

EBS/81/5
Supplement 1

CONFIDENTIAL

January 28, 1981

To: Members of the Executive Board
From: The Acting Secretary
Subject: Yugoslavia - Request for Stand-By Arrangement

The attached supplement to the paper on Yugoslavia's request for a stand-by arrangement (EBS/81/5, 1/16/81) has been prepared on the basis of additional information received.

This subject has been scheduled for discussion on Friday, January 30, 1981.

Att: (1)

INTERNATIONAL MONETARY FUND

YUGOSLAVIA

Request for Stand-By Arrangement - Supplementary Information

Prepared by the European Department

Approved by L.A. Whittome

January 27, 1981

The following data relating to December 1980 have been received from the Yugoslav authorities. They do not change the basic picture contained in EBS/81/5, 1/16/81.

1. Prices

Retail prices in December 1980 were 39 per cent higher than a year earlier. Their average level in 1980 was 30 per cent above that in 1979. In November 1980, retail prices were 37 per cent higher than in November 1979.

2. Monetary developments

Latest available estimates show that money supply increased by 24 per cent in 1980 and net domestic assets of the banking system by 28 per cent. The latter increase is within the ceiling incorporated as a performance criterion in the current stand-by arrangement. The end-December 1980 figures are virtually the same as earlier end-year projections.

3. Federal budget

The attached table gives the planned budget for 1981 and the latest estimates for the 1980 outcome. With respect to the latter, the deficit is now slightly less than was expected in December 1980 (Din 19.6 billion compared with Din 21.1 billion), because customs revenue is now higher. For 1981, the principal differences from the December figures are basically offsetting changes in customs duties (-Din 11.3 billion) and contributions from the republics and autonomous provinces (+Din 11.2 billion), and a small increase in total expenditure. As a result, the deficit is Din 2.1 billion, Din 1.0 billion higher than the earlier figure of Din 1.1 billion. However, the amount of financing from the National Bank is unchanged. Press reports state that the turnover tax has been increased for most goods except basic foodstuffs, as have some levies on oil derivatives. These increases are mainly to finance the budgets of the Federation and the republics.

4. Balance of payments

Total exports of goods in 1980 were valued at US\$9.0 billion and total imports at US\$15.1 billion. Higher net invisible receipts leave the current account balance unchanged at an estimated US\$2.2 billion. At end-December 1980, the official gross convertible international reserves stood at US\$1,462 million.

Yugoslavia: Budget of the Federation

(In millions of dinars)

	1980	1981	
	Actual	Original Plan	Final Plan
Revenue			
Customs duties and other import fees	20,390	35,437	24,137
Contributions from republics and provinces	38,469	52,562	63,773
General turnover and sales taxes	47,870	73,377	73,377
Other taxes	304	230	230
Nontax revenues	<u>2,701</u>	<u>2,850</u>	<u>2,850</u>
Total revenue	109,734	164,456	164,367
Expenditure			
Administration	17,626	21,380	20,680
Defense	76,275	101,894	101,894
Grants to republics and provinces	14,334	16,277	16,277
Grants to republics and communities of interest	19,197	25,237	25,237
Investment	765	215	874
Other or discrepancy	<u>1,122</u>	<u>489</u>	<u>1,536</u>
Total expenditure	129,319	165,592	166,498
Surplus or deficit	-19,585	-1,136	-2,131
Financing, net domestic			
Bond issues	<u>13,344</u>	--	--
National Bank credits	9,200	4,600	4,600
Repayment of bank credits	-1,373	-2,974	-1,979
Bond amortization	-1,350	-205	-205
Allocation to budgetary reserves	-236	-285	-285

Source: Data supplied by the Yugoslav authorities.