

# **Glossary**

## **Chapter 2- Money and Credit**

### **Other Depository Corporations (ODCs)**

Other Depository Corporations consist of all resident financial corporations (except the central bank) and quasi-corporations that are mainly engaged in financial intermediation and that issue liabilities included in the national definition of broad money. It includes Scheduled Banks, Depository Development Finance Institutions (DFIs), Microfinance Banks (MFBs), Depository NBFCs and Money Market Mutual Funds.

### **Depository Corporations (DCs)**

Depository Corporations refer collectively to Other Depository Corporations (ODCs) and Central Bank (CB) where Central Bank (CB) is the national financial institution that exercises control over key aspects of the financial system and carries out such activities as issuing currency, regulation money supply and credit, managing international reserves, transacting with the IMF, and providing credit to Other Depository Corporations.

### **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 banks 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.

### **Deferred Tax Assets**

The amount of income taxes recoverable in foreseeable future periods in respect of: i) Deductible temporary differences ii) The carry forward of unused tax losses; and iii) The carry forward of unused tax credits. Deferred tax assets should be recorded on the basis of reasonable realizable value of such assets in foreseeable future.

### **Deferred Tax Liabilities**

Deferred tax liabilities arise from time difference between recognized tax liabilities in depository corporations accounts and tax liabilities reported to the tax authorities; the tax amount due in one period but deferred for payment in another period.

### **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.

### **Non-Banks Financial Companies (NBFCs)**

NBFCs are categorized into nine groups, voluntary pension funds such as modarabas, real estate investment trust (REIT) management services, private equity (PE) and venture capital (VC) fund management services, assets management services, investment advisory services, leasing, housing finance services and investment finance services.

### **Currency in Circulation**

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

**Commodity Operations Financing**

This refers to advances provided to both government and 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 financing for commodity operations.

**Financial Auxiliaries**

These include financial corporations such as securities brokers, loan brokers, floatation corporations, insurance brokers etc. They also include corporations whose principal function is to guarantee by endorsement, bills or similar instruments intended for discounting or refinancing by financial corporations and corporations, which arrange hedging instruments such as swaps, options, and futures or other instruments, which are continually being developed as a result of wide-ranging financial innovation.

**Financial Derivatives**

These are financial instruments that have no intrinsic value, and are linked to another specific financial instrument or indicator (foreign currencies, government bonds, share price indices, interest rates, etc.), or to a commodity (gold, coffee, sugar, etc.) through which specific financial risks can be traded in financial markets in their own right.

**Households**

Households include employers, own account workers, employees and recipient of property & transfer income.

**Money Multiplier**

Money Multiplier is the ratio of stock of broad money (M2) to the stock of reserve money (M0). The money multiplier is measure of the extent to which the creation of money in the banking system causes the growth in the money supply to exceed growth in monetary base.

**NFPSE**

Non-Financial Public Sector Enterprises (NFPSEs) are controlled by government. The control may be exercised through ownership of more than half the voting shares, legislation, decree, or regulations that establish specific corporate policy or allow the government to appoint the directors.

**Other Financial Intermediaries**

The financial corporations engaged in financial intermediation, which raise funds on financial markets, but not in the form of deposits, and use them to acquire other kind of financial assets. These include discount houses, venture capital companies, mutual funds, housing finance companies and cooperative banks except Punjab Provincial Cooperative Bank.

**P.R.G.F (Poverty Reduction and Growth Facility)**

The Poverty Reduction and Growth Facility (PRGF) is the IMF's low-interest lending facility for low-income countries. PRGF-supported programs are underpinned by comprehensive country-owned poverty reduction strategies.

**Reserve Deposits (Banker Deposits)**

Banker Deposits refer to the balances maintained by the scheduled banks with the State Bank of Pakistan to fulfill the statutory obligations of maintaining certain minimum reserves with SBP.

**Restricted/Compulsory Deposits**

Deposits for which withdrawals are restricted on the basis of legal, regulatory or commercial requirements are referred as restricted deposits. These include compulsory saving deposits such as employees provident fund accounts, staff pension funds, employees security deposits, staff guarantee funds, import deposits and similar type of deposits related to international trade, security deposits, margin deposits and sundry deposits etc.

**Retained Earnings**

Retained earnings show undistributed after tax profit from the overall operations less any amount allocated to general and special reserves, which is established as a capital cushion to cover operational and financial risks.

**Shares Quoted**

The shares that are traded on stock exchanges are called quoted shares.

**Shares Unquoted**

Unquoted or non-quoted shares are those which are not traded on stock exchanges.

**Chapter 3-Banking System****Scheduled Banks**

“Scheduled Banks” means “all commercial and specialized banks (such as 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”

**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. Savings Deposits:  
Deposits held by the scheduled banks, consisting of cheque accounts on which a certain return is paid by the institution.
- v. Other Deposits:  
These generally include security deposits, margin deposits and sundry deposits etc.

**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.

**Rate of Margin for advances**

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

**Urban area**

Urban area means an area which falls within jurisdiction of Municipal Corporation, or Metropolitan Corporation, or Municipal Committee, or Town Committee, or Cantonment Board, or any other area which has developed urban characteristics, and is declared as urban area by the government under Local Government Act 1975. While the areas other than urban areas are classified as rural areas.

**Outstanding deposits**

This shows position of deposits held by banks at the end of the period (31st March, 30th June or 30th September). Deposits are the amount held in various types of deposit accounts by bank, such as demand deposits, time and saving deposits. Deposits include all types of deposits excluding interbank deposits, placements and margin deposits (deposits held by banks as collateral against letters of credits, letters of guarantees).

**Outstanding Advances**

This means the advances/loans recoverable at the end of the period (31st March, 30th June or 30th September). Advances includes all type of advances except interbank placements and is the amount of money borrowed from banks for a period of time at a rate of interest and at terms of repayments as agreed between the borrower and the banks backed by a collateral.

**Foreign Constituents**

This covers the transactions with the non-residents working in our economy. This includes Officials (Embassies consulates, foreign missions), Business (Corporations working in Pakistan for short periods as construction companies) and Personals (Students, travelers).

**Government**

This includes Federal Government, Provincial & Local Governments deposits and advances. Further, disbursements to Government (Federal, Provincial & Local) are made by bank branches located in various regions/Provinces, while in case of deposits, the bank branches located in the various regions/Provinces have mobilized the deposits from the Government (Federal, Provincial & Local). Similarly, disbursements to eight main borrowers (Foreign, Govt., NFPSEs, NBFCs, Private Sector, Trust Fund, Personal and Others) are made by bank branches located in various regions/Provinces, while in case of deposits, the bank branches located in the various regions/Provinces have mobilized the deposits from these eight categories.

**NFPSEs (Non-financial Public Sector Enterprises)**

These are the non-financial resident corporations, which are controlled by government, which may be exercised through ownership of more than half the voting shares, legislation, decree, or regulations that establish specific corporate policy or allow the government to appoint the directors.

**NBFCs & Financial Auxiliaries**

NBFCs (Nonbank Financial Companies) & Fin Aux.(Financial Auxiliaries) are categorized into groups of development finance institutions, leasing companies, investment banks, modaraba companies, housing finance companies, mutual funds, venture capital companies , discount houses, stock exchanges , exchange companies and insurance companies etc.

**Private Sector Business**

Includes nonfinancial corporations that are not controlled by the government and are mainly engaged in production of goods and services based on market prices for the benefit of its shareholders. It also includes quasi corporations, which maintain accounts separate from their owners. The classification of Private Sector Business in Pakistan is based on ISIC Rev 4, which covers all segments of business.

**Trust Fund**

This includes the Private Trusts and Non-profit Institution, Non-government Organization (NGOs)/Community Based and Organizations (CBOs).

**Personal**

This includes Bank Employees and Consumer Financing which are classified under advances, while in case of deposits, Salaried Persons, Self-employed and Other Persons (House-wives, students etc) are included.

**Others**

This includes all those, which are not classified elsewhere.

**Chapter 4- External Sector****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.

**Net Export of 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 items:

**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 n.i.e**

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.

**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**

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 installations, assembly work, 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 n.i.e.**

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 de-pollution, 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 Goods and Services n.i.e.**

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 non-produced, 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, nonfinancial 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 five key international currencies i.e., U.S. Dollar, the Euro, the Chinese Renminbi, the Japanese Yen, and the British Pound Sterling. 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 other economies. (A resident is a person who stays, or is expected to stay for a year or more in an economy with exception of students, patients, army personnel, diplomats deployed in overseas embassies, staff of international organizations.)

**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 Pakistan 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, on the other hand, is based on realization of export proceeds and import payments made through banking channel for goods exported and imported. The trade transactions such as in kind foreign economic assistance (Loans/ Grants), purchase of fuel, parts, food etc by Pakistan International Airline (PIA) & Pakistan National Shipping Corporation (PNSC) 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, differences may arise in the two sets of trade data due to valuation, timing and coverage of transactions.

**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.

**International Investment Position (IIP)**

It is the balance sheet of stock of external financial assets and liabilities. The main presentation divides data between assets and liabilities which is further classified as per functional categories. Assets are divided into direct investment, portfolio investment, financial derivatives, other investment and reserve assets. Liabilities are divided into direct investment, portfolio investment, financial derivatives and other investment.

**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.

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

**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. Laspeyres's formula is used for the computation of these indices that is as under:

$$\text{Unit Value Index} = \frac{\sum P_n Q_o}{\sum P_o Q_o} \times 100 \qquad \text{Quantum Index} = \frac{\sum Q_n P_o}{\sum P_o Q_o} \times 100$$

Where:

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

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

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

$Q_o$  = Quantity data (Volume) of each item during the base period

**Nominal Effective Exchange Rate**

It is an index of the bilateral nominal exchange rates of Pakistan relative to its major trading partners. The 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 Pakistan relative to the price of major trading partners or basket of currencies. 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 is weighted by its share in imports, exports, or total foreign trade.

**Chapter 5-Domestic and External Debt****National Saving Schemes**

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

**i. Behbood 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 Savings Certificates**

Government of Pakistan introduced Defence Savings Certificates (DSCs) scheme in the year 1966. The scheme has specifically been designed to meet the future requirements of the investors with a maturity period of 10 years. It is 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/-

**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 a 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) is 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 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.

**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.

**iv. Foreign Currency Instruments**

It includes FEBCs, FCBCs, DBCs and Special US Dollar Bonds held by the residents.

**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 of the economy as that of the debtor.

**Public and Publicly guaranteed debt**

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

**Chapter 6- Open Market Operation****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.

**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.

**Discount rate**

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

**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.

**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.

**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'.

**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

**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 scripless (non-physical form) form with interest payment on bi-annual basis.

**KIBOR – (Karachi Interbank Offered Rate)**

Interbank clean (without collateral) lending/borrowing rates quoted by the banks on Reuters are called KIBOR. 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 as bid. The tenors available in KIBOR are one week to 1 years. KIBOR is used as a benchmark for corporate lending rates.

**Call Money Rate**

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

**Open Market Operations**

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

- Operationally, in case of OMO (Injections), SBP lends funds to banks/PDs against eligible collateral to address liquidity shortage in the system. In OMO (Mop-up), SBP sells MTBs to banks against funds to remove surplus liquidity from the system.

- SBP conducts four types of open market operations (OMOs) to manage system's liquidity:

- i. Injection – Reverse Repo: (To tackle short market positions)
- ii. Mop-up – Repo (To tackle long market positions)
- iii. Outright Sale or Purchase (long-term liquidity mgt.)
- iv. Bai-Muajjal (Islamic mode - Deferred Payment)

**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.

**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 developed 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.

**Ordinary Shares**

The most common term of shares that entitles their holders to have ownership in the company. Holders may receive dividends depending on profitability of the company or recommendation of the directors.

**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.

**Preference Shares**

Preference Shares are issued by a company and the company pays a fixed amount of dividend, irrespective of its earning profit or loss. The share-holders generally have no voting rights.

**Chapter 8- 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 is 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.

## **Chapter 10- Public Finance**

### **Debt Rescheduling**

Debt Rescheduling is undertaken through an agreement between the borrower and the creditor to re-arrange the schedule of principle and interest payments due on the debt outstanding. In addition, the rescheduling agreement may include provisions for debt relief to enable the borrower to regain its financial strength to service the rescheduled debt obligation.

### **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 11- National Income Accounts**

### **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 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.

### **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.

**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.

**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.

**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.

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



## **NOTES, SYMBOLS AND ABBREVIATIONS**

|                           |  |
|---------------------------|--|
| <b>P</b>                  | Provisional  |
| <b>E</b>                  | Estimated  |
| <b>R</b>                  | Revised  |
| <b>-</b>                  | NIL  |
| <b>--</b>                 | Not Applicable   |
| <b>..</b>                 | Negligible   |
| <b>...</b>                | Not Available  |
| <b>n.i.e.</b>             | Not Included Elsewhere   |
| <b>AJ&amp;K</b>           | Azad Jammu and Kashmir   |
| <b>CAA</b>                | Civil Aviation Authority   |
| <b>CY</b>                 | Calendar Year refers to the period from 1 <sup>st</sup> January to 31 <sup>st</sup> December |
| <b>DFIs</b>               | Development Finance Institutions   |
| <b>FY</b>                 | Fiscal Year refers to the period from 1 <sup>st</sup> July to 30 <sup>th</sup> June          |
| <b>HBFC</b>               | House Building Finance Company   |
| <b>IMF</b>                | International Monetary Fund  |
| <b>ISIC</b>               | International Standard Industrial Classification   |
| <b>KIBOR</b>              | Karachi Interbank Offered Rate   |
| <b>KP</b>                 | Khyber Pakhtunkhwa   |
| <b>MFB</b>                | Microfinance Bank  |
| <b>MFI</b>                | Microfinance Institutions  |
| <b>NBFC</b>               | Non-Bank Financial Company   |
| <b>NHA</b>                | National Highway Authority   |
| <b>NFC</b>                | National Fertilizer Corporation (Pvt).   |
| <b>NPIs</b>               | Non-Profit Institutions  |
| <b>OGDCL</b>              | Oil and Gas Development Company Ltd.   |
| <b>PBS</b>                | Pakistan Bureau of Statistics  |
| <b>PFI</b>                | Participating Financial Institutions   |
| <b>PLS</b>                | Profit and Loss Sharing  |
| <b>PMRC</b>               | Pakistan Mortgage Refinance company  |
| <b>PPCBL</b>              | Punjab Provincial Co-operative Bank Ltd.   |
| <b>PSX</b>                | Pakistan Stock Exchange  |
| <b>PTCL</b>               | Pakistan Telecommunication Company Ltd.  |
| <b>SBP</b>                | State Bank of Pakistan   |
| <b>SBP BSC<br/>(Bank)</b> | SBP Banking Services Corporation (Bank)  |
| <b>SDR</b>                | Special Drawing Rights   |
| <b>WAPDA</b>              | Water and Power Development Authority  |
| <b>ZTBL</b>               | Zarai Taraqiyati Bank Ltd.(Formally ADBP)  |

## CONVERSION COEFFICIENTS AND FACTORS

| <u>Unit</u> | <u>British / US<br/>equivalents</u> | <u>British / US units</u> | <i>Equivalents</i> |
|-------------|-------------------------------------|---------------------------|--------------------|
|-------------|-------------------------------------|---------------------------|--------------------|

### L E N G T H

|                   |  |                   |                      |
|-------------------|--|-------------------|----------------------|
| 1 centimeter (cm) | 0.393701 inch (in)                         | 1 in              | 2.54 cm              |
| 1 meter (m)       | 3.280840 feet (ft)<br>1.093613 yards (yds) | 1 ft<br>1 yd      | 30.48 cm<br>0.9144 m |
| 1 kilometer (km)  | 0.621371 mile (mi)                         | 1 mile (1760 yds) | 1.609344 km          |

### A R E A

|                            |   |                          |                |
|----------------------------|---|--------------------------|----------------|
| 1 square meter (sq m)      | 10.763911 square feet (sq ft)<br>1.195990 square yards (sq yds) | 1 sq yd                  | 0.836127 sq m  |
| 1 hectare (ha)             | 2.471054 acres  | 1 acre (4840 sq yds)     | 0.404686 ha    |
| 1 square kilometer (sq km) | 0.386102 square mile(sq mi)                                     | 1 sq mile<br>(640 acres) | 2.589988 sq km |

### V O L U M E

|                            |  |                    |                                  |
|----------------------------|--|--------------------|----------------------------------|
| 1 cubic centimeter (cu cm) | 0.061024 cubic inch (cu in)                                  | 1 cu in            | 16.387064 cu cm                  |
| 1 cubic meter (cu m)       | 35.314667 cubic feet(cu ft)<br>1.307951 cubic yards (cu yds) | 1 cu ft<br>1 cu yd | 28.316847 cu dm<br>0.764555 cu m |

### W E I G H T

|                  |  |   |                              |
|------------------|--|---|------------------------------|
| 1 ton - tone (t) | 1.102311 short tons<br>0.984207 long ton | 1 short ton (2000 lb)<br>1 long ton (2240 lb) | 0.907185 t<br>1.016047 t     |
| 1 kilogram (kg)  | 2.204623 pounds (lbs)<br>1.071692 seers  | 1 lbs<br>1 Tola                               | 0.453592 kg<br>11.6638125 gm |
| 1 gram (gm)      | 0.035274 ounce (oz)                      | 1 oz  | 28.349523 gm                 |

### C A P A C I T Y

|                 |   |   |  |
|-----------------|---|---|--|
| 1 liter (l)     | 0.879877 imperial quart<br>1.056688 US liquid quarts<br>0.908083 US dry quart | 1 imperial quart<br>1 US liquid quart<br>1 US dry quart<br>1 Imperial gallon (gal)<br>1 US gallon | 1.136523 liters<br>0.946353 liter<br>1.101221 liters<br>4.546092 liters<br>3.785412 liters |
| 1 imp Gallon    | 4 imp quarts<br>8 Pints   | 1 Pint  | 0.568261 liter   |
| 1 Bale (Cotton) | 170.09711 kilograms or 375 lbs.   |   |  |