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. 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 of 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 Income
GNI measures the total economic growth of a country and takes into consideration income and taxes earned both internationally and domestically, while GNP only measures the income and taxes earned by domestic citizens.

Basic Price
The basic price is the amount receivable by the producer from the purchaser for a unit of a good or service produced as output minus any tax payable, and plus any subsidy receivable, on that unit as a consequence of its production or sale; it excludes any transport charges invoiced separately by the producer.

Gross Value added at Basic Prices
Gross value added at basic prices is output valued at basic prices less intermediate consumption valued at purchasers' prices.

Net National Income
Net national income (NNI) is the aggregate value of the balances of net primary incomes summed over all sectors is described as net national income.

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.

Laspeyer'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.

In new base (2015-16), CPI is computed on Urban and Rural level. National CPI is then computed as weighted average of Urban and Rural CPI.

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.

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

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)
In Pakistan, 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. Intuitively, anything which has a general acceptability for the settlement of debt is covered under broad money.

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

Commodity Operations Financing
Commodity operations means advances provided either to government, public sector corporations 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 operations financing.

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 SBP***; ***currency in tills of schedules 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 debt instruments of the Government of Pakistan with tenors available in 3, 6 and 12 months. They are 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 (every Wednesday) on multi-priced basis. Only Primary Dealers are allowed to participate in the auctions. Announcement of auctions are done through auction calendar of MTBs. Ministry of Finance, Government of Pakistan decides the target and cut offs.

Pakistan Investment Bonds (PIBs)
They are the long term debt instruments of the Government of Pakistan with tenors available in 3, 5, 10, 15, 20 and 30 years. They are sold through Primary Dealers (Institutions appointed by the SBP to participate in Government Securities Auctions) in auction calendar of PIBs. They are coupon bearing instruments and issued in scrip-less (without physical form) form with interest payment on biannual basis. Fixed rate as well as floating rate PIBs with quarterly and half-yearly coupons are also available.

Auction of Pakistan Investment Bonds
PIBs auctions are held 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 as and when basis. Ministry of Finance, Government of Pakistan decides the cutoff.

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 quarterly/ biannual basis.

Policy (Target) Rate
Policy (target) rate is the rate at which SBP provides 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 months T-bills and their rates are determined on the basis of weighted average arrived in last six months' Market Treasury Bill auction. They are also called as 'Market Replenishment Treasury Bills'.

Open Market Operations (OMOs)
Open Market Operation is a tool used by a SBP (or monetary authority) to inject or mop-up funds, based on the liquidity requirements, from the banking system via purchase or sale of eligible securities.

- Operationally, in case of OMO (Injections), SBP lends funds to banks against eligible collateral to address liquidity shortage in the system. In OMO (Mop-up), SBP sells eligible securities to banks against funds to remove surplus liquidity from the system. They are normally short term operations and performed on the basis of market conditions.

Repo Facility MTBs/PIBs (Outstanding)
They are the short term funding arrangements 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 MTBs/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 14 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 as bid. The tenors available in KIBOR are one week to 1 year. KIBOR is used as a benchmark for corporate lending rates.

Chapter 6-*Banking System*

Scheduled Banks

All commercial banks, specialized banks and foreign banks which are carrying on the business of banking in Pakistan under "State Bank of Pakistan Act, 1956(clause (a) of sub-section (2) of section 37" fall under scheduled banks.

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/MFBs/DFIs. In case of Foreign Banks, it is the equivalent Pakistani rupee amount kept with the State Bank of Pakistan as reserve capital required to be maintained under the existing rules.
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Deposits
The data on deposits include the following types:-

i. Call Deposits:
These include short notice and special notice non-time bound deposits

ii. Current Deposits:
Cheque account deposits wherein withdrawals and deposit of funds can be made frequently by the accountholders. 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, 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 bank.

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

Stock Market Index
Stock market index is used for measuring changes in the prices of stock market securities in respect of the base year prices.

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 85% of the total market capitalization of the companies listed on Pakistan Stock Exchange. KSE 100 Index stocks has a representation of all the market sectors of PSX.

All Share Index
The KSE all share index was introduced in 1995. This is also a total return index (dividend, bonus and adjusted rights shares) computed for all companies listed at PSX.

Market Capitalization of KSE all Shares
The Market Capitalization is the total market value of KSE all shares. The market value is worked out by multiplying the market price of reference period by the total number of shares outstanding and added together for the component groups as also for the entire list to compile the series.

For further information on Pakistan Stock Exchange, please see https://psx.com.pk/

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 main categories: permanent debt, floating debt, unfunded debt and foreign currency loans.

i. **Permanent Debt**
   Permanent debt includes medium and long-term debt such as Pakistan Investment Bonds (PIB), prize bonds, GOP Ijara Sukuk, Bai-Muajjal of Sukuk and Others.
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, Postal Life Insurance and GP Fund.
iv. **Foreign Currency Loans**
   Foreign currency loan refers to Foreign Exchange Bearer Certificate, FCBC, US Dollar Bearer Certificates and Special US Dollar Bonds.

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 1 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 recorded from the date of purchase of the certificates. Only widows and senior citizens are eligible to invest at aged 60 years and above. 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.1,000, Rs.5,000, Rs.10,000, Rs.50,000, Rs.1,00,000, Rs.5,00,000 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 19 January 2003. The deposits are maintained in the form of accounts and the profit is paid on monthly basis recorded 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. Shuhada Family Welfare Account:
Shuhada Family Welfare Account (SFWA) introduced in May 2018 to benefit the families of shuhada of armed forces, law enforcement agencies and civilians to invest in a way for providing maximum social security net to the deserving segment of society. Through introduction of this scheme, the basket of specialized National Savings Scheme will now cover senior citizen, pensioner, widow, physically challenged persons and family members of the Shuhada.

ix. National Savings Bonds:
The National Savings Bond 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.

External 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.

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.

External Public Debt:
External obligations of public debtor including national government.

External 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.

External Publicly Guaranteed Debt:
External obligations of autonomous bodies and private debtor that are guaranteed for repayment by a public entity.

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- *External Sector*

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

Foreign Exchange Kerb Market
Authorized Money Exchange Companies operating in the market.

Balance of Payments
The balance of payments is a statistical statement that summarizes transactions between residents and nonresidents during a period. It consists of the goods and services account, the primary income account, the secondary income account, the capital account, and the financial account.

Current Account
The current account shows flows of goods, services, primary income, and secondary income between residents and nonresidents.

Goods

Recording of goods implies provision or acquisition of real resources of an economy to and from the rest of the world. Goods cover general merchandise, goods under merchanting, and nonmonetary gold.

General Merchandise on fob basis
General merchandise on a balance of payments cover goods whose economic ownership is changed between a resident and a nonresident.

Goods under Merchanting
Merchanting is defined as the purchase of goods by a resident (of the compiling economy) from a nonresident combined with the subsequent resale of the same goods to another nonresident without the goods being present in the compiling economy. Merchanting occurs for transactions involving goods where physical possession of the goods by the owner is unnecessary for the process to occur.

Non-Monetary Gold
This covers exports and imports of gold not held 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 following item:

Manufacturing services on physical inputs owned by others
Manufacturing services on physical inputs owned by others cover processing, assembly, labeling, packing, and so forth undertaken by enterprises that do not own the goods concerned.

The manufacturing is undertaken by an entity that does not own the goods and that are paid a fee by the owner.

Maintenance and repair services
Maintenance and repair services cover maintenance and repair work by residents on goods that are owned by nonresidents (and vice versa). The repairs may be performed at the site of the repairer or elsewhere. Repair & maintenance on ships aircraft and other transport equipment are included in this item.

Transport
Transport is the process of carriage of people and objects from one location to another as well as related supporting and auxiliary services. It also includes postal and courier services.

Travel
Travel credits cover goods and services for own use or to give away acquired from an economy by nonresidents during visits to that economy. Travel debits cover goods and services for own use or to give away acquired from other economies by residents during visits to these other economies.

Construction Services
Construction covers transactions between residents and non-residents of an economy for the creation, renovation, repair, or extension of fixed assets in the form of buildings, land improvements of an engineering nature, and other such engineering constructions as roads, bridges, dams, and so forth. It also includes related installation and assembly work and site preparation and general construction as well as specialized services such as painting, plumbing, and demolition. It also includes management of construction projects.

Insurance and pension services
Insurance and pension services include services of providing life insurance and annuities, nonlife insurance, reinsurance, freight insurance, pensions, standardized guarantees, and auxiliary services to insurance, pension schemes, and standardized guarantee schemes.

Financial Services
Financial services cover financial intermediary and auxiliary services, except insurance and pension fund services. These services include those usually provided by banks and other financial corporations. They include deposit taking and lending, letters of credit, credit card services, commissions and charges related to financial leasing, factoring, underwriting, and clearing of payments. Also included are financial advisory services, custody of financial assets or bullion, financial asset management, monitoring services, liquidity provision services, risk assumption services other than insurance, merger and acquisition services, credit rating services, stock exchange services, and trust services. Financial intermediation services indirectly measured (FISIM) using reference rates are also included in Financial Services.

Charges for the use of intellectual property
Charges for the use of intellectual property include charges for the use of proprietary rights (such as patents, trademarks, copyrights, industrial processes and designs including trade secrets, franchises. These rights can arise from research and development, as well as from marketing); and charges for licenses to reproduce or distribute (or both) intellectual property embodied in produced originals or prototypes (such as copyrights on books and manuscripts, computer software, cinematographic works, and sound recordings) and related rights (such as for live performances and television, cable, or satellite broadcast)

Telecommunications, computer, and information services
Telecommunications services encompass the broadcast or transmission services; computer services consist of hardware and software related services and data-processing services; and information services include news agency services.

Other Business Services
This category includes research and development services; professional and management consulting services; technical, trade-related, waste treatment and depollution, agricultural, and mining services; operating leasing and miscellaneous business.

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
Government goods and services cover: goods and services supplied by and to enclaves, such as embassies, military bases, and international organizations; goods and services acquired from the host economy by diplomats, consular staff, and military personnel located abroad and their dependents; and services supplied by and to governments.

Primary Income
Primary income represents the return that accrues to institutional units for their contribution to the production process or for the provision of financial assets and renting natural resources to other institutional units.

Compensation of Employees
Compensation of employees presents remuneration in return for the labor input to the production process contributed by an individual in an employer employee relationship with the enterprise. Wages, salaries and other benefits received to / from nonresident employers are treated as compensation of employees.

Direct Investment Income
It includes all investment income arising from direct investment positions between resident and nonresident institution units.

Portfolio Investment Income
Portfolio investment income includes income flows between residents and nonresidents arising from positions in equity and debt securities other than those classified under direct investment or reserve assets.

Other Investment Income
Other investment income include interest receipt and payments of loans & deposit, interest on reserve assets, IMF charges, investment income attributable to policyholders in insurance, pension fund, withdrawals from income of quasi corporations and other primary income to nonresidents other than those on direct and portfolio investment.

Secondary Income
The secondary income account shows current transfers between residents and nonresidents. The transactions recorded in the secondary income account pertain to all transfers relating to general government (current international cooperation between different governments, payments of current taxes on income and wealth, etc.) and financial corporations, nonfinancial corporations,

households, and NPISHs that directly affect gross national disposable income from abroad and influence the consumption of goods and services.

Capital Account
The capital account in the international accounts shows (a) capital transfers receivable and payable between residents and nonresidents and (b) the acquisition and disposal of nonproduced, nonfinancial assets between residents and nonresidents.

Capital Transfer
Capital transfers are transfers in which the ownership of an asset (other than cash or inventories) changes from one party to another; or which obliges one or both parties to acquire or dispose of an asset (other than cash or inventories); or where a liability is forgiven by the creditor.

Acquisition/Disposal of Non-Produced, Non-Financial Assets
Non-produced, non-financial assets consist of (a) natural resources include land, mineral rights, forestry rights, water, fishing rights, air space, and electromagnetic spectrum; (b) contracts, leases, and licenses covers those contracts, leases, and licenses that are recognized as economic assets; (c) marketing assets consist of items such as brand names, mastheads, trademarks, logos, and domain names..

Financial Account
The financial account records transactions that involve financial assets and liabilities and that take place between residents and nonresidents.

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 relationship, 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 resident 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, other equity and other accounts receivable/ payable

Reserves Assets
Reserve assets are those external assets that are readily available to and controlled by monetary authorities for meeting balance of payments financing needs, for intervention in exchange markets to affect the currency exchange rate, and for other related purposes (such as maintaining confidence in the currency and the economy, and serving as a basis for foreign borrowing)

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.

Special Drawing Rights (SDRs)
The SDR is an international reserve asset, created by the IMF in 1969 to supplement its member countries' official reserves. Its value is based on a basket of four key international currencies, and SDRs can be exchanged for freely usable currencies.

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.

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.

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

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

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.

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

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* The definitions are consistent with Balance of Payments Manual, 6th edition (BPM6), published by IMF.