



ECONOMIC SURVEYS

SOCIALIST
FEDERAL REPUBLIC
OF
YUGOSLAVIA

I. 2. B. 4.

ORGANISATION FOR ECONOMIC
CO-OPERATION AND DEVELOPMENT

PARIS MAY 1965

BASIC STATISTICS OF YUGOSLAVIA

THE PEOPLE

Area (1,000 sq.km)	256	Net natural increase in population (1960-1964):	
Agriculture area (1963, 1,000 sq.km)	148	Annual average	219,000
Population (1964, estimates in thousands):		Annual average per 1,000 inhabitants	11.6
Federal Republic	19,279	Employment (socialist sector) sept. 1964	3,668,000
Republics:		of which:	
Serbia	7,890	Industry	1,362,000
Croatia	4,252	Construction	376,000
Slovenia	1,631	Agriculture	346,000
Bosnia and Herzegovina	3,522	Persons employed on individual agricultural holdings (1961) ...	4,551,000
Macedonia	1,481		
Montenegro	503		
Major cities:			
Beograd	678		
Zagreb	491		
Sarajevo	218		
Skopje	212		
Ljubljana	178		
Titograd	39		
No. of inhabitants per sq.km (1963)	75		

PRODUCTION

Gross national product in 1963 (billions of dinars)	5,304	Origin of GDP at factor cost (1963):	
GNP per head in 1963 (dinars)	278,206	Agriculture, forest, fishing	23 %
Gross fixed investment (average 1958-62):		Mining and manufacturing	32 %
— per cent of GNP	29	Construction	9 %
— per head (dinars)	57,025	Other	36 %

THE GOVERNMENT

The Federal Assembly:		— The Chamber of Social Welfare and Health	120 members
— The Federal Chamber ..	190 members	— The Organisational-Political Chamber	120 —
— The Economic Chamber ..	120 —	The Federal Executive Council ..	37 —
— The Chamber of Education and Culture	120 —		

LIVING STANDARDS

Calories per head day (1962)	3,116	Number of passenger cars per 1,000 inhabitants (1964)	7
Consumption of energy (in terms hard coal per capita, kg, 1963)	952	Number of telephones per 1,000 inhabitants (1964)	18
		Number of radio sets per 1,000 inhabitants (1964)	130
		Average monthly receipts of industrial workers (1963) (dinars)	28,000

FOREIGN TRADE

EXPORTS:		IMPORTS:	
Main exports (percentage of total exports in 1964):		Main imports (percentage of total imports in 1964):	
Food, beverage and tobacco	30	Machinery and transport equipment ..	30
Machinery and Transport equipment ..	17	Manufactured goods	25
Manufactured goods	35	Food, beverage and tobacco	13
Raw materials (excluding fuels)	13	Raw materials (excluding fuels)	16
Other	5	Other	16

THE CURRENCY

Monetary unit: dinar

Currency unit per U.S. \$ 750.

ECONOMIC SURVEYS BY THE OECD

SOCIALIST
FEDERAL REPUBLIC
OF
YUGOSLAVIA

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

The Organisation for Economic Co-operation and Development was set up under a Convention signed in Paris on 14th December 1960 by the Member countries of the Organisation for European Economic Co-operation and by Canada and the United States. This Convention provides that the OECD shall promote policies designed:

- to achieve the highest sustainable economic growth and employment and a rising standard of living in Member countries, while maintaining financial stability, and thus to contribute to the development of the world economy;*
- to contribute to sound economic expansion in Member as well as non-member countries in the process of economic development;*
- to contribute to the expansion of world trade on a multilateral, non-discriminatory basis in accordance with international obligations.*

The legal personality possessed by the Organisation for European Economic Co-operation continues in the OECD, which came into being on 30th September 1961.

The Members of OECD are: Austria, Belgium, Canada, Denmark, France, the Federal Republic of Germany, Greece, Iceland, Ireland, Italy, Japan, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States.

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INTRODUCTION

The years 1963 and 1964 were a period of exceptionally rapid growth for the Yugoslav economy. Industrial production rose by 15 per cent in 1963 and 16 per cent in 1964, while total social product increased by 14 per cent in 1963 and 12 per cent in 1964, the latter figure being affected by the slower rate of expansion in agriculture (4 per cent in 1964 as against 10 per cent in 1963). But whereas in 1963 the rise in production was achieved without seriously disturbing the equilibrium of the economy, in 1964 there was a considerable deterioration in the foreign trade balance and, more importantly, heavy pressures on prices and incomes. The cost of living rose by 12 per cent, the increasing speed of the upward movement being particularly marked in the fourth quarter, while personal incomes increased by some 25 per cent.

The policy of unfreezing bank credits, initiated in 1963 to restimulate the economy after its sluggishness of the previous year, proved too expansionary in a context of general boom conditions. The result was a very marked increase in the volume of investment expenditure (+ 18 per cent over the whole year, the bulk of the increase having occurred in the first half of the year), which increased the pressures being felt by some of the basic industries (raw materials and equipment). The growth in internal demand for consumer goods was stimulated by the size of the additional incomes distributed to workers, but this trend clashed with a marked shortage in the domestic supply of agricultural products and most of the services. Finally, in addition to these various factors, mention should be made of the government campaign to reorganise the price system and make it a real indicator of the degree of adjustment between supply and demand. The measures taken in July and August 1964 to bring about steep increases in prices of agricultural commodities and foodstuffs, services and certain primary foodstuffs are a part of the campaign which will, moreover, probably be continued in 1965 if the price freeze decreed in March is suspended.

The prospects for the current year, as described in the 1965 Social Plan, drawn up at the end of 1964, indicate a somewhat slower growth of production (+ 9 per cent compared with 1964) and above all a radical change in the structure of internal demand. Private consumers' demand should grow at something like the rate recorded last year (+ 11 per cent),

whereas investment demand will probably show a fairly sharp decline (— 4 per cent overall, and — 7 per cent for productive investment). The slower rate of expansion in total demand should make it possible to achieve a somewhat healthier trade balance and, more particularly, to curb the rise in domestic prices, despite continued application of the adjustments regarded as essential by the authorities. The year 1965 should therefore be one of stabilisation and reorganisation before the Yugoslav economy takes a more positive step towards the decentralisation and liberalisation of economic decision-making processes. This idea of a pause for consolidation comes out clearly in the resolution adopted by Parliament at the end of 1964. These concern both the organisation of the economic system and the Plan for 1970. Nevertheless, trends in the early part of 1965 show prices and incomes to be under heavy pressure, and this has made it necessary to introduce further controls. There is already room for doubt as to whether the forecasts given in the Social Plan can be fully achieved.

The slower rate of economic advance was the inevitable result of the various stabilisation measures taken at the end of 1964 and early 1965. These relate primarily to the control of credit, investment and prices, and their introduction makes it necessary to have another look at the structures and mechanisms of short-term economic policy in Yugoslavia, and their bearing on medium term objectives. These various questions will be studied after considering the trend of the Yugoslav economy in 1964 and its prospects for 1965.

The seven-year Plan for 1964-1970 has not yet been finally adopted by the Parliament and the ultimate shape of the Plan is still being discussed by the political authorities and industries concerned. In the section of the present survey dealing with structural problems, a brief indication will be given of how far discussions on the objectives of the Plan for 1970 have got. An attempt will therefore be made in the latter part of this survey to describe incomes policy in Yugoslavia — its past trends, the current situation and prospects for the medium term. Trends in recent years reveal the extent to which a too rapid advance in incomes can threaten overall economic equilibrium. The achievement of the medium-term objectives of the Plan for 1970 will therefore certainly necessitate the more effective implementation of a system for regulating personal incomes.

I. TREND OF THE YUGOSLAV ECONOMY IN 1964

Supply

Growth of production was extremely rapid in 1964 and, save in the case of agriculture, the forecasts of the Social Plan were more than fulfilled. The social product increased by 12.2 per cent (instead of the 10 per cent envisaged in the Plan). The volume of industrial production increased

by 16 per cent (as against a planned 11 per cent). Owing to bad weather, agricultural output rose by only 4.3 per cent, instead of the 7 per cent provided for in the Plan.

The growth of industrial production was unevenly distributed among the various industries. It showed a tendency to slow down somewhat during the second half of the year. The breakdown by industries (Table 1) shows that the capital goods and basic industries were the ones which progressed fastest (+ 19 per cent), whereas the main consumer goods industries (textiles and foodstuffs) made slower progress (+ 12 per cent approximately). The breakdown over time (Table 2) shows that the peak of expansion was reached between the middle of 1963 and the middle of 1964, something of a downturn being recorded as from the second half of last year.

The growth of agricultural output was less marked than in 1963 (4.3 per cent as against 10 per cent) and fell short of the forecasts of the Social Plan (+ 7 per cent). This is mainly due to bad weather, which

TABLE 1. PRODUCTION BY INDUSTRIES IN 1963 AND 1964

	<i>Indices of volume.</i>	
	1963 1964	1964 1963
Electric power	120	105
Coal	110	107
Oil	109	114
Iron and steels	103	110
Non-ferrous metals	109	103
Non-metallic ores	113	122
Metal-working	113	126
Shipbuilding	124	93
Electrical Industry	126	132
Chemical Industry	128	120
Building materials	114	114
Wood-working industry	113	118
Pulp and paper	119	124
Textiles	115	113
Leather and footwear	117	122
Rubber	123	124
Food	116	111
Printing	108	117
Tobacco	151	141
Other	153	115
Total industrial production	115	116

Source: Memorandum.

TABLE 2. QUARTERLY INDICES OF TOTAL INDUSTRIAL PRODUCTION

COMPARED WITH THE CORRESPONDING QUARTER OF THE PREVIOUS YEAR

	1st QUARTER	2nd QUARTER	3rd QUARTER	4th QUARTER
1961.....	110	107	107	105
1962.....	105	104	108	110
1963.....	111	117	117	116
1964.....	119	117	114	114

Source: Memorandum.

caused an 8 per cent decline in fruit production and lowered wheat production by nearly 10 per cent compared with 1963. On the other hand, output of maize, sugar beet and wine showed substantial increases.

Rapid growth rates were recorded in the services sector. The volume of commercial transactions increased by 16 per cent and that of goods traffic by 11 per cent. The volume of housing construction showed an increase of 17 per cent.

A substantial rise in employment and productivity was recorded in 1964. Employment increased by 7 per cent (as against only 2 per cent in 1962 and 1963). Not only was the current increase in the active population in towns absorbed but also a proportion of workers from rural areas. Unemployment was thus somewhat lower than in the previous year (Table 3). Productivity increased by 8 per cent in the socialised sector

TABLE 3. ACTIVE POPULATION AND UNEMPLOYMENT

In thousands.

	1963	1964
1. Total population.....	19,065	19,279
2. Total active population.....	8,560	8,654
3. Total employment in the socialised sector.....	3,390	3,609
4. Applications for employment not met in the socialised sector ¹	230	211
5. Item 4 as a percentage of item 3.....	7	6
6. Item 4 as a percentage of item 2.....	2.9	2.5

1. Including applications of workers in agriculture.

Source: Statistical Yearbook of the SFRY.

as opposed to 12 per cent in 1963. This slowing down is mainly due to the rapid expansion of employment in low productivity industries (particularly building, and socialised enterprises in agriculture).

Demand

Growth of demand was stronger than that provided for in the Social Plan. Despite the advances in domestic production, which were greater than had been expected, the increased demand worsened the imbalance in foreign trade and caused heavy pressure on prices. Also, contrary to the forecasts of the Social Plan which provided for a marked decline in the investment growth rate of 1964 (10 per cent as against 18 per cent in 1963), investment rose by 29 per cent in value and by 18 per cent in volume compared with the previous year, while consumption expenditure increased by 27 per cent in value and 12 per cent in volume.

The growth of investment, which was particularly marked up until September (+ 40 per cent in value compared with the corresponding period in the previous year), was due to several factors. The propensity to invest is, in any case, extremely strong in a country where, owing to rapid growth of the economy, the pressure of internal demand is very heavy and invested capital is assured of high earning capacity. The implementation of a number of economic policy measures taken in 1963 stimulated investment by making it easier to finance. More specifically, certain steps¹ were taken in the course of 1963 to transfer investment fund holdings to specialised banks (the Investment Bank², the Agricultural Bank, and the Foreign Trade Bank), and to enable communal banks to finance productive investment more freely from the long-term resources available to them. (In the past the sums accumulated in enterprises' reserves were placed with the communal banks as sight deposits and could not be used to finance long-term investment.) In 1964 these new arrangements enabled the banks to make large-scale use of the credits available to them to meet the enterprises' demand for investment financing. Finally, it should be noted that the continued rebuilding of Skopje accounted for nearly one quarter of the increase in total investment expenditure in 1964.

The growth of consumer demand was underpinned by the heavy increase in workers' earnings and, to a lesser extent, by the expansion of credit. By comparison with 1963, the growth of personal earnings was especially rapid, a fact which can be attributed to the substantial rise in employment and to the higher industrial wage rates (Table 4). Consumer credit increased by only 106.5 billion dinars, as against 139 billion in 1963, as a result of the restrictive measures taken in the second half of the year.

1. OECD: Economic Survey on Yugoslavia, June 1964, paragraphs 19 and 20.
2. For industry and services.

TABLE 4. TRENDS IN SOME ASPECTS OF MONEY INCOME AGGREGATES

	<i>Indices.</i>	
	1963 1962	1964 1963
Total personal earnings	118	134
Pensions, disablement allowances and other social benefits..	113	119
Farmers' incomes	124	123
Other incomes	121	131
Other available funds (including consumer credit)	123	127

Source : Memorandum.

In all, consumer credit financed less than one third of the increase in demand, as opposed to one half in 1963.

Foreign trade

The trend of foreign trade was characterised by a growth of imports much greater than had been anticipated, which added appreciably to the disequilibrium in the trade balance, while the increase in exports was in line with the forecasts of the Social Plan. The volume of imports increased by 25.5 per cent and that of exports by 15.2 per cent. The trade deficit rose to \$ 433 million, whereas in 1962 and 1963 it had been kept below the level of 1961 (Table 5). It must however be pointed out that the stabi-

TABLE 5. BALANCE OF PAYMENTS

Million U.S. \$.

	1962	1963	1964 ¹
1. Exports (f.o.b.)	699.0	799.7	900.0
2. Imports (c.i.f.)	899.7	1,080.5	1,333.3
3. Trade balance	- 200.7	- 280.8	- 433.3
4. Invisibles (net)	115.7	162.8	216.6
5. Current balance	- 85.0	- 118.0	- 216.7
6. Grants and gifts	20.7	30.5	30.0
7. Reparations	14.0	3.1	2.8
8. Capital transfers	67.1	108.0	201.3
9. Errors and omissions	5.0	- 20.4	- 52.1
10. Change in official gold and foreign exchange reserves	- 21.7	- 3.0	34.7

1. Provisional figures.

TABLE 6. FOREIGN TRADE BY AREA

Millions of dollars.

	1963	1964
<i>Imports by area:</i>		
Western Europe	433	541
North America	205	188
Eastern Europe and U.S.S.R.	241	377
Rest of world	178	216
Total	1,057	1,322
<i>Exports by area:</i>		
Western Europe	381	383
North America	52	57
Eastern Europe and U.S.S.R.	211	308
Rest of world	146	144
Total	790	892

Source: Statistical Yearbook of the SFRY.

lisation measures taken in the second half-year were followed by an appreciable improvement. For the whole year the deficit on the current balance of payments amounted to \$ 217 million.

The pattern of foreign trade by areas (Table 6) reveals the increasing share taken by Western Europe and the Eastern countries, trade with North America showing a marked decline. The breakdown by products (Table 7) raises questions as to the direction given to foreign trade policy in 1964. It is evident that imports of agricultural products and foodstuffs (for which there was a very heavy internal demand, owing to the rapid growth of incomes and the relatively moderate increase in domestic output) have fallen and that exports of the same commodities have risen, while imports of machinery and primary products have increased very considerably.

Prices

The rise in the cost of living, which had been appreciably less marked in 1963 (5.3 per cent against 10.5 per cent in 1962 and 7.5 per cent in 1961) quickened again in 1964 (+ 12 per cent), whereas the Social Plan had provided for an increase of only some 5 per cent. Factors at work here were the pressure of internal demand, especially for foodstuffs, and the action of the authorities who tried, by means of major price adjustments decided in the middle of the year, to provide sufficient margin for self-financing to be built up in certain industries (electric power, coal), or else

TABLE 7. FOREIGN TRADE

BY COMMODITY GROUPS

Millions of dollars.

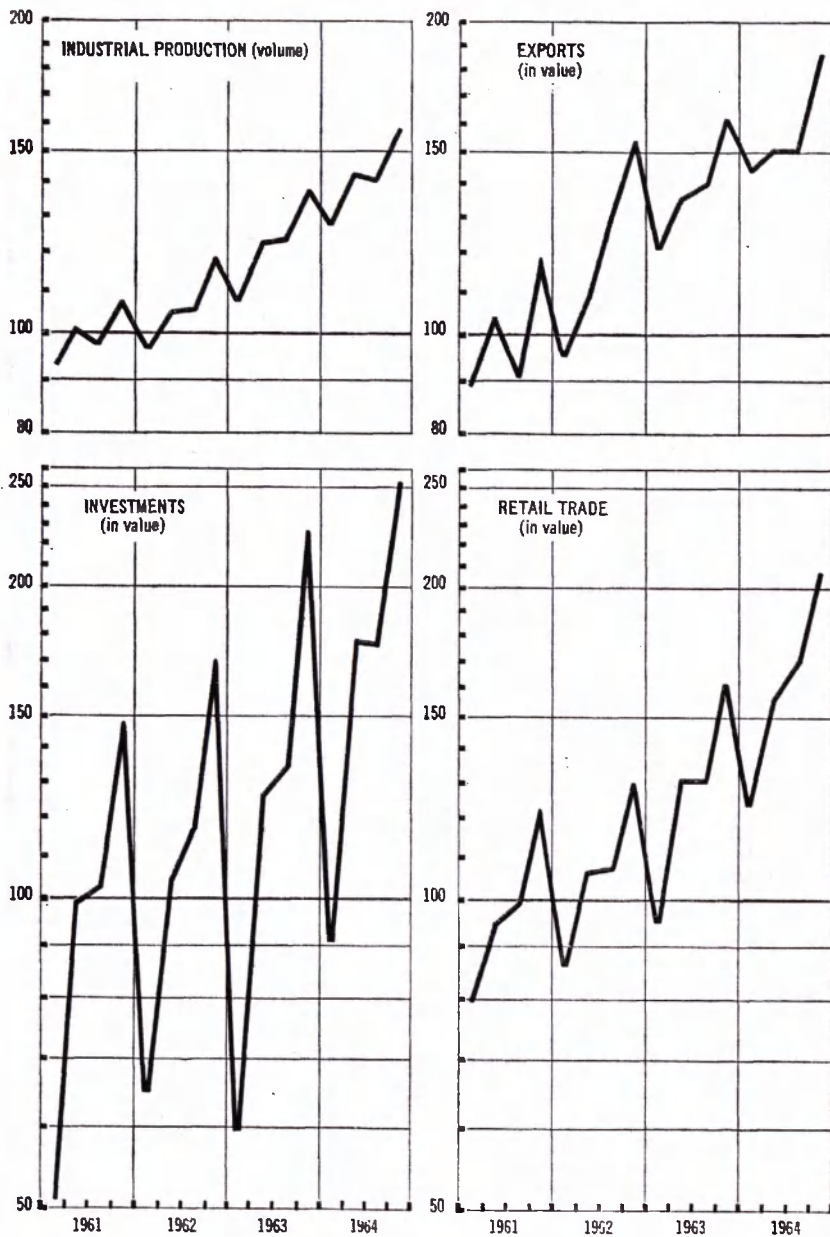
SITC sections		1963	1964
IMPORTS:			
0 and 1	1. Food, drink and tobacco	201	167
	of which:		
	2. Cereals and cereal preparations	124	69
2	3. Crude materials	159	211
	of which:		
	4. Textile fibres and waste	88	115
3	5. Mineral fuels	47	66
5	6. Chemicals	111	138
6	7. Semi-manufactures	187	277
	of which:		
	8. Base metals	135	150
7 and 8	9. Finished manufactures	341	447
	of which:		
	10. Machinery	266	336
	Transport equipment	41	62
4 and 9	11. Other	11	16
	12. Total	1,057	1,322
EXPORTS:			
0 and 1	13. Food, drink and tobacco	243	265
	of which:		
	14. Live animals, meat and meat preparations	124	147
	Cereals and cereal preparations	6	2
2	15. Crude materials	108	115
	of which:		
	16. Wood, lumber and cork	55	56
5	17. Chemicals	26	38
6	18. Semi-manufactures	169	205
	of which:		
	19. Base metals	78	89
7 and 8	20. Finished manufactures	227	256
	of which:		
	21. Machinery	81	87
	22. Ships	55	40
3,4 and 9	23. Other	17	14
	24. Total	790	892

Source: Statistical Yearbooks of the SFRY, OECD Foreign Trade Bulletins.

to maintain the income levels of the less well-off sections of the community (agriculture). As a result of increased internal pressure and the effect of government policy measures, the upward movement in prices gathered momentum in the second half-year and produced heavier repercussions on certain categories of products (foodstuffs, heating and lighting) (Table 8). Producer prices, which increased by less than 1 per cent in 1963, rose by nearly 4 per cent in 1964.

Diagram 1. SELECTED ECONOMIC INDICATORS

1961 = 100



Sources: OECD General Statistics; Indeks.

TABLE 8. PRICES

1960 = 100.

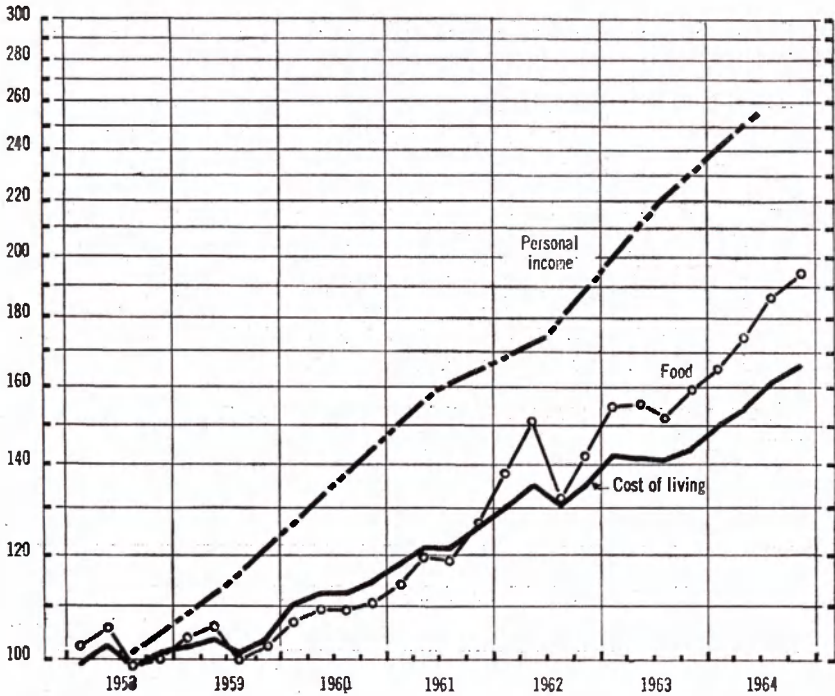
	1963	1964	1963				1964			
			I	II	III	IV	I	II	III	IV
<i>Producer prices:</i>										
1. Manufactured goods	105	109	105	105	105	106	106	108	110	112
<i>of which:</i>										
2. Capital goods	101	103	101	101	101	102	102	103	103	103
3. Goods for further processing	105	108	105	105	105	106	106	107	109	111
4. Consumer goods	105	111	105	105	106	106	107	109	113	117
5. Agricultural products	146	...	148	151	149	150	160	174	193	196
6. Cereals	145	...	140	146	153	146	151	163	206	187
7. Livestock ¹	144	...	134	143	147	146	157	173	199	202
<i>Cost of living index²:</i>										
8. Total	126	140	126	126	125	129	132	135	144	150
<i>of which:</i>										
9. Food	139	161	140	140	137	144	148	155	167	174
10. Clothing and footwear	111	118	110	111	111	112	114	116	118	122
11. Rent	120	120	120	120	120	120	120	120	120	120
12. Fuel and lighting	112	136	113	109	112	116	121	125	140	159

1. For slaughter.

2. For a four-member family of workers.

Source: Indeks.

**Diagram 2.* AVERAGE PERSONAL INCOME IN INDUSTRY
AND COST OF LIVING INDICES**
1958 = 100



* Personal income = Annual average.
Food and Cost of living = Quarterly average.
Sources: OECD General Statistics; Indeks.

Economic policy

In 1962 short-term policy was sharply restrictive following the serious imbalances which occurred in 1961 and 1962. In 1963, on the other hand, there was a relaxation of credit policy (consumer credit and credit to enterprises), derestriction of prices and more widespread decentralisation of decision making in the field of investment. In 1964 economic policy became more complex. In the first half of the year it continued along the lines taken in 1963 (unfreezing of investment credits, relaxation of consumer credit, etc.). Then, in the middle of the year, when pressure on prices

had become acute, a stabilisation policy aimed specifically at consumer credit and investment was initiated. Simultaneously with these stabilisation measures, however, action was taken to "reorganise" prices and this inevitably caused the upward movement to gain momentum at the end of the year.

a) In the case of consumer credit, the main changes were as follows:

- in July, postponement of the repayment of credits was prohibited and the down payment on purchases of motor cars was raised from 10 to 20 per cent;
- in October, the basis for allocating credit was reduced from 1/4 to 1/5 of personal income; the down payment on purchases of all goods was raised from 10 to 20 per cent, and from 20 to 30 per cent in the case of motor cars. In addition, the duration of credit facilities was reduced from 5 to 4 years for motor cars and from 3 to 2 1/2 years for all other goods.

These measures brought about a marked decline in the growth of consumer credit during the year (Table 9).

TABLE 9. INCREASES IN CONSUMER CREDIT

Billions of dinars.

	JAN. TO SEPT.	OCT. TO DEC.	JAN. TO DEC.
1963	82	57	139
1964	81	28	109
Index (1963 = 100)	99	50	78

b) In the case of investment, the major restrictive measures taken during the second half of the year were:

- 20 per cent of funds available for investment in commercial banks were frozen;
- commercial banks no longer have the right to grant investment credit on the basis of the total of their deposits. More specifically, deposits and short-dated (under one year) securities may not be used to guarantee investment credits. Banks may no longer use part of their savings deposits to finance investment as they did in the past (20 per cent of total deposits).

These measures had a considerable restrictive effect on the trend of investment during the year. On the basis 1963 = 100, investment expenditure stood at 140 for the first three quarters, 109 for the fourth quarter and 99 only in December.

c) The other main restrictive measures were:

- an increase from 20 to 30 per cent in the rate of compulsory reserves held by commercial banks with the National Bank;
- introduction of a stricter control of the amount of credit granted by commercial banks;
- steps to prevent enterprises from using credit for any purpose other than that for which the credit was originally granted.

The measures for the reorganisation of prices primarily affected foodstuffs, electricity and coal. On 20th July the Federal Executive Council decided to raise the prices of bread and flour by 24 per cent, of sugar by 30 per cent, edible oil by 12 per cent and milk by 7.5 per cent. Further, the price of electricity was increased by 20 per cent and that of coal by 10 per cent. Depending on whether the situation of supply and demand was one of balance or imbalance, the prices of certain products (refrigerators, electric lamps, furniture, household china, linen, fabrics made from hemp and artificial fibres, electrical machines, etc.) were decontrolled, whereas other products were subjected to controls of varying strictness. It will be remembered¹ that the two main forms of price regulation are the "ceiling" system and direct controls. Under the former, producers may not raise their prices beyond limits laid down by the Government. Under the latter, which is more flexible, producers must submit a request to the prices institutes at the level of the Communes, the Republics of the Federation when they wish to raise their prices. If after one month no reaction has been made to their request, they are allowed to implement the desired increase. In 1964, although considerable numbers of products previously regulated by the "ceiling" system were brought under the controls system (wood, paper pulp, cement, etc.), no changes in the opposite direction were made. Indeed, certain products not previously subject to price regulation were brought under the controls system.

Budget policy

In 1964 there was a steep proportional increase in public expenditure (+ 22 per cent) whereas in 1963 it had remained steady. But the substantial increase in revenue (+ 25 per cent) led to a budget surplus of 127.3

1. Cf. Survey for 1964, paragraph 22.

TABLE 10. PUBLIC FINANCES

Billions of dinars.

	1962	1963	1964	INDICES	
				1963	1964
				1962	1963
I. Total budget revenue	948.0	1,039.3	1,301.4	100	125
— Revenue of the Federal budget ..	530.9	623.1	758.6	117	122
— Revenue of the budgets of the Republics.....	116.5	116.3	145.9	100	125
— Revenue of the budgets of the districts and communes	300.6	299.9	396.9	100	132
II. Total budget expenditure	968.5	965.3	1,174.1	100	122
— Expenditure of the Federal budget	535.4	527.1	623.8	98	118
— Expenditure of the budgets of the Republics.....	128.2	130.3	157.2	102	121
— Expenditure of the budgets of the districts and communes	304.9	307.9	393.1	101	128

billion dinars, which was about the same as that recorded in the previous year (Table 10). The growth in Federal budget revenues derived mainly from customs receipts which were swollen by the large increases in imports. The bulk (about 55 per cent) of the revenues of the Republics, Districts and Communes is derived from the tax on wages. The deflationary character of the budget policy became clear in the course of the year. Whereas normally reserves amounting to ten per cent of total budget revenues are "frozen" and carried forward to the next budget year, it was decided in the fourth quarter of 1964 to raise this amount to 15 per cent. It should also be noted that at the beginning of 1965, as part of stabilization policy, it was decided that the reserves accumulated in 1964 should not be called on, and that an additional five per cent reserve should be put aside in respect of the current year.

II. PROSPECTS FOR 1965

The main features of 1965 are brought out in two documents: the 1965 Social Plan which charts the broad lines that production should follow and the ends it will serve; and the "Resolution on the development of the economic system" adopted by the Federal Assembly in April 1964, which advocates certain guidelines for economic structure and policy in 1965.

The 1965 Social Plan provides for a somewhat slower rate in the growth of production as compared with 1964 and, above all, for a radical change in its sectoral distribution: growth of the volume of social product is estimated at only nine per cent (as against 12 per cent in 1964), industrial production should increase by 11 per cent (as against 16 per cent), favouring the consumer goods industries more than in 1964 (Table 11), and agricultural production by three per cent (as against 4.3 per cent). An expansion in production of this order implies a slower rise in employment (3.5 per cent compared with 6.3 per cent), whereas the overall gain in productivity would be much the same as before (seven per cent instead of eight per cent). This slowing down of production is regarded by Yugoslav planners as essential if fresh pressure on prices and wages is to be avoided. Indeed the experience of past years tends to prove that industrial production growth rates exceeding 12 per cent bring about (in view of the technical relationships between the various industries) an increase in the demand for primary products which outruns domestic supply. A less steep trend should make it possible to improve the trade balance somewhat. No precise estimates have been made for foreign trade in 1965 but it is thought that if assumptions about production are proved right, exports will rise faster than imports and the balance of payments will become healthier. Increased receipts from the tourist sector will play a vital role here.

The slower rate of growth of industrial production should not entail a comparable curtailment of private consumption. This should rise by some 11 per cent in volume, i.e. an increase similar to that recorded in 1964 (+ 12 per cent). Productive investment, on the other hand, should decline appreciably (— 4 per cent for investment overall, — 7 per cent for productive investment). It should however be pointed out that the essential effect of this trend should be a steep reduction in investment by socio-political organisations, which constitutes 70 per cent of total investment and 50 per cent of productive investment, whereas investment by enterprises should continue to grow. Further, housing construction should increase considerably (+ 8 per cent in volume). Such a course of events would be unusual for the Yugoslav economy. Only once in 20 years, in 1956, has a similar decline in productive investment been recorded. The implementation of the stabilization and credit restriction measures initiated in 1964 are designed to bring this about. It is not thought that such a trend would be a threat to the future expansion of the economy. The view is rather that there has been some wastage of investment expenditure in the past and that substantial production capacities are idle or under-utilised. Nevertheless, a decision of this kind — which is incorporated in the medium-term prospects for 1970¹ — cannot become the rule

1. Cf. sector on structural problems, below, and Economic Survey on Yugoslavia, 1963, paragraph 43.

TABLE 11. FORECASTS FOR 1965

1. INDICES OF INDUSTRIAL PRODUCTION

Growth in indices and in volume

	1964 1963 ACHIEVED	1964 1963 PLAN	1965 1964 PLAN
<i>General Index</i>	116	111	111
a) <i>By industry:</i>			
Electric power	105	111	115
Coal	107	104	106
Crude petroleum and its derivatives	114	114	119
Iron and steel	110	104	109
Non-ferrous metals	103	105	107
Stone, clay and glass	122	109	111
Metal-working	126	112	108
Electrical industry	132	115	112
Chemical industry	120	117	114
Building materials	114	113	103
Wood-working industry	118	111	110
Pulp and paper	124	132	123
Textiles	113	110	114
Leather and footwear	122	109	110
Rubber	124	110	120
Food	111	110	113
Tobacco	141	123	107
b) <i>By commodity groups:</i>			
Capital goods	119	112	...
Intermediate products	115	111	...
Consumer goods	116	112	...

2. OTHER INDICATORS FOR 1965

Growth in volume

Total social product	109
Product in the socialised sector	110
Agricultural production	103
Private consumption	108.4
Consumption in the socialised sector	110.5
Investment in the socialised sector	97
Investment in the basic industries	93
Employment	103.5
Productivity	107

Source: Memorandum.

without jeopardising the continuance of balanced growth, given the considerable technical leeway to be made up by certain sectors of the Yugoslav economy (transport, services, basic industries, agriculture). The Social Plan, without committing itself to any precise estimates, implies that the rise in incomes and the cost of living in 1965 should be appreciably less marked than in the previous year¹. The aim of economic stability, however, stems essentially from the Resolution voted by the Federal Assembly.

The "Resolution on the guidelines for the development of the economic system" outlines the course to be followed by economic policy in 1965. The resolution contains a number of "recommendations" relating to:

- decentralisation of economic decision-making;
- re-organisation of the price system;
- stabilization².

a) *Decentralisation of economic decision-making*: The resolution follows the spirit of the policy of liberalisation defined more than 15 years ago. It hopes to change the "material bases of self-management", in other words to increase the investment resources at the disposal of enterprises, by making a corresponding reduction in the funds controlled by the socio-political bodies (Federation, Republics and Communes). The resolution proposes that the following measures be taken in 1965:

- abolition of the enterprises' contribution to Federal funds; this contribution (which, since 1961, has amounted to 15 per cent of the enterprises' income) was intended to go to the Federation's Investment Fund (abolished in 1963) and the general budget. The first steps towards implementation of this measure were taken in 1964 in transport, iron and steel and chemicals³;
- abolition of direct taxes on production levied by the Federation. The general turnover tax of one per cent has already been abolished in the productive sector as from 1st January. Specific taxes (whose rates vary according to the industry concerned from 10 to 60 per cent of the value of output) are also due to be abolished in 1965. Taxes will be levied instead at the marketing stage. The result will be to swell the funds available for investment by enterprises;

1. Subsequent estimates made by the Plan authorities are: + 17 per cent for personal incomes (in value) and + 7.5 per cent for the cost of living.

2. Other recommendations concern the methodology of medium-term plans; development of less favoured areas; establishment of a "social insurance fund", etc.

3. These steps have made it possible to avert the price rises which dwindling financing margins would inevitably have entailed in these sectors.

— these measures are in line with the decisions taken in 1964 to abolish the 30 per cent levy on enterprises' investment resources of the Communes and Republics. When the measures proposed in the Resolution have come into force, the burdens enterprises will have to bear will be:

- i) the interest payments on capital invested in the enterprise, which are paid into the investment funds of the specialised banks and the fund for financing the development of under-developed areas. The interest rates vary according to industry from 1 to 6 per cent of the enterprise's capital;
- ii) the tax on personal incomes paid out by enterprises (up to a maximum of 17.5 per cent);
- iii) taxes on specific products, which will increasingly be levied at the marketing stage, as mentioned above;
- iv) Social Insurance Fund contributions (amounting to 20 per cent approximately of personal incomes paid out by enterprises).

b) *Reorganisation of the price system.* This would take various forms:

- smoother working of free market mechanisms through progressive elimination of "price ceiling" systems, controls, etc.;
- guarantee of a "social control" over prices to bring about better price relationships between sectors and between domestic and foreign prices;
- continuation up to the middle of 1965 of the re-organisation begun in 1964, aimed at guaranteeing adequate financing margins for the various industries, raising the standard of living of the less favoured social categories, or narrowing the present gap between prices of domestic and imported goods. The main price increases would affect certain foodstuffs (milk in particular)¹, energy², the metal-working industry, the chemical industry, building materials, raw materials and transport.

c) The Resolution asserts the need to guarantee internal stability. It considers that this stability can be ensured by curbing the volume of investment and bringing consumer demand more into line with supply. It should be possible to achieve these results through the application of various measures for limiting consumer and investment credit.

1. A further increase of about 40 per cent in the price of milk was introduced in January.

2. The price of coal was raised by 23 per cent on 9th January.

It may be asked what the chances are of achieving in 1965 the various aims specified in the Social Plan and the Resolution. Last year it was pointed out that the prospects outlined by the 1964 Social Plan seemed jeopardised from the beginning of the year onwards by actual trends in the economy (rapid growth of production; faster rising prices; sizeable imbalance in foreign trade). Similarly the results achieved in the first quarter of 1965, which have led to the application of a policy of stabilization, run counter to the prospects envisaged by the Social Plan. Industrial production is developing more or less in line with the Plan forecasts (+ 10 per cent between the first quarters of 1964 and 1965). But investment expenditure in the first three months was 27 per cent higher than in the corresponding period of 1964, whilst prices rose by 17 per cent¹, the cost of living by 21 per cent, and aggregate personal incomes by 42 per cent over the same period. It should however be noted that the improvement in foreign trade already observed at the end of 1964 is being maintained (exports: 9 per cent, imports: - 12 per cent).

These trends made it necessary, on the 25th March, to reinforce the stabilization policy appreciably by freezing the prices of all industrial products. Additional restrictive measures were also taken. Some of these (budget policy especially) have already been described. The others are mainly aimed at credit and investment.

- In the field of credit, the Central Bank has strictly limited the conditions on which short-term credits may be granted to enterprises (a detailed justification must be submitted in support of each request for credit). The ceiling for consumer credit has been limited to 600,000 dinars, and the repayment period reduced to two and a half years for cars bought on hire purchase. The compulsory minimum reserve ratio for commercial banks has been raised from 25 to 30 per cent, and then again to 35 per cent.
- As regards investment, enterprises must not use more than 80 per cent of their investment resources during the current year. Further, no investment project can be carried out unless a deposit of 10 per cent of the total expenditure budgeted for has been put into reserve.

If, in the light of these trends in the economy and the policy measures they have rendered necessary, some doubt may be felt as to the chances of success of the Social Plan, this does not in any way imply criticism of the value of the Plan as a guide to future development. The prospects outlined in the document combine descriptions of what is possible with what is desirable. They describe a desirable situation which would result from the free play of behaviour by economic agents and mechanisms and from the modification of spontaneous tendencies by the authorities. Furthermore it is certain — where prices are concerned for instance —

1. Due mainly to government decisions to raise prices. Cf. note page 22.

that official publications, whose conclusions are widely circulated, cannot highlight upward trends without thereby helping to bring about and accentuate them.

Nevertheless it would seem that certain discrepancies exist between the various targets for 1965 laid down by the Social Plan and the Resolution. The chief of these relate to prices, investment and the level of incomes.

- i)* As regards prices, it is hoped to ensure internal stability, bring about "reorganisation" deemed to be essential, and extend the operational role of the market. But (as it has done in the first quarter of 1965) reorganisation will entail upward movements which cannot but affect the general level of prices, especially as these movements will be spaced out and will help to prolong conditions of instability. Meanwhile the free play of market forces will entail substantial rise of cost of living in conditions of internal demand pressure.
- ii)* In the case of investment, the aim is to bring about a steep reduction in the volume of socio-political investment by stepping up the transfer of funds from central bodies to enterprises. A further aim is to limit the growth of private investment. Nevertheless, although the first of these objectives seems well on the way to being achieved, no progress whatever has been made in slowing down private investment. This raises the question as to whether it will not become increasingly difficult to implement an investment policy laid down by centralised bodies as the amount of financial resources put at the disposal of enterprises becomes larger. Experience in recent months, for example, has made it clear that producers will not consent freely to limit the growth of their investment simply in order to direct disposable funds towards uses which they consider to be less remunerative.
- iii)* The most important problem at the present time is unquestionably the situation resulting from the increasingly rapid rise in wages, which has exceeded all estimates and compelled the authorities in March 1965 to decide on a price freeze in direct opposition to the objectives desired. This problem is considered at greater length below in the section on incomes policy¹.

III. PROBLEMS OF SHORT-TERM ECONOMIC POLICY

In recent years short-term economic policy in Yugoslavia has undergone frequent changes: a policy of expansion in 1960 and 1961; the brake

1. Page 32 and following.

full on in 1962; acceleration again in 1963; stabilization and reorganisation in 1964. These successive changes of pace were made necessary by the increasing decentralisation of the economy, and the resultant growth in importance of spontaneous developments within it. And as decentralisation gathers speed, and other characteristics of a market economy are introduced (e.g. the separation of decisions to save from decisions to invest through the gradual development of the equivalent of a capital market), the importance of short-term policies for ensuring equilibrium between overall supply and demand and seeing that the current performance of the economy is consistent with medium-term planning will continue to grow¹. The paragraphs which follow describe the framework and principal instruments of general economic policy in Yugoslavia.

Framework of general economic policy

The main features of general economic policy are laid down for the medium term in the multi-annual plans, and for the short term in the Social Plan. In addition, specific directives can be issued by the representative assemblies (in particular the Federal Assembly) in the form of Resolutions². For 1965, which was considered to be a decisive year of transition for the Yugoslav economy (reorganisation of the economy before proceeding to further decentralisation and greater liberalisation), a series of resolutions were passed by the Federal Assembly in 1964. The most important ones concerned:

- the development of the economic system (Resolution of April 1964)³;
- medium-term prospects (Resolution of November 1964)⁴.

Viewed as a whole, the general economic policy directives of 1965 fall into three groups:

- i) a number of quantified objectives arising out of the Plan for 1970 and the Social Plan (production overall and by industries; investment overall and by industries; consumption by products, etc.);
- ii) a number of non-quantified objectives described in the plans for 1970 and 1965 and in the Resolutions (e.g. a moderate increase in prices, or a greater expansion of exports than of imports);

1. Cf. also Survey for 1962, paragraphs 26 et seq.

2. Another kind of directive stems from the decisions taken by the Congress of the Yugoslav Communist League. Thus the 8th Congress held in December 1964 passed a number of resolutions on the priorities necessary for consumption, foreign trade, agricultural problems, etc.

3. Cf. Part II of this Survey.

4. Cf. Part IV of this Survey.

- iii) a restatement by the Federal Assembly of the basic principles of the system, mainly concentrating on the practice of self-management and its more or less direct corollaries:
- widening the “material basis for self-management” (i.e. the growth of enterprises’ capacity for direct financing);
 - reduction of the central Government’s role in economic decision-making;
 - the free play of market forces at national and international level, etc.

Machinery for influencing current economic trends

The Government uses specific machinery to intervene in economic life when it becomes clear that developments are taking an undesirable turn. Policies for influencing current economic trends presuppose, therefore, the possession of machinery for collecting information and for intervening. In Yugoslavia the field covered by these two types of machinery is very wide.

The supply of economic information available for government use is plentiful, precise and generally up-to-date every month (or every quarter in the case of more detailed information) the majority of enterprises in the socialised sector¹ send in detailed replies to a standard questionnaire which deals with levels of output, labour, stocks, investment, wages paid, production costs, etc. Information on physical flows are sent to the Federal Institute of Statistics, whilst information on financial flows is collected by the statistical departments of the National Bank. A preliminary set of results is published by the Institute of Statistics (Indeks) and the Bank (Statistical Bulletin). On the basis of this information (and of more “qualitative” details provided by the Chamber of Commerce) the Statistical Observation Division of the Bureau for the Plan, in co-operation with the Chambers of Commerce, carries out a “monthly analysis” of the situation. The collection of information takes a relatively short time. Details relating to prices are usually ready within a few days. Those concerning industrial production and investment take six weeks². All things considered, the Departments responsible for carrying out State intervention (the Economics Department and the Institute for Prices) can base their actions on an abundant supply of statistical material which compares well with that available in the majority of industrial economies (where satisfactory information on investment, for example, is not usually

1. About 95 per cent of enterprises.

2. There is even a so-called « telegraphic » service for banking statistics which gives provisional figures for credit, investment and wage fund movements within 12 days.

available in under twelve months). There is, however, room for improvement in the following respects:

- there is a lack of homogeneity in certain types of information (the indices for investment and for employment, for example, do not cover the same field);
- the statistical services which ask the enterprises for information are too dispersed (besides the Institute of Statistics and the National Bank, there are the Chambers of Commerce, the statistical services of the various technical Ministries, etc.);
- there is insufficient information on short-term prospects. Some incomplete market surveys on individuals' plans to spend, or on plans to invest or produce by enterprises, are carried out by a few large enterprises or by an independent institute (the Institute for Market Research), but there is no systematic organisation of surveys by government departments.

In view of the political organisation of the system machinery for intervention at the disposal of the Government is virtually unlimited.

a) *Field of application*

The main weapons for influencing current economic trends are:

- *Price controls*, operated both by the Federal Prices Office and the Prices Offices of the Republics and Communes. At present the controls may take one of the following forms: ceiling prices (prohibition of prices in excess of limits laid down by the central authorities); supervised prices (producers obliged to submit to the competent department a request for an increase, which may be accepted or refused); a complete price freeze. It should be noted that for some products prices are free, although the Government can always decide to restore supervision or the ceiling price system. It can also decide to freeze all industrial prices, as it did on the 25th March, 1965.
- *Credit control*. This control covers both consumer credit (increase or reduction of initial down-payment or of the time allowed for repayment) and investment credit (blocking or unblocking investment resources of commercial banks; permission or refusal to use short-term deposits to finance investment).
- *Fiscal policy*. This is implemented more often through indirect taxes (selective incidence on different products) than through direct taxes (which take the form in Yugoslavia of "withholding at source"¹).

1. In 1962 however direct taxation of incomes was increased from 40 to 43 per cent, to improve the finances of the social welfare services.

- *Control of foreign trade.* Government action here is exerted either by selective allocation (or withholding) of foreign exchange for importers, and export subsidies, or more generally by means of contracts awarded by the Foreign Trade Bank to enterprises in accordance with directives issued by the central Government.

b) *Institutional framework*

The procedure for intervention is as follows. The ministries concerned (usually the Departments for Commerce, Industry, Agriculture, Foreign Trade, the National Bank, and the Office for the Plan, which has taken over some of the responsibilities of the Department for Economic Affairs which was abolished at the beginning of 1965), put forward proposals to the Federal Executive Council. If that body accepts them, it submits them for approval to the Federal Assembly, which sometimes amends them considerably¹.

Well supplied with information, and possessing powerful means of intervention, Ministries may be expected to take more effective action in the coming years. There would seem to be scope for a prompter use of weapons to influence economic trends as soon as it becomes obvious that policy objectives are seriously threatened. Restrictive measures were indeed taken in mid-1964 when it became clear that the rate of increase of investment was in excess of that forecast. But these measures were too restricted in scope, and it was only at the beginning of 1965 that wider action was undertaken. Some time-lag must however be reckoned with for the economy to react to the measures of restriction or stimulation (three to four months according to Yugoslav experts) which are indispensable for the rapid implementation of appropriate policies.

Similarly it would certainly be desirable to develop more sophisticated types of intervention. By intervening more rapidly the Government could avoid the succession of abrupt alterations between "stop" and "go" policies, or liberalisation and freezing of prices. This process risks creating an incorrect image of hesitation and illogicality in short-term government policy measures, whereas the medium-term objectives appear to be much more clearly defined.

1. For example, 55 amendments to the Plan for 1965 were put forward by the Assembly, and most of these were adopted.

IV. STRUCTURAL PROBLEMS FOR THE YUGOSLAV ECONOMY

The Seven-Year Plan and Incomes Policy

The Seven-Year Plan

In 1964 the OECD Economic Survey on Yugoslavia analysed the aims and methods of the seven-year plan for 1964-1970¹, which was then being discussed by the technical bodies concerned (Planning Bureaus of the Federation and the Republics) and the political bodies (local councils, and the Republican and Federal Assemblies). Without going over the ground again, the following paragraphs bring up to date the account of discussions and decisions on the Plan for 1970.

Discussions on the Plan during the past year have resulted on the technical side in the publication of three volumes on the methods of achieving the Plan and its quantified objectives. On the political side a Resolution was passed by the Federal Assembly on the 25th November, 1964, instructing the planning experts to review the overall equilibria, bearing in mind a number of directives thought to be desirable. Work on the final version of the quantified objectives of the Plan has not yet been completed, and a comprehensive document covering the period 1964-1970 will probably not be published before mid-1965.

The Resolution consists of a section devoted to criticism of the economic organisation of past years, and proposals — in greater or lesser detail — for guidelines for the system in the coming years. The critical section deals mainly with:

- the Plan and medium term growth;
- the distribution of national income;
- the system of prices;
- relations with the rest of the world.

a) *The Plan and medium-term growth.* The Resolution takes the view that the planning system has not developed in harmony with the principle of self-management, and that it has given the objective of growth priority over the establishment of satisfactory production relationships. This observation harks back to a criticism mooted in a number of documents (in particular the Resolution of April 1964, and the Social Plan for 1965) which proposed a slower rate of growth for the future, since the objective of "growth at any price" appeared to be dangerous for the organisation of the system and for its stability. The Resolution of 25th November also considers that the Plan is still too centralised an instrument,

1. Cf. Economic Survey for 1964, paragraphs 32 to 46.

and that producers have not played a large enough part in its preparation and in the implementation of its objectives.

b) *Distribution of the national income.* The Resolution expresses the view that too much effort has been devoted in the past to investment, whereas the rate of growth of personal consumption has lagged behind that of production and of productivity. This policy (based on a faulty analysis of growth, and on too narrow a conception of the relationship between the level of investment and the medium-term rate of growth) has resulted in overspending on investment projects and too slow an improvement on living standards.

c) *The system of prices.* The maldistribution of the national income has placed certain groups or sectors in an unfavourable position with regard to others. This has necessitated constant intervention by the State, making it impossible for prices to be determined freely by market forces.

d) *Relations with the rest of the world.* In conjunction with mistakes in investment policy and in the allocation of resources, the Yugoslav economy has not been able to fit harmoniously into the network of international trade. It has pursued a policy of "exports at any price", even when such a policy threatened to upset the conditions for internal equilibrium. At the same time the policy for imports did not correspond to real needs (in particular, imports of goods were too high).

Having completed its criticisms¹, the Resolution makes positive proposals for the 1964-1970 Plan. These recommendations can be summarised as follows:

- a) continued improvement in living standards with special emphasis on private consumption, while the rate of increase of government and public sector spending should slow down somewhat;
- b) better utilisation of equipment and manpower, which should make it possible to slow down the rate of growth of investment, and the general application of a shorter working week²;
- c) expansion of the level of foreign trade, especially exports, the main emphasis being put on exports of finished goods. In this connection the Resolution suggests that a study be made of the indirect effect of domestic investment on the balance-of-payments situation;

1. Of which only the most important have been given here. Others concern education and scientific research, underdeveloped areas, etc.

2. A reduction from 48 to 44 hours was recorded in some industries in 1964. The aim between now and 1970 is the general application of the 42-hour week, written into the 1963 constitution.

- d) producers and workers' organisations to play a more active part in the development of productive forces (by extending "the material basis for self-management", i.e. the financial autonomy of enterprises);
- e) extension of the role of the market mechanism, thus improving price relationships as between products and rendering government intervention in the field of prices unnecessary;
- f) other proposals concerning expansion in underdeveloped regions (formation of a fund for financing the development of underdeveloped Republics and areas); vocational training, education and scientific research; medical and social services; building and town-planning, and so on.

Some of these proposals were discussed in the OECD's 1964 Survey, in particular the proposal to alter the distribution of national income in favour of the private consumer and at the expense of investment. It can only be repeated here that this choice is certainly beneficial in the short term, since it will raise living standards faster and at the same time reduce excess capacity. It is also certainly justified in view of the additional burdens put on the Yugoslav economy (increased foreign debt payments, rapid growth of non-productive investment, etc.). But the choice may nevertheless be dangerous in the longer run for an economy which still has much leeway to make up in many industries. It may limit the chances of success in achieving rapid and balanced growth.

There may be some room for argument about certain of the assumptions underlying the idea that the objective of rapid growth must be subordinated to that of a better income distribution, or that a high growth rate must involve inflationary distortions. After all, the faster the growth rate (i.e. the increase in the volume of goods and services made available to intermediate or final consumers), the easier it is to push ahead with the redistribution of national income (e.g. steep increases in the real incomes of the poorest sections of the community) and with adjustments to rates of development in particular sectors or regions. These adjustments will meet with much stronger social counter-pressures if the size of the total being shared out is reduced. It is true that rapid growth is not a complete answer to the problems of redistribution and structural re-organisation; but it can make them easier to solve.

Similarly, if a dynamic view of the economy is taken, there is inevitable need to choose between strong growth with inflation and weak growth with stability. Indeed the bottle-necks which impede growth when it exceeds a certain speed, causing symptoms of overheating, will not be eliminated but only concealed if the rate of growth slows down. They are liable to reappear in greater strength when growth picks up again. In view of the plentiful reserves of manpower which the Yugoslav economy

can count on for a long time to come, the real problem seems to be much more one of widening some of the bottlenecks (basic industries, balance of payments), and this depends on investment policy decisions. If the existence of these bottlenecks renders necessary a slow rate of growth in the short term, this only makes sense to the extent that the interval is used to get rid of them.

By and large the Yugoslav economy today seems prepared, in the interest of more balanced growth, to choose the more cautious course of slowing down the growth rate. But it may be asked whether this choice may not result in prolonging present difficulties. What the criticisms in the Resolution seem to indicate is not so much that growth has been too fast, but that the emphasis given to its component parts, especially the distribution of investment by sectors, has been faulty. But a reduction of the share of investment in total expenditure cannot by itself contribute to the solution of the problem.

Problems of incomes policy

The Resolution on the 1970 Plan contains no explicit proposals concerning incomes policy, and no clear guidelines as to the future seem to have been worked out in this field. The formulation of such a policy would, however, appear to be both essential and relatively easy to apply in Yugoslavia; essential in view of the medium-term options which have been decided in favour of an increase in personal incomes and consumption exceeding that in production; and relatively easy to apply in an economy in which all industrial and commercial enterprises, the banks, the services, and more than 20 per cent of arable land are publicly owned.

The main stages in the development of incomes policy in Yugoslavia have been as follows:

- a) From 1947 to 1951, the period when the economy was centrally administered, wage levels were fixed by the Government for each industry and each level of skill. In principle, there were no productivity incentives, or at least only minor ones. Funds available for the payment of bonuses amounted to less than five per cent of the aggregate wage funds.
- b) From 1952 to 1953 an experiment for linking wage levels with the accumulated surplus value achieved by each enterprise was tried out, but quickly abandoned. Starting from the Marxist equation

$$P = C + V + s.v.$$

(i.e. the value of output equals the value of fixed capital plus the value of variable capital plus the surplus value), a certain percentage of savings (specified in the Plan) was deducted from the

income of the enterprise, and used for the "increased accumulation" of capital. The remainder, or "wage fund", was then shared out among the employees of the enterprise. This system produced very wide disparities in wage levels in different enterprises and for that very reason caused wide-spread discontent.

- c) From 1954 to 1961 a more complex system was introduced based on dividing wages into two parts: a fixed basic wage intended to cover the essential needs of the workers, and amounting to 80 per cent of the "normal" wage (defined with reference to that of the previous year); and a supplement which could vary according to the situation in the industry, the enterprise, and the degree of efficiency of the workers. Excessive differentials in the supplementary part of wages were corrected by a progressive tax based on the basic wage. Moreover, if the enterprise's results did not allow it to pay the basic wage, it could draw on short-term credits from the "communal reserve fund" to which all enterprises contribute.
- d) Since 1961, and in conjunction with the progress made in self-management, there have been further modifications of the system, the main features of which are now as follows:
 - i) Wage payments in the form of personal income depending on the profit and loss of the enterprise. Cost of raw materials, power, contribution to the Investment funds, etc., are deducted from the turnover of the enterprise. This gives the income of the enterprise, which is divided into the enterprise fund and the net personal income of the workers, in the proportion on average of about 1/3 for the enterprise fund and 2/3 for the net personal income of the workers¹. The net personal income is then shared out according to the "points" accumulated by each worker; the number of points depending on the level of education, ability, specific efforts, etc. (Table 12). In addition to this system of individual assessment, the performance of each economic unit (workshops, for example) within the enterprise are taken into account.
 - ii) The fixing of a legal minimum by the Federal Government, which is identical for all regions and all enterprises (it came to 12,700 dinars in 1963; in 1964 it reached the 15,000 dinars

1. At present the system of distribution is determined in accordance with a directive issued in May 1963 by the Federal Executive Council which lays down a number of general principles (determination of rewards according to work actually performed, observance of the broad proportions set out in the Social Plans, etc.) and gives the methods for calculating the distribution of incomes in accordance with a large number of criteria (volume of output per capita, volume of fixed capital per capita, volume of available capital resources per capita, etc.).

TABLE 12. EXAMPLE OF POINTS ASSESSMENT IN A ZAGREB FACTORY

	LEVEL OF EDUCATION	SKILL AND EXPERIENCE	AUTHORITY	RESPONSIBILITY	PHYSICAL EFFORT	MENTAL EFFORT	WORKING CONDITIONS	TOTAL ¹
Managing Director	100	170	150	190	10	100	10	730
Technical Director	100	140	140	160	10	90	10	650
Works Manager.....	100	130	100	120	10	90	30	580
Foreman	80	60	40	50	10	40	40	320
Skilled weaver	50	40		40	35	30	40	235
Skilled spinner	30	20		20	30	10	40	150
Sales manager	100	130	100	140	10	90	10	580
Accountant	100	100	50	90	10	80	10	440
Truck driver.....	80	60		70	30	40	40	320
Charwoman	20	10		10	40	10	40	130

Table taken from an article by Mr. Bicanic: Workers' incomes policy in Yugoslavia — *Économique appliquée*, 1963, No. 4.

1. It can be seen that the spread of incomes is very narrow. From Charwoman to Managing Director the income range is 1 to 5.6.

mark). Furthermore, the basic wage was fixed at 60 per cent (instead of 80 per cent) of the normal wage.

The present system raises a number of problems for the future:

- income disparities between regions and industries;
- the degree to which the range of wage differentials is to be opened up;
- the overall increase in incomes.

Wage disparities by region and by industry

In view of the dependence of the present system of wage earnings on the profitability and productivity of each enterprise, wide disparities are to be found between average levels of earnings accruing to wage-earners in the various regions and industries. In 1964, for example, average net monthly earnings ranged from 28,300 dinars in the textile industry to 48,700 in electrical supply, and from 29,900 dinars in Macedonia to 45,800 in Slovenia¹. These disparities are much more extreme than those shown in statistics of average earnings by industry in most European economies.

1. The limiting cases were 17,000 dinars for the coal industry in Macedonia, and 63,000 for electrical supply in Slovenia.

TABLE 13. AVERAGE PERSONAL INCOMES

Thousands of dinars.

	YUGOSLAVIA		BOSNIA AND HERZEGOVIA		MONTENEGRO		CROATIA		MACEDONIA		SLOVENIA		SERBIA	
	1963 JAN.- NOV.	1964 JAN.- NOV.	1963 JAN.- NOV.	1964 JAN.- NOV.	1963 JAN.- NOV.	1964 JAN.- NOV.	1963 JAN.- NOV.	1964 JAN.- NOV.	1963 JAN.- NOV.	1964 JAN.- NOV.	1963 JAN.- NOV.	1964 JAN.- NOV.	1963 JAN.- NOV.	1964 JAN.- NOV.
GENERAL AVERAGE	28.0	35.2	26.0	32.9	25.8	31.9	28.9	36.6	23.5	29.9	34.8	45.8	25.8	32.5
a) <i>Average incomes in production</i> .....	...	34.1	...	31.9	...	30.4	...	35.6	...	28.6	...	44.7	...	31.2
Manufacturing	27.6	35.2	26.9	34.6	24.2	31.9	28.2	36.6	22.8	29.9	34.3	44.9	24.8	31.9
Agriculture	21.6	27.0	19.5	24.6	21.1	25.5	22.2	27.6	15.5	19.7	30.1	40.6	20.8	26.3
Forestry	21.4	27.9	19.3	24.9	21.0	26.7	21.3	28.4	18.0	23.0	31.6	46.3	17.0	21.2
Construction	25.8	32.3	23.2	28.8	24.0	27.4	26.5	33.6	25.0	29.9	32.4	43.2	23.9	30.4
Transport	30.9	39.3	27.8	35.8	28.0	36.4	32.6	41.5	27.4	36.2	35.2	46.7	28.6	36.3
Commerce	28.7	36.6	25.5	32.7	25.0	30.3	29.6	28.0	24.3	32.1	35.6	47.6	26.8	34.1
Craft trades	26.3	32.8	22.9	28.3	24.4	28.8	27.8	34.4	21.7	30.3	32.0	42.7	23.8	29.8
Public services	25.0	31.5	22.6	29.1	24.0	27.7	25.4	32.7	20.4	28.2	31.9	41.8	22.2	27.9
b) <i>Average incomes in activities other than production</i>	34.7	41.4	32.2	38.7	33.7	37.6	36.1	42.8	30.1	36.3	40.6	52.8	33.5	39.3
Education	34.2	39.8	32.5	37.9	29.8	35.2	35.8	42.7	29.2	34.2	42.4	52.0	32.2	37.3
Scientific activity .....	...	50.2	...	47.6	...	36.6	...	47.2	...	39.5	...	59.5	...	59.6
Culture and Education .....	...	36.6	...	33.3	...	35.0	...	38.9	...	33.8	...	47.6	...	33.8
Arts and leisure .....	...	43.6	...	42.6	...	41.0	...	46.3	...	36.1	...	48.2	...	42.6
Public health	34.0	41.6	30.1	37.5	30.9	38.3	34.3	41.3	29.2	37.8	43.7	55.1	31.2	38.8
Social protection .....	...	32.9	...	32.3	...	32.2	...	31.8	...	28.4	...	39.4	...	30.3
Chambers of economics .....	...	56.0	...	54.2	...	51.1	...	59.1	...	47.6	...	69.0	...	53.9
Finance and insurance .....	...	46.9	...	43.5	...	42.5	...	46.6	...	43.7	...	52.6	...	47.1
Social security .....	...	44.9	...	42.1	...	42.4	...	47.4	...	40.7	...	58.6	...	41.2
Administration .....	...	40.3	...	38.8	...	39.0	...	44.4	...	36.4	...	52.9	...	37.5

Source: Indeks.

The problem arises, in deciding incomes policy for the future, whether the tendency should be to accentuate these disparities (which were thought beneficial from the point of view of "classical" theory, insofar as they tended both to attract manpower towards more productive sectors, and to encourage less productive sectors to make efforts to catch up); or whether they should be eliminated (they are sometimes the result of natural advantages or a monopoly position enjoyed by some enterprises, and may perpetuate social injustice). It does not look as if either the 1970 Plan or the resolutions on the organisation of the system have come out clearly in favour of one or other of these policies (Table 13).

The degree to which the spread of income differentials is to be opened up

If disparities between regions or industries in average wage levels are wider in Yugoslavia than in most European economies, there is a much narrower spread of differentials in incomes as between categories of skills. At national level the limiting cases ranged between one and eight in 1963. This narrowed to one and seven in 1964 as a result of large wage increases obtained last year by the lowest wage earners. It is by no means unusual in some enterprises to find ranges of only one to four between the wages of the least skilled worker and the salary of the general manager. The example given in Table 11 (textile enterprise in Zagreb) gives a range of 1 to 5.3. It is true that the managerial categories receive management bonuses which can amount to 10 per cent of their salaries. But the hierarchy of incomes remains extremely narrow (Table 14). Here, too, it is hard to say what the future development will be, and a certain hesitancy can be observed in the guidelines for the 1970 Plan. The accent is put both on the usefulness of higher salaries for those in positions of responsibility as an incentive for the improvement of the management of enterprises (this would tend to increase differentials), and the need for a more than proportional increase in the average earnings of the least well off categories (which implies narrower differentials). This uncertainty as to the future trend in salary scales is reinforced by the contradiction which exists between the market situation and the institutional organisation. Market forces would tend to increase rewards to technical and administrative staffs (there is not enough trained personnel to meet the requirements of enterprises); whereas the institutional organisation (the system of self-management) works in favour of the categories which have the greatest numbers (unskilled or semi-skilled workers) and are, for that reason, most strongly represented on Workers Councils.

The overall increase in incomes

However, over and above these aspects of the distribution of income from work as between sectors, regions or occupational and hierarchical

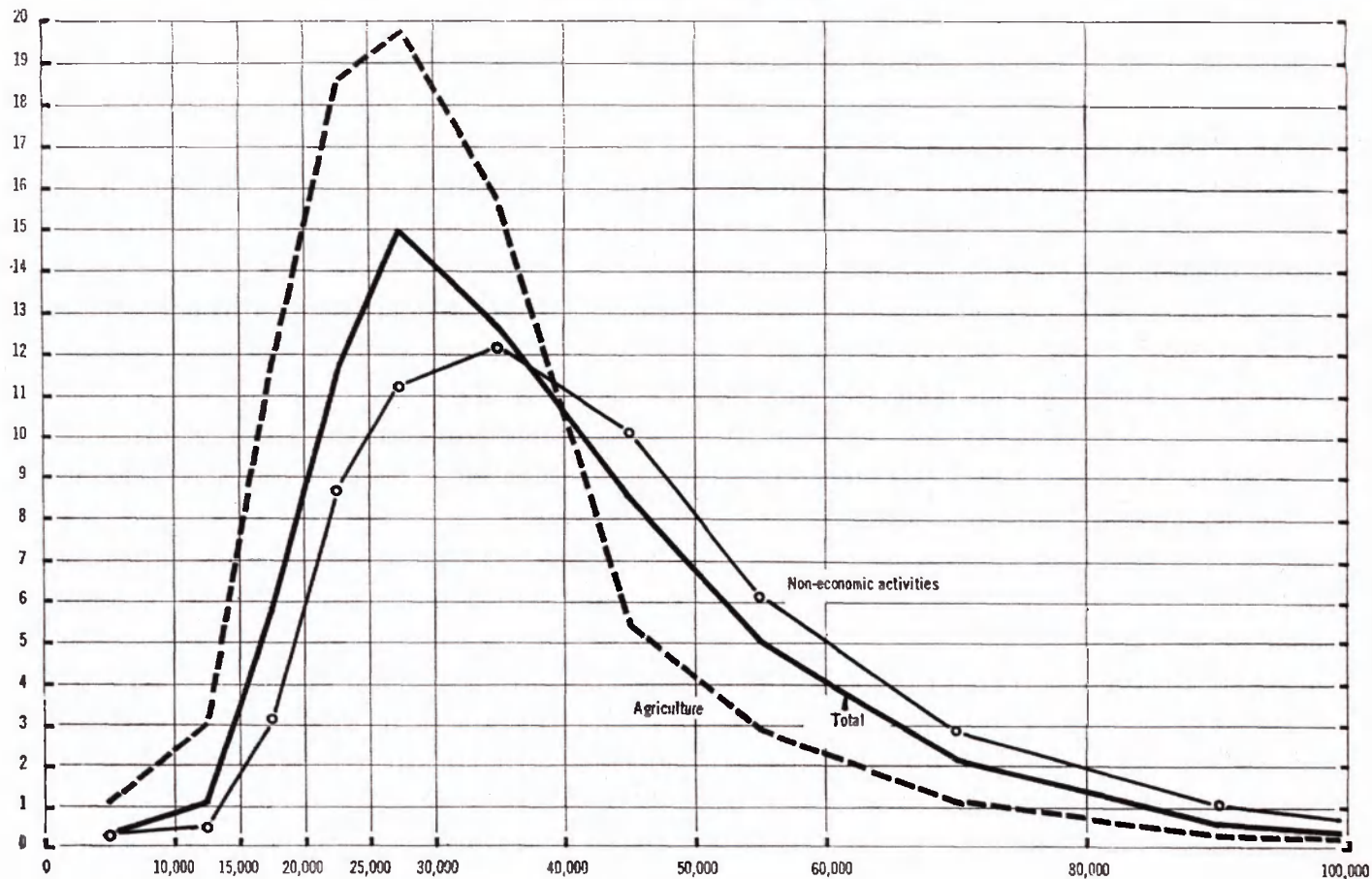
TABLE 14. PERCENTAGES OF PERSONNEL EMPLOYED, BY PERSONAL INCOME-WAGE GROUPS,
IN NOVEMBER 1964

Thousands of dinars.

	TOTAL	UP TO 10	FROM 10 TO 15	FROM 15 TO 20	FROM 20 TO 25	FROM 25 TO 30	FROM 30 TO 40	FROM 40 TO 50	FROM 50 TO 60	FROM 60 TO 80	FROM 80 TO 100	OVER 100
TOTAL IN EMPLOYMENT.....	100	0.3	1.1	5.9	11.7	15.0	25.5	17.1	10.0	8.5	2.9	2.0
a) <i>Economic activities</i>	100	0.3	1.2	6.4	12.3	15.8	25.7	16.4	9.5	7.9	2.7	1.8
Industry and mining.....	100	0.1	0.9	5.4	11.1	15.1	27.0	17.5	10.1	8.3	2.8	1.7
Agriculture and fishing.....	100	1.1	3.0	11.9	18.6	19.8	21.7	10.9	5.9	4.6	1.5	1.0
Forestry.....	100	0.4	2.7	11.2	16.1	17.5	20.6	13.9	7.9	5.7	2.4	1.6
Building and construction.....	100	0.2	1.6	10.0	15.9	17.6	23.0	14.0	8.0	5.9	2.1	1.7
Transport and communication.....	100	0.0	0.2	1.4	6.0	11.5	27.3	21.7	13.5	12.6	3.7	2.1
Commerce and catering.....	100	0.1	0.4	3.6	10.9	15.9	25.7	16.8	10.3	9.6	3.7	3.0
Crafts.....	100	0.5	2.5	8.5	14.1	15.9	25.3	15.4	8.4	6.5	1.9	1.0
Housing and communal activity.....	100	0.5	1.9	11.3	15.7	18.1	24.6	12.8	7.0	5.5	1.6	1.0
b) <i>Non-economic activities</i>	100	0.3	0.5	3.2	8.8	11.3	24.5	20.2	12.2	11.5	4.2	3.3
Teaching.....	100	0.5	0.9	4.2	8.0	9.3	25.7	22.4	12.9	10.1	3.6	2.4
Scientific activity.....	100	0.0	0.3	1.8	4.8	8.4	18.0	19.6	17.3	18.3	7.1	4.4
Cultural activity and teaching.....	100	0.8	0.6	4.8	12.3	13.6	21.4	19.0	12.1	10.1	2.7	2.6
Entertainment.....	100	0.0	0.1	1.3	6.1	8.4	21.3	20.6	14.8	16.1	6.8	4.5
Public health.....	100	0.2	0.3	2.6	10.5	13.7	24.6	17.1	10.5	10.6	5.1	4.8
Social insurance.....	100	0.2	0.8	8.4	16.9	15.7	23.6	15.0	9.4	7.0	1.9	1.1
Chambers of economies and others.....	100	0.1	0.1	0.6	3.5	5.0	13.2	13.0	14.4	25.1	11.4	13.6
Finance and insurance.....	100	0.2	0.2	0.5	4.8	9.6	24.5	24.8	13.3	13.6	4.6	3.9
Social security.....	100	0.1	0.3	0.6	3.1	7.2	25.3	23.4	16.5	14.6	5.6	3.3
Administration.....	100	0.3	0.5	3.4	10.2	13.2	24.7	18.9	11.5	11.6	3.4	2.5

Source: Indeks.

Diagram 3. STRUCTURE OF NUMBER EMPLOYED ACCORDING TO THE LEVEL OF NET PERSONAL INCOME, NOVEMBER 1964 (dinars)



Source: Indeks.

categories, the central problem, in Yugoslavia as elsewhere, is to ensure that actual trends in incomes correspond to the main policy decisions regarding the uses to which national income shall be put. Up to 1963, the policy was to give priority to capital accumulation, which meant allowing distributed incomes to advance more slowly than productivity. Since 1964, the priorities have been the other way round, the emphasis now being put on the need to increase private consumption (and hence distributed incomes) more rapidly than investment. This implies faster growth in real incomes than in productivity. Whatever the policy adopted, however, there remains the problem of making sure that it is in fact implemented, and that actual trends do not endanger the equilibrium of the economy.

The truth is that for the last twelve months this does not seem to have been happening in Yugoslavia. Distributed wages seem to have increased well beyond what would correspond to the desired shift in resources towards consumption. This trend became particularly marked in early 1965. Even if the shift had taken place against a background of overall equilibrium in national accounts terms, and had been offset by a corresponding reduction in investment, it would have engendered a high degree of disequilibrium since it corresponds to an alteration in the structure of demand which cannot immediately induce an equivalent alteration in the structure of supply. It is not possible to satisfy a large increase in consumer demand by supplying it out of the unused productive capacity for investment goods. In fact, however, overall equilibrium has certainly not been preserved. By the beginning of 1965, investment by enterprises was increasing at an annual rate of 20 per cent, and distributed wages at an annual rate of 40 per cent. Since the increase in production was well below these figures, the adjustment showed itself in a steep upward movement in prices which reached an annual rate of 20 per cent.

The question posed by these developments is whether the autonomy of enterprises in the matter of wage determination, the free movement of prices and overall economic equilibrium are compatible with each other. Enterprises can only distribute as wages what is already for them net income, i.e. what corresponds to output already produced and sold. This should in theory ensure the preservation of overall equilibrium (not necessarily, however, equilibrium in each sector), if prices are relatively stable, or if the market functions as a permanent regulator. But if enterprises are also empowered to fix prices, and if there is no domestic or foreign competition, there will be no automatic safety valve in the system, which can begin to climb the spiral at increasing speed. The authorities appear, by the recent general price freeze, to recognise this. Moreover, they have at their disposal quite effective means of intervention to limit inflation in personal incomes (progressive taxes on wages, in particular). But the desired stabilization is unlikely to be achieved unless one of the following conditions is satisfied: prices will have to be controlled; or wage increases

will have to be made dependent for each enterprise on the increase in productivity¹; or the economy must develop a large measure of internal competition and throw itself open to competition from abroad.

V. CONCLUSIONS

The Yugoslav economy made rapid progress in 1964. Not all sectors, however, shared equally in the expansion, agriculture making but little headway; there were accompanying pressures on prices and incomes, and a sizeable disequilibrium in foreign trade. The authorities considered it essential to apply stabilization measures in the second half of the year. In 1965 it is probable that the expansion begun in 1963 will be resumed. It is to be feared, however, that in spite of the maintenance, or possibly even the strengthening of stabilization measures, the upward movement of prices will continue, as soon as the price freeze introduced in March is removed, both because of the persistent disequilibrium between supply and demand, and the further measures for the reorganisation of the price structure due later this year.

1965 looks like being in some respects a year of transition and of re-organisation before the Yugoslav economy makes more decisive moves in the direction of decentralisation and liberalisation. General economic policy therefore has a particularly important and delicate part to play. Government intervention will have to be sufficiently flexible to permit the re-organisation of the price structure without provoking a general upward movement of prices; to maintain stability without blunting the expansionist forces; and to step up the policy of decentralisation of economic decision-making without enabling an immediate upsurge of investment.

Discussions on the Plan for 1970 are continuing and should be completed during the current year. The choices likely to be adopted will accentuate the novel character of the Yugoslav experiment, which aims at reconciling a large degree of autonomy in decisions by producers with social control over the way the system functions. A careful watch needs to be maintained to see whether certain choices (the redistribution of the national product in favour of the private consumer; slowing down the growth rate) may in the final out-turn be harmful. It may also be argued that contradictions are bound to emerge between the increasing decentralisation of

1. This does not mean that they necessarily have to be equal. They can be higher, so long as the relationship is controlled from above and does not depend on decisions taken at enterprise level.

economic decision-making and the desire to adhere to the guidelines specified in the Plan.

An incomes policy is essential for the Yugoslav economy if it wishes to safeguard balanced growth whilst at the same time accelerating the rise of private consumption. The system has been changed many times in the past, and present policies remain somewhat vague in many respects, the uncertainty of the final objectives contrasting with the excessive profusion of details concerning procedures for calculating the distribution of incomes within each enterprise. For these reasons it would seem desirable to prescribe within the framework of the 1970 Plan an incomes policy which is sufficiently firm to give effective guidance to decisions by enterprises, and sufficiently flexible to permit each production unit to make the adjustments called for by the particular problems confronting it.

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STATISTICAL ANNEX

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TABLE I. SUPPLY AND USE OF RESOURCES

Billion dinars, at current prices.

	1958	1959	1960	1961	1962	1963
1. Consumers' expenditure on goods and services ..	1,162	1,326	1,526	1,822	2,040	2,395
2. Government current expenditure on goods and services	444	506	586	717	853	998
of which: National Defence	178	195	208	248	270	286
3. Enterprises' gross fixed asset formation	529	672	842	1,045	1,204	1,417
4. Government gross fixed asset formation	48	68	86	121	129	168
5. Change in stocks	163	253	296	275	220	354
6. Export of goods and services, including income payments from the rest of the world	354	370	440	522	699	824
7. <i>Minus</i> : Imports of goods and services, including income payments to the rest of the world	430	449	561	737	763	912
Statistical discrepancy	- 34	- 24	- 16	+ 70	+ 3	+ 60
8. <i>Equals</i> : Gross national product at market prices	2,236	2,722	3,231	3,835	4,385	5,304
9. <i>Minus</i> : Enterprises' depreciation allowances	191	214	242	309	358	437
10. <i>Minus</i> : Government depreciation allowances	5	5	6	6	7	7
11. <i>Equals</i> : Net national product at market prices	2,040	2,503	2,983	3,520	4,020	4,860
12. <i>Minus</i> : Indirect taxes	201	234	305	414	528	645
13. <i>Plus</i> : Subsidies	69	81	108	129	165	162
14. <i>Equals</i> : Net national product at factor cost	1,908	2,350	2,786	3,235	3,657	4,377
15. <i>Minus</i> : Income payments from the rest of the world	2	2	3	4	6	18
16. <i>Plus</i> : Income payments to the rest of the world	6	7	8	14	19	29
17. <i>Equals</i> : Net domestic product at factor cost	1,912	2,355	2,791	3,245	3,660	4,388

TABLE II. INDUSTRIAL ORIGIN OF GROSS NATIONAL PRODUCT AT FACTOR COST

Billion dinars, at current prices.

	1958	1959	1960	1961	1962	1963
1. Agriculture, forestry and fishing	555	708	734	837	973	1,135
of which:						
a) Agriculture	532	682	700	789	915	1,071
b) Forestry, hunting, etc.	23	26	34	48	58	64
c) Fishing	—	—	—	—	—	—
2. Mining and quarrying	87	101	116	149	148	176
3. Manufacturing	685	837	1,028	1,089	1,136	1,392
a) Food, drink and tobacco	64	72	90	112	123	159
b) Textiles	71	81	98	102	110	136
c) Clothing and footwear	43	46	54	61	67	72
d) Wood and cork products including furniture	61	74	94	91	91	112
e) Paper, printing and publishing	29	34	42	59	68	78
f) Chemicals and allied trades	67	84	103	101	104	138
g) Stone, clay and glass	43	50	64	70	65	81
h) Basic metal industries	72	88	98	83	85	94
i) Metal manufacture, engineering and electrical goods	168	215	266	261	255	314
j) Transport equipment	37	54	72	108	126	157
k) Other manufacturing	30	39	47	41	42	51
4. Electricity, gas and water works	40	45	52	82	97	115
5. Construction	128	162	204	316	339	433
6. Transportation and communication	126	158	210	247	289	363
7. Wholesale and retail trade	155	188	241	295	310	383
8. Banking, insurance and real estate	42	47	63	69	88	90
9. Ownership of dwellings	31	32	35	38	41	43
10. Public administration and defence	155	170	190	214	227	262
11. Health and educational services	68	82	110	121	208	239
12. Miscellaneous services	49	57	71	91	138	157
13. Gross domestic product at factor cost	2,108	2,574	3,039	3,561	4,035	4,832
14. Net income payments to factors of production due from the rest of the world	- 4	- 5	- 5	- 10	- 13	- 11
15. Gross national product at factor cost	2,104	2,569	3,034	3,549	4,022	4,821

TABLE III. INDUSTRIAL PRODUCTION

	UNIT OR BASE	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964
<i>Indices of Industrial Production :</i>												
	(1953 = 100)											
1. Total		114	132	146	170	189	214	247	265	283	327	379
2. Mining		115	128	143	154	161	176	194	214	224	243	262
3. Manufacturing		113	133	145	171	192	219	255	272	290	338	400
4. Food, beverages and tobacco		111	120	136	164	181	192	219	227	234	281	326
5. Textiles		123	141	148	170	185	203	233	240	264	306	346
6. Chemicals		124	165	198	233	276	346	394	434	476	590	708
7. Basic metals		119	159	178	221	247	279	321	331	350	374	402
8. Metal products (Engineering)		104	121	129	149	168	196	235	244	247	284	312
<i>Output of Selected Products :</i>												
9. Electricity	(bill. kWh)	3.4	4.3	5.1	6.3	7.4	8.1	8.9	9.9	11.3	13.5	14.2
10. Coal	(mill. tons)	13.7	15.2	17.1	18.0	19.0	21.1	22.7	24.1	24.7	27.4	29.6
11. Processus petroleum	—	0.7	0.7	0.9	1.0	1.1	1.2	1.3	1.4	1.7	1.8	2.2
12. Copper ore	—	1.3	1.5	1.7	2.0	2.3	2.2	2.4	3.2	5.1	5.6	5.9
13. Lead and zinc ores	—	1.5	1.7	1.7	1.8	1.8	1.8	1.9	2.1	2.2	2.3	2.4
14. Crude steel	—	0.6	0.8	0.9	1.0	1.1	1.3	1.4	1.5	1.6	1.6	1.7
15. Cement	—	1.3	1.5	1.5	2.0	2.0	2.2	2.4	2.3	2.5	2.8	3.0
16. Metal working and woodworking machinery	(thousands tons)	3.7	3.1	2.7	3.9	3.4	3.5	4.5	5.8	5.9	6.2	9.0
17. Building machinery	—	4.6	8.4	5.1	8.4	14.0	11.6	6.9	8.3	7.2	7.3	12.9
18. Rotating machines	—	3.4	3.4	4.5	5.6	4.9	5.8	8.2	9.0	8.7	9.3	
19. Wood pulp and cellulose	—	63	82	122	139	148	161	211	235	254	276	327
20. Cotton fabrics	(mill. sq. m.)	166	174	183	207	219	229	257	269	312	348	378

Source: OECD General Statistics, Yugoslav submission, Statistical Yearbook of the SFRY.

TABLE IV. AGRICULTURE

	UNIT OR BASE	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964 ¹
<i>Indices of agricultural output :</i>												
1. Total	1951-55 = 100	94	117	97	141	124	164	148	139	145	158	164
2. Crop production	—	87	121	92	143	118	165	143	136	140	158	165
3. Stock production	—	112	109	112	125	131	150	149	148	144	145	149
<i>Productions :</i>												
4. Wheat	mill. met. tons	1.4	2.4	1.6	3.1	2.5	4.1	3.6	3.1	3.5	4.1	3.7
5. Maize	—	3.0	3.9	3.4	5.7	4.0	6.7	6.2	4.6	5.3	5.4	6.8
6. Sugar beet	—	1.3	1.4	1.1	2.0	1.5	2.4	2.3	1.8	1.9	2.7	2.8
7. Meat	'000 met. tons	401	433	462	449	469	543	602	589	622	602	...
8. Forestry cuttings	million cu. m.				13.0	13.3	14.0	14.7	14.8	15.8	17.1	—
9. Number of tractors in use	'000				20.5	26.5	31.7	33.7	36.5	35.3	38.2	43.3
10. Consumption of fertilizers	'000 tons				761	982	1,137	1,198	711	1,434	1,896	...

1. Provisional figures.

Source: Statistical Yearbook of the SFRY.

TABLE V.

	1956	1957	1958	1959	1960	1961
PRODUCER PRICES:						
1. Manufactured goods	97	97	98	98	100	104
of which: 2. Capital goods	99	101	99	99	100	101
3. Goods for further processing	95	94	96	97	100	106
4. Consumer goods	100	99	99	99	100	101
5. Agricultural products	86	95	91	92	100	113
6. Cereals	93	108	104	97	100	113
7. Livestock ¹	74	84	90	91	100	112
COST OF LIVING INDEX²:						
8. Total	83	85	90	91	100	108
of which: 9. Food	88	90	92	93	100	110
10. Clothing and footwear	96	97	101	100	100	103
11. Rent	37	37	43	47	100	105
12. Fuel and lighting	61	66	69	76	100	107

1. For slaughter.
2. For four-member family of worker.

Source: Indeks.

PRICES

1960 = 100.

1962	1963	1964	1962				1963				1964			
			I	II	III	IV	I	II	III	IV	I	II	III	IV
104	105	109	104	104	104	105	105	105	105	106	106	108	110	112
101	101	103	101	102	102	101	101	101	101	102	102	103	103	103
105	105	108	105	105	105	105	105	105	105	106	106	107	109	111
103	105	111	103	103	103	106	105	105	106	106	107	109	113	117
133	146	...	130	137	133	134	148	151	149	150	160	174	193	196
133	145	...	127	135	142	134	140	146	153	146	151	163	206	187
126	144	...	124	126	124	124	134	143	147	146	157	173	199	202
119	126	140	119	124	117	121	126	126	125	129	132	135	144	150
127	139	161	127	138	122	129	140	140	137	144	148	155	167	174
109	111	118	108	109	110	109	110	111	111	112	114	116	118	122
112	120	120	112	112	112	112	120	120	120	120	120	120	120	120
110	112	136	112	108	110	111	113	109	112	116	121	125	140	159

TABLE VI. MONEY

	1956	1957	1958	1959	1960
BANK'S CONSOLIDATED BALANCE SHEET:					
<i>Assets:</i>					
1. Gold and foreign exchange ²	15	14	21	16	13
2. Credits, total	1,031	1,223	1,329	1,554	1,824
<i>of which:</i> 3. To government	207	218	212	156	175
4. To enterprises	662	820	909	1,099	1,252
5. To General Investment Fund ³	85	91	87	135	193
6. Consumer credits	37	59	58	80	96
7. Other	40	35	63	82	108
8. Foreign claims and other assets	34	21	37	41	60
9. Total assets	1,080	1,258	1,387	1,611	1,897
<i>Liabilities:</i>					
10. Restricted and inactive deposits, total	490	539	633	694	734
<i>of which:</i> 11. Government deposits	60	109	204	194	171
12. Enterprises deposits	165	220	228	277	316
13. Other deposits	165	210	201	223	247
14. Sight deposits, total	458	567	579	697	912
<i>of which:</i> 15. Government	98	124	80	110	183
16. Enterprises	223	203	231	278	281
17. Personal deposits	20	32	47	67	90
18. Other	117	208	221	242	358
19. Currency in circulation	95	126	142	176	193
14. + 19. = Money supply	553	693	721	873	1,105
20. Other liabilities	37	26	33	44	58
21. Total liabilities	1,080	1,258	1,387	1,611	1,897

1. Provisional data.

2. Including credits granted by Banks out of profits paid into the Accumulation Fund held by them. These are long-

3. The general investment fund was discontinued in 1964, and replaced by three specialized funds.

AND BANKING

Billion dinars, end of period.

1961	1962	1963	1964 ¹	1963				1964 ²			
				I	II	III	IV	I	II	III	IV
20	32	98	76	78	82	127	98	79	75	84	76
2,067	2,479	3,198	3,951	2,619	2,728	2,928	3,198	3,361	3,885	3,797	3,951
270	467	562	725	519	516	546	562	604	890	662	725
1,440	1,586	1,958	2,301	1,657	1,775	1,865	1,958	2,120	2,210	2,281	2,301
109	73	41	—	611	13	10	41	—	—	—	—
135	177	316	423	178	228	259	316	330	374	397	423
113	176	321	502	201	196	248	321	307	411	457	502
84	115	190	213	218	204	189	190	188	190	190	213
2,171	2,626	3,486	4,240	2,915	3,014	3,244	3,486	3,628	4,150	4,071	4,240
898	977	1,225	1,344	993	994	1,146	1,225	1,257	1,439	1,333	1,344
319	184	165	182	128	129	137	165	184	167	211	182
290	373	342	326	361	297	342	342	308	294	308	326
289	420	718	836	504	508	667	718	765	978	814	836
1,021	1,323	1,734	2,116	1,484	1,557	1,602	1,734	1,812	1,930	1,994	2,116
119	209	382	448	450	469	484	382	612	550	549	448
285	461	511	627	386	419	438	511	448	487	516	627
124	155	216	263	175	188	184	216	232	247	251	263
442	479	625	778	473	481	496	625	520	646	678	778
246	284	360	461	180	254	313	360	354	371	397	461
1,216	1,588	2,094	2,577	1,764	1,851	1,915	2,094	2,166	2,301	2,391	2,577
57	61	167	319	158	169	183	167	205	410	347	319
2,171	2,626	3,486	4,240	2,915	3,014	3,244	3,486	3,628	4,150	4,071	4,240

Term credits.

TABLE VII. PUBLIC AUTHORITIES' REVENUE AND EXPENDITURE

Billion dinars.

	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
COMBINED PUBLIC AUTHORITIES BUDGET:										
<i>Revenue:</i>										
1. Including inter-budget grants	482	383	317	443	410	629	821	934	930	1,032
2. Excluding inter-budget grants	451	356	298	370	456	575	778	870	854	939
<i>Expenditure:</i>										
3. Administration, judiciary and defence ¹	198	227	208	227	263	283	329	383	649	626
4. Culture and education ²	31	35	41	47	56	70	81	9	8	7
5. Public health	28	28	31	33	36	40	44	30	21	21
6. Communal activities	—	9	8	9	10	11	12	13	9	10
7. Investment	70	39	17	17	18	23	29	34	25	24
8. Grants to economy and non-budgetary institutions ³	15	26	22	35	30	34	50	138	136	141
9. Total ³	364	413	364	396	505	569	715	834	893	884
10. Grants to other budget	37	15	19	73	53	54	44	62	76	95
FEDERAL GOVERNMENT:										
<i>Revenue:</i>										
11. Turnover tax	100	139	123	149	167	183	202	251	289	369
12. Tax on income of socialist enterprises	123	85	26	59	85	146	235	160	82	54
13. Tax on personal incomes of socialist enterprises	—	—	—	—	15	22	1	—	—	—
14. Other income	46	10	11	11	12	9	54	127	163	200
Total	269	203	160	220	279	360	491	538	534	623
<i>Expenditure:</i>										
15. Administration and defence ¹	150	189	158	171	198	208	240	272	300	315
16. Culture and education	—	—	—	1	1	1	1	—	1	0
17. Health	10	11	11	11	14	15	19	21	27	29
18. Investment	35	12	3	4	7	7	9	9	6	7
19. Grants to other budgets	9	11	6	41	39	39	23	30	39	51
20. Grants to economy and institutions	10	1	1	7	2	2	3	3	27	4
21. Other	7	14	18	17	71	86	139	178	226	225
Total	221	240	199	252	330	356	434	513	626	631

1. Data for receipts and expenditure cover the period from January 1 to December 31 of the respective years. In the expenditures for administration and defence (items 3 and 15) in the Federal Budget for 1962 are also included Health (items 5 and 17) and Other, which were shown separately in 1961. These changes are due to changes occurred in the statistical compiling of data for budgetary expenditures by the National Bank.

2. As from 1961, under item 4, budgetary expenditures for schools are excluded. Under item 8 are included also grants to Health and Educational institutions.

3. Including other.

Source : Indeks.

TABLE VIII. FOREIGN TRADE

Million dollars.

	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964
1. Total imports c.i.f.	239	441	474	661	685	687	826	910	888	1,057	1,322
2. Total exports f.o.b.	240	257	323	395	441	477	566	569	691	790	892
3. Trade deficit	99	184	151	266	244	210	260	341	197	267	430
4. Volume of imports (1953 = 100)	88	105	116	151	163	165	201	220	213	246	307
5. Volume of exports (1953 = 100)	125	119	150	177	200	218	254	264	310	345	374
6. Import prices (1953 = 100)	98	102	101	108	103	101	102	103	106	109	109
7. Export prices (1953 = 100)	102	111	114	118	117	113	115	116	120	123	128
8. Terms of trade (1953 = 100)	104	109	113	109	113	111	111	110	111	113	117
IMPORTS, BY AREA:											
9. Western Europe	179	195	183	274	287	289	396	456	387	433	541
10. North America	103	145	135	177	136	142	93	185	189	205	188
11. Eastern Europe and U.S.S.R.	4	33	105	143	194	170	212	169	189	241	377
12. Rest of world	53	68	51	67	68	86	125	100	123	178	216
13. Total	339	441	474	661	685	687	826	910	888	1,057	1,322
EXPORTS, BY AREA:											
14. Western Europe	162	146	179	204	222	218	255	260	305	381	383
15. North America	23	28	28	34	34	34	40	43	55	52	57
16. Eastern Europe and U.S.S.R.	6	36	74	105	123	147	182	176	167	211	308
17. Rest of world	49	47	42	52	62	78	89	90	164	146	144
18. Total	240	257	323	395	441	477	566	569	691	790	892

Source: Statistical Yearbook of the SFRY.

TABLE IX. IMPORTS AND EXPORTS BY COMMODITY GROUPS

Million dollars.

SITC sections		1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964
IMPORTS:												
0 and 1	1. Food, drink and tobacco	82	122	151	148	132	133	76	121	131	201	167
	of which: 2. Cereals and cereal preparations	62	80	108	100	66	36	21	65	67	124	69
2	3. Crude materials	51	77	75	97	84	96	118	130	132	159	211
	of which: 4. Textile fibres and waste	35	58	48	55	53	55	60	68	69	88	115
3	5. Mineral fuels	30	37	47	65	41	45	45	40	48	47	66
5	6. Chemicals	21	29	33	48	67	75	71	63	78	111	138
6	7. Semi-manufactures	51	51	58	104	108	108	172	185	163	187	277
	of which: 8. Base metals	26	20	24	52	52	48	87	93	90	135	150
7 and 8	9. Finished manufactures	97	119	104	183	236	212	332	355	321	341	447
	of which: 10. Machinery	81	97	75	122	160	149	240	247	245	266	336
	Transport equipment	10	14	19	46	56	43	64	77	48	41	62
4 and 9	11. Other	7	6	6	16	17	18	12	16	15	11	16
	12. Total	339	441	474	661	685	687	826	910	888	1,057	1,322
EXPORTS:												
0 and 1	13. Food drink and tobacco	82	80	109	124	168	149	191	191	191	243	265
	of which: 14. Live animals, meat and preparations	31	25	37	46	43	62	78	98	104	124	147
	Cereals and cereal preparations	9	1	4	4	39	21	36	20	3	6	2
2	15. Crude materials	71	75	77	82	75	76	88	85	96	108	115
	of which: 16. Wood, lumber and cork	44	44	41	48	41	39	42	41	49	55	56
3	17. Chemicals	10	14	14	19	15	16	23	20	21	26	38
6	18. Semi-manufactures	59	71	89	108	102	118	134	129	156	169	205
	of which: 19. Base metals	28	39	51	57	57	61	76	70	84	78	89
7 and 8	20. Finished manufactures	13	12	27	49	71	112	123	136	208	227	256
	of which: 21. Machinery	2	3	8	17	18	39	51	53	71	81	87
	22. Ships .....	...	...	6	8	25	37	19	28	71	55	40
3,4 and 9	23. Other	5	5	7	13	10	6	7	8	19	17	14
	24. Total	230	257	323	395	441	477	566	569	691	790	892

Source: Statistical Yearbooks of the SFRY, OECD Foreign Trade Bulletins.

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