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ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

YUGOSLAVIA

ORGANISATION DE COOPÉRATION ET DE DÉVELOPPEMENT ÉCONOMIQUES

NOVEMBER 1969

## BASIC STATISTICS OF YUGOSLAVIA

### THE PEOPLE

Area (1 000 sq. m)	256	No. of inhabitants per sq. m	77
Agricultural area (1967, 1 000 sq. m)	148	Net natural increase in population (1960-1966, in thousands):	
Population (1967, estimates in thousands):		Annual average	238
Federal Republic	19 949	Annual average per 1 000 inhabitants	12.2
Republics:		Employment in the socialised sector (September 1968) in thousands	3 487
Bosnia and Herzegovina	3 735	of which:	
Montenegro	527	Industry	1 349
Croatia	4 340	Construction	316
Macedonia	1 551	Agriculture	253
Slovenia	1 679	Persons employed on individual agricultural holdings (results of the 1960 Census of agriculture)	5 585
Serbia	8 117		
Major cities (1966):			
Belgrade	715		
Zagreb	510		
Skopje	238		
Sarajevo	235		
Ljubljana	190		
Titograd	45		

### PRODUCTION

Gross national product at factor cost in 1967 (billions of new dinars)	109.6	Origin of GNP at factor cost in 1967 (per cent of GNP):	
GNP per head in 1967 (in dollars)	450	Agriculture, forestry and fishing	23
Gross fixed asset formation (average 1962-1967, billions of new dinars):	21.2	Mining and manufacturing	31
- per cent of GNP	28	Construction	11
- per head (thousands of new dinars)	1 093	Other	35

### THE GOVERNMENT

The Federal Assembly:		The Chamber of Social Welfare and Health	120 members
The Federal Chamber	190 members	The Organisational-Political Chamber	120 members
The Economic Chamber	120 members	The Council of the Federation	87 members
The Chamber of Education and Culture	120 members		

### LIVING STANDARDS

Calories per head and day (1967)	3 200	Number of telephones per 1 000 inhabitants in 1967	25
Consumption of energy (thermal), in 1966, in millions of Kcal. per capita	7.2	Number of radio sets per 1 000 inhabitants in 1967	166
Number of passenger cars per 1 000 inhabitants in 1967	178	Average monthly personal income in 1968 (new dinars)	862

### FOREIGN TRADE

Exports:		Imports:	
Main export (percentage of total exports in 1968):		Main imports (percentage of total imports in 1968):	
Food, beverage and tobacco	20.6	Food, beverage and tobacco	7.1
Raw materials and semi-finished goods	41.7	Raw materials and semi-finished goods	50.7
Manufactured goods	37.7	Manufactured goods	42.2

### THE CURRENCY

Monetary unit: dinar	Currency per US\$	12,5 new dinar
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# YUGOSLAVIA

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

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- 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, Finland, 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.*

*The Socialist Federal Republic of Yugoslavia is associated in certain work of the OECD, particularly that of the Economic and Development Review Committee.*

The review of Yugoslavia by the OECD Economic and Development Review Committee took place on 23th April 1969. The present Survey has been updated subsequently.

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## INTRODUCTION

Since the last Survey which OECD published on Yugoslavia<sup>1</sup> was prepared when the results of only the early months of 1967 were known, the present document reviews developments for the past two years and the early months of 1969 before examining short-term prospects and discussing certain problems of economic policy.

The period under review was marked by the effects of major economic reforms, introduced between 1965 and early 1967, whose general aim was a more rational process of resource allocation—by means of greater decentralisation of economic decisions, of an enhanced role of market forces and the price mechanism, and of an increased integration into world markets. In order to create appropriate conditions for the success of the reforms, and to restrain sharp increases in prices and nominal incomes, the authorities adopted restrictive policies. Under the impact of these measures, and a relatively poor agricultural year, there was a marked slowing-down of economic activity in 1967: industrial output stagnated, employment declined and fixed investment decreased considerably. The slackening of domestic demand allowed price rises to slow down, but the current external account deteriorated slightly, due largely to the liberalisation of imports.

Credit and monetary policies were relaxed at the end of 1967 and further expansionary measures were taken during 1968. As a result, activity gathered momentum throughout last year. With some time-lag employment, which had been falling since 1965, recovered and output per head made a substantial advance, particularly in industry. Final domestic demand reacted quickly to the expansionary policy measures and fixed investment surged ahead. Prices rose only moderately. The current external deficit increased again slightly but remained low, both in absolute terms and as a percentage of GNP. However, the deficit with the convertible area was higher, and was partly offset by a surplus with the bilateral trade area. As capital inflows increased somewhat and there was a fall in bilateral credit balances, the convertible reserves were able to show a substantial gain.

1 In September 1967.

Although significant slack remained still in the economy, the strong upsurge of domestic demand, and an acceleration of price rises in the more recent period, induced a shift to moderately restrictive credit policies in late 1968 and early 1969. The promptness with which demand management policy has been tightened suggests a desire to avoid in the future the very uneven developments that have been a characteristic feature of the Yugoslav economy for many years. It is uncertain whether this can be achieved through almost exclusive reliance on monetary and credit policy. But subject to the avoidance of sharp fluctuations in the rate of activity and to an orderly development of money incomes, there are reasons for believing that the beneficial effects of the reforms (in particular the increased efficiency of large sectors of industry) will make it possible to attain high rates of growth in 1969 and 1970 without undue strains on internal and external equilibrium.

## I ECONOMIC DEVELOPMENTS 1967 TO EARLY 1969

### *Main trends and the role of policy*

Table 1 gives a broad picture of economic trends over the last three years. Apart from the fluctuations of agricultural output<sup>1</sup> and changes in foreign demand for Yugoslav exports, developments have been largely determined by the effects of the economic reforms and by changes of monetary and credit policy—severely restrictive from late 1966 to late 1967, progressively more expansionary up to the autumn of 1968, and followed more recently by a new tightening. Thus non-agricultural output rose by only some 3 per cent in real terms in 1966 and 1967 but by over 7 per cent last year.

The period under review saw the progressive implementation of very important economic reforms initiated in 1965. The reforms followed on earlier measures with the same general orientation, but were wider in scope and were conceived as part of a comprehensive economic strategy. They have been outlined in earlier OECD Surveys of the Yugoslav economy<sup>2</sup>. But to recall some of their more important features may help to explain economic developments in the period under review—for instance in foreign trade, nominal and real incomes and the main demand components.

1 Agriculture still accounts for about one quarter of the national product and over one-half of the labour force.

2 The Survey published in August 1966 described the general programme of economic reform and the measures taken up to early 1966. The Survey of September 1967 gave details of subsequent reforms; it also described the circumstances which led to the adoption of restrictive credit policies in late 1966.



*Yugoslavia*

**Table 1 Basic Economic Indicators, 1966-1968**  
% changes over the previous year

	1966	1967	1968
<i>(a) Output and expenditure (volume)</i>			
1. Total social product	8	1	4
2. Product of the socialized economy	5	2	6
3. Industrial production	4	—	6
4. Agricultural production	16	—1	—4
5. Private consumption	4	6	4
6. Total social investment in fixed assets	—7	—12	19
(i) Productive investment	—0.5	—6	19
(ii) Non-productive investment	—20	—26	20
7. Total exports	16	6	4
(i) Industrial products	12	—	6
(ii) Agricultural products	12	17	—21
(iii) Earnings from invisibles	23	10	13
8. Total imports	23	8	7
<i>(b) Employment, incomes and prices</i>			
9. Employment in the economy	—3	—1	1
10. Labour productivity	8	3	5
11. Real personal income per employed person	12	7	5
12. Total real personal incomes	9	6.5	5
13. Producers' prices, industrial products	12	2	0.5
14. Producers' prices, agricultural products (total agriculture)	16	—3	—4
15. Cost-of-living index	24	7	5

*Source : Submission to the OECD.*

To correct important distortions of relative prices, the dinar was devalued<sup>1</sup> in 1965 and many domestic prices were raised substantially, though in greatly differing proportions with the purpose of favouring agriculture and basic industries at the expense of transformation industries. But most prices remained subject to control: it was only in 1967 and 1968 that price control was progressively abolished to a substantial measure.

To transfer the main responsibility for the use of investment funds from the Government (federal and local) to enterprises and banks, both the tax system and the organisation of banking were radically changed. This was followed in early 1967 by changes in the methods of credit control, notably the introduction of quantitative global controls of short-term bank credit instead of the earlier exclusive reliance on selective policies for different types of credit.

<sup>1</sup> Taking account of the existence at that time of multiple exchange rates, the effective rate of devaluation can be approximately estimated at 30 per cent.

In 1966, there was a revaluation of enterprises' fixed assets, which resulted in a considerable increase of depreciation allowances. Measures were also taken to assure sufficient finance for raw materials and work in progress.

Although a principal objective of the reforms was to increase the share of personal consumption in total domestic demand (while ensuring a more efficient use of investment resources) it was decided to increase rents by 20 per cent each year and to earmark the proceeds for expanded housebuilding programmes.

From 1967 the degree of import liberalisation was considerably increased and the rules governing enterprises' and banks' foreign transactions were relaxed.

New important changes in federal and local government budgets were introduced in 1967, including the transfer to autonomous bodies of the bulk of expenditure for education and of corresponding shares of income tax revenues.

In analysing recent economic trends it is extremely difficult to distinguish the short-term effects of the reforms from the impact of current demand management. Moreover, the structural changes introduced in the period under review make more complex the interpretation of the developments in national accounts aggregates.

### *Demand factors*

The share of private consumption in total GNP was relatively low in the past and its rise generally lagged behind output. From 1957 to 1966, for instance, it fell from 51.5 per cent to about 50 per cent<sup>1</sup> of GNP (OECD standard definitions). One of the declared aims of the 1965 reform was to shift resources from the public to the enterprise sector and from investment to consumption. Thus the proportion of net income absorbed by enterprises went up from 51 per cent in 1964 to 57 per cent in 1967 and about 59 per cent in 1968. The shift to personal income was even more marked—from 33 per cent in 1964 to 40 per cent in 1967 (and about 42 per cent in 1968). However, subsidies to consumers by way of artificially low prices were considerably reduced, as part of the reforms. In volume terms,

<sup>1</sup> This share seems very low when compared with other countries. For instance, consumers' expenditure represented 61.3 per cent of GNP for the average of OECD Member countries in the period 1964-1966. Part of the difference is due to institutional differences and to statistical reasons—e.g. to the fact that practically all expenditure on education, health and welfare is recorded as public consumption in the Yugoslav national accounts and to an over-estimation of stockbuilding. Nevertheless there is little doubt that personal consumption has been checked in the past by a high rate of capital accumulation.

*Yugoslavia*

private consumption rose by 6 per cent in 1967 (as against a progress in real output of 1 per cent only), but there was a significant deceleration in the course of the year as the restrictive measures started having their effects. Thus the index of retail sales in real terms showed an increase of more than 4 per cent for 1967 as a whole, but with the rate of growth slowing down to 3 per cent in the second half of the year. The trend picked up again at the beginning of 1968, and accelerated through the year. Total private consumption is estimated to have increased by 4 per cent in volume last year; but retail sales rose by 10 per cent in real terms and in the fourth quarter showed an increase of 12 per cent compared to a year earlier. There have clearly been important changes in the pattern of consumption (e.g. a sharp rise in purchases of durable goods) which, if prolonged, are bound to have an effect on the structure of production; but in the last two years they have probably served more to reduce inventory formation and push up imports. In the first five months of 1969, the year-to-year increase of retail sales at constant prices remained considerable (about 10 per cent) but somewhat lower than in the second half of 1968.

The increase in private consumption took place in spite of falling employment up to the summer of 1968, and reflected a high increase in nominal income. In 1967 average nominal income<sup>1</sup> per head rose by 13 per

**Table 2 Supply and Use of Resources, 1964-1968**  
(a) *At current prices (Standardized definitions)*

	Millions of new dinars				% of GNP			
	1964	1965	1966	1967	1964	1965	1966	1967
1 Consumers' expenditure	30 950	43 600	56 512	63 406	44.5	47.9	49.9	53.4
2 Public consumption	11 550	14 840	17 607	20 107	16.6	16.3	15.5	16.9
3 Gross fixed asset formation	20 378	21 788	26 566 <sup>1</sup>	30 259 <sup>1</sup>	29.3	24.0	22.2	25.5
4 Final domestic demand	62 878	80 228	100 685	113 772	90.4	88.2	87.6	95.9
5 Changes in stocks	7 289	10 760	13 180	6 114	10.5	11.8	11.6	5.2
6 Exports of goods and services	9 579	19 381	22 050	23 434	13.8	21.3	19.5	19.7
7 Less: Imports of goods and services	11 350	19 090	22 915	24 886	16.3	21.0	20.2	21.0
8 Foreign balance	-1 771	+291	-865	-1 452	-2.5	+0.3	-0.7	-1.3
9 Statistical error	+1 174	-259	-1 151	+250	+1.6	-0.3	+1.5	0.2
10 Gross national product at market prices	69 570	91 020	111 849	118 684	100	100	100	100

<sup>1</sup> Not strictly comparable to the figures for 1964 and 1965 which are based on cash payments.

Source: Submission to the OECD.

<sup>1</sup> Excluding private agriculture which accounted in 1966 for about 94 per cent of the total agricultural labour force.

**Table 2 Supply and Use of Resources, 1964-1968 (continued)**  
 (b) *Changes in volume<sup>1</sup> (National definitions)*  
 Yearly in per cent

	1964	1965	1966	1967	1968
1 Private consumption	12.0	6.1	4.0	6	4
2 Collective consumption	9.4	-3.6	1.9	-8	8
3 Gross fixed asset formation	16.0	-9.1	-6.5	-9	18
(a) Socialized sector	..	..	-7.2	-12	19
of which: Productive investment			-0.5	-6	19
Non-productive investment			-20.2	-26	20
(b) Private sector	..	..	..	8	9
4 Final domestic demand	13.1	-0.6	1	-0.3	9
5 Changes in stocks	..	..	..	..	..
6 Total exports	..	..	14.0	6	4
7 Total imports	..	..	19.0	8	5
8 Social product	12.7	3.4	8.0	1	4
9 Social product excluding agriculture	14.5	4.8	3.1	2.7	7.5
10 % contribution of agriculture in the growth of social product	1.7	-2.1	4.1	-1.0	-1.6
11 % change in the price deflator of the social product	17.7	26.2	15.0	3.0	(4.5)

1 1964 through 1965 at 1960 prices; following years at planned (end 1965) prices.

Sources: Privredni Bilansi Jugoslav; Memorandum to the OECD; Annual Report of the National Bank, 1967, and estimates of Secretariat.

cent. In 1968 the annual rate of growth came down to 9.5 per cent. Allowing for the rise in the cost of living, the increase of incomes in real terms was 7 per cent and 4 per cent respectively. Moreover, the fall in 1967 and 1968 of agricultural output and prices after the record agricultural year of 1966 must have had a contractionary effect on disposable incomes<sup>1</sup> of households. Social security transfers (about 17 per cent of disposable income) in 1967 were only 4 per cent higher than a year earlier; it is estimated that their increase last year was of the order of 8 per cent, with pensions rising by about 15 per cent. On the other hand, outstanding consumers' credit, which had fallen in 1966 and 1967 due to the restrictive money policies, picked up as from the second quarter of 1968—as soon as policy was relaxed—and showed for the whole year a net gain of 1.6 billion dinars (roughly 2.5 per cent of total personal income). In the early months of 1969, the rise of personal incomes continued accelerating—both in nominal and in real terms. On the other hand, the expansion of consumers' credit slowed down (following the new measures of restraint in this field) and even came to a halt in the more recent period.

1 But probably part of the considerable increase of farmers' income in 1966 (agricultural output in nominal terms rose by over 34 per cent) was spent in 1967.

Table 3 Indicators of Private Consumption

	1965	1966	1967	1968	1966				1967				1968				1969	
					I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II*
<b>I Retail Trade:</b>																		
In nominal terms (1963 = 100)	167	209	233	265	165	202	215	252	187	226	241	276	205	256	278	321	236	284
In real terms <sup>1</sup> (1963 = 100)	118	120	125	138	96	117	125	142	101	123	129	147	106	139	144	163	115	154
In real terms <sup>2</sup> (% change over corresponding pe- riod in previous year)	+2	+2	+4	+10	-6	-3	+11	+5	+5	+5	+3	+4	+5	+13	+12	+12	+9	+11
<b>II Personal Income:</b>																		
In nominal terms (1963 = 100)	175	245	277	303	216	237	251	276	263	268	281	296	283	293	307	330	319	..
In real terms <sup>1</sup> (1963 = 100)	115	130	139	144	116	123	134	145	132	133	142	149	136	135	149	158	145	..
In real terms <sup>2</sup> (% change over corresponding period in previous year)	+3	+13	+7	+4	+1	+10	+20	+20	+14	+8	+6	+3	+3	+2	+5	+6	+7	..
<b>III Consumer Credit:</b>																		
Change over preceding period (millions of new dinars)	-300	-569	-734	+1 632	-98	-49	-290	-132	-377	-102	-234	-21	-84	+476	+666	+574	+157	..

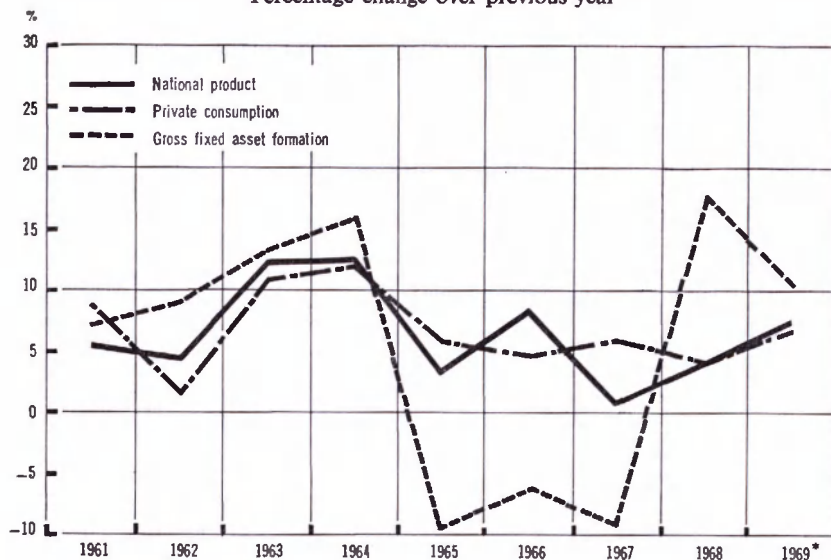
1 Index of retail trade deflated by the retail price index.

2 Index of personal incomes deflated by the cost-of-living index.

3 April-May.

Source: Indeks.

Diagram 1 Trends of consumption, investment and output 1961-1969 (volume)  
Percentage change over previous year



\* Forecasts.

Source: "Privredni Bilansi Jugoslavie"; Memorandum to the OECD

The share of public consumption in GNP at current prices, though still considerable (on standardized OECD definitions general government current expenditure on goods and services accounted for about 16 per cent of GNP in 1964-1966 as compared with 14 per cent for the average of OECD countries) has been steadily falling since the early 1960's (when it accounted for nearly 20 per cent of GNP) and especially since the 1965 reform; this fall must have been much higher in real terms<sup>1</sup>.

Under the effect of the 1966-67 credit restrictions and the fact that wage increases were not fully compensated by price rises at the production stage, the liquidity of enterprises was substantially reduced<sup>2</sup>. Total gross fixed asset formation in the socialised sector in 1967 fell by 12 per cent in real terms; the fall in the economy as a whole was less, as gross fixed

1 The national accounts show for 1967 a quite sharp decline in real terms; but this probably only reflects the transfer of expenditure on education and cultural activities to special bodies, as mentioned earlier. Furthermore, the fact that in Yugoslav national accounts definitions the payment of subsidies is included in public consumption probably makes for a higher than usual unreliability in the real terms estimates of this item.

2 Cash balance of enterprises fell in 1967 by about 30 per cent in spite of an increase of short-term credit which was probably partly used to finance a substantial increase in stocks of finished products.

investment in the private sector—which accounts for roughly 10 per cent of the total—is most likely to have increased, particularly in residential construction. Within the socialised sector, investment in “non-productive” activities and investment financed by the government fell faster than the total. The Government saw its investment resources drastically reduced after the 1965 reform: in 1967 the investment funds allocated to Government were only about 17 ½ per cent of the total, as compared with 26.7 per cent in 1965 and 61.7 per cent in 1961. Investment in “productive” activities followed the same downward trend, and in 1967 was probably about 6 per cent below 1966 in real terms. The only exception was investment in catering which rose in value by more than 50 per cent, following a rise of 25 per cent in 1966. This development is explained by the big effort made in recent years to further tourism.

The liquidity situation of enterprises started to improve at the end of 1967, when credit restrictions were relaxed considerably and profit margins rose as average labour incomes slowed down. The cash balances of enterprises rose last year by more than 20 per cent, partly because, contrary to the experience of the previous year, stocks of finished products actually fell and more than offset some rise of raw material stocks. Thus, though the increase in short-term credit to enterprises was somewhat lower than in the previous year, their liquidity situation improved considerably in 1968. Fixed investment was also boosted by certain specific measures taken at the end of 1967. The rules fixing the allocation of financial resources of enterprises and banks as between fixed capital and stocks were abolished<sup>1</sup> and special measures were taken to finance both exports and home sales of equipment goods. As a result gross fixed investment (in the socialised sector) picked up at the beginning of 1968; by the last quarter it was 36 per cent higher than a year earlier in value terms and for the year as a whole the gain was 26 per cent. All the “productive” activities in the socialized sector shared in this recovery of fixed investment, particularly in manufacturing and construction with gains for the year as a whole of 27 per cent and over 50 per cent respectively. In real terms the advance of total fixed investment in the socialized sector is estimated at about 20 per cent for the year as a whole. Investment in equipment rose by over 30 per cent. The fact that employment in the socialised sector rose by only 0.6 per cent suggests that most of this investment effort was devoted to modernisation and the increase of capital stock per employed person. One result of the investment recovery was that imported equipment—which accounts for over a third of the total—increased by 43 per cent and represented over 80 per cent of the increase in imports. Investment in the private sector (mainly residential

1 Enterprises were obliged to keep a proportion (80/20) between the allocation of financing to fixed investment and working capital. Likewise the banks were engaged to allocate at least 25 per cent of their investment credits for “working capital”.

Table 4 Investment in the Socialized Sector

(a) Current trends

(value)

	1968				1969	1965 1966 1967			1967				1968				1969	
	I	II	III	IV	I	I	II	III	IV	I	II	III	IV	I	II <sup>1</sup>			
	Millions of new dinars					% change over the same period in previous year												
A GROSS FIXED INVESTMENT	3 648	6 710	6 267	8 521	4 388	2	11	-7	13	-3	-26	-10	5	24	32	36	20	3
(i) Productive investment	2 700	5 213	4 480	6 196	3 252	-3	21	-2	22	4	-14	-12	1	28	29	36	20	—
1 Industry and mining	1 429	3 011	2 396	3 307	1 632	4	21	-5	8	0	-21	-4	4	39	37	26	14	-15
2 Agriculture and forestry	225	479	514	771	309	-6	20	-18	46	-29	-27	-20	25	20	4	32	37	5
3 Construction	89	157	146	165	122	-31	10	3	13	34	13	-33	68	48	20	114	37	20
4 Transport	478	776	776	1 100	569	-12	21	-10	10	-1	-14	-25	-3	18	30	66	19	2
5 Commerce, catering and craft trades	479	790	648	853	620	-14	25	57	100	78	49	25	4	12	25	42	29	46
(ii) Non-productive investment	948	1 497	1 781	2 325	1 136	12	-7	-18	-9	-20	-21	-18	17	16	41	38	20	11
6 Housing and communal activities	669	1 055	1 300	1 605	815	18	-5	-18	-12	-20	-17	-19	18	13	37	38	22	10
7 Cultural and social activities, social services and administration	279	442	481	720	321	4	-12	-19	-3	-20	-32	-26	17	19	55	29	15	17
B STOCKS <sup>2</sup> (1967 = 100, value)						65	79	100	92	101	101	106	113	113	107	106	108	107

<sup>1</sup> April-May.

<sup>2</sup> In industry.

Source: Statisticki bilten Sluzbe drustvenog knjigovodstva.



## Yugoslavia

**Table 4 Investment in the Socialized Sector (continued)**  
**(b) Estimates of gross fixed investment for 1968 and forecasts for 1969**

	Current prices			At 1967 prices	
	1967	1968	1968/ 1967	Annual change %	
	(Millions of new dinars)		%	1968	1969
<b>A By kind of economic activities:</b>					
1 Total fixed investment	19 888	25 140	26.4	19.4	11.5
2 Productive investment	14 805	18 589	25.6	19.3	10.6
<i>of which:</i> (i) Industry	7 940	10 146	27.8	21.9	..
(ii) Transport	2 426	3 130	29.0	22.4	..
(iii) Trade and catering	2 084	2 518	20.8	12.8	..
3 Non-productive investment	5 083	6 551	28.9	19.8	14.4
<i>of which:</i> Housing and communal activities	3 608	4 635	28.5	18.6	15.9
<b>B By kind of assets:</b>					
4 Total fixed investment	19 888	25 140	26.4	19.4	11.5
5 Construction	10 012	12 376	23.6	13.8	13.1
6 Machinery and equipment	6 577	8 686	32.0	32.0	9.3
<i>of which:</i> (i) Domestically produced	4 473	5 679	27.0	27.0	11.3
(ii) Imported	2 104	3 007	43.0	43.0	5.7
7 Other	3 299	4 078	23.6	11.5	11.4

Source: Yugoslav authorities.

construction) rose by 9 per cent in volume. However, the upsurge of 1968, coming after the decline of the previous year, only brought the rate of fixed investment in real terms to some 6 per cent above its 1966 level. In the first quarter of 1969, investment outlays at current prices were still 20 per cent higher than a year earlier; but the trend seems to have slowed in the second quarter.

Changes in total stocks in 1967 probably had a contractionary impact on overall domestic demand. The fall in agricultural stocks after the record harvest of 1966 probably more than offset some involuntary building-up of finished products in the early part of the year. In 1968 some destocking of finished products seems to have occurred, as final domestic demand outpaced production and at the end of the year the value of producers' stocks was about the same as a year earlier. Judging from national account statistics, the Yugoslav economy seems to have been devoting an exceedingly large share of resources to inventory formation. In 1958-1967 inventory formation on average accounted for 9 1/2 per cent of GNP at current prices (and on standardized OECD definitions) which appears high when compared with other countries, even after allowing for the fact that the estimate includes an element of capital gain. It is likely that part of this

high rate of inventory formation was due to maladjustment between demand and output. It may also have reflected a lack of flexibility in the productive system and a higher-than-average share of work in progress as compared with total output. The measures taken in the 1965 economic reform should help shift resources away from inventory formation to other ends, especially fixed asset formation.

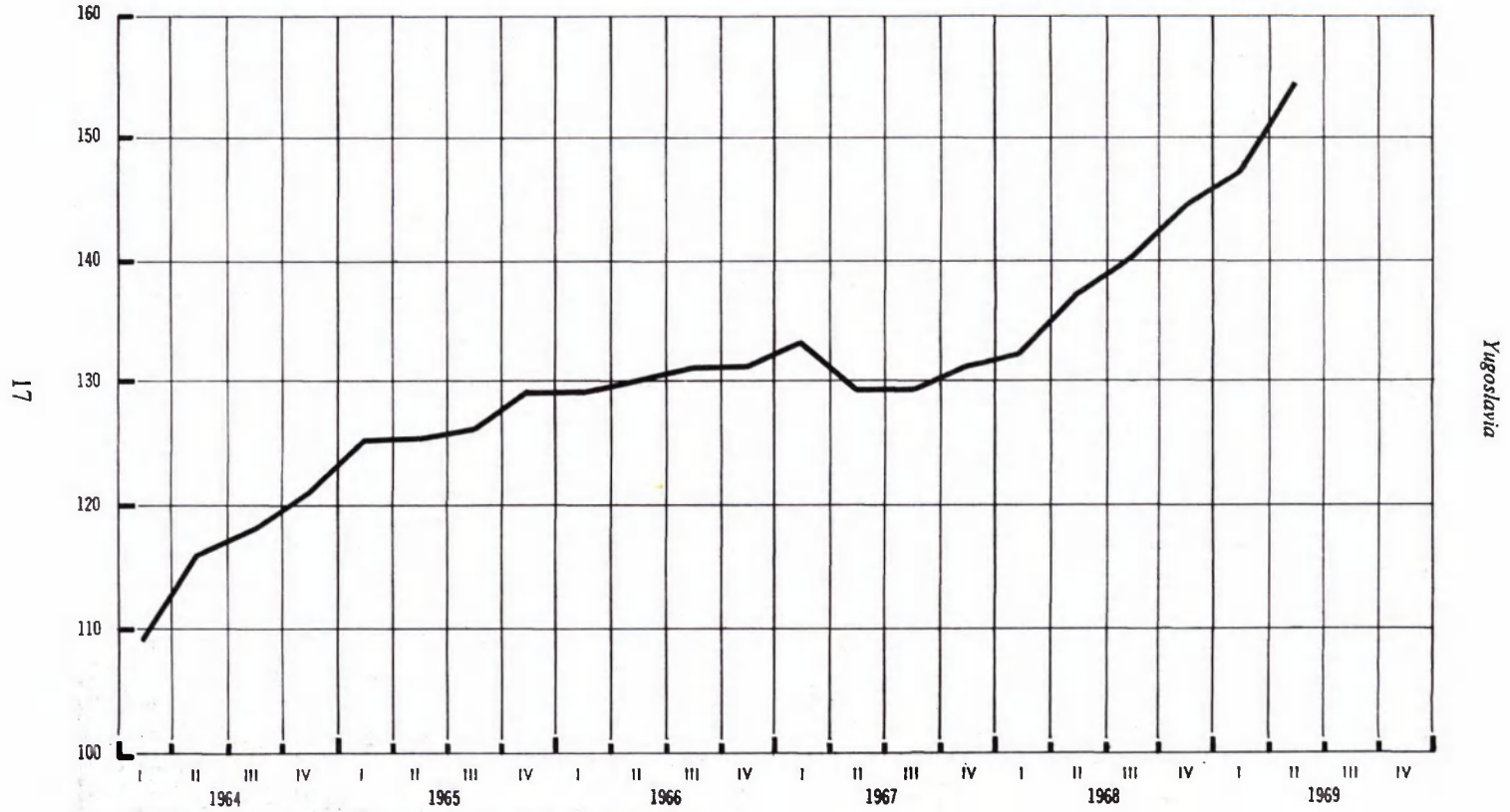
In global terms, the foreign balance on goods and services deteriorated somewhat in both 1967 and 1968 and, therefore, had a slight contractionary impact. This was due partly to the slow progress of exports of merchandise—which rose in 1967-68 on average by only 1.6 per cent—but mainly to the higher propensity to import linked to the increased liberalization of foreign trade (the degree of liberalization of imports was increased from 20 per cent in 1966 to 45 per cent in 1967). Thus total imports of goods and services were equivalent to over 20 per cent of GNP in 1967 and 1968—after rising on average by about 7 per cent in the two year period while real output was rising by about 2.5 per cent. This, of course, reflects the gradual integration of the Yugoslav economy into that of the rest of the world.

### *Trends in output*

The expansion of real output, steadily slowing down since 1964, was virtually interrupted in 1967, when industrial production declined slightly. It recovered progressively in the course of 1968 and, by the end of the year, it was nearly 11 per cent higher than a year earlier. These fluctuations resulted largely from changes in demand management, but reflected also the adaptation of industry to the new conditions created by the reforms. Not all industries were similarly affected by the reform measures, and there were apparently great differences even within the same branch. Certain basic industries were favoured by changes in relative prices—like electricity production which rose by 9-10 per cent in both 1967 and 1968. Import liberalization had an initial depressive effect on the output of sectors where productivity was comparatively low (iron and steel, machine-building, etc.), while export-oriented industries like non-ferrous metals benefited from the devaluation. In trying to adapt to the new conditions and the changing structure of demand, many enterprises made an important effort of rationalisation and started new production lines<sup>1</sup>.

1 According to surveys by the Institute of Statistics, about one half of existing industrial equipment (in value) was installed in the last four years—a period when imports of machinery amounted to more than \$1 billion. Furthermore, 15 per cent of the total number of industrial products in 1967 were entirely new or substantially changed, as compared with the previous year.

**Diagram 2 Industrial production**  
Quarterly averages, seasonally adjusted, 1963 = 100



Source : Indeks; Seasonal adjustment by the OECD Secretariat.

Table 5 Industrial Production by Sectors  
% changes over the same period of previous year

	1966	1967	1968	1967				1968				1969	
				I	II	III	IV	I	II	III	IV	I	II
				1 Capital goods	1.1	1.1	7.5	3.0	-2.6	1.1	3.6	4.1	8.9
2 Intermediate products and semi-manufactures	3.3	0.0	6.4	-0.3	1.3	-0.7	-1.3	0.7	4.5	7.4	12.3	12.4	—
3 Consumer goods	5.6	-1.1	6.4	4.7	-1.4	-1.7	-2.4	0.7	7.2	5.9	10.5	9.4	—
Total	4.4	0.0	6.4	1.8	-1.0	-1.0	-1.2	1.0	6.6	7.5	10.7	10.3	12.6

Source : Indeks and Economic Review.

These trends seem to have continued in 1968 when industrial production and investment recovered strongly. The experience of individual industries was mixed in the first half, but by the end of the year practically all industries had joined in the recovery. With the strengthening of demand and the recent expansion of capacity, the increase of industrial production accelerated in the first half of 1969. By the second quarter, the general index was 12.5 per cent higher than a year earlier.

After the record year of 1966 (when output increased by 16 per cent) agricultural production fell in 1967 by just over 1 per cent. Crop-farming was 5 per cent lower (except for wheat which increased by over 4 per cent) but animal production marked a gain of 6 per cent. Weather conditions were partly responsible, though the exceptionally high level of output attained in 1966 should also be borne in mind. In 1968 there was a further fall in agricultural output of about 3.6 per cent, particularly in wheat, maize and sugar beet. But meat production is estimated to have increased by 2.5 per cent. The slowing down of production partly reflects the reduction of exports to traditional Yugoslav markets. The evolution of some major agricultural products in the past three years has been favourable in the sense that it has allowed domestic needs to be met by domestic production. Thus large stocks of wheat rendered possible a reduction of imports in 1968 in spite of lower production. (Wheat is the main single item of imports of agricultural products, which account for about 15 per cent of total imports.) The progress achieved in agriculture in the last few years has been partly due to the reform of 1965 which, by improving the terms of trade between agriculture and industry, has stimulated investment and the use of fertilizers. (Between 1964 and 1967, producer prices of agricultural goods increased by 64 per cent as compared with 31 per cent for industrial products.) But the progress has also raised the problem of finding outlets for agricultural exports such as live animals and meat—which account for about half of agricultural exports and had been rising regularly until 1967.

In 1968, due to the EEC agricultural regulations, particularly severe difficulties were met in the marketing of beef in Italy, traditionally the largest market. The reduction of meat exports and the difficulties of marketing livestock have increased the expenses of production and fattening and are endangering the maintenance of the basic stock of animals, as well as having a depressive effect on prices and incomes. A decline in the number of cattle has already taken place, and producers' prices fell by 11 per cent in 1968, following a decline of more than 3 per cent in 1967. It was expected that this would result in a decrease of animal production in 1969. At the end of last year, special measures were taken in support of agriculture, including reductions in taxes paid by farmers and more favourable credit conditions. In the early months of 1969, the falling trend of agricultural prices was reversed.

*Employment, incomes and prices*

Total employment in the socialized sector declined in both 1966 and 1967 and rose only slightly in 1968. The principal reason was, of course, the slackening in the growth of non-farm output. But employment in industry again showed a small decline for 1968 as a whole, despite the upswing of output. This is not unusual at this phase of the cycle, but there are indications that the various reform measures have resulted in significant advances of labour productivity. Building and services were mainly responsible for the limited increase of employment last year. But with the general acceleration of output, employment in "productive" activities had picked up significantly by the end of the year. By the second quarter of 1969, the increase over a year earlier exceeded 4 per cent—the highest rate registered since 1964. The level of registered unemployment increased considerably in the last two years and in the early months of 1969. By the spring, however, there were signs of some improvement, due probably to rising employment at home and to increased emigration of workers.

As stated earlier, prices received by farmers declined in the past two years. Industrial prices were practically stable in both 1967 and 1968 at the production stage. This, no doubt, reflected the slack in the economy, but was probably also the result of gradual adjustment to the 1965 reform. It rendered possible further progress in the process of price liberalization. At the end of 1966, formation of industrial producer prices was free only in respect of 35 per cent of the total value of industrial output. This ratio had been raised to 45 per cent by the end of 1967 and 54 per cent towards the end of 1968. At the wholesale stage, the degree of liberalization is still higher. Thus, by the end of 1967, wholesale prices of industrial products were free as to 52 per cent of the value of turnover (excluding foodstuffs)

**Table 6 Employment, Incomes and Productivity**  
% change over the same period in the previous year

	1964	1965	1966	1967	1968	1967				1968				1969	
						I	II	III	IV	I	II	III	IV	I	II
1 EMPLOYMENT (socialized sector)	6.5	1.4	-2.6	-0.7	0.6	0.1	-0.7	-1.2	-1.2	-1.0	-0.1	1.1	2.7	3.6	4.1
<i>of which:</i> Productive sector	6.8	1.0	-3.0	-0.8	0.2	0.0	-0.8	-1.5	-1.3	-1.0	-0.4	0.7	2.5	3.4	4.1
2 AVERAGE INCOME (socialized sector)	27.8	39.1	37.5	13.6	10.0	21.8	13.1	12.0	7.2	7.6	9.3	9.3	12.0	12.9	..
<i>of which:</i> Productive sector	27.8	39.1	39.1	12.4	10.0	21.1	13.9	10.9	6.5	6.8	9.0	10.5	13.1	13.4	..
3 OUTPUT PER HEAD IN INDUSTRY	6.3	4.8	5.3	1.0	6.6	1.7	-0.5	1.4	0.4	3.3	9.1	7.7	9.2	7.1	7.5 <sup>1</sup>
4 LABOUR COST PER UNIT OF OUTPUT IN INDUSTRY	21.6	32.1	30.0	9.0	3.1	16.6	11.6	6.7	3.7	3.8	-1.4	3.0	5.0	7.6	..
5 UNEMPLOYMENT <sup>2</sup>	228	267	265	291	327	(In thousands)				344	280	295	327	396	334 <sup>1</sup>

1 April-May.

2 End of period—Excluding private agriculture.

Source: Indeks.

*Yugoslavia*

**Table 7 Prices**  
% changes over the same period in the previous year

	1965	1966	1967	1968	1967				1968				1969		
					I	II	III	IV	I	II	III	IV	I	II	
<b>I PRODUCER PRICES:</b>															
1 Industry	14	12	2	0	3	3	2	1	—	—	1	1	2	2	
2 Agriculture	43	16	-4	-4	-1	-10	-8	-14	-19	-16	-11	-6	3	7 <sup>1</sup>	
<b>II RETAIL PRICES</b>	29	23	7	4	1	1	4	2	4	4	5	6	6	7	
<b>III COST OF LIVING</b>	33	24	7	5	5	7	6	5	5	6	5	6	7	7	

1 April-May.  
Source: Indeks.

and this was stepped up to 63 per cent of total turnover, and as much as 82 per cent for industrial products. Retail prices and the cost-of-living were less stable than producers' prices. They underwent a significant rise at the beginning of 1967, due mainly to catering services and rents. But over the year as a whole they rose substantially less than in 1966, and in 1968 there was a further slowing down. Both indices started accelerating, however, around the end of last year and in the second quarter of 1969, the cost-of-living index was 7 per cent higher than a year earlier. The rise was partly due to a reversal of the previous decline in agricultural prices and to the annual increase of rents, but seems also to be connected to the very strong rise of domestic demand. The authorities aimed at keeping the price rise this year down to about the same rate as in 1968—if necessary by increasing imports of commodities showing a tendency to rise unduly. But a more important effect on price developments can be expected from the success of credit and other measures of general economic policy in keeping demand and cost developments under control.

The growth of average personal income in the socialized sector slowed down considerably in 1967, following the exceptionally high increases of previous years<sup>1</sup>. It had fallen by the second half of 1967 to 9 1/2 per cent, a rate which continued, virtually, to prevail during 1968. Despite the slow-down, personal income per head has continued to rise faster than output which (excluding agriculture) can be estimated to have risen by 3.5 per cent and 7.5 per cent respectively in 1967 and 1968. Unit labour costs in industry can be estimated to have increased by roughly 9 per cent

<sup>1</sup> The rise of average incomes was nearly 40 per cent in 1966. According to official estimates, three quarters of the increase were due to the various reform measures. In the same year, the cost of living rose by 24 per cent.

Table 8 Distribution of Net Income of Enterprises in the Socialized Sector

	Billions of new dinars				% change over the previous year			% of net income			
	1964	1965	1966	1967	1965	1966	1967	1964	1965	1966	1967
I SOCIAL PRODUCT	45.28	58.18	70.36	73.40	28	21	4				
Depreciation	4.37	4.95	6.26	8.17	13	26	31				
II NET INCOME	40.91	53.23	64.50	65.23	30	21	1	100	100	100	100
A Share allocated to socio-political institutions	20.17	23.33	25.89	28.06	16	11	8	49.3	43.8	40.1	43.0
of which:											
1 Turnover tax	4.54	5.58	7.05	8.27	23	26	17	11.1	10.5	10.9	12.7
2 Tax on personal incomes	9.28	11.77	12.92	12.62	27	10	-2	22.7	22.1	20.0	19.3
B Share allocated to enterprises	20.89	29.97	38.73	37.29	43	29	-4	50.7	56.2	59.9	57.0
1 Net personal incomes	13.45	18.75	24.80	26.23	39	32	6	32.9	35.3	38.5	40.2
2 Retained part of corporate incomes	7.44	11.22	13.93	11.06	51	24	-21	17.8	20.9	21.4	16.8

Source: Yugoslav authorities.

in 1967. The progress of output per head speeded up as the economy gathered strength (productivity in industry was probably rising at an annual rate of 9 per cent by the end of 1968) and the increase of unit labour costs slowed down to about 3 per cent for 1968 as a whole. However, the rise of incomes became faster in early 1969, so that, despite continuing rapid increases in labour productivity, industrial unit labour costs were probably accelerating again.

As the overall price level (as measured by the GNP price deflator) is not likely to have risen last year by more than 4.5 per cent (as compared with probably 3 per cent in 1967) it would seem that the relation between labour costs and prices has become more balanced than in the years before the reform, when labour costs per unit of output were rising by about 5-6 per cent compared with a GNP price deflator of 10 per cent. This, no doubt, reflects a more competitive climate following internal and external liberalization and the effect of letting market forces to play a bigger role. Nonetheless, if average incomes per head continue as in the past significantly to outpace the rise of productivity, price stability will not be attained. The authorities are clearly aware of this problem and intend to introduce an incomes policy. A law approved last year provides that, at the enterprise



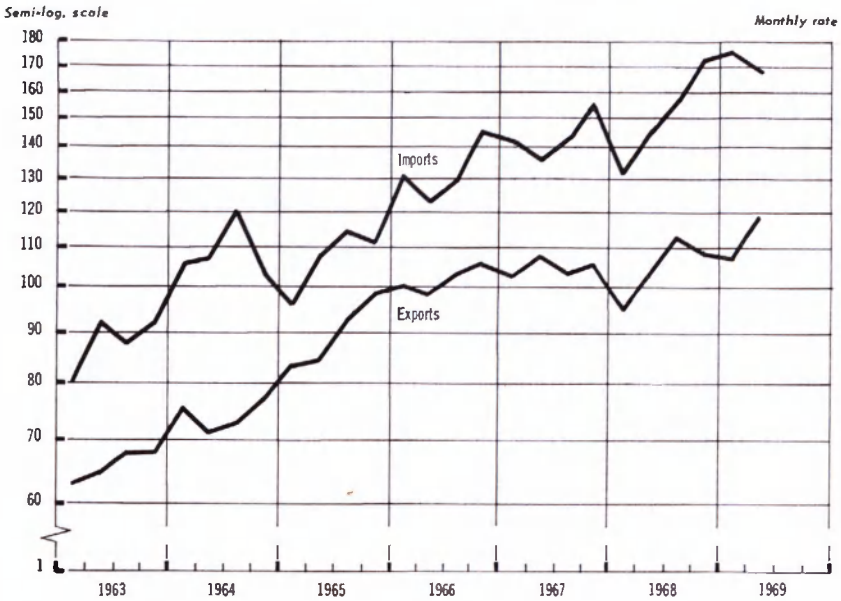
level, there would be agreements as to income distribution (wages and salaries and capital accumulation); these agreements would be submitted for discussion by the enterprise associations, trade unions and relevant public authorities; moreover the Government could by direct or indirect measures (taxation, etc.) influence income distribution. Wages and salaries have already been fixed in accordance with the new procedures in public administration, certain service industries like banking and insurance and in the electric power industry.

### *The balance of payments*

The current account deficit continued to deteriorate somewhat—from \$41 million in 1966 to \$82 million in 1967 and \$109 million in 1968. This was due to a widening trade deficit—from \$353 million in 1966 to \$455 mil. in 1967 and \$537 mil. in 1968 (imports c.i.f.). Policy measures were partly responsible for this development: despite the stagnation of output in 1967, imports were boosted by the increased liberalisation; and action taken to reduce outstanding clearing balances resulted in a decline of exports to Eastern Europe. The overall export performance was rather unsatisfactory in both years. In 1967 total exports rose by only 2.5 per cent; although agricultural exports rose 14 per cent, exports of industrial products (hampered by the slow growth of Yugoslavia's European markets) were practically stagnant. In 1968, however, exports of industrial products rose by 8 per cent, while the value of agricultural exports fell by more than 20 per cent. According to official estimates, this decline resulted essentially from the levies imposed in Yugoslavia's traditional markets, which amounted in some cases to about 65 per cent of the value of agricultural exports; it has been estimated that the resulting loss of foreign exchange receipts was of the order of \$80 million. As a result, total exports rose only fractionally in 1968, albeit with some pick-up after the middle of the year. There has been a favourable evolution in the geographical pattern of exports, with sales to the convertible area rising by about 7 per cent and 3 per cent respectively in 1967 and 1968 and those to the bilateral trade area falling by about 7 per cent and 4 per cent.

Merchandise imports showed an advance of 8 per cent for the year 1967 as a whole in spite of a fall of agricultural imports of nearly 25 per cent. Imports of semi-manufactures and manufactured goods accounted for all the increase in imports; indeed, the latter increased by 25 per cent. In the first half of 1968 the trend of imports was practically flat, but recovered as economic activity became more buoyant; by the fourth quarter they were 12 per cent higher than a year earlier. The change in the commodity pattern last year was very similar to that of 1967. A fall in agricultural

Diagram 3 Foreign trade  
\$ million, quarterly averages seasonally adjusted



Source: OECD Main Economic Indicators.

imports (30 per cent) was accompanied by a strong increase in manufactures (15 per cent) mainly capital goods. Consumers goods, however, which had increased by over 10 per cent in 1967, fell last year by the same amount. Imports from the convertible area grew particularly fast in 1967 (18 per cent) and at about the same rate as total imports in 1968.

The continued improvement of the invisible balance in both 1967 and 1968 partly offset the increased trade deficit; in particular, net foreign travel receipts rose steeply, though their level is still relatively low compared with that of other countries of the same area. Workers' remittances also made substantial progress. Although the current external deficit grew in both years, it represented approximately 1 per cent of GNP (standard definition). The current deficit with the convertible area accounted for the whole deterioration in 1967, but in 1968 a reduction of the current surplus with bilateral trade countries more than offset an improvement in the current balance with the convertible area.

The net inflow of total non-monetary capital (after repayment of long-term external debt of the order of \$200 million each year) fell significantly in the last two years, but still exceeded the current account deficit. But

Table 9 Foreign Trade  
In millions of dollars

		1964	1965	1966	1967	1968	1966		1967		1968	
							1st half	2nd half	1st half	2nd half	1st half	2nd half
<b>A SITC SECTIONS:</b>		<b>A IMPORTS BY COMMODITY GROUPS</b>										
0 and 1	Food, drink and tobacco	167	189	237	182	128	139	98	94	88	83	65
2, 3, 5	Raw materials	415	406	444	351	484	216	228	233	218	233	251
	<i>of which:</i> 3. Mineral fuels	66	72	82	85	98	37	45	37	48	41	57
6	Semi-manufactures	277	279	370	402	427	174	196	193	209	182	245
7	Machinery and transport equipment	398	356	459	571	645	203	256	277	294	308	337
	<i>of which:</i> 7.3. Transport equipment	62	78	110	175	181	50	60	85	90	93	88
8, 9, 4	Miscellaneous	65	57	65	101	112	34	31	38	63	52	60
	Total	1 322	1 287	1 575	1 707	1 796	766	809	835	872	838	958
<b>B ECONOMIC CATEGORIES:</b>		<b>B. EXPORTS BY COMMODITY GROUPS</b>										
1	Intermediate products and semi-manufactures	826	799	905	977	1 021	440	465	492	485	471	550
2	Capital goods	285	254	343	370	447	153	190	179	191	210	237
3	Consumer goods	211	234	327	360	328	173	154	164	196	157	171
	Total	1 322	1 287	1 575	1 707	1 796	766	809	835	872	838	958
<b>SITC SECTIONS:</b>		<b>B. EXPORTS BY COMMODITY GROUPS</b>										
0 and 1	Food, drink and tobacco	263	280	296	336	261	143	153	190	146	131	130
2, 5, 6	Raw materials, chemicals and semi-manufactures	359	418	460	461	527	221	239	220	241	244	283
7 and 8	Finished manufactures	257	382	443	429	460	189	254	179	250	179	281
	<i>of which:</i> Machinery	87	123	149	149	148	68	81	73	76	66	82
	Ships	41	79	89	59	82	38	51	14	45	29	53
3, 4 and 9	Other	14	11	21	26	16	10	11	9	17	7	9
	Total	893	1 091	1 220	1 252	1 264	563	657	598	654	561	703

Sources: OECD Foreign trade by commodity categories; Indeks.

*Yugoslavia*

**Table 10 Balance of Payments**  
(a) *Total, 1965-1968*  
In millions of dollars

	1965	1966	1967	1968*
<b>A GOODS, SERVICES AND TRANSFER PAYMENTS:</b>				
1 Exports f.o.b. <sup>1</sup>	1 120	1 222	1 253	1 259
2 Imports c.i.f.	-1 320	-1 575	-1 708	-1 796
Trade balance	-200	-353	-455	-537
3 Foreign travel (net)	63	82	98	135
4 Transportation (net)	118	140	140	152
5 Investment income (net)	-60	-70	-67	-77
6 Other services (net)			81	55
7 Workers remittances	144	160	89	130
8 Transfers payments <sup>2</sup>			32	33
Invisibles, balance	265	312	373	428
Total (1 through 8)	65	-41	-82	-109
<b>B CAPITAL TRANSACTIONS:</b>				
9 Long and medium terms loans received <sup>3</sup>	267	287	334	390
10 Long and medium terms loans repaid <sup>3</sup>	-177	-211	-200	-219
11 Exports credits, net	-45	-39	-39	-46
12 Credits for agricultural commodities (net) to be repaid in dollars	100	103	17	-6
Total (9 through 12)	145	140	112	119
<b>C MONETARY MOVEMENTS (— = increase in assets):</b>				
13 Bilateral balances	-71	-28	-94	48
14 Net IMF position	35	-10	33	-18
15 Gold and convertible currencies reserves <sup>4</sup>	-30	-15	—	-52
16 Other foreign assets and liabilities	-144	-46	31	12
Total (13 through 16)	-210	-99	-30	-10

\* Preliminary estimates.

1 Including non-monetary gold.

2 Including donations in kind.

3 In foreign exchange only.

4 All banks holdings.

Source: National Bank of Yugoslavia and Yugoslav authorities.

whereas in 1967 convertible reserves including the net IMF position declined and bilateral credit balances increased by as much as \$94 million (following smaller increases in 1965 and 1966) the situation changed considerably in 1968; bilateral credit balances were reduced by an amount equivalent to \$48 million but gross convertible reserves (of all banks) increased by \$52 million; they stood at the end of the year at nearly \$180 million.

## Yugoslavia

Table 10 **Balance of Payments** (continued)  
 (b) *Balance of Payments with the convertible area, 1967-1968*  
 In millions of dollars

	1967	1968*
<b>A GOODS AND SERVICES AND TRANSFER PAYMENTS</b>		
1 Exports f.o.b. <sup>1</sup>	715	738
2 Imports c.i.f.	-1 147	-1 208
Trade balance	-432	-470
3 Foreign travel, net	84	118
4 Investment income	-66	-76
5 Other invisibles <sup>2</sup>	282	304
Invisibles balance	300	346
Total (1 through 5)	-132	-124
<b>B CAPITAL TRANSACTIONS</b>		
6 Long term loans received	305	337
7 Long term loans paid	-148	-174
8 Other capital, net	4	-36
Total (6 through 8)	161	127
<b>C MONETARY MOVEMENTS</b>		
9 Gold and convertible currencies reserves <sup>3</sup>	—	-52
10 IMF position and other net foreign assets	-29	49
Total (9 through 10)	-29	-3

\* Preliminary estimates.

1 Including non-monetary gold.

2 Including donations in kind.

3 All banks holdings.

Source : National Bank of Yugoslavia.

The data so far available for 1969 show a considerable increase of the trade deficit, probably offset to some extent by gains on net invisibles. On a customs basis, imports increased between the first seven months of 1968 and 1969 by as much as 25 per cent, with little deceleration in the more recent period. According to detailed figures up to May, the rise was particularly sharp for raw materials and semi-manufactures (33 per cent) due no doubt to the strong upsurge of industrial production; imports of consumer goods increased by 15 per cent, partly because of higher agricultural imports; but the rise was only 8 per cent for imports of capital goods, though their level in the first half of 1968 had been particularly high. Exports also picked-up considerably and were, in January-July, nearly 15 per cent higher than in the same period of 1968. Data up to May show sharp increases (23-24 per cent) for exports of both capital and consumer goods and a moderate recovery of agricultural exports. Yugoslav exports

have clearly benefited from the rapid growth of imports by OECD Member countries. In fact, trade with the convertible area expanded much faster than total trade. Partial indicators like nights spent by foreign tourists suggest continued progress of invisible receipts. Nevertheless, the current account deficit was probably higher than in the corresponding period of 1968. It was partly financed by a further reduction of bilateral balances in the early months of the year. No data are available yet on capital movements or on changes in total foreign reserves of the banking system. The official reserves stood at \$140 million at the end of August, showing an increase of \$12 million compared with a year earlier.

### *Monetary and credit policy*

At the end of 1966 and the beginning of 1967, credit policy was revised with the object of preventing any further expansion of total liquidity. The National Bank twice lowered (in January and March 1967) its aggregate credit ceiling (excluding export credit) by 12 per cent on each occasion. Quantitative regulations were imposed on the credit activities of commercial banks. No recourse to short-term lending was permitted in the first quarter of 1967, and insofar as banks exceeded this ceiling, their rediscount facilities with the National Bank were reduced. Special credits granted to commercial banks<sup>1</sup> were decreased in three steps during the year (in January, March and August) with a total reduction of liquidity of dinars 2.750 million. As a result, total short-term credit rose by only 6 per cent in the year and total money supply fell in the same period by 2 per cent. This contraction of money supply mainly affected the liquidity of enterprises which fell by about 2 billion dinars and at the end of 1967 accounted for 26 per cent of total money supply (as compared with 34 per cent a year earlier). The worsening of the liquidity of enterprises took place in spite of an increase in credits received by 15 per cent, probably used to finance a substantial rise in stocks of finished products. On the contrary, the liquidity of households marked a gain of over dinars 1 billion, and accounted for 35 per cent of the total (as against 30 per cent at the end of 1966).

At the end of 1967, it had clearly become appropriate to relax demand management policies, and steps were taken to this end in the monetary field. The most important measures were related to the change in the rate

1 At the end of 1966, and as a result of the change from the old to new credit system, "special credits" by the National Bank were granted to banks whose borrowing from the National Bank exceeded the rediscount limit, set at the time at 20 per cent of the overall credit ceiling. This credit ceiling itself is fixed at the same amount as those liabilities which form the basis for calculating the minimum reserve deposit requirements with the National Bank and was set at the time at the maximum permitted by law, namely 35 per cent of a bank's sight deposits.

## Yugoslavia

Table 11 Money and Credit

	In million new dinars			% change over previous year	
	Situation at 31/12/67	Changes		1967	1968
		1967	1968		
<b>(a) Short-term credit by sectors :</b>					
1 Economic organizations	30 899	4 157	4 347	16	14
2 Socio-political communities and social funds	9 023	-277	-509	-3	-6
3 Other organizations	184	-264	-107	-59	-58
4 Households	2 626	-732	1 559	-22	59
5 Temporary financing of investments from banking resources	—	-408	2 730	—	—
Total	42 732	2 476	8 020	6	19
<b>(b) Total liquid resources:</b>					
6 Money supply	23 483	-410	5 610	-2	24
7 Savings and similar time deposits (quasi money)	9 173	729	1 600	14	17
8 Other liquid resources	8 849	490	764	3	9
Total	41 505	809	7 974	3	19

Source : Memorandum.

of compulsory reserves of commercial banks, which were reduced progressively from 35 per cent to 25 per cent by July 1968. The rediscount ceiling was restored to 20 per cent; the interest rate on special credits granted by the National Bank to the commercial banks was reduced from 7 to 6 per cent, and the maximum interest rate chargeable by commercial banks was cut down from 10 to 8 per cent. To encourage housebuilding, banks were obliged to devote a proportion of saving deposits to loans for this purpose and were also permitted to make housing loans against sight deposits. Rediscount facilities in respect of export credit and advances to finance wheat stocks were enlarged. Special measures were taken to finance sales of equipment goods. And the rules governing consumers credit were relaxed considerably. In some respect the effects of these measures exceeded the targets set by the Federal Assembly. Thus, by the end of 1968, money supply showed an annual increase of 24 per cent, compared with an envisaged target of 5 per cent (increased later to 12 per cent). The liquidity situation of enterprises eased substantially.

In view of the strong expansion of liquidity and the accelerating growth domestic demand, credit policy was again tightened from late 1968. Between October and December the banks' compulsory reserve ratio was raised

to 30 per cent, and was further increased by March to 32 per cent. Rediscount ceilings were reduced by 5 percentage points, and conditions for consumers' credit considerably tightened. It was hoped thus to reduce the growth of money supply in 1969 to 11-12 per cent, roughly the same rate as the expected increase of the social product in nominal terms, with most of the slowing-down taking place in the second part of the year. In fact, there were few signs of a deceleration during the first half of 1969. Money supply in May was still 22 per cent higher than a year earlier. Short-term credit to enterprises showed an increase of 17 per cent over the twelve months to June. But, as mentioned earlier, consumers' credit flattened out in the more recent period.

### *Public finance*

The impact of the public sector's transactions on economic developments is extremely difficult to assess for the period under review. Data on a national accounts basis are not available. And the important institutional changes mentioned earlier make the budget figures of successive years hardly comparable. The evidence available suggests that in 1967 the consolidated account of the federal and local governments (adjusted for the transfer of expenditure on education) was in surplus by some 200 million dinars. Information concerning the social security system and the reduction of total government indebtedness to the banking system, point to a certain contractionary impact of the public sector (OECD standard definitions).

On the basis of provisional budget figures the impact of government finance was again contractionary in 1968. Total revenue rose faster than expenditure, and the surplus amounted to nearly 500 million dinars. Details, available only for the federal budget, show that the surplus represented about 4 per cent of revenue and was used for loan repayments (partly consolidated debt to the banking system) and for replenishing the government reserve funds<sup>1</sup>. A further reduction of the public sector's indebtedness to the banking system in 1968 suggests a continuing contractionary impact. Last year certain increases in tax rates were introduced, but their full effect should be felt only in 1969. Some of the increases were motivated by an upward revision of federal expenditure estimates in the course of the year (mainly because of defense requirements). Of special interest are the decisions to render income tax rates more progressive.

1 As from 1966 neither the republics nor the local bodies were any more entitled to receive short-term credits to cover seasonal short-falls between revenues and outlays. They were obliged to allocate to this end 1 per cent of revenue to build up special reserve funds. This rule has been extended to the Federation as from 1968.



**Table 12 Public Finance**  
(a) *Total revenue and expenditure of all levels of government*

	In millions of new dinars				% changes		
	1965	1966	1967	1968	1966	1967	1968
<b>REVENUE</b>							
1 Federal budget	8 434	8 110	9 345	10 139	-3.8	15.2	8.5
2 Budgets of the republics	2 678	3 221	3 105	3 728	20.3	-3.6	20.1
3 Budgets of the districts and communes	6 902	7 457	5 411	5 741	8.0	-27.4	6.1
4 Total (intra-budgetary transfers included)	18 014	18 788	17 861	19 608	4.3	-4.9	9.8
5 Total, consolidated for intra-budgetary transfers and adjusted for education <sup>1</sup>	..	..	20 171	22 793	..	..	13.0
<b>II EXPENDITURE</b>							
1 Federal budget	8 016	8 074	9 039	10 003	0.7	12.0	10.7
2 Budgets of the republics	2 637	3 146	3 062	3 676	19.3	-2.7	20.1
3 Budgets of the districts and communes	6 696	7 240	5 272	5 567	8.1	-27.2	5.6
4 Total (intra-budgetary transfers included)	17 349	18 460	17 373	19 246	6.4	-5.9	10.8
5 Total, consolidated for intra-budgetary transfers and adjusted for education <sup>1</sup>	..	..	19 953	22 297	..	..	11.7
<b>III BALANCE</b>							
1 Federal budget	418	36	306	362			
2 Budgets of the republics	41	75	43	52			
3 Budgets of the districts and communes	206	217	139	174			
4 Total (intra-budgetary transfers included)	665	328	488	362			
5 Total, consolidated for intra-budgetary transfers and adjusted for education <sup>1</sup>	..	..	218	496			

<sup>1</sup> As from 1967, educational institutions have been largely financed by earmarked shares of tax receipts. These amounts and the corresponding expenditure on education are not, therefore, shown in the budgets of the different levels of governments.

Source: Statisticki Bilten Sluzbe Drustvenog Knjigovodstva, and Yugoslav authorities.

Table 12 **Public Finance** (continued)  
 (b) *Revenue and expenditure of Federal government*  
 In millions of new dinars

	1967	1968 (Provi- sional)	1969 (Forecast)
<b>I REVENUE</b>			
Turnover tax	4 778	5 355	6 546
Taxes on personal incomes of employees in the socialised sector	2 542	2 293	1 460
Customs and other duties	2 331	2 822	3 200
Other	328	358	340
<b>Total</b>	<b>9 979</b>	<b>10 828</b>	<b>11 546</b>
<b>II EXPENDITURE</b>			
Defence	5 382	6 406	6 933
Administration	1 304	1 105	1 346
Complementary funds	1 017	1 140	1 242
Refunds of indirect taxes on exports	677	640	518
Regional developments	97	221	263
Social insurance	700	828	819
Miscellaneous	193	53	56
<b>Total</b>	<b>9 370</b>	<b>10 393</b>	<b>11 177</b>
Bank credit repayments	170	129	126
Repayments of loans	149	128	128
Domestic	96	82	74
Foreign	53	46	54
Federal reserve fund	291	149	115
<b>Total</b>	<b>9 980</b>	<b>10 799</b>	<b>11 546</b>

Source: Statisticki Bilten Sluzbe Drustvenog Knjigovodstva, and Yugoslav authorities.

For non-wage incomes (e.g. fees of liberal professions) the old fixed rate of 13 per cent was replaced by progressive rates. And the general income tax was made progressive for high income brackets<sup>1</sup>.

The 1969 forecasts for the federal budget showed a new significant increase of defense expenditure; but total expenditure (excluding payments for debt redemption and into the reserve funds) was expected to rise by only 7.5 per cent, compared with an increase of 11 per cent last year. Similarly, revenue was estimated to rise by only 6.5 per cent, but this low rate reflects a change in the apportionment of taxes on personal income between the federal government and the republics. Although the total rate of taxation of personal income was raised from 26 to 27 per cent, the share

1 Above 20 000 dinars per annum; the average personal income last year in the socialised sector is estimated at 10 300 dinars.

of the federal government was reduced from 4.7 per cent to 3 per cent. The rest is apportioned as follows (in round figures): republics and communes 7 per cent, education funds 5 per cent and social security 11 per cent.

## II PROSPECTS AND POLICY ISSUES

### *The short-term outlook and the revised Plan targets for 1969-70*

The statistics available for late 1968 and the early months of 1969 suggested that the recovery of economic activity had gathered momentum so that—on unchanged policies and assuming average harvests—the rate of growth would accelerate considerably this year. Industrial production had speeded up progressively and employment in the socialized sector had started recovering. The most dynamic element of domestic demand was fixed investment. The continuation of this trend in 1969 would have substantial expansionary effects on both employment and incomes. Average incomes in the socialized sector<sup>1</sup> were already rising at an annual rate of about 12 per cent in late 1968, though the rise in real terms was distinctly lower due to an acceleration of price increases. And retail sales were increasing at a fast rate, sustained by a strong expansion of consumer credit.

In view of these developments, the previous expansionary policies were reversed at a relatively early stage. The authorities probably expected that moderate but timely restraint would suffice to prevent excessive demand and price pressures. But both the degree of restraint represented by the tightening of monetary policy and the time lag with which its effects will be felt are difficult to assess. The official forecasts for output and demand in 1969 were prepared before the credit measures were taken, but seem to have been generally maintained. Indeed the strength of domestic demand in late 1968 was such that the measures were apparently conceived as necessary for keeping its development within this year's targets. These targets were the result of a revision approved in 1968 of the 1966-70 Plan.

The Plan was designed to fit into the basic framework laid down by the Economic and Social Reform of 1965. More indicative and flexible than previous plans, it laid stress on non-quantifiable policy objectives—e.g. the development of self-management and the freer role of enterprises in respect of production and investment, the fuller role to be played by market forces in economic decision-making, and the more efficient integration of the economy into the international division of labour. The main quantitative objectives of the Plan, as initially approved, are summarised in

<sup>1</sup> Agricultural incomes may account on average for roughly one-third of total disposable income of households.

Table 13 The Revised Targets of the Development Plan 1966-1970  
and the Forecasts for 1969  
Annual rates of change in %

	Plan 1966-1970		Ac- tual 1966- 1968	Tar- gets 1969- 1970	Fore- cast for 1969
	Ori- ginal tar- gets	Revis- ed tar- gets			
<b>A EXPENDITURE AND OUTPUT (volume)</b>					
1 Private consumption	9	..	5	7.5	7-8
2 Public consumption	4	..	1	7.0	7
3 Gross fixed asset formation	7	4-5 <sup>1</sup>	1	12-14 <sup>1</sup>	10-12
(i) Socialized sector:					10-12
Productive investment					11
Non productive investment					14
(ii) Private sector					13
of which: Dwellings					11
4 Final domestic demand	8	..	3.5	9 <sup>1</sup>	8-9
5 Changes in stocks	..	..	..	..	..
6 Exports of goods and services	14	..	8	9.5	8-11
7 Less: Imports of goods and services	11	..	10	15	13-15
8 Social product	8	5.5-6.5	4.5	7.5-8.5	7-8
of which: Industrial production	9.5	6-7	3.5	9-10	9-10
<b>B EMPLOYMENT</b>					
9 Total, socialized sector	2.7	..	-0.6	..	..
of which: Industry	2.6	..	-0.8		

1 Including changes in stocks.  
Sources: Development Plan 1966-1970, Secretariat and Yugoslav authorities.

Table 13. The rate of growth laid down for the social product was about 8 per cent per annum, but a lower rate of progress was expected in the first two or three years, because of the initial effects of the economic reforms.

In fact, the rate of growth turned out to be appreciably smaller in the first period (4.5 per cent on the average for 1966-68), and employment in the socialised sector fell by 1 per cent on average compared with a planned annual increase of 2.7 per cent. But when progress was reviewed in the course of last year, it was decided to maintain approximately for 1969-1970 the initial average Plan targets, without attempting to catch up in the remaining part of the Plan period the short-fall of the first three years.

The evidence so far available indicates that up to the middle of 1969, the expansion of production and domestic demand was rather stronger than implied in the official targets for this year. And price increases remained high, partly because of rising food prices. There were certain signs, however, that the measures of monetary restraint had started exerting

some effect. If this were to be confirmed in the second half of the year, the growth of output and demand for the year as a whole might not differ substantially from the official targets, subject to two important provisos. First that the requirements for defence expenditure (appreciably increased since 1968) will not have further important economic consequences. And second, that price rises will not become excessive, perhaps obliging the authorities to adopt stricter measures of restraint with deflationary effects. In fact, unused plant capacity seems to be still significant in several branches of industry and labour reserves are ample, even though shortages seem to exist for particular skills. But experience shows that the risk of a price and income spiral may arise at levels of activity appreciably short of near-full plant capacity utilisation.

The prospects for the balance of payments are more difficult to assess. Up to the early summer of 1969, commodity exports were rising appreciably, benefiting from the general expansion of trade among OECD countries. Subject to the uncertainties concerning agricultural exports, considerable increase of exports would seem probable for this year. Invisible receipts also seemed to expand considerably, owing to increases in tourism receipts, transportation earnings and workers' remittances. Thus the officially forecast increase of roughly 10 per cent in volume for exports of goods and services is likely to be exceeded. The rise of imports, however, accelerated strongly in the first half of the year. The trend may be expected to become more moderate in the second half if the rise of domestic demand and prices is kept under control. Nevertheless, imports for the year as a whole will probably show a substantial rise, resulting in a widening of the current account deficit.

Even assuming that the probable increase in the current deficit does not turn out to be excessive, its financing could create special difficulties. In 1969 and 1970 repayments due on foreign long-term loans are particularly heavy, of the order of \$300 million per year. This is partly the result of the re-scheduling of foreign debt obligations arranged at the time when the economic reforms were introduced. Starting from 1971 the amount of repayments due will decrease considerably. But certain agreements were already reached in early 1969 to spread out in time repayments due both on bilateral credits and to the International Monetary Fund. Apart from the question of the foreign debt burden, the authorities seem to attach increased importance at present to the problem of long-term capital inflows from abroad. Legislative measures were recently taken aimed at facilitating the participation of foreign companies in investment projects. As for other countries in a similar stage of economic development, it seems reasonable for Yugoslavia to aim at ensuring a regular net capital inflow which could finance a moderate deficit on current account.

*Problems of economic policy*

The principal task of economic policy at present is to prevent excessive demand pressures and price rises. If this is successfully achieved, there seem to be good prospects for a satisfactory rate of growth in 1969-1970, to which the increased efficiency of the economy, resulting from the structural reforms, should be expected to contribute importantly. But demand management has been a particularly difficult problem in the past and this points to the need for extending and improving the methods and instruments for regulating the rate of economic activity. Possible lines of action in this respect are suggested in the concluding section of this Survey. If, in addition, solutions could be found to the special problems of income determination in enterprises, less uneven rates of economic expansion could be expected for the future.

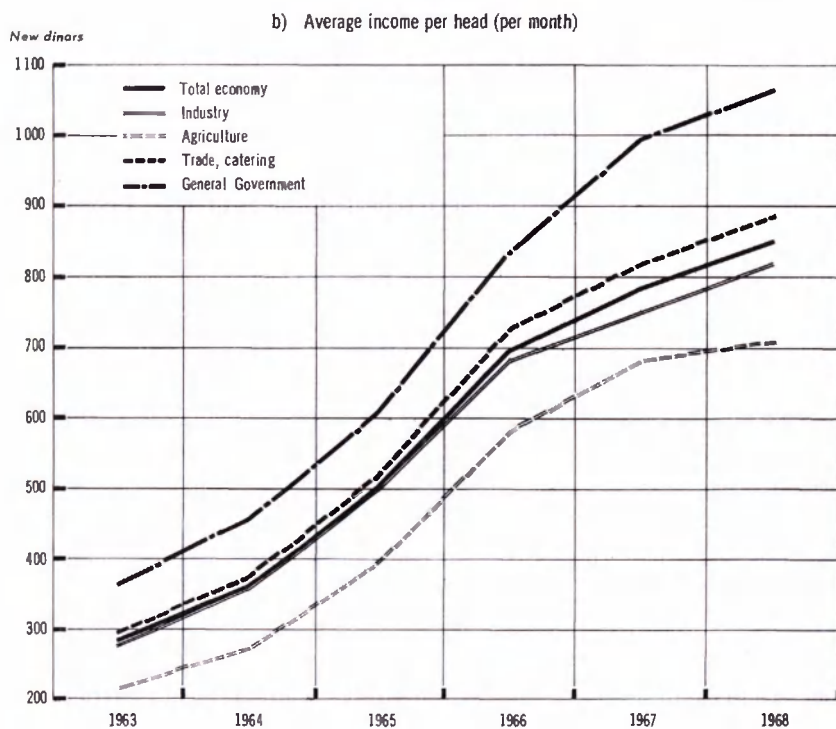
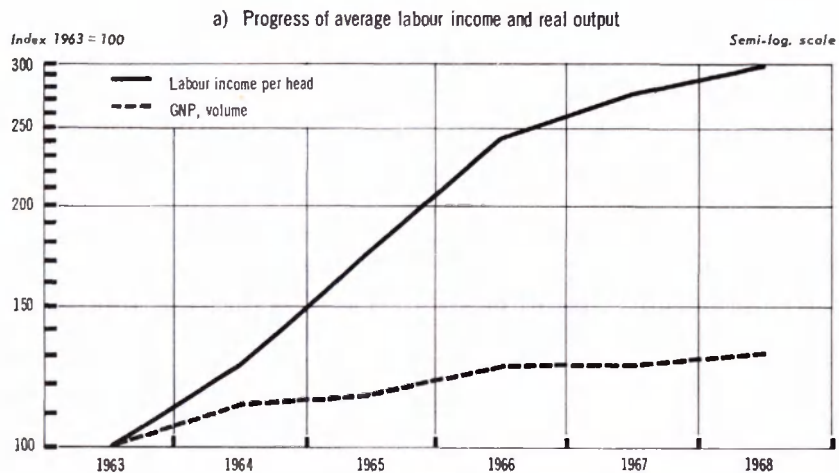
This may prove to be of rather crucial importance for future developments. The avoidance of "stop and go" phases of policy would result in a higher average rate of growth. But a rapid rate of growth of output will probably be necessary in the next few years in order to allow even a gradual improvement of the employment situation. There are clear signs that productivity in industry could rise very fast (which indeed is one of the main policy objectives) so that the number of new jobs created may be comparatively limited. It is true that more important demand for labour can be expected in construction and the service sector. Nevertheless, the natural increase of population of working age together with the potentially very large transfers of manpower from agriculture risk creating a difficult employment problem, which emigration could only attenuate. It would be consistent with the present general objectives of economic policy to seek a gradual solution to the employment problem not through protective measures but rather by means of the highest sustainable rate of growth.

### III CONCLUSIONS

After 1966 the Yugoslav economy went through a period of considerable deceleration in the growth of output with unfavourable effects on employment. This was largely the result of restrictive credit policies, introduced to arrest earlier strong inflationary pressures and to ensure the successful implementation of very extensive reforms aimed at improving in the medium-term the overall efficiency of the economic system. After price increases had been brought down to modest rates, demand management policies were considerably relaxed in 1968. As a result, domestic demand—notably for investment—and output picked up progressively until the summer

Yugoslavia

Diagram 4 Trends of labour income\* and real output 1963-1968



\* In the socialized sectors.

Source: Indeks.

of 1969 and the employment situation started improving. But price increases also accelerated in recent months, partly because of rising food prices.

The prospects for the near future are for a continuing rapid expansion of production and demand, roughly in line with the revised Plan targets for 1969-70—7 to 8 per cent growth of the real national product, and a considerable increase of investment. With indications that the strength of the upswing risked endangering internal and external financial equilibrium, credit policy was again tightened in late 1968 and early 1969. The promptness of policy adjustment gives reasons for hope that expansion will this time be kept under control, avoiding thus the risk that, at a later stage, drastic measures of restraint become inevitable with detrimental effects on economic growth.

However, the problems of demand management and of the appropriate policy instruments seem to merit special consideration at the present juncture. After the radical changes introduced in the last few years, it may be assumed that the basic structure of economic institutions is set for some time. One of the principal objectives of the reforms is a dynamic and flexible economic system adapted to the requirements of rapid growth. This by itself implies inevitable fluctuations in demand and output, which, though necessary as between sectors, should not be allowed to become excessive. Changes in credit policy have proved to be a very effective corrective instrument in the past; but the correction of inflationary pressures has frequently led to near-stagnation of activity and vice-versa. There is a strong case for complementing the monetary weapon with other policy measures.

First, budget policy (in the broadest sense) has been little used for countercyclical purposes in the past and its rôle merits re-examination. The question is particularly complex in Yugoslavia because of the recent de-centralisation of tax-raising authority in favour of the republics and the parallel transfer of responsibility for important items of expenditure not only from the Federal to the regional governments but also to various autonomous bodies. Nevertheless, a reinforcement of the "automatic stabiliser" features of the tax system should not, in principle, raise major difficulties. Steps have already been taken to increase the progressivity of income tax and it seems desirable to introduce further changes in this direction. It may prove more difficult, in practice, to adjust publicly-controlled expenditure to cyclical needs. But some flexibility could be sought, at least, for certain types of investment expenditure (carried out largely by autonomous bodies). Moreover, housebuilding activity, which has recently been expanding considerably, may need to be controlled in the light of countercyclical requirements; credit policy measures to this



effect could be supplemented by amendment of the apparently rigid rules earmarking funds for this purpose.

A second and more fundamental source of potential instability in the Yugoslav economy lies in the process of income determination. As was argued in previous OECD Surveys, the fact that, within rather broad limits, enterprises can raise both their selling prices and the incomes distributed to their personnel constitutes a built-in inflationary element, except under conditions of strict price control (contrary to present policy objectives) or severe credit restraint (acceptable only as a temporary expedient). Experience in many OECD countries has shown the great difficulties of applying effective income policies. But the need for such policies seems very great in Yugoslavia, and efforts to devise mechanisms to link, in some way, the rise of incomes to the advance of productivity are clearly of great importance. It should be hoped that the new law of 1968, establishing procedures for reaching agreements on the distribution of income, will help towards an orderly development of personal incomes in the future.

The short-term prospects for the current balance of payments are not easy to assess. Imports rose much faster than exports in the first half of 1969. But invisible receipts showed good progress, so that the deterioration of the current account (especially with the convertible area) seems to have been less pronounced than the widening of the trade deficit. However, there is a risk of the current external deficit reaching an unduly high level unless overheating of domestic demand is avoided. Special difficulties arise from the large repayments of external long-term debt falling due in 1969 and 1970, but some re-scheduling has already been arranged. In the medium term, the balance of payments should benefit both from the increased competitiveness of industrial production and from a potentially strong expansion of tourist receipts. On the other hand, the problems of marketing agricultural products abroad, and the large rôle played by bilateral trade, constitute important difficulties, to which a solution should be sought in common by Yugoslavia and her trading partners.

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***STATISTICAL ANNEX***

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Table A Supply and Use of Resources  
Millions of new dinars  
(Current prices)

	1962	1963	1964	1965	1966	1967
1 Consumers' expenditure on goods and services	20 400	23 950	30 950	43 600	56 512	63 406
2 General government current expenditure on goods and services	8 530	9 980	11 550	14 840	17 607	20 107
a) Defence	2 701	2 862	3 321	4 305	5 070	5 382
b) Civil	5 829	7 118	8 229	10 535	12 537	14 725
3 Gross fixed asset formation	13 331	15 848	20 378	21 788	26 566	30 259
4 Change in stocks	2 200	4 050	7 289	10 760	13 180	6 114
5 Exports of goods and services (non-factor)	6 930	8 056	9 249	18 871	21 155	22 184
6 Minus: Imports of goods and services (non-factor)	7 440	8 832	10 920	18 320	21 965	23 852
Statistical error	+29	+98	+1 174	-259	-1 151	+250
7 Equals: Gross domestic product at market prices	43 980	53 150	69 670	91 280	111 904	118 468
8 Plus: Income payments from the rest of the world	60	180	330	510	895	1 250
9 Minus: Income payments to the rest of the world	190	290	430	770	950	1 034
10 Equals: Gross national product at market prices	43 850	53 040	69 570	91 020	111 849	118 684
11 Minus: Indirect taxes	5 280	6 450	7 220	7 690	8 235	10 017
12 Plus: Subsidies	1 650	1 620	2 150	1 600	1 099	977
13 Equals: Gross national product at factor cost	40 220	48 210	64 500	84 930	104 713	109 644
14 Less: Depreciation and other operating provisions	3 650	4 440	5 870	6 920	8 370	9 845
15 Equals: Net national product at factor cost	36 570	43 770	58 630	78 010	96 343	99 799

Source: Memorandum.

Table B Industrial origin of Gross National Product  
at factor cost  
Millions of new dinars (at current prices)

	1962	1963	1964	1965	1966	1967
1 Agriculture, forestry and fishing	9 730	11 350	14 920	20 030	26 004	25 014
(a) Agriculture	9 150	10 710	14 040	18 830	24 600	23 656
(b) Forestry, hunting, etc.	580	640	880	1 200	1 404	1 358
(c) Fishing	—	—	—	—	—	—
2 Mining and quarrying	1 480	1 760	2 030	2 820	3 240	3 217
3 Manufacturing	11 360	13 920	19 520	25 700	30 805	30 293
(a) Food, drink and tobacco	1 230	1 590	2 250	3 020	3 859	3 761
(b) Textiles	1 100	1 360	1 940	2 760	3 322	2 901
(c) Clothing and footwear	670	720	1 090	1 600	1 899	1 942
(d) Wood and cork products including furniture	910	1 120	1 630	1 990	2 152	2 254
(e) Paper, printing and publishing	680	780	1 070	1 500	1 754	1 962
(f) Chemicals and allied trades	1 040	1 380	1 990	2 790	3 679	3 720
(g) Stone, clay and glass	650	810	1 030	1 470	1 693	1 797
(h) Basic metal industries	850	940	1 300	1 700	1 949	1 567
(i) Metal manufacture, engineering and electrical goods	2 550	3 140	4 410	5 150	6 397	6 504
(j) Transport equipment	1 260	1 570	2 180	2 920	3 232	3 109
(k) Other manufacturing	420	510	630	800	869	776
4 Electricity, gas and water works	960	1 150	1 630	2 080	2 702	3 136
5 Construction	3 390	4 330	6 210	7 600	9 826	11 550
6 Transportation and communication	2 890	3 630	4 430	5 920	7 001	7 588
(a) Sea transportation	390	540	690	820	951	1 007
(b) Railroads	1 080	1 280	1 360	1 910	2 185	2 054
(c) Other transportation and storage	1 060	1 380	1 880	2 510	3 075	3 580
(d) Communication	360	430	500	680	790	947
7 Wholesale and retail trade	3 100	3 830	5 620	7 030	9 006	10 442
8 Banking, insurance and real estate	880	900	1 130	1 470	1 601	1 792
9 Ownership of dwellings	410	430	510	650	735	829
10 Public administration and defence	2 270	2 620	3 160	4 250	4 995	5 529
11 Health and educational services	2 080	2 390	3 100	4 730	5 636	6 373
12 Miscellaneous services	1 380	1 570	2 170	3 140	4 012	4 491
13 Gross domestic product at factor cost	40 350	48 320	64 600	85 190	104 768	109 428
14 Net income payments to factors of production due from the rest of the world	-130	-110	-100	-260	-55	+216
15 Gross national product at factor cost	40 220	48 210	64 500	84 930	104 713	109 644
Adjustments	+420	+440	+170	-230	-795	-826

Source: Memorandum.

Table C Industrial Production

		Unit or Base	1962	1963	1964	1965	1966	1967	1968
INDICES OF INDUSTRIAL PRODUCTION:									
1	Total	1953 = 100	283	327	379	410	427	426	452
2	Mining		224	243	262	271	271	263	275
3	Manufacturing		290	338	400	434	454	452	481
4	Food, beverages and tobacco		234	281	324	347	367	374	373
5	Textiles		264	306	344	368	397	384	395
6	Chemicals		476	590	732	887	1 015	1 137	1 296
7	Basic metals		350	374	412	446	471	470	510
8	Metal products (engineering)		247	284	340	373	389	389	416
OUTPUT OF SELECTED PRODUCTS:									
9	Electricity	Bill. kWh	11.3	13.5	14.2	15.5	17.2	18.7	20.6
10	Lignite	Mill. tons	23.5	26.1	28.2	28.8	28.2	25.6	25.9
11	Petroleum products	"	1.7	1.8	2.2	2.9	4.1	4.5	4.5
12	Copper ore	"	5.1	5.6	5.9	6.0	5.6	5.9	7.0
13	Lead ore	"	102	114	113	106	103	108	112
14	Zinc ore	"	59	88	92	92	85	90	95
15	Crude steel	"	1.6	1.6	1.7	1.8	1.9	1.8	2.0
16	Cement	"	2.5	2.8	3.0	3.1	3.2	3.3	3.8
17	Metal-working and wood-working machinery	Thousand tons	5.9	6.2	9.0	11.0	10.3	9.8	8.0
18	Building machinery	"	7.2	7.3	13.3	13.0	16.9	13.1	15.4
19	Rotating machines	"	8.7	9.3	9.2	11.0	13.9	13.1	14.5
20	Wood-pulp and cellulose	"	254	276	327	378	407	455	468
21	Cotton fabrics	Mill. sq. m.	312	348	378	394	416	378	401

Sources: Memorandum, Statistical Yearbook of the SFRY.

Table D Agriculture

	Unit or Base	1962	1963	1964	1965	1966	1967	1968	
<b>INDICES OF AGRICULTURAL OUTPUT:</b>									
1	Total	1951-55 = 100	145	158	167	152	176	174	168 <sup>a</sup>
2	Crop production	—	140	158	167	148	186	177	166 <sup>a</sup>
3	Livestock production	—	144	145	155	159	163	173	174
<b>PRODUCTION:</b>									
4	Wheat	Mill. tons	3.5	4.1	3.7	3.5	4.6	4.8	4.4
5	Maize	—	5.3	5.4	7.0	5.9	8.0	7.2	6.8
6	Sugar beet	—	1.9	2.7	2.8	2.6	4.0	3.7	2.9
7	Meat	'000 met. tons	622	611	657	757	686	751	...
8	Forestry cuttings	Mill. cubic m.	15.8	17.3	17.2	17.4	17.1	16.4	...
9	Number of tractors in use <sup>1</sup>	'000	40.4	43.3	45.4	45.4	51.0	47.0	...
10	Consumption of fertilizers	'000 tons	1 434	1 896	1 904	2 010	2 190	2 141	1 918

1 At beginning of year.

2 Provisional data.

Sources: Memorandum, Statistical Yearbook of the SFRY.



Table E Employment

	1968 (thousands)	1964	1965	1966	1967	1968	1967				1968				1969	
							I	II	III	IV	I	II	III	IV	I	II <sup>1</sup>
<i>% change over the same period in previous year</i>																
1 Total economy <sup>2</sup>	3.587	+6.4	+1.5	-2.2	-0.6	+0.8	+0.1	-0.7	-1.0	-1.0	-0.5	+0.2	+1.1	+2.6	3.4	4.0
2 Socialised sector	3.487	+6.5	+1.4	-2.6	-0.7	+0.6	+0.1	-0.7	-1.2	-1.2	-1.0	-0.1	+1.1	+2.8	3.6	4.2
a) productive	2.884	+6.8	+1.0	-3.0	-0.8	+0.2	0	-0.8	-1.5	-1.3	-1.0	-0.4	+0.7	+2.5	3.4	4.1
b) non-productive	603	+4.7	+3.1	-0.2	-0.5	+2.4	0.2	-0.1	-0.3	-0.8	+0.6	+1.8	+2.9	+4.2	4.3	4.4
3 Private sector <sup>2</sup>	100	+4.3	+8.2	+15.2	+4.4	+5.3	+3.8	+0.4	+6.0	+5.4	+2.7	+10.5	+1.0	-3.5	-3.3	-3.0

1 April-May 1969 over April-May 1968.

2 Excluding private agriculture.

Source: Indeks.

Table F Prices  
1960 = 100

	1963	1964	1965	1966	1967	1968	1966		1967				1968				1969	
							III	IV	I	II	III	IV	I	II	III	IV	I	II
<b>PRODUCER PRICES:</b>																		
<i>Manufactured goods</i>	105	110	127	141	144	144	142	143	143	144	144	144	144	144	144	145	146	146
<i>of which :</i>																		
1 Capital goods	101	103	110	116	118	118	115	117	118	118	118	118	118	118	118	118	118	118
2 Intermediate goods and semi-manufactures	105	110	127	143	146	147	143	144	145	146	147	147	146	147	148	149	149	149
3 Consumer goods	105	111	130	145	148	148	147	148	149	148	148	147	146	146	148	149	150	151
<i>Agricultural products</i>	146	181	258	304	289	270	312	303	317	302	292	268	281	270	275	266	281	285 <sup>a</sup>
<i>of which :</i>																		
4 Cereals	143	190	255	265	264	275	273	255	259	264	270	255	258	272	299	264	..	..
5 Livestock <sup>1</sup>	144	186	245	309	298	264	313	310	333	306	287	268	282	263	264	258	..	..
<b>COST OF LIVING INDEX<sup>2</sup>:</b>																		
<i>General index</i>	126	141	190	233	248	262	233	239	250	255	249	252	263	272	260	268	279	292
<i>of which :</i>																		
6 Food	139	160	223	266	274	282	266	272	282	288	272	274	292	311	277	290	304	330
7 Clothing and footwear	111	117	145	182	202	213	185	190	197	202	203	206	208	212	214	218	224	230
8 Rent	115	122	160	208	256	310	209	209	254	255	256	258	307	310	310	312	368	368
9 Fuel and lighting	112	134	207	251	251	257	250	256	254	246	248	254	256	254	258	263	260	252

1 For slaughter.

2 After the pattern of consumption of urban households.

3 April-May.

Source : Indeks.

Table G Public Authorities' Revenue and Expenditure<sup>1</sup>  
 Combined public authorities' budget  
 Millions of new dinars

	1962	1963	1964	1965	1966	1967 <sup>2</sup>	1968 <sup>3</sup>
<b>REVENUE:</b>							
1 Tax on incomes of enterprises in the socialized sector	849	581	383	—	—	—	—
2 Tax on personal incomes of employees in the socialized sector	2 114	2 186	3 039	5 885	5 093	4 482	4 342
3 Turnover tax	3 011	3 807	4 492	5 887	7 173	7 450	8 019
4 Tax on personal incomes of members of the liberal professions, farmers in the private sector, local taxation, surtax, etc.	1 487	1 460	1 761	1 702	2 072	1 892	1 925
5 Customs and other duties	2 050	2 393	3 593	3 787	3 311	2 971	3 356
6 Total	9 511	10 427	13 268	17 261	17 649	16 795	17 642
<b>EXPENDITURE:</b>							
7 Administration, justice and defence	6 491	6 258	7 427	7 199	8 647	9 258	10 167
8 Culture and education <sup>4</sup>	80	72	82	3 299	3 968	1 322	1 473
9 Public health	213	206	240	812	1 033	1 255	1 407
10 Communal activities	90	95	111	290	345	396	430
11 Investment	252	237	281	1 047	1 000	1 120	1 335
12 Grants to the economy	1 359	1 408	1 640	1 808	1 319	1 185	958
13 Miscellaneous	1 422	1 599	2 397	1 461	842	1 100	728
14 Total	9 907	9 875	12 178	15 916	17 154	15 636	16 498

1 This table conforms to the new method of presenting budgetary revenue and expenditure adopted since 1966, which includes the budget reserve funds and special budgetary reserves. The figures for revenue and expenditure cover the period 1st January-31st December each year.

2 From 1961 to 1965 part of the expenditure on culture and education is included in item 12 instead of item 8.

3 As from 1967 part of tax receipts is earmarked to help financing educational and cultural institutions responsible for this kind of expenditure.

4 Provisional.

Sources: Yugoslav authorities, Statisticki bilten Sluzbe drustvenog knjigovodstva.

Table H Balance Sheet of the Banking System  
In billions of new dinars

	1966	1967	1968	1966		1967				1968			
				III	IV	I	II	III	IV	I	II	III	IV
<b>ASSETS:</b>													
<i>Short-term transactions, total</i>	51.7	54.5	64.7	49.9	51.7	48.9	50.5	51.4	54.5	55.3	57.9	59.9	64.7
1 Gold, foreign exchange and foreign assets	9.0	9.1	11.9	8.2	9.0	7.7	8.1	9.9	9.1	10.0	8.9	10.2	11.9
2 Credit to enterprises	26.7	30.9	35.2	25.4	26.7	25.9	27.8	28.5	30.9	31.3	34.0	33.7	35.2
3 Credit to government	9.3	9.0	8.5	9.4	9.3	9.5	9.3	9.1	9.0	8.9	8.6	8.2	8.5
4 Consumer credit	3.4	2.6	4.2	3.5	3.4	3.0	2.9	2.7	2.6	2.5	3.0	3.6	4.2
5 Miscellaneous	3.4	2.9	4.9	3.3	3.4	2.8	2.4	2.6	2.9	2.5	3.3	4.1	4.9
<i>Long-term transactions, total</i>	97.7	106.9	123.1	95.9	97.7	102.0	103.5	104.1	106.9	108.0	114.2	117.5	123.1
6 Credit to enterprises <sup>1</sup>	61.7	71.6	82.8	59.7	61.7	66.2	67.8	69.4	71.6	73.2	76.3	78.0	82.8
7 Credit to government and various funds	3.4	3.4	4.0	2.5	3.4	3.3	3.3	3.3	3.4	3.5	2.9	3.7	4.0
8 Special claims relating to investment	31.0	30.0	30.3	31.1	31.0	31.2	30.6	29.7	30.0	29.6	29.6	29.8	30.3
9 Miscellaneous	1.7	1.9	6.2	2.6	1.7	1.4	1.8	1.7	1.9	1.7	5.5	6.0	6.0
Total assets	149.4	161.4	187.7	145.7	149.4	150.9	154.0	156.0	161.4	163.2	172.1	177.4	187.7
<b>LIABILITIES:</b>													
<i>Short-term transactions, total</i>	51.7	54.5	64.7	49.8	51.7	48.9	50.5	51.8	54.5	55.3	57.9	59.9	64.7
10 Foreign exchange commitments	8.8	9.1	9.6	8.5	8.8	7.2	7.5	8.3	9.1	10.3	8.5	8.1	9.6
11 Money supply <sup>2</sup>	23.9	23.5	29.1	29.5	23.9	23.0	23.2	23.7	23.5	23.1	24.9	28.7	29.1
12 Near-money <sup>3</sup>	18.0	21.0	23.5	11.4	18.0	17.9	18.9	19.3	21.0	20.1	21.7	20.9	23.5
13 Miscellaneous	1.1	0.9	2.5	0.4	1.1	0.8	0.9	0.6	0.9	1.7	2.8	2.2	2.5
<i>Long-term transactions, total</i>	97.7	106.9	123.1	95.9	97.7	102.0	103.5	104.1	106.9	108.0	114.2	117.5	123.1
14 Banks' own funds (capital)	9.0	9.5	9.8	9.6	8.9	9.9	10.1	9.8	9.5	10.5	10.4	10.3	9.8
15 Time deposits and bills	13.0	17.5	22.1	11.6	13.0	13.9	15.0	15.8	17.5	18.3	19.7	19.3	22.1
16 Deposits and special resources earmarked for investment	74.7	78.6	90.5	74.5	74.7	77.5	77.6	77.7	78.6	78.7	80.2	87.3	90.5
17 Miscellaneous	1.0	1.3	0.7	0.3	1.0	0.6	0.8	0.8	1.3	0.5	3.9	0.5	0.7
Total liabilities	149.4	161.4	187.7	145.7	149.4	150.9	154.0	156.0	161.4	163.2	172.1	177.4	187.7

1 Including: credit to housing and the communes. The banks have been extending credit for this type of activity as from 1966.

2 Sight deposits, currency in circulation and items in course of settlement.

3 Time deposits (up to one year); certain sight bills; restricted and inactive deposits.

Sources: Yugoslav authorities, Statisticki Bilten Sluzbe Drustvenog Knjigovodstva, Items 8, 9, 16 and 17 are not consolidated.

**Table I Institutional Allocation of Investment Resources**  
**Percentages**

	1963	1964	1965	1966	1967	1968
1 Government	56.4	36.5	26.7	15.7	17.7	15.7
2 Enterprises	27.8	25.9	28.8	39.8	32.7	31.2
3 Banks	9.1	31.4	36.7	37.3	44.9	47.2
4 Other	6.7	6.2	7.8	7.2	4.7	5.9

*Source :* Statisticki Bilten Sluzbe Drustvenog Knjigovodstva.

Table J Foreign Trade  
Million dollars

	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968
1 Total imports c.i.f.	685	687	826	910	888	1 057	1 322	1 237	1 575	1 707	1 796
2 Total exports f.o.b.	441	477	566	569	691	790	892	1 091	1 220	1 252	1 264
3 Trade deficit	244	210	260	341	197	267	430	197	355	455	532
4 Volume of imports (1953 = 100)	188	193	228	250	233	275	330	293	355	380	..
5 Volume of exports (1953 = 100)	204	228	263	262	308	344	365	410	445	443	..
6 Imports prices (1953 = 100)	103	101	102	103	106	109	114	120	121	121	..
7 Exports prices (1953 = 100)	117	113	116	117	121	123	130	141	145	146	..
8 Terms of trade (1953 = 100)	113	111	111	110	111	113	114	117	120	120	..
IMPORTS, BY AREA:											
9 Western Europe	237	289	396	456	387	433	541	527	518	905	987
10 North America	136	142	93	185	189	205	188	204	212	132	97
11 Eastern Europe and USSR	194	170	212	169	189	241	377	371	637	444	489
12 Rest of world	68	86	125	100	123	178	216	185	208	226	225
13 Total	685	687	826	910	888	1 057	1 322	1 287	1 575	1 707	1 796
EXPORTS, BY AREA:											
14 Western Europe	222	218	255	260	305	381	383	373	476	564	594
15 North America	34	34	40	43	55	52	57	77	85	88	93
16 Eastern Europe and USSR	123	147	182	176	167	211	308	483	479	446	398
17 Rest of world	62	78	89	90	164	146	144	158	180	154	179
18 Total	441	477	566	569	691	790	892	1 091	1 220	1 252	1 264

Sources : Memorandum, Statistical Yearbook of the SFRY, Index.

Table K Imports and Exports by Commodity Groups  
Million dollars

SITC SECTIONS		1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968
<b>IMPORTS:</b>												
0 and 1	Food, drink and tobacco	132	133	76	121	131	201	167	189	237	182	128
	<i>of which</i> : Cereals and cereal preparations	66	86	21	65	67	124	69	97	109	36	18
2	Raw materials	84	96	118	130	132	159	211	216	212	199	198
	<i>of which</i> : Textile fibres and waste	53	55	60	68	69	88	115	117	107	105	97
3	Mineral fuels	41	45	45	40	48	47	66	72	82	84	98
5	Chemicals	67	75	71	63	78	111	138	118	150	167	188
6	Semi-manufactures	108	108	172	185	163	187	277	279	370	402	427
	<i>of which</i> : Base metals	52	48	87	93	90	135	150	154	192	195	184
7 and 8	Finished manufactures	236	212	332	355	321	341	447	399	514	642	738
	<i>of which</i> : Machinery	160	149	240	247	245	266	336	277	349	396	464
	Transport equipment	56	43	64	77	48	41	62	78	110	175	181
4 and 9	Other	17	18	12	16	15	11	16	14	10	31	19
	<b>Total</b>	<b>685</b>	<b>687</b>	<b>826</b>	<b>910</b>	<b>888</b>	<b>1 057</b>	<b>1 322</b>	<b>1 287</b>	<b>1 575</b>	<b>1 707</b>	<b>1 796</b>
<b>EXPORTS:</b>												
0 and 1	Food, drink and tobacco	168	149	191	191	191	243	265	280	296	336	261
	<i>of which</i> : Live animals and meat	43	62	78	98	104	124	147	169	164	175	142
	Cereals and cereal preparations	39	21	36	20	3	6	2	6	3	54	26
2	Raw materials	75	76	88	85	96	108	115	110	108	106	127
	<i>of which</i> : Wood	41	39	42	41	49	55	56	53	54	50	54
5	Chemicals	15	16	23	20	21	26	38	59	70	74	77
6	Semi-manufactures	102	118	134	129	156	169	205	248	282	281	324
	<i>of which</i> : Base metals	57	61	76	70	84	78	89	108	128	122	155
7 and 8	Finished manufactures	71	112	123	136	208	227	256	383	443	428	460
	<i>of which</i> : Machinery	18	39	51	53	71	81	87	123	149	149	148
	Ships	25	37	19	28	71	55	40	78	88	59	82
3, 4 and 9	Other	10	6	7	8	19	17	14	12	21	26	15
	<b>Total</b>	<b>441</b>	<b>477</b>	<b>566</b>	<b>569</b>	<b>691</b>	<b>790</b>	<b>892</b>	<b>1 092</b>	<b>1 220</b>	<b>1 251</b>	<b>1 264</b>

Sources: Statistical Yearbooks of the SFRY, OECD Foreign Trade Bulletin.

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