

Glossary

Chapter 2-Economic Growth, Savings and Investment

Gross Domestic Product

GDP, of a country is one of the ways of measuring the size of its economy. GDP is defined as the total market value of all final goods and services produced within a given country in a given period of time (usually a calendar year). It is also considered the sum of value added at every stage of production (the intermediate stages) of all final goods and services produced within a country in a given period of time, and it is expressed in monetary terms.

Followings are the three approaches to measuring and understanding GDP:

i. **Expenditure Based**

Expenditure-based gross domestic product is total final expenditures at purchasers' prices (including the f.o.b. value of exports of goods and services), less the f.o.b. value of imports of goods and services.

ii. **Income Based**

Income-based gross domestic product is compensation of employees, plus taxes less subsidies on production and imports, plus gross mixed income, plus gross operating surplus.

iii. **Output Based**

Output-based gross domestic product is the sum of the gross values added of all resident producers at basic prices, plus all taxes less subsidies on products.

Gross Fixed Capital Formation

The estimates of GFCF in Pakistan are primarily constructed separately for private and public sectors by economic activity as well as by capital assets. It comprises expenditure incurred on the acquisition of fixed assets, replacement, additions and major improvements of fixed capital viz. land improvement, buildings, civil and engineering works, machinery, transport equipment and furniture and fixture.

Gross National Product

The Gross National Product (GNP) is the value of all the goods and services produced in an economy, plus net factor income from abroad.

Net National Product

NNP is the total market value of all final goods and services produced by citizens of an economy during a given period of time (Gross National Product or GNP) minus depreciation.

Flow of Funds

Flow of Funds Accounts gives a picture of lending, borrowing operations and movements of funds within domestic sectors and with rest of the world along with instruments used in the transactions.

Chapter 3- Prices

Consumer Price Index

Consumer Price Index (CPI) is main measure of price changes at retail level. It measures the changes in the cost of buying representative predefined basket of goods and services and to gauge the increase in the cost of living in reporting period.

Laspeyres's formula used to compute CPI is:-

$$CPI = \frac{\sum (P_n / P_0) W_i}{\sum W_i} \times 100$$

Where

P_n = Price of an item in the current period

P_0 = price of an item in base period

W_i = Weight of the i^{th} item in the base period.

Wholesale Price Index

Wholesale Price Index (WPI) is designed to measure the directional movements of prices for a set of selected items in the primary and wholesale markets. Items covered in the series are those, which could be precisely defined and are offered in lots by producers/manufacturers. Prices used are generally those, which conform to the primary sellers realization at *ex-mandi* (market), ex-factory or at an organized wholesale level

Sensitive Price Indicator

The Sensitive Price Indicator (SPI) is computed on weekly basis to assess the price movements of essential commodities at short intervals so as to review the price situation in the country.

GDP Deflator

(Implicit price deflator for GDP) is a measure of the level of prices of all new, domestically produced, final goods and services in an economy.

$$\text{GDP Deflator} = \frac{\text{GDP Current Price}}{\text{GDP Constant Price}} \times 100$$

Chapter 4- Public Finance

Direct Tax

A tax levied directly on the taxpayer such as income and property taxes.

Indirect Tax

A tax levied on goods or services rather than individuals and is ultimately paid by consumers in the form of higher prices such as sales tax or value added tax.

Chapter 5- Money and Credit

Broad Money (M2)

Broad Money is an indicator used to measure money supply in the economy and includes currency in circulation, other deposits with State Bank of Pakistan (such as unclaimed deposits and NBFIs deposits with SBP), demand and time deposits (including resident foreign currency deposits) with scheduled banks. M2 is the key economic indicator used to forecast inflation.

Currency in Circulation

Currency in circulation refers to currency held by public i.e currency outside the banking system.

Commodity Operations

Commodity operation means advances provided either to government, public sector corporations or private sector for the procurement of commodities such as cotton, rice, wheat, sugar, fertilizer etc. Advances to government provided for other purposes are not the part of commodity operation.

Reserve Money (M0)

Reserve Money is an indicator used to measure money supply in the economy and includes currency in circulation (held with Public), other deposits with State Bank of Pakistan; currency in tills of scheduled bank's and bank deposits with SBP. M0 is used to measure the most liquid assets which can be spent most easily. M0 is sometimes referred to as the monetary base.

Market Treasury Bills (MTBs)

They are the short term instruments of the Government of Pakistan with tenors available in 3, 6 and 12 months. They are also sold through Primary Dealers in auctions held on fortnightly basis. They are zero-coupon securities and are sold at discount to the face value

Auction of Government of Pakistan Market Treasury Bills

MTB auctions are held fortnightly (Wednesday) on multi-priced basis. Only Primary Dealers are allowed to participate in the auctions. Announcement of auctions are done two days prior to auction date. SBP decides the target and cut offs.

Pakistan Investment Bonds (PIBs)

They are the long term instruments of the Government of Pakistan with tenors available in 3, 5, 10, 15 and 20 years. They are sold through Primary Dealers (Institutions appointed by the SBP to participate in Government Securities Auctions) in auctions as and when announced (on quarterly basis). They are coupon bearing instruments and issued in scrip less (without physical form) form with interest payment on biannual basis.

Auction of Pakistan Investment Bonds

PIB auctions are held on as and when indicated with target amount and Coupon rates by the MOF. Primary Dealers are allowed to participate in the auction which is decided on multi-priced basis. SBP announces the auction prior to 14 days of auction date to allow short selling to the Primary Dealers on when issued basis. SBP decides the cutoff in consultation with MOF.

Call Money Rate

Interbank clean (without collateral) lending/borrowing rates are called Call Money Rates

Coupon Rate

Coupon rate is interest rate payable on bond's par value at specific regular periods. In PIBs they are paid on biannual basis.

Discount rate

Discount is the rate at which SBP provides three-day repo facility to banks, acting as the lender of last resort.

Government of Pakistan Market related Treasury Bills

They are the instruments created when Government borrows from the State Bank. They are six month T-bill and their rates are determined on the basis of weighted average arrived in last six month Market Treasury Bill auction. They are also called as 'Market Replenishment Treasury Bills'.

Open Market Operation

They are the operation carried out by the SBP for liquidity Management to keep interest rates in line with its monetary policy objectives. Through these operations either the liquidity is mopped up from or injected in the market by Repo/Out right basis. They are normally short term operations and are done as and when market condition desires.

Repo Facility MTBs/FIBs/PIBs (Outstanding)

They are the short term funding arrangement for getting funds on selling the security as collateral and to buy back the same on maturity. The funds can be arranged under this by using MTB/FIB's/PIBs. The reverse is called Reverse-repo.

KIBOR – (Karachi Interbank Offered Rate)

Interbank clean (without collateral) lending/borrowing rates quoted by the banks on Reuters are called Kibor Rates. The banks under this arrangement quote these rates at specified time i.e. 11.30 AM at Reuters. Currently 20 banks are member of Kibor club and by excluding 4 upper and 4 lower extremes, rates are averaged out that are quoted for both ends viz: offer as well bid. The tenors available in Kibor are one week to 3 years. KIBOR is used as a benchmark for corporate lending rates.

Chapter 6-Banking System**Scheduled Banks**

“Scheduled Banks” means,”All Commercial banks and specialized banks (like IDBP and ZTB etc) which are included in the list of scheduled banks maintained under sub-section (1) of section 37 of the State Bank of Pakistan Act, 1956”

Balances with Other Scheduled Banks

These are balances of scheduled banks amongst each other and exclude balances with National Bank of Pakistan where it acts as an agent of State Bank of Pakistan.

Bills Purchased & Discounted

These refer to advances extended through discounting or purchasing of inland and foreign bills.

Capital

Capital comprises of paid-up capital of Pakistani banks and equivalent rupee amount kept by foreign banks with the State Bank of Pakistan as reserve capital requirement.

Deposits

The data on deposits include the following types:-

- i. Call Deposits:
These include short notice and special notice deposits
- ii. Current Deposits:
Cheque account deposits wherein withdrawals and deposit of funds can be made frequently by the account holders. Generally, these are return free deposits kept with the banks.
- iii. Fixed Deposits:
Deposits having fixed maturity dates and a rate of return determined or determinable on the basis of a bank's financial performance during a period.
- iv. Other Deposits:

These generally include security deposits, margin deposits and sundry deposits etc.

- v. **Savings Deposits:**
Deposits held by the scheduled banks, consisting of cheque accounts on which a certain return is paid by the institution.

Rate of Margin for advances

Margin for collateral is the excess of the market/assessed value of the collateral over the amount of advance.

Non-Performing Loan

A non-performing loan is a loan that is in default or close to being in default. Many loans become non-performing after being in default for 90 days, but this can depend on the contract terms.

Chapter 7- Capital Market

Index Number

Stock market index is used for measuring changes in the prices of stock market securities in respect of the base year prices. The index is used as an indicator of the overall performance of the economy.

KSE-100 Index

The KSE-100 Index was introduced in November 1991 with base value of 1,000 points. The Index comprises of 100 companies selected on the basis of sector representation and highest market capitalization, which captures over 80% of the total market capitalization of the companies listed on the Stock Exchange. One company from each sector on the basis of the largest market capitalization and the remaining companies are selected on the basis of largest market capitalization in descending order. This is a total return index i.e. dividend, bonus and rights are adjusted.

All Share Index

The KSE all share indexes was constructed and introduced on September 18, 1995. This is also a total return index (dividend, bonus and adjusted rights shares) computed for all companies listed at KSE.

Market Capitalization of ordinary Shares

The Market Capitalization is the total market value of ordinary shares comprising the General Index. The market value is worked out by multiplying the market price by the total number of shares outstanding and added together for the component groups as also for the entire list to compile the series.

Chapter 8-Domestic and External Debt

Domestic Debt

Domestic debt refers to the debt owed to creditors resident in the same country as the debtor. It can be of sovereign nature, i.e., borrowed by a government or non-sovereign, i.e., borrowed by the corporate. Sovereign domestic debt in Pakistan is further classified into three main categories: permanent debt, floating debt and unfunded debt.

- i. **Permanent Debt**

Permanent debt includes medium and long-term debt such as Pakistan Investment Bonds (PIB) and prize bonds.

- ii. **Floating Debt**

Floating debt consists of short-term borrowing in the form of T-bills.

iii. Unfunded Debt

Unfunded debt refers mostly to outstanding balances of various national saving schemes.

National Saving Schemes

There have been different saving schemes in Pakistan since independence. The data reflects outstanding position as on end Month. Followings are the definition of existing schemes.

i. Bahbood Savings Certificates

This is a ten years' maturity scheme, launched by the Government on 1st July, 2003. Initially it was meant for widows only, however, later on the Government. extended the facility for senior citizens aged 60 years and above from 1st January, 2004. These certificates are available in the denominations of Rs.5,000/-, Rs.10,000/-, Rs.50,000/-, Rs.100,000/-, Rs.500,000 and Rs.1,000,000/-. Profit is paid on monthly basis reckoned from the date of purchase of the certificates. Only widows and senior citizens aged 60 years and above are eligible to invest. The minimum investment limit in this scheme is Rs.5,000, whereas, the maximum limit is Rs.3,000,000/-.

ii. Defence Saving Certificates

The Government of Pakistan introduced Defence Saving Certificates scheme in the year 1966. This is the only scheme having 10 years' maturity with built-in feature of automatic reinvestment after the maturity. These certificates are available in the denominations of Rs.500, Rs.1000, Rs.5,000, Rs.10,000, Rs.50,000, Rs.100,000, Rs.500,000 and Rs.1,000,000. The minimum investment limit is Rs.500/-, however, there is no maximum limit of investment in this scheme.

iii. Pensioners' Benefit Account

This ten years' maturity scheme was launched by the Government on 19th January, 2003. The deposits are maintained in the form of accounts and the profit is paid on monthly basis reckoned from the date of opening of the account. The pensioners of Federal Government, Provincial Governments, Government of Azad Jammu & Kashmir, Armed Forces, Semi Government and Autonomous bodies are allowed to invest.

iv. Regular Income Certificates

This five years' maturity scheme for general public was launched on 2nd February, 1993. Profit on this scheme is paid on monthly basis reckoned from the date of issue of certificates. These certificates are available in the denomination of Rs.50,000, Rs.100,000, Rs.500,000, Rs.1,000,000, Rs.5,000,000 & Rs.10,000,000.

v. Savings Accounts

These are ordinary accounts and frequent withdrawals (twice a week) can be made from this account. The minimum investment limit is Rs.100 in the scheme besides no maximum limit. However, only one account can be opened by person at an office of issue. The deposits can be withdrawn any time from the date of deposit. However, there is a limit of two withdrawals within a week's time.

vi. Special Savings Accounts

This three years maturity scheme was introduced in February, 1990. The deposits are maintained in form of an account. Profit is paid on the completion of each period of six months. The minimum investment limit in this scheme is Rs.500. There is no maximum limit, however, the deposits are required to be made in multiple of Rs.500.

vii. Special Savings Certificates (Registered)

This three years maturity scheme was introduced in February, 1990. These certificates are available in the denomination of Rs.500, Rs.1000, Rs.5,000, Rs.10,000, Rs.50,000, Rs.100,000, Rs.500,000 and Rs.1,000,000. Profit is paid on the completion of each period of six months. The minimum investment limit is Rs.500, however, there is no maximum limit of investment in the scheme.

viii. National Savings Bonds:

The National Savings Bonds were introduced in December 2009 which is first ever registered tradable Government's Security and can be pledge anywhere in Pakistan. The maturity period of NSBs shall be three, five and ten years and are not redeemable before the maturity. The minimum investment limit is Rs. 20,000 which is issued in a multiple of Rs. 10,000.

External Debt

External debt, at any given time, is the outstanding amount of those liabilities that require payment(s) of principal and interest by the debtor at some point(s) in the future and that are owed to nonresidents by the residents of an economy.

Private non-guaranteed debt

Private non-guaranteed debt is defined as the external liabilities of the private sector, the servicing of which is not guaranteed by Government.

Public and Publicly guaranteed debt

External obligations of a public debtor including national government control banks and autonomous bodies and external obligations of a private debtor that are guaranteed for repayment by a public entity.

Chapter 9- Balance of Payments and Foreign Trade

Nominal Effective Exchange Rate:

It is an index of the bilateral nominal exchange rates of one country relative to its major trading partners. The bilateral nominal exchange rate index with each trading partner is weighted by that country's share in imports, exports, or total foreign trade.

Real Effective Exchange Rate:

It is an index of the price of a basket of goods in one country relative to the price of the same basket in that country's major trading partners. The prices of these baskets should be expressed in the same currency using the nominal exchange rate with each trading partner. The price of each trading partner's basket is weighted by its share in imports, exports, or total foreign trade.

Foreign Exchange Kerb Market

Authorised Money Exchange Companies operating in the market.

Balance of Payments

The balance of payments (BOP) is a statistical statement for a given period showing transactions of residents of the reporting economy with the non-residents. Balance of payments transactions are recorded on double-entry book keeping where each credit-entry is exactly balanced by an offsetting debit-entry and vice versa.

Current Account

Current account covers all transactions (other than those in financial items) that involve economic values and occur between residents and nonresidents. Also covered are offsets to current economic values

provided or acquired without a quid pro quo. Specifically, the main categories include goods, services, income, and current transfers.

Goods

Recording of goods implies provision or acquisition of real resources of an economy to and from the rest of the world. Goods covers general merchandise, goods for processing, repairs on goods, goods procured in ports by carriers and non-monetary gold.

General Merchandise on fob basis

The exports and imports of general merchandise are reported under this item after adjusting from a mixed c&f and fob to uniform fob basis. Some adjustments such as deduction of freight are carried out while compiling general merchandise on fob basis.

Goods for Processing

Goods shipped abroad for processing and subsequently returned home in a new form without change of ownership are recorded under this head and vice versa.

Repair on goods

This includes the value of repairs with the provision of materials for major refits of ships, aircraft and other carriers.

Goods Procured in Ports by Carriers

This refers to those goods, such as fuels, provisions, stores and supplies for carriers usually purchased for commercial use in ships, aircraft and other carriers.

Non-Monetary Gold

This covers exports and imports of gold not held in as reserve assets (monetary gold) by the monetary authority. Non-monetary gold is held as a store of value and treated like any other commodity.

Services

Services component implies receipts & payments for provision and acquisition of services of an economy to and from the rest of the world. Services include transportation, travel, communication, construction, insurance, financial, computer and information, royalties and license fee, other business services, personal, cultural and recreational and government services, n.i.e.

Transportation

Transportation covers all transportation (Sea, Air, Rail, Road and Others) services provided by residents to non-residents and vice-versa and involves the carriage of passengers, movement of goods (freight), charter of carriers with crew and other related supporting and auxiliary services. Activities excluded from transportation are insurance, repairs of transportation equipment and goods procured in ports by carriers.

Travel

It represents receipts and payments under tourism and other travel for purposes such as business and personal.

Communication Services

Communication services cover receipts and payments for telephone, telegraph, facsimile and telex including broadcasting and electronic mail services, postal and courier services.

Construction Services

It includes receipts for work abroad on construction projects and installation by personnel of resident enterprises and payments of salary and allowances to the personnel of non-resident enterprises engaged in construction project in the reporting economy.

Insurance Services

Credit entries cover net premium on direct insurance and reinsurance assumed by resident insurance companies. Debit entries also cover premium on merchandise insurance on imports, which are not available separately but are included in freight. An estimated 10 percent of import freights are treated as insurance.

Financial Services

Receipts by banks operating in Pakistan from their offices and correspondents abroad and payments by banks to their branches and correspondents abroad on account of commission, cable charges including fees associated with letter of credit, bankers acceptances, lines of credit, financial leasing and other fees etc. are included under financial services.

Computer and Information Services

It includes receipts and payments for computer and news related services including data processing, hardware consultancy, software implementation, export of computer software, maintenance and repairs of computers and news agency services.

Royalties and License Fee

It covers receipts and payments associated with the authorized use of intangible non-produced, non-financial assets and proprietary rights, such as patents, copy rights, trademarks, industrial processes etc. and the use through licensing agreement of produced originals or prototypes such as manuscripts and films.

Other Business Services

Receipts and payments for merchant and other trade related services, operational leasing and miscellaneous business, professional and technical services are covered under this head.

Personal, Cultural and Recreational Services

It covers audiovisual related services and other cultural services provided by residents to nonresidents and vice versa. Audiovisual related services include production of motion pictures on films or video tape, radio and television programs, and musical recordings. Among other cultural services are services associated with libraries, museums—and other cultural and sporting activities.

Government Services n.i.e.,

It covers all services such as logistics support, earnings/expenditures of embassies and consulates etc.

Income

The Income component of balance of payments is restricted to income earned from the provision of two factors of production viz, labor and capital. Accordingly income earned from the labor is called compensation of employees while income earned from capital is called investment income.

Compensation of Employees

Wages, salaries and other benefits received by short term workers (less than one year stay) from nonresident employers are treated as compensation of employees.

Direct Investment Income

It is the profit on equity participation and interest on debt earned by direct investor.

Portfolio Investment Income

Portfolio Investment Income includes dividend on equity securities (share holding of less than 10 %) and interest from holding of foreign bonds, notes, and money market instruments.

Other Investment Income

The credit entry under this head includes mainly interest and discount received by State Bank of Pakistan from investment accounts, treasury bills and receipts of interest or discount on all other resident claims on non-resident other than those on direct and portfolio investment. The debit entry mainly represents interest payments of Medium & Long-term Loans, other short-term loans, payments of IMF charges and payments of interest/discount on all other liabilities to nonresidents other than those on direct and portfolio investment.

Current Transfers

Current transfers include all transfers relating to general government (current international cooperation between different governments, payments of current taxes on income and wealth, etc.) and other sector. Credit entries of current transfers –other sectors mainly cover receipt on account of workers' remittances, withdrawal from residents foreign currency accounts, donations provided by foreign private organization, contra entries for imports under personal baggage, Non-Repatriable Investment (NRI) schemes, sales of duty free shops and receipts of exchange companies. Payments on the same accounts constitutes debit entries.

Capital Account

Capital account covers capital transfers and acquisition/disposal of non-produced, non-financial assets.

Capital Transfer

Capital transfers include (i) transfers of ownership of fixed assets; (ii) transfers of funds linked to, or conditional upon, acquisition or disposal of fixed assets; (iii) forgiveness, without any counterparts being received in return, of liabilities by creditors

Acquisition/Disposal of Non-Produced, Non-Financial Assets

This consists of transactions associated with tangible assets that may be used or necessary for production of goods & services but are not actually produced e.g. land and subsoil assets & transactions associated with non-produced intangible assets e.g., patents, copyrights, licenses, trademarks and franchises.

Financial Account

Financial account records all transactions associated with changes of ownership in foreign financial assets and liabilities.

Direct Investment

Direct investment implies a long-term relationship between the direct investor and the direct investment enterprise and a significant degree of influence by the direct investor on the management of the direct investment enterprise. Direct investment comprises the initial transaction between the two entities—that is, the transaction that establishes the direct investment relationship—and all subsequent transactions between the entities and among affiliated enterprises, both incorporated and unincorporated. For direct investment, direct investor owns 10 percent or more of the ordinary shares or voting power (for an incorporated enterprise) or the equivalent (for an unincorporated enterprise).

Portfolio Investment

Portfolio investment implies holding by non-resident of less than 10% share in equity securities, investment in debt securities (in the form of bonds and notes) and investment in money market instruments of local company.

Other Investment

Other investment includes all financial transactions that are not covered in the categories for direct investment, portfolio investment or reserve assets. Under other investment, the instrument classified under assets and liabilities, comprises trade credits, loans (including use of Fund credit and loans from the Fund), currency and deposits and other assets and liabilities.

Reserves Assets

Reserve assets consist of those external assets that are readily available to and controlled by monetary authorities for direct financing of payments imbalance. In BOP, they cover monetary gold, SDRs, reserve position in the fund, foreign currency reserves and foreign currency cash holdings.

Errors & Omissions

It is a balancing item intended to offset overstatement or understatement of recorded components due to statistical discrepancies.

Exceptional Financing

It consists of any arrangements made by the authorities of an economy to meet balance of payments needs other than those involving use of reserve assets, fund credit and loans from the Fund to deal with payments imbalances.

Workers' Remittances

Workers' remittances are current transfers for family maintenance by migrants who are employed and residents in new economies. (A resident is a person who stays, or is expected to stay for a year or more in an economy.)

Nostro Account

An account held with a bank outside Pakistan.

Foreign Direct Investment

Direct investment implies a long-term relationship between the direct investor and the direct investment enterprise and a significant degree of influence by the direct investor on the management of the direct investment enterprise. Direct investment comprises the initial transaction between the two entities—that is, the transaction that establishes the direct investment relationship—and all subsequent transactions between the entities and among affiliated enterprises, both incorporated and unincorporated. For direct investment, direct investor owns 10 percent or more of the ordinary shares or voting power (for an incorporated enterprise) or the equivalent (for an unincorporated enterprise).

Foreign Portfolio investment

Portfolio investment implies holding by non-resident of less than 10% share in equity securities, investment in debt securities (in the form of bonds and notes) and investment in money market instruments of local company.

Balance of Trade

The balance of trade is the difference between the monetary value of exports and imports for an economy over a certain period of time.

Balance of trade statistics compiled by Federal Bureau of Statistics is based on physical movements of merchandise goods into and out of the custom territory of Pakistan recorded by the customs authorities.

Foreign trade includes exports, re-exports, imports and re-imports carried through sea, land and air routes.

The trade data of SBP is, on the other hand, based on realization of export proceeds and import payments made through banking channel for goods exported and imported. The trade transactions such as land borne trade, imports through foreign economic assistance, exports & imports by Export Processing Zones and personal baggage etc. are not covered in the reporting by the banks. Data on these transactions are collected from the relevant sources and included in the exports receipts and import payments reported by the banks to arrive at the overall trade data. Still some discrepancies may arise in the two sets of trade data due to valuation, timing and coverage of transactions.

Unit Value & Quantum Indices:

These indices are used to measure changes in the unit value and quantity of Exports & Imports with reference to base year. Laspeyer's formula is used for the computation of these indices that is as under.

$$\text{Unit Value Index} = \frac{\sum P_n \times Q_0}{\sum P_0 \times Q_0} \times 100$$

$$\text{Quantum Index} = \frac{\sum Q_n \times P_0}{\sum Q_0 \times P_0} \times 100$$

Where:

P_n = Price (Unit Value) of each item during the current period

P_0 = Price (Unit Value) of each item during the base period

Q_n = Quantity data (Volume) of each item during the current period

Q_0 = Quantity data (Volume) of each item during the base period.

Re-Export

Goods imported and returned to the exporting country for any reason without any modification or change in its original shape or form, is termed as re-export.

Re-Import

Goods exported and returned to the consignor country without any modification or change in the original shape or form is termed as re-import.

Terms of Trade:

It shows the change in the average price of a country's aggregate exports in relation to the change in average price of its imports.

$$\text{Terms of Trade} = \frac{\text{Index of Unit Values of Exports}}{\text{Index of Unit Value of Imports}} \times 100$$