and communes.

Table 10. Total Foreign Trade^{1/}

(In millions of U.S. dollars)

	Exports	Imports	Trade balance
1967	1,252	1,707	-455
1968	1,264	1,797	-533
1969	1,475	2,135	-660
1970	1,680	2,874	-1,190
1971 ^{2/}	1,814	3,253	-1,439
1968 I	256	373	-117
II	305	464	-159
III	329	463	-134
IV	373	496	-123
1969 I	286	494	-208
II	356	545	-189
III	394	541	-147
IV	439	555	-116
1970 I	382	527	-145
II	415	710	-295
III	415	813	-398
IV	467	823	-356
1971 I	382	764	-383
II	409	880	-471
III	497	835	-338
IV ^{2/}	526	774	-248

Source: Indeks.^{1/} Figures do not add due to rounding.^{2/} Preliminary.

Table 11. Commodity Composition of Foreign Trade, 1969-71
(By half years; in millions of U.S. dollars)

	1969		1970		1971	
	I	II	I	II	I	II
<u>Exports</u>						
Agricultural commodities ^{1/}	139	150	150	164	142	177
Industrial goods ^{2/}	439	587	564	620	573	749
Other ^{3/}	<u>63</u>	<u>96</u>	<u>83</u>	<u>98</u>	<u>76</u>	<u>99</u>
Total	641	833	797	882	791	1,025
<u>Imports</u>						
Agricultural commodities	78	69	79	128	157	139
Industrial goods	753	858	959	1,236	1,196	1,205
Other	<u>208</u>	<u>168</u>	<u>199</u>	<u>273</u>	<u>294</u>	<u>262</u>
Total	1,039	1,095	1,237	1,637	1,647	1,606

Source: Data supplied by the Yugoslav authorities.

^{1/} Class 0 and 1 of SITC.

^{2/} Class 5, 6, 7, and 8 of SITC.

^{3/} Class 2, 3, 4, and 9 of SITC.

Table 12. Total Balance of Payments

(In millions of U.S. dollars)

	1968	1969	1970	1971 (Estimate)			1972 ^{1/} Forecast
				Jan.-Dec.	Jan.-June	July-Dec.	
A. Goods, services, and unrequited transfers							
Exports, f.o.b. ^{2/}	1,265	1,475	1,680	1,814	792	1,022	2,010
Imports, c.i.f.	-1,797	-2,135	-2,874	-3,253	-1,646	-1,607	-3,440
Trade balance	-532	-660	-1,194	-1,439	-854	-585	-1,430
Foreign travel, net	136	168	146	175	8	167	250
Transportation, net	144	163	201	244	95	149	285
Investment income, net ^{3/}	-77	-88	-110	-115	-60	-55	-120
Workers' remittances	122	206	440	630	278	352	700
Other services, net	63	58	116	111	36	75	100
Transfer payments ^{4/}	38	45	61	70	29	41	70
Balance of services and unrequited transfers	426	552	854	1,115	386	729	1,310
Total	-106	-108	-340	-324	-468	144	-120
B. Nonmonetary sector capital (including net errors and omissions)							
Long-term loans received	390	517	636	640	318	322	740
Long-term loans repaid	-219	-239	-335	-420	-200	-220	-510
Agricultural commodity credits, net	-6	-25	-32	75	15	60	4
Total long-term loans, net	165	253	269	295	133	162	234
Export credits, net	-46	-92	-50	-72	-20	-52	-100
Other short-term capital (including errors and omissions, net)	-56	25	22	-55	147	-202	14
Total short-term capital (including errors and omissions, net)	-102	-67	-28	-127	127	-254	-86
Total	63	186	241	168	260	-92	148
Balance (A + B)	-43	78	-99	-156	-208	52	28
C. Allocation of SDRs	--	--	25	22	22	--	24
Balance (A + B + C)	-43	78	-74	-134	-186	52	52
Monetary movements, net							
SDRs	--	--	-6	4	-1	5	--
Net IMF accounts	18	38	-60 ^{5/}	71	29	42	18
Gold and convertible currencies ^{6/}	-52	-158	109	14	-30	44	-100
National Bank credits	-21	27	-16	--	57	-57	--
Commercial banks' credits	86	33	-24	--	91	-91	--
Bilateral balances	48	58	71	45	40	5	30
Total	43	-78	74	134	186	-52	-52

Source: Data supplied by the Yugoslav authorities.

^{1/} At 1972 U.S. dollars, but see p. 19 for detailed explanations of trade account.^{2/} Nonmonetary gold included.^{3/} Includes interest payments on loans.^{4/} Donations in kind excluded.^{5/} Including \$4 million increase in IMF gold tranche position.^{6/} All banks.

Table 13. Balance of Payments With the Convertible Area
(In millions of U.S. dollars)

	1968	1969	1970	1971 (Estimates)			1972 ^{1/}
				Jan.-Dec.	Jan.-June	July-Dec.	Forecast
A. Goods, services, and unrequited transfers							
Exports, f.o.b.	738	922	1,033	1,080	482	598	1,210
Imports, c.i.f.	-1,208	-1,500	-2,133	-2,310	-1,176	-1,134	-2,423
Trade balance	-470	-578	-1,100	-1,230	-694	-536	-1,213
Foreign travel, net	121	145	132	158	5	153	200
Transportation, net	92	96	112	155	67	88	186
Investment income, net	-76	-88	-110	-112	-58	-54	-118
Workers' remittances	122	206	440	630	277	353	710
Other services, net, and transfer payments	87	131	152	157	55	102	185
Balance of services and unrequited transfers	346	490	726	988	346	642	1,163
Total	-124	-88	-374	-242	-348	106	-50
B. Nonmonetary sector capital (including net errors and omissions)							
Long-term loans received	337	449	568	625	290	335	710
Long-term loans repaid	-180	-232	-331	-410	-195	-215	-500
Agricultural commodity credits, net	6	-25	-32	75	15	60	4
Total long-term loans, net	151	192	205	290	110	180	214
Export credits, net	-30	-59	-25	-55	-15	-40	-90
Other short-term capital (including errors and omissions, net)	8	91	166	-104	85	-189	-16
Total short-term capital (including errors and omissions, net)	-22	32	141	-159	70	-229	-106
Total	129	224	346	131	180	-49	108
Balance (A + B)	5	136	-28	-111	-168	57	58
C. Allocation of SDRs	--	--	25	22	22	--	24
Balance (A + B + C)	5	136	-3	-89	-146	57	82
Monetary movements, net							
SDRs	--	--	-6	4	-1	5	--
Net IMF accounts	-18	-38	-60 ^{2/}	71	29	42	18
Gold and convertible currencies ^{3/}	-52	-158	109	14	-30	44	-100
National Bank credits ^{4/}	-21	27	-16	--	57	-57	--
Commercial banks' credits ^{4/}	86	33	-24	--	91	-91	--
Total	-5	-136	3	89	146	-57	-82

Source: Data supplied by the Yugoslav authorities.

^{1/} At 1972 U.S. dollars, but see page 19 for detailed explanations of trade account.

^{2/} Including \$4 million increase in gold tranche position.

^{3/} All banks.

^{4/} Based on the assumption that all foreign borrowing was from the convertible area.

Table 14. Balance of Payments -- Services and Transfers

(In millions of U.S. dollars)

	1969			1970			1971 ^{1/}			1972 ^{2/}		
	Receipts	Expendi- ture	Net	Receipts	Expendi- ture	Net	Receipts	Expendi- ture	Net	Receipts	Expendi- ture	Net
Foreign travel	241	-73	168	275	-129	146	355	-180	175	420	-170	250
Transportation	280	-117	163	354	-153	201	424	-180	244	495	-210	285
Investment income	8	-96	-88	16	-126	-110	15	-130	-115	20	-140	-120
Workers' remittances	206	--	206	440	--	440	630	--	630	710	--	710 ³⁶
Other services	...	...	58	185	-69	116	211	-100	111	240	-125	115
Transfers	<u>45</u>	<u>--</u>	<u>45</u>	<u>61</u>	<u>--</u>	<u>61</u>	<u>70</u>	<u>--</u>	<u>70</u>	<u>70</u>	<u>--</u>	<u>70</u>
Total	...	...	552	1,331	-477	854	1,705	-590	1,115	1,955	-645	1,310

Source: Data supplied by the Yugoslav authorities.

^{1/} Preliminary.^{2/} Forecast.

Table 15 . Gold and Convertible Foreign Exchange

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

		National Bank					Total
		IMF			Foreign	Other	
		gold tranche	SDRs ^{1/}	Gold	exchange	banks	
		position					
		Total					
1967		80		22	58	57	137
1968		132		50	82	52	184
1969		253		51	202	89	342
1970		140	4	51	78	104	243
1968	I	149		22	127	26	175
	II	131		23	108	38	169
	III	116		44	72	40	156
	IV	132		50	82	52	184
1969	I	188		50	138	58	246
	II	161		51	110	61	222
	III	173		51	122	74	247
	IV	253		51	202	89	342
1970	I	264	13	51	200	86	350
	II	217	6	52	159	86	303
	III	217	6	52	159	109	326
	IV	140	4	52	78	104	244
1971	I	157	13	32	107	55	212
	II	180	7	51	122	81	261
	III	136	7	51	78	105	241
	IV ^{2/}	176 ^{3/}	2	33	141	64	240 ^{4/}

Sources: International Financial Statistics; and data supplied by the Yugoslav authorities.

^{1/} Initial allocation to Yugoslavia was SDR 25.2 million, the second allocation on January 1, 1971 was SDR 22.1 million; and the third allocation on January 1, 1972 was 21.9 million.

^{2/} Preliminary.

^{3/} Equivalent to SDR 162 million.

^{4/} According to staff estimates including \$10 million resulting from the currency realignment in December 1971.

Table 16. External Medium-Term and Long-term Debt, as of September 30, 1971

(In millions of U.S. dollars)

	Debts outstanding		Amortization plan ^{1/}				
	Net of undisbursed	Including undisbursed	1971	1972	1973	1974	1975
Debt repayable in convertible currencies							
IMF drawings outstanding	89.6	148.1	5.0	15.0	--	96.4	31.8
IBRD loans	263.8	512.9	3.0	12.4	13.5	15.9	17.9
Other guaranteed	855.7	935.9	33.0	200.4	128.4	195.0	90.3
Unguaranteed ^{2/}	889.0	1,216.8	109.0	282.2	318.1	102.7	170.4
Total	2,098.1	2,813.7	150.0	510.0	460.0	410.0	310.4
Debt repayable in bilateral currencies							
Guaranteed	164.5	318.2	1.0	32.0	35.0	32.0	30.0
Unguaranteed	68.8	241.8	1.0	28.0	30.0	30.0	35.0
Total	233.3	560.0	2.0	60.0	65.0	62.0	65.0
Total debt							
IMF drawings outstanding	89.6	148.1	5.0	15.0	--	96.4	31.8
IBRD loans	263.8	512.9	3.0	12.4	13.5	15.9	17.9
Other guaranteed	1,020.2	1,254.1	34.0	232.4	163.4	227.0	120.3
Unguaranteed	957.8	1,458.6	110.0	310.2	348.1	132.7	205.4
Total	2,331.4	3,373.7	152.0	570.0	525.0	472.0	375.4
Interest payments			40.0	100.0	95.0	80.0	75.0

Source: Data supplied by the Yugoslav authorities.

^{1/} Includes transactions with the IMF and commodity loans on a gross basis. ^{2/} Debt which is not guaranteed by the National Bank or the Federal Government; includes debt guaranteed by business banks.

Table 17. Short-Term External Debt^{1/}
(In millions of U.S. dollars; end of period)

	1967	1968	1969	1970	1971 ^{2/}
National Bank	62	46	73	57	96
Commercial Bank	54	136	169	146	118
Other (commercial credit) ^{3/}	<u>53</u>	<u>57</u>	<u>58</u>	<u>70</u>	<u>54</u>
Total	169	239	300	273	268

Source: Data supplied by the Yugoslav authorities.

^{1/} With a maturity of less than one year.

^{2/} As of November 30.

^{3/} Not including suppliers' credits.

The Foreign Debt System

1. Reporting system

Under the reporting system introduced in July 1971, all foreign debt must be registered with the National Bank of Yugoslavia. The National Bank has the authority to refuse to register foreign loans in case of excessive interest rates or other conditions of the loans it views as unfavorable. The borrower receives a certificate of registration from the National Bank as evidence of compliance. Commercial banks may not issue a guarantee for a foreign loan if the borrower does not have the certificate of registration.

2. Regulations for commercial banks and enterprises

Banks and enterprises may borrow abroad freely, limited only by their capacity to repay in foreign exchange. In the case of enterprises there are three sources of foreign exchange for repayment: (1) retention quotas and depreciation allowances in foreign exchange; (2) exchange acquired from banks under regulations governing the foreign trade system; and (3) exchange acquired from banks outside the foreign exchange regime for loans authorized by specific decisions of the Federal Executive Council. In the case of banks, the source of exchange for repayment of foreign loans, including obligations incurred because of default on loans they have guaranteed, is their "foreign exchange credit fund." This fund is derived from retention quotas purchased from enterprises and the banks' earnings on its own assets denominated in foreign currencies. At the beginning of each year, a "foreign exchange credit potential" is prescribed for each bank by the application of a factor (such as 2.5, 3.0, etc.) to the value of the foreign exchange credit fund. The factor is chosen in such a way as to make the total of the "foreign exchange credit potential" for all commercial banks equal to the predetermined limit for the year on the total outstanding foreign debt and guarantees of foreign loans of the commercial banks. The limit was US\$795 million for 1970 and US\$900 million for 1971. However, certain categories of debt are exempt from this limit (see below).

3. Categories of foreign borrowing

Foreign borrowing is divided into two main types: loans guaranteed by the Government or the National Bank and loans guaranteed by commercial banks, including a small amount of unguaranteed loans.

a. Officially guaranteed loans

These are credits authorized by specific decisions of the Federal Executive Council. There is no foreign exchange deposit requirement for these loans. Included in this category are direct foreign obligations of the Government and the National Bank, and credits to enterprises from certain international lending agencies and official lending agencies abroad which may require such a guarantee.

b. Not officially guaranteed loans

Five categories can be distinguished: (1) medium- and long-term credits for financing the importation of capital goods, for which the source of exchange for repayment is the retention quota and depreciation allowance in foreign exchange; (2) short-term credits^{1/} for financing the import of raw materials and intermediate goods, for which exchange for repayment is provided on the basis of regulations governing the foreign trade regime; (3) financial credits (of any maturity) repayable from retention quotas; (4) import or financial credits authorized by specific decisions of the Federal Executive Council, mainly for infrastructure projects; and (5) short-term loans, other than those under category (2).

In the case of loan categories (2) and (4) above, the guarantee is not counted against the banks' foreign exchange credit potential, described above.

4. Deposit requirements

For loan category (1), there is a deposit requirement of 10 per cent in foreign exchange, held by the National Bank to maturity of the loan. In the case of loan category (3), the deposit requirement is 20 per cent; in neither case is interest earned on the deposit. For loan category (4) the requirements vary. In some cases the deposit percentage is significantly less and in some cases no deposits need be made. That is determined by the Federal Executive Council and included as part of the authorization decision. In the case of trade credits in category (2) and other short-term credits under category (5) there are dinar counterpart requirements according to the National Bank regulations in force at the time. Currently, there is a requirement of 50 per cent down payment and the remaining 50 per cent after three months in the case of deferred payment terms for commodities on the liberalized (LB) import list. In the case of commodities subject to global exchange quotas (GDK), the initial dinar payment is 70 per cent, with the balance payable after six months.

5. Outstanding credit on September 30, 1971^{2/}

At the end of September 1971, the total outstanding^{3/} medium- and long-term foreign debt in convertible currencies guaranteed by the Government or National Bank was US\$1,209 million, US\$57 million more than the total at the end of 1969. The total outstanding^{3/} medium- and long-term foreign debt in convertible currencies guaranteed by Yugoslav commercial banks or not guaranteed was US\$889 million, an increase of US\$374 million in relation to the end of 1969 total. Short-term credit amounted to US\$268 million, US\$32 million less than at the end of 1969.

^{1/} The maturity is usually under one year, but in some cases it is greater than one year.

^{2/} Excludes CCC credits with a maturity of 18 months; includes outstanding drawings on the IMF.

^{3/} Excluding undisbursed.