A Resource Handbook for Economic and Business Journalists in Pakistan

Center for International Private Enterprise
an affiliate of the U.S. Chamber of Commerce

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On the cover: (left to right) Economic journalists tour the Cairo and Alexandria Stock Exchange as part of a CIPE, Al-Ahram Regional Press Institute, and International Center for Journalists program; Roundtable participants finalize recommendations on ways to increase access to financing options for Pakistan's information technology sector; Ukrainian Prime Minister Yuri Yekhanurov speaks at a press conference held at the "Ukraine: Business and Economic Priorities" event sponsored by CIPE, the Institute for Competitive Society, and the Ukrainian Center for Independent Political Research.

The Center for International Private Enterprise is a non-profit affiliate of the U.S. Chamber of Commerce and one of the four core institutes of the National Endowment for Democracy. CIPE has supported more than 1000 local initiatives in over 100 developing countries, involving the private sector in policy advocacy and institutional reform, improving governance, and building understanding of market-based democratic systems. CIPE provides management assistance, practical experience, and financial support to local organizations to strengthen their capacity to implement democratic and economic reforms. CIPE programs are also supported through the United States Agency for International Development.

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Preface

Over the past four years, Pakistan has sustained an average economic growth rate of 7%, making it one of the fastest growing economies in Asia. The country's growing emphasis on economic liberalization and privatization has highlighted a need to expand the scope and quality of information available to both decision-makers and the public.

The media has the responsibility, as well as the opportunity, to provide society with objective, accurate, and timely information and thorough analysis of economic trends and events. Today, there is a growing demand in Pakistan for journalists with knowledge in the fields of economics and finance to interpret economic information and present its implications to the public through various media outlets.

Economic and financial reports, particularly in terms of print media, generally focus on describing specific events without providing the background and analysis necessary for the public to understand the potential effects of new positions or policies. Incomprehensible jargon is regularly used in news reports without an explanation of the context and meaning of such words, thereby alienating ordinary readers or viewers by catering – intentionally or otherwise – to those already involved in business and finance.

The Center for International Private Enterprise (CIPE) has partnered with the Pakistan Press Foundation to leverage its expertise in this area and deliver need-based journalist training through an ongoing series of workshops in cities throughout Pakistan. These training sessions will provide those in the media with additional information and skills to engage in substantive policy debates and work effectively with government and the business and financial communities.

In the course of designing these training sessions, CIPE discovered a need for a resource guide and glossary of economic and business terminology with local content and references. This resource guide, created by CIPE and vetted by the Chartered Financial Analyst's Association of Pakistan for its technical content, will assist media professionals in understanding how to present complex economic material at a level that is clear to all audiences. CIPE acknowledges the support provided by Mr. Kamal Siddiqui, a senior economic journalist, who reviewed the publication and provided input for editorial improvements.

Introduction

Free and unbiased business and economic reporting is essential for the development of democracy in Pakistan. Access to information is the fundamental right of every Pakistani and the press can play a vital role in this regard. However, journalists in Pakistan often lack training, leading to biased, incomplete, or inaccurate reporting that prompts readers and viewers to lose interest in the story.

Business and economic reporting is very different from reporting on crime, social issues, entertainment, or political developments. If you turn to the business pages of any daily newspaper or watch any business TV channel in Pakistan, you will find news on the stock market, industry, foreign exchange market, or the economy in general. You will also see that most of these news items use business and economic jargon without giving the reader the context necessary to understand the story, thereby leaving many questions unanswered in the minds of the audience. Millions of average Pakistani readers are the main consumer of these business stories, yet they are often unable to understand what they read, see, and hear.

This manual is not a comprehensive guide for the business journalist; rather, it is designed to give some guidelines about the basics of business and economic reporting. It will also suggest some easy ways to understand the jargon and terms used in banking, businesses, commodities, international markets, and the economy in general.

Organization of the Handbook

The handbook is divided into two parts. The first part provides journalists with some tips and techniques to improve business reporting skills. The second part contains a glossary of the most commonly used business terms used by Pakistani publications. Wherever possible, useful website links have been provided to help readers learn more about a particular term and its usage in Pakistan.

Acknowledgements

The glossary was compiled with the help of Wikipedia, the free online encyclopedia. The author also consulted the Economic Survey of Pakistan (2005-06), the Federal Bureau of Statistics website, the Annual Report of the State Bank of Pakistan (2004-05), and the website of the National Savings Organization, Ministry of Finance, Government of Pakistan. Key online resources are highlighted in the final section, List of Resources.

Economics - Is It News to You?

Economic Gobbledygook

Gobbledygook is a word that describes hard to understand, obscure, and unnecessarily complicated language. The origin of the word is particularly illuminating when contemplating what economic jargon sounds like to the average reader. In 1944, an American Congressman named Maury Maverick was tired of overly complicated government language. So, he concocted *gobbledygook*, a word reminiscent of the sound a turkey makes, which is called gobbling in English. The image of a turkey making a sound no one can understand brings to mind the indecipherable jargon sometimes used in economic and business reporting.

Some tips to help avoid gobbledygook in business and economic reporting:

- Use plain language that people use in normal conversation.
- Remember that not only economists read the news! For average readers and viewers, economic gobbledygook is dull, boring, and confusing.
- Journalist should try to translate economic jargon by using simple, ordinary words rather than opting for big words, complicated language, and run-on sentences.

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Let's look at this excerpt from a daily Pakistani newspaper reporting on the State Bank of Pakistan's quarterly report as an example:

> *Whereas an increase of Rs103 billion in consumer loans was 22.7 percent of the increase in overall loans, it was equal to only 11.4 percent of the total outstanding loans of Rs1,804 billion at the end of last fiscal year, up from 7.6 percent a year earlier. Even then it was the third largest component of the banks' overall credit, after the corporate sector and small and medium size enterprises (SMEs). The corporate sector exhibited a reduced appetite for credit during the last fiscal year, though it received additional loans of Rs203 billion. At end-June 2004, the total outstanding corporate loans were worth Rs741 billion; the amount grew to Rs944 billion at end-June 2005...*

While an economist can easily understand this kind of language, the average reader sees only gobbledygook. A journalist's job is to break down the statistics and give the reader an idea of what it really means.

The A B C's – Deciphering Acronyms

As a general rule, when referring to organizations, programs, or people, reporters should avoid the use of acronyms and abbreviations.

Journalists need to give the full or partial name of an organization when referencing it in a story. This clarifies the context for the reader and saves him/her the agony of searching the article to find the definition of a particular acronym. PEMRA, PTA, MCA, PPIB, PSEB, EDB, PNSC, NAFTA, SAFTA, SAARC, and other acronyms will provide little help to average readers and viewers who are not familiar with economic or business abbreviations.

Look at the following excerpt taken from a daily Pakistani newspaper. Do you think this reporting style caters to the average reader? What might improve this piece's readability?

> *…Pakistan Telecommunication Authority (PTA) is planning to initiate a final survey in the first week of September for checking the Quality of Service (QoS) of some cellular service provider companies across the country, sources close to telecom watchdog told newspaper. Sources informed this scribe that the telecom regulator (PTA) would initiate a vigilant survey against the poor service of Cellular Wireless and PhoneTel across the country. PTA had earlier issued show cause notices to the respective operators for their bad cellular service all over the country. The telecom watchdog had recently warned Cellular Wireless that it will slap a Rs350 million fine on it and terminate its license if the mobile phone company does not respond to a show-cause notice within 30 days. The company then approached the telecom watchdog and a team of Cellular Wireless officials gave a detailed presentation about their cellular service but failed to get the sympathies of the PTA...*

* Note: Names of the companies mentioned in the original news item have been changed in this example.

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Give Them More, More, and More

Define and Explain

Business and economic terms can be hard to avoid, yet defining them poses the threat of over-simplification. Some tips for journalists on how to walk that delicate balance:

- Clarity in reporting is more important than brevity.
- Try to define every business and economic term, even common ones, to help readers or viewers.
- Create a list of brief definitions to explain economic terminology and insert it into the story. This helps the readers get a complete picture.
- When composing a news piece, the journalist should reference the handbook's glossary, consult business and economics dictionaries, or visit websites such as those referenced in the introduction to ensure that he/she has a complete understanding of the ideas.

See how a reporter explained the gross domestic product (GDP) of China in as few words as possible:

> *Economic growth in China strengthened in early 2006, despite attempts by China's government to slow economic activity to a more sustainable pace during 2005. Gross domestic product, the broadest measure of economic activity, reached 4.33 trillion Yuan (about US$540 billion) in the March quarter 2006…*

Numbers, Figures, and Statistics

Simplify Statistics

Below is an excerpt from a Pakistani daily newspaper:

> *In spite of a Rs60 billion rise in its deposit base over June 2005, the half-year profit paid by one of the big banks rose by only Rs1.98 billion reflecting a rise of slightly over 0.8 percent per annum on the average of its closing deposit figures at the end of the first half of 2005 and 2006. Based on the same formula, in case of another big bank (whose deposit base rose by Rs27 billion over 2005), profit payment on deposits rose by just 0.63 percent per annum. Based on the 2006 half year figures, the annualized return on equity of the big five ranges between 21.45 and 50.74 percent.*

For an economist, understanding the above passage is intuitive. But does it make sense to the average reader? The story is about the banking sector's excessive

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profits. For the average reader, statistics are an alien language. The reporter's job is to put the statistics in context and explain why these changes are important. After writing an economic piece, the reporter needs to ask him/herself, "What does this mean?" Then the reporter should put him/herself in the shoes of the average reader and ask again, "What does this mean?" These answers need to be clearly expressed in the news item.

In business news and stories, the precision and accuracy of the reported data is highly significant. However, most of the time journalists make the fatal mistake of bringing in too many statistics. This clutters the story and loses the reader's interest by introducing intimidating numbers and figures (see the above passage), thereby discouraging readers and viewers from finishing the piece. The following are some tips for journalists on how to organize the statistics:

- Do not report numbers by themselves. Numbers only have meaning in context.
- Too many numbers and statistics overwhelm the readers and viewers, becoming daunting and difficult to comprehend.
- Avoid using figures that are not crucial to the story.
- Rather than listing statistics, present data in the form of charts, tables, and graphs. Television anchorpersons on business programs should develop the habit of using charts and graphs in their programs.
- Numbers and figures using decimals appear more menacing. Rounding them off makes them less intimidating. It is important to note, however, that some figures require accuracy and precision – every decimal point counts. For example, if the news says that the State Bank of Pakistan increased its discount rate by approximately 0.5% when it actually increased by 0.45%, the difference is significant for the financial sector. Reporters must decide, based on their probable audience, when it is appropriate to round and when exact figures must be maintained.
- It is a good idea to include additional information regarding figures and statistics at the end of the story for those who are interested in them. Most readers and viewers will have a limited interest in the figures, preferring instead to know what the figures mean for the economy as a whole.
- When reporting statistics, it is always better to have an explicit comparison to other numbers to demonstrate their relative worth, such as a comparison to the previous fiscal year or the previous quarter.

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- A reporter should ask questions when gathering statistics in order to gain a full understanding of the number's meaning and significance. How does this number compare to other cities, other provinces, other countries, even other eras? How does this number compare to total spending, spending on necessities, spending on luxuries, spending on other kinds of goods? This emphasizes the reporter's analytical skills and makes the reporter a more trustworthy news emissary for the public.
- A journalist should ensure that all figures are correct and have them double-checked to avoid errors.

Below is excerpt from a Pakistani daily newspaper, with figures shown in comparison to the fiscal years. In this selection, the author clearly describes the relevant statistics by giving them context and using them as the basis for his final conclusion.

> *The Karachi city population, which stood at a mere 200,000 in 1947 had, according to the 1998 census, soared to nearly 9.6 million in 1998 and is now estimated to have swelled to 13.4 million in 2005. Truly, it has become an industrial, financial and commercial centre and contributes nearly 56 percent in overall federal tax revenues.*

Story Time

Create a story around numbers

Reporters should recognize that while numbers may support an argument, they are generally not the whole story. Numbers are meaningless when they are just numbers; a news piece should provide context, the setting, and an explanation for the figures. Here are some tips on framing a story around numbers:

- The reporter should analyze the facts and figures, try to identify the purpose of the story, and ask, "What is the story in the numbers? What is happening with these figures?"
- When journalists write about trade, taxes, and other numbers in billions or millions, they become meaningless to the readers unless they are being used in some context.
- Remember, business reporting is not just for economists. A reporter needs to explain the meaning of statistics in the lead or beginning of the story – the actual figures can come later.

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Here is an excerpt that highlights the importance of asking these questions:

> *The figures recently released by the government suggest that the economic growth looks promising, with growth figures touching 5%, inflation rate at 6.5%, the unemployment rate stood at 5%, and the budget deficit around 1.5%...*

The reporter needs to ask first, "What is happening here? Is the above performance good or bad? In comparison to what?" The reporter needs to think like a reader or a viewer. How could the reporter interpret the incomplete information above in order to explain it more effectively? Below is an improved version of the above passage. In this version, the readers are in a better position to judge the performance of the economy. What are some other ways this snippet could be improved for greater understanding?

> *The government claims that for the fiscal year 2006-07, the outlook on economic growth looks good. The economy is likely to grow by 5% this year, significantly up from last year's rate of 3.5% (2005-06). The inflation rate is expected to fall to 6.5%, down from 7% last year. As a result of growth, the unemployment rate will drop to a record low 5% down from 5.5% last year, and the budget deficit is likely to improve this year to 1.5% from 2.5% last year.*

Reporting the Full Story

Considering other perspectives, alternatives, and sides to a story

A journalist's job is to report the news as objectively as possible. No reporter can be completely impartial, however, and business stories are often concluded with a reference to the journalist's individual opinion. An effort to present every side of the story can eliminate reporter bias in business stories. Journalists need to build credibility in the minds of their readers and viewers. They can do this by presenting all sides of a story and leaving the final interpretation to the readers.

Some tips for journalist objectivity are given below:

- Do not tell just half of the story.
- Do not hide one side of the story.
- Try to find all the characters of the story, all the stakeholders, all the participants in the market, and all the people that matter. There are consumers and producers, bosses and workers, partners and competitors, locals and foreigners – and all these groups must be consulted when developing a piece. Try to obtain information on supply and demand, wages and profits, costs and prices, etc., in order to supply the reader with different opinions and angles.

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- Ask experts what their opponents would say on the issue. The reporter should not advocate for an issue unless he/she can make a strong case for the other side as well.
- The reporter needs to understand that some people may disagree with his/her analysis.

And…Action!

Find the human angle in each story

Often, journalists assume that business reporting is all about numbers, figures, economics, and executives. Too often, the average people are forgotten. People want to know how economic statistics and developments will affect them. A reporter should always ask, "What consequences will this event have for Pakistanis? What substance and human element does this story have?"

Below is an excerpt about the famous sugar scam, taken from a daily Pakistani newspaper.

> *The Monopoly Control Authority (MCA) has found 28 sugar mills – some of them owned by politicians and industry tycoons – involved in hoarding of sugar, sources told this scribe. The MCA has directed these mills to make their stocks available within a month so that the high prices of sugar could be brought down. "The influential sugar industry tycoons will have to comply with the MCA orders and in case of non-compliance strict legal action will be taken," a high-level official said here...*

What makes this piece interesting? It:

- Hooks readers by giving them real-life stories on which to focus.
- Uses anecdotes to lead into the story – it will help readers and viewers relate to the topic.
- Paints a picture in the readers' minds by giving them the facts, details, and descriptions of the events and people that matter in the story.

For example, news about the price of public transportation, petrol, food, cars, utilities, taxes has a direct or an indirect link to the readers. Any story involving a consumer product will affect readers on a personal level.

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Out to Be a Trendsetter?

Remember, do not report fake trends

While anecdotes are a useful lead-in to the story, sometimes reporters go overboard and relate facts that are far-fetched or simply untrue.

- Anecdotes should only be used when they are applicable and are not grossly unrepresentative of the issue at hand.
- Anecdotes should not be fabricated.
- Before using a second-hand anecdote, reporters need to talk to experts in the field who are known for their unbiased analysis to ensure that the information is reliable, accurate, authentic, and would make sense if included in the news.

Why Is It Important to Me?

Explaining the importance of business

A good business story should explain to its readers why and how the story is important, the underlying issues that make it important, how the story unfolded, possible outcomes, and who could be affected. Some tips for journalists:

- Ask questions: Why is it important for the readers or viewers?
- By explaining the importance of business news, a journalist can make it understandable to the audience.
- Report the facts at the beginning of a story, then explain their importance.
- The best stories report unintended consequences.
- Always ask what incentives people see and their reactions to any events or developments in the business world.

Be a Detective – Finding Your Story

Look for clues in unusual places

Journalists do more than cover events; rather, they should present a complete picture of the story by digging up facts and investigating unseen clues.

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- Do not rely solely on press releases. Go beyond them! The journalist is not a porter who transports press releases from the government or companies to newspapers or television. A good journalist puts the information in a press release into context and explains the significance of the news to readers.
- Research as much as possible. For example, look at the company's financial statements to learn the financial position of the company before reporting on the organization's growth.
- Talk to all the players to get a complete picture. They may be suppliers, distributors, shareholders, consumers, or competitors, but they all have a different piece of the story.

Here is an excerpt from a daily Pakistani newspaper to illuminate the above tips:

> *…National Airlines is selling tickets below cost just to bulldoze its competitors – that is unfair," says the former chairman and now chief executive officer of Seagull Airlines. "With its huge capacity and back up of unlimited government financial aid, National Airlines has no right to raze the aviation industry in the country," he said. If the situation was not checked, it would establish a monopoly in the country, former chief executive officer of National Airlines (now managing director of Asian Airlines) said while talking with The News on telephone.*

A good reporter would also take the point of view of National Airlines to form a balanced opinion. The key is to share views of all parties and leave the decision to the readers and viewers. For example, a balanced article would also include the following paragraph from the point of view of National Airlines:

> *National Airlines has denied that it has any intention of destroying its local competitors and said fare reduction was just a marketing strategy. National Airlines feels that one has to look at the competitive aspect while drawing a marketing strategy. "As a first step, comparable fares have been offered to domestic passengers. With the offered comparable fares, we expect to improve our set utilization," the National Airlines spokesperson said in a written statement when this reporter contacted her for National Airlines' comment.*

Readers are now in a better position to analyze the situation.

Know Thy Sources

Find reliable and trustworthy sources.

When getting information from experts, be sure to verify that the interviewee is the best possible source of information on the topic. For example, do not ask the CEO of the state oil company about sugar prices!

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- Identify the source to get authentic information. The source should be reliable, trustworthy, and relatively unbiased.
- Background research should be done analytically. It can be done on the Internet, by interviewing top executives or spokespersons, through discussions with former employees and executives of the company, by visiting the company's factories, distributors, headquarters, etc. University faculty can also be good sources of background information.

Politics…Politics…

Do politicians always tell the public the truth?

Pakistanis have witnessed that when in power, politicians try to defend the Government's policies, but when in opposition, they criticize the Government's performance. For example, the recent claim of the Government that the poverty ratio in Pakistan decreased from 34.5% in 2001 to 24% in 2005 has been widely criticized in the press. In these situations, a good reporter must not rely on the press releases or press conferences of the minister or advisor alone. Instead, the reporter should interview representatives of the Government as well as independent sources, and then contrast these points of view for the reader or viewer. The reporter should ask insightful questions to get all of the relevant information, then step back and be skeptical.

As always, it is important to consider the biases of various sources and to weigh information in light of these biases. Breaking the news first is always exciting, but the consequences that result from incorrect reports can be quite severe. Double-check facts and figures before publication. Consider whether each piece would be stronger and more honest if one more source could provide information.

How to Make Your Story Interesting

Where Can You Find Exciting Stories?

- Minister's or advisor's statement, press release, press conference
- Services sector
  Banking, insurance, retail trade, telecom, education, health, etc.
- Industrial sector
  Cement, textile, engineering, sugar, flour, etc.
- Company announcements
- Stock market
- Money market
- Commodity market
- Foreign exchange market
- Small and medium enterprises
- Agriculture sector
- Infrastructure
  Transport and Communications, energy, environment and housing
- Trade policy
- Investment policy
- External sector
- Fiscal policy and monetary policy
- Privatization policy
- Chambers of commerce
- Business or industry associations

What Information to Report?

- Companies' financial reports
- New products
- Mergers and acquisitions
- Stock market's performance
- Management change at a company
- Privatization of national assets - cost-benefit analysis
- Cartel formation or monopoly power in an industry
- Economic changes, e.g. economic growth, inflation, unemployment, poverty, exports, imports, national debt
- Financial scandals
- Bankruptcies
- Price of petrol, diesel, gas, electricity, and other essential items
- Market competition
- Interest rate movements

Questions to Ask Yourself Before Writing Your Story:

- Why?
- Where?
- When?
- Who?
- How much?
- How many?
- So what?
- Good or bad?
- Relative to what?
- Compared to what?
- How long?
- Short term?
- Long term?
- Shrinking?
- Growing?
- Stagnant?
- Why is this story important?
- Will this story be of any interest to the reader/viewers?
- Dig...Dig...Dig...

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Glossary of Terms

A

Absolute poverty: The poverty threshold, or poverty line, is the level of income below which one cannot afford to purchase all the resources one requires to live. People who have an income below the poverty line have no discretionary disposable income, by definition.

Acid test ratio: Also 'quick ratio.' Measures the ability of a company to use its "near cash" or quick assets (see entry under 'Q') to immediately extinguish its current liabilities. This ratio implies a liquidation approach and does not recognize the revolving nature of current assets and liabilities. The acid test ratio can be described as (CA-S)/CL, where CA is current assets, S is stock, and CL is current liabilities.

Ad valorem: A type of tax, including property tax and duties on imported items, that is levied in proportion to the value of the goods. An example of an ad valorem tax would be a value-added tax.

Advances: Loans given by a financial institution. These loans can take various forms and are repaid with interest.

Aggregate demand (AD): The total demand for goods and services in the economy during a specific time period. Moreover, the aggregate demand is known as the amount of goods and services people want to buy. The aggregate demand function is represented as: Yd= C+I+G+NX. This function shows that aggregate demand (Yd) is equal to the sum of consumption (C), investment (I), government spending (G), and net exports (NX).

Aggregate supply: The total supply of goods and services by a national economy during a specific time period. Aggregate supply is generally linked to price; as prices rises, so does the rate of production of goods and services.

Agricultural sector: Part of the whole of a country's economy, focused on products that can be grown or cultivated. In Pakistan, the sector comprises farming, fishing, forestry, and hunting.

Aid: Also 'international aid,' 'overseas aid,' 'foreign aid.' Assistance, generally economic, provided to communities or countries in the event of a humanitarian crisis or to achieve a socioeconomic objective.

Appreciation: A term used in accounting related to an asset's increase in value. It is the reverse of depreciation, which measures the fall in value of assets over their normal life-time. Appreciation is also the increase in value of a currency in a floating exchange rate system.

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Asset demand: The desire to hold wealth or assets. Assets may be held as shares, property, or cash.

Asset: A resource controlled by the enterprise as a result of past events and from which future economic benefits are expected to flow.

Average cost: The price most representative of all prices over time. Average cost is equal to total cost divided by the number of goods produced (Quantity-Q). It is also equal to the sum of average variable costs (total variable costs divided by Q) plus average fixed costs (total fixed costs divided by Q).

Average rate of return (ROR): Also 'return on investment (ROI),' 'return.' A measure of profit; a ratio of money earned (or lost) to the amount of money invested.

Average rate of tax: The total amount of income tax paid as a percentage of a person's income. For example, if a person earns Rs 20,000 and has paid Rs 2,500 in income tax, his average rate of tax is 12.5%.

Average revenue: Also 'price.' Total revenue divided by the level of output.

B

Balance of payments (BOP): A measure of the payments that flow between a particular country and all other countries. It is determined by a country's exports and imports of goods, services, and financial capital, as well as financial transfers. (see also 'capital account' and 'current account').

Balance of trade: Also 'net exports (NX)'. The difference between the monetary value of exports and imports in an economy over the course a certain period of time. A positive balance of trade is known as a trade surplus and occurs when a country exports more than it imports; a negative balance of trade is known as a trade deficit or, informally, a trade gap.

Balance sheet: In formal bookkeeping and accounting, a statement of the book value of a business, organization, or person at a particular date, often at the end of its "fiscal year." A balance sheet is distinct from an income statement, also known as a profit and loss account (P&L), which records revenue and expenses over a specified period of time.

Base year: The year in which calculations, usually indices, commence and with which other years are compared.

Black economy: Also 'underground market,' 'black market.' Economic activity involving unrecorded dealings, typically the buying and selling of merchandise or services illegally.

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Broad money: The most general definition of money. 'Money' includes paper notes and coins held in private hands, bank deposits, and deposits held outside the banking sector. The most commonly used measure of broad money in Pakistan is M2.

Budget deficit: A shortage that occurs when government expenditure exceeds government income.

Budget surplus: An excess that occurs when government income exceeds government expenditure.

Business cycle: Refers to the ups and downs seen somewhat simultaneously in most parts of an economy. The cycle involves shifts over time between periods of relatively rapid output growth (recovery and prosperity) and periods of relative stagnation or decline (contraction and recession). These fluctuations are often measured using the real gross domestic product (see GDP).

C

Capacity: The degree of use of economic factors of production. When the economy is at full capacity, all factors of production are used to the maximum extent possible.

Capital: A measure that includes factories, machinery, tools, and various buildings. These factors are inputs for production of goods and services.

Capital account: Part of the balance of payments total. Specifically, accounts that measure the flows of capital in and out of the country, especially debt.

Capital expenditure (CAPEX): Company outlay to acquire or upgrade physical assets such as equipment, property, or industrial buildings. In accounting, a capital expenditure is added to an asset account (i.e. capitalized), thus increasing the asset's basis.

Capital flight: Occurs when assets and/or money rapidly flow out of a country, due to an economic event that disturbs investors and causes them to lower their valuation of the assets in that country or otherwise to lose confidence in its economic strength.

Capital gains: Profit that results from the appreciation of a capital asset from its purchase price.

Capital goods: Real products that are used in the production of other products but are not incorporated into the other products themselves, such as factories or tools.

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Capital inflows: The movement of money into a country. Inflows may be in the form of the purchase of shares, the purchase of companies, or loans by overseas companies, among others.

Capital markets: Also 'securities markets.' A place where companies and the governments can raise long-term funds through the sale and purchase of securities. The capital market includes the stock market and the bond market.

Cartel: A group of formally independent producers that collude to fix prices, limit supply, and limit competition in order to increase profits.

Cash crops: Agricultural products that are produced to earn a profit in the market.

Cash flow: The amount of cash received and spent by a business during a defined period of time. Sometimes tied to a specific project.

Central bank: Also 'reserve bank,' 'monetary authority.' The entity responsible for the monetary policy of its country. The State Bank of Pakistan serves such a role.

Certificates of deposits (CDs): A time deposit. CDs have a specific, fixed term, often ranging from three months to five years. It is intended that the CD be held until maturity, at which time the money may be withdrawn together with the accrued interest. CDs generally accrue a higher rate of interest than money deposited in a savings account.

Commercial bank: A type of financial intermediary and a type of bank. It raises funds by collecting deposits from businesses and consumers via current deposits, savings deposits, and time (or term) deposits. Those funds are used for loans to businesses and consumers, as well as the purchase of corporate or government bonds. Its primary liabilities are deposits and its primary assets are loans and bonds.

Commercial paper: A money market security issued by large banks and corporations. It generally is not used to finance long-term investments, but rather for purchases of inventory or to manage working capital. There are four basic kinds of commercial paper: promissory notes, drafts, checks, and certificates of deposit.

Commodity production sector: In Pakistan, the sector comprises agriculture, mining and quarrying, manufacturing, construction, and electricity.

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Consumer goods: Items used by households.

Consumer Price Index (CPI): The main measure of changes in retail prices. It measures changes in the cost of buying a representative fixed basket of goods and services and generally indicates inflation rate in the country. The CPI series cover 35 urban centers in Pakistan. Depending upon the size of the city, pricing information is obtained from 1 to 13 markets. The current CPI (2006) covers 374 items in the basket of goods and services, which represent the tastes, habits, and customs of the people.

Consumption: Expenditure by households on goods and services.

Construction sector: This sector is included in the calculation of Pakistan's gross domestic product and includes all construction, repair, addition, alteration, and demolition activities carried out in the economy by households, private bodies, public institutions, and the government.

Continuous Funding System (CFS): A system by which the financer provides funding to its clients or applicants. On August 22, 2005, CFS replaced the Carry Over Transaction (COT) system in the Karachi Stock Exchange (KSE) to enhance the level of liquidity in the market and facilitate alternative modes of leverage financing.

Core inflation: A measure of inflation that excludes items with volatile prices. In Pakistan, core inflation = CPI – (food + gas + electricity + kerosene + CNG + diesel + petrol).

Corporation tax: Also 'corporate tax.' A tax on firms' profits, charged as a percentage of a firm's profits.

Cost of living: The average cost of a variety of expenses for living such as rent, transportation, insurance, utilities, etc.

Cost-push inflation: Also 'supply-shock inflation.' A type of inflation caused by large increases in the cost of important goods or services where no suitable alternative is available.

Cost of production: The price of an object as determined by the sum of the cost of the resources that went into making it. The cost can be made up of the cost of any of the factors of production, including labor, capital, land, or technology.

Crowding out: In economics, a situation that occurs when the government expands its borrowing to finance increased expenditure (i.e., is engaged in deficit spending), crowding out private sector investment due to higher interest rates.

Notes

D

Current account: An element of balance of payments. The sum of the balance of trade (exports less imports of goods and services), net factor income (such as interest and dividends), and net transfer payments (such as foreign aid).

Current account deficit: When a country imports more goods and services than it exports. This affects the balance of payments, generally negatively.

Debt servicing: The repayment of interest and principle to external creditors.

Defense saving certificates: The Government of Pakistan introduced Defense Savings Certificates in 1966 to raise funds. The certificates mature at 10 years and automatically renew unless funds are withdrawn.

Demand: The quantity of a good that consumers are willing and able to purchase at a given price at a specific time, all other variables held equal.

Demand for money: The economic demand for notes, coins, and sight deposits.

Demand-pull inflation: Arises when aggregate demand in an economy outpaces aggregate supply. It involves inflation rising as real GDP rises and unemployment falls. Demand-pull inflation is essentially "too much money chasing too few goods."

Deposit account: An account at a banking institution that allows money to be held on behalf of the account holder. Some banks charge a fee for this service, while others may pay the client interest on the funds deposited.

Depreciation of rupee: Occurs when market forces lower the value of Rs from one rate to another. In other words when the value of one currency, expressed in terms of another currency, falls.

Devaluation: The reduction in the value of a currency with respect to other monetary units; for example, the decrease in value of the rupee as compared to the euro, as set by the State Bank of Pakistan.

Direct taxes: Charges levied by the state on income. The main direct tax in Pakistan is the income tax.

Discount rate: Also 'base rate,' 'repo rate,' or 'primary rate.' The interest rate that an eligible depository institution (such as a bank) is charged to borrow short term funds directly from the central bank, as secured by government bonds.

Dissaving: A financial situation where spending exceeds income, due to the availability of savings.

Notes

E

Dumping: The sale of goods in a foreign country at a price below that charged in the home market. This will often be done at below cost price to dispose of surplus goods or to establish markets.

Eurobond 2009: 5 year Regulations-Eurobond of $500 million floated in February 2004 by the Government of Pakistan.

Economic growth: The increase in value of goods and services produced by an economy. It is generally a factor in an increase in the income of a nation. It is conventionally measured as the percent rate of increase in real gross domestic product.

Economies of scale: An increase in the number of units produced causes a decrease in the average fixed cost of each unit.

Entrepreneur: A person who undertakes and operates a new enterprise or venture and assumes some accountability for the inherent risks.

Equilibrium rate of interest: The rate of interest at which the amount of money people want to borrow equals the amount of money others are prepared to lend.

Equity: Type of security that represents ownership in a corporation. Stocks are equities.

European Union (EU): An intergovernmental and supranational union of 25 democratic member states. The European Union was established under that name in 1992 by the Treaty on the European Union (the Maastricht Treaty).

Exchange rate: Also 'foreign-exchange rate,' 'forex rate,' 'FX rate.' Specifies how much one currency is worth in terms of another. The spot exchange rate refers to the current exchange rate. The forward exchange rate refers to an exchange rate that is quoted and traded today but for delivery and payment on a specific future date.

Exports: Goods, services, and capital assets sold abroad.

External debt: Also foreign debt. The segment of the total debt of a country that is owed to creditors outside the country.

F

Financial institutions: Organizations, like banks, that act as agents to provide financial services to clients.

Financial intermediary: An institution, firm, or individual that acts as an agent between two or more parties in fiscal transactions. Typically, the first party is a provider of a product or service and the second party is a consumer or customer.

Fiscal policy: Actions taken by government with regard to its spending or taxation to influence the level of economic activity.

Foreign aid: Also 'international aid,' 'overseas aid.' Assistance, generally monetary, provided by one country to help another's development or recovery.

Foreign exchange market: Also 'currency market,' 'forex market,' 'FX market.' Location where one country's currency is traded for another. It is by far the largest market in the world, in terms of cash value traded.

Forestry: Sub-sector of Pakistani agriculture focused on the activities of logging and gathering of uncultivated forest products, which are classified into two groups: i) major products comprising industrial wood, such as timber and firewood; and ii) minor products, including a large number of heterogeneous items such as ephedra, grazing fodder, resin, medicinal herbs, and others.

Free market economy: An economic system in which the production and distribution of goods and services takes place through the mechanism of free markets guided by a free price system rather than by the state. A free market is a market where price is determined by the unregulated interchange of supply and demand.

Free trade: An idealized market model, often stated as a political objective, wherein trade of goods and services between countries flows unhindered by government-imposed artificial costs.

G

GDP deflator: Also 'implicit price deflator for GDP.' A measure of the change in prices of all new, domestically produced, final goods and services in an economy.

The Gini coefficient: Measure of income and wealth inequalities. The Gini coefficient can be used to compare wealth distributions in countries worldwide. The Gini coefficient is measured as a ratio of the area between the Lorenz curve (showing proportional distribution) and the curve of the uniform distribution to the area under the uniform distribution. It is expressed as a number between 0 and 1, where 0 corresponds to perfect equality (i.e. everyone has the same income) and 1 corresponds to perfect inequality (i.e. one person has all the income, while everyone else has zero income).

Government expenditure: Also 'government spending.' Amount spent on government purchases, including transfer payments, which can be financed by seigniorage (the creation of money for government funding), taxes, or government borrowing. It is considered to be one of the major components of GDP.

Notes

Government policies: Different types of measures the government implements to improve economic functions.

Grant: A form of foreign aid that involves a direct transfer payment from one country to another.

Gross domestic product (GDP): A measure of economic activity within a country; a measure of national income. A country's GDP is the market value of all final goods and services produced within a country in a given period of time.

Gross investment: Total investment without adjusting for depreciation.

Gross national product (GNP): The total value of final goods and services produced in a year by a country's citizens (including profits from capital held abroad).

Growth: See economic growth.

H

Household Integrated Economic Survey (HIES): Report that provides data on household income, sources of income, savings, liabilities, consumption expenditures, and consumption patterns at national and provincial levels with urban/rural breakdowns. The most recent year from which data is available is 2001-02 (PIHS Round 4). It is the second report after merger of the Household Integrated Economic Survey (HIES) with the Pakistan Integrated Household Survey (PIHS) in 1998-99.

Hedging: In finance, an investment that is made specifically to reduce or cancel out the risk in another investment. Hedging is a strategy designed to minimize exposure to an unwanted business risk, while still allowing the business to profit from investment activity.

Household income: The total income of all members of a household.

Human Development Index (HDI): Introduced by the UN in 1990, a composite index based on real GDP per capita (PPP), life expectancy at birth and educational achievement that measures socio-economic development. The index takes into account the goods and services produced, the ability of a population to use them, and the time the population has to enjoy them.

Hyperinflation: An economic condition where prices increase rapidly as a currency loses its value. No precise benchmark of hyperinflation is universally accepted. The definition used by most economists is "an inflationary cycle without any tendency toward equilibrium."

Notes

I

Import price: The cost of goods brought into a country through trade.

Import substitution industrialization (ISI): A trade and economic policy based on the premise that a developing country should attempt to substitute products brought into the country through trade (mostly finished goods) with locally produced versions. This is achieved by an active industrial policy to subsidize and orchestrate production of substitute products, protective barriers to trade (namely, tariffs), and a monetary policy that keeps the domestic currency overvalued.

Income: Money received as a result of the normal business activities of an individual or a business.

Income inequality metrics: Also 'income distribution metrics.' Techniques used by economists to measure the distribution of income among members of a society.

Income tax: A financial charge imposed on the monetary earnings of persons, corporations, or other legal entities.

Index numbers: In economics, a series of numbers expressing change over time in a group of related variables.

Indicator: In economics, a statistic about the economy that is the basis of analysis of past and future performance.

Indirect taxation: A levy collected by an intermediary (such as a retail store) from the person who bears the ultimate economic burden of the tax (such as the customer). Proceeds are later sent to the government by the intermediary through a tax return. Common examples of indirect taxation include sales tax, value added tax (VAT), and goods and services tax (GST).

Industrial sector: A group of businesses or companies that work in the same field, such as information technology or garment production.

Infant industries: Fledgling industries that typically require protection from the government in the form of tariffs, quotas, or subsidies in order to survive the lower prices and higher quality of the goods or services produced by the industry on the international market.

Inflation: The rise in general prices and the reduction in value of money. Inflation is a sustained increase in the general price level. In Pakistan, the CPI is used to measure inflation (see Consumer Price Index).

Notes

J

K

L

Informal sector: Also 'informal economy.' Any exchange of goods or services involving economic value in which the act escapes regulation of similar such acts.

Interest: In finance, the price paid by a borrower for the use of a lender's money.

Interest rate: The price a borrower pays for the use of money he does not own, or the return a lender receives for deferring his consumption by lending to the borrower. Interest rates are normally expressed as a percentage over the period of one year.

International Bank for Reconstruction and Development (IBRD): One of the five World Bank Group institutions. It gives long-term loans to member countries for high priority infrastructure, agricultural, industrial, and educational projects.

International Monetary Fund (IMF): International organization that oversees the global financial system by monitoring exchange rates and balance of payments, as well as offering technical and financial assistance when asked.

Investment: To commit money or capital in order to gain a financial return. The major difference in the use of the term investment between economics and finance is that economists usually refer to a real investment – such as a machine or a house – but financial economists usually refer to a financial asset: money that is put into a bank or the market, which may then be used to buy a real asset.

Joint stock company: Type of business partnership in which the capital is formed by the individual contributions of a group of shareholders. Certificates of ownership or stocks are issued by the company in return for each contribution, and the shareholders are free to transfer their ownership interest at any time by selling their stock to others.

Karachi Inter-Bank Offered Rate (KIBOR): A special rate of investment measured over six months that launched in 2001 and is the benchmark for short term lending. Banks charge premiums over KIBOR while making loans to the borrowers. The premium varies from zero rate for blue chip companies to 2-4 percent over KIBOR for riskier borrowers.

Labor force: Group of people who are willing and able to be employed.

Labor market: An area of economic exchange in which workers seek jobs and employers seek workers.

Notes

Large scale manufacturing: An economic sub-sector in Pakistan that includes all large- and medium-scale manufacturing establishments registered under section 2(j) and 5(i) of the Factories Act, 1934.

Lender of last resort: Originally the term referred to a reserve financial institution, often the central bank of a country, that secured other banks or eligible institutions against collapse.
Liabilities: In accounting, money, good, or service that is owed to another party.

Liquidity: The ability to quickly buy or sell a particular item without causing a significant movement in the price.

Liquid reserves to money supply ratio (LRM): Measure of monetary stability used to assess the vulnerability of domestic interest rates to fluctuations in the country's external account.

Livestock sector: Agricultural sub-sector that includes the value of livestock products and the value of draught power (the value of draught power is estimated on the basis of number of work animals used in agriculture and their feed and maintenance cost). In Pakistan, livestock products have been divided into six broad categories: milk, meat, hides and skins, eggs, wool and hair, and other products.

London Inter-bank Offered Rate (LIBOR): A daily reference rate based on the interest rates at which banks offer to lend unsecured funds to other banks in the London wholesale (or "interbank") money market.

M

M1: Portion of the money supply that consists of physical currency in circulation, the demand deposits of scheduled banks, and other deposits with the State Bank of Pakistan.

M2: Portion of the money supply that includes time deposits, other deposits (excluding IMF A/C, counterpart), and residents' foreign currency deposits, in addition to M1.

M3: Portion of the money supply that includes outstanding deposits of the national saving schemes and outstanding deposits of the provincial cooperative banks of the Punjab, Sindh, North West Frontier Province, Baluchistan, Azad Jammu and Kashmir, and the Northern Areas, in addition to M2.

Macroeconomic policies: Economic strategies designed to influence the level of employment, the price level, economic growth, and the balance of payments.
Major crops: In Pakistan, cotton, rice, sugarcane, wheat, maize, tobacco, bajra, gram, jowar, rapeseed, and mustard.

Notes

Manufacturing sector: Economic sector divided into two sub-sectors: large-scale manufacturing and small-scale manufacturing. In Pakistan, large-scale manufacturing includes establishments registered under Section 2(j) and 5(i) of the Factories Act, 1934 and employing 10 or more workers, whereas small-scale manufacturing includes all other manufacturing establishments.

Market concentration: Function of the number of firms and their respective shares of the total production (alternatively, total capacity or total reserves) in a market. The extent to which the sale of a product is dominated by the largest firms in the industry.

Market share: The proportion of total sales accounted for by a particular brand or firm.

Merchant bank: Also 'investment bank.' A private banking firm engaged chiefly in investing in new issues of securities and in accepting bills of exchange in foreign trade.

Merger: Combination of two or more business enterprises into a single enterprise.

Mining and quarrying sector: Economic division that includes all mining and quarrying activities.

Minor crops: In Pakistan, pulses, condiments, oil seeds, fodders, and other crops.

Monetary policy: Process of managing money supply to achieve specific goals, such as constraining inflation, maintaining an exchange rate, achieving full employment, or encouraging economic growth.

Money: Any good or token that fulfills monetary functions: to be a medium of exchange, store of value, and unit of account.

Money market: Financial center for short-term borrowing and lending.

Money measure: Measures of the amount of money in circulation in the economy. The three main measures are M1, M2, and M3. (see M1, M2, M3).

Money supply: Also 'monetary aggregates,' 'money stock.' A macroeconomic concept defining the quantity of money available within the economy to purchase goods, services, and securities.

Monopoly: In economics, a persistent market situation where there is only one provider of an individual product or service.

Notes

Multinational corporation (MNC): Also 'multinational, multinational enterprise (MNE),' 'transnational corporation (TNC),' 'multinational organization (MNO).' Corporation/enterprise that manages production establishments or delivers services in at least two countries.

Mutual fund: Form of collective investment that pools money from many investors and invests the money in stocks, bonds, short-term money market instruments, and/or other securities.

N

Narrow money supply: Also 'monetary base.' Notes and coins held by the public and the banking system as reserves against withdrawals. The main measure of narrow money in Pakistan is M1. See M1.

National debt: Also 'public debt.' Money owed by any level of government, including central, federal, municipal, or local governments.

National income: The total net earnings from the production of goods and services in a country over a period of time, usually one year, and consisting essentially of wages, salaries, rent, profits, and interest.

National income accounts: The system used to measure the value of national income, output, and expenditure.

Nominal rate of interest: The rate of interest not adjusted for the rate of inflation.

Non-tariff barrier: Restrictions to imports that are not taxes.

O

Oligopoly: Market form in which a market or industry is dominated by a small number of sellers.

Open market operations: Means of implementing monetary policy where a central bank controls its national money supply by buying and selling government securities. Monetary targets, such as interest rates or exchange rates, are used to guide this implementation.

Organisation for Economic Co-operation and Development (OECD): Group of 30 member countries sharing a commitment to democratic government and market economy. With active relationships with some 70 other countries, NGOs, and civil society, it has a global reach. Known for its publications and its statistics, its work covers economic and social issues from macroeconomics to trade, education, development, and science and innovation.

Output gap: The difference between actual GDP and potential GDP. If the actual is less than the potential, a recession is underway.

Notes

P

Paper money: A promissory note made by a bank payable to bearer on demand, used as money and/or legal tender. Coins and banknotes together make up the cash forms of all modern money.

Paris Club: A group formed by certain industrialized countries that are owed substantial amounts of debt by less developed countries.

Policy instruments: Tools used to achieve a governmental or economic objective.

Poverty trap: Also welfare trap. Situation where a person living with assistance from the state in the form of welfare may decrease his or her net income by finding employment and increasing his or her salary.

Present value: When considering a future cash flow, the nominal amount of money to change hands at some future date, discounted to account for the time value of money.

Price ceiling: Government-imposed limit on what price can be charged for a product. A price ceiling can be set above or below the free-market equilibrium price.

Price index: A single number calculated from an array of prices and quantities over a period. Since not all prices and quantities of purchases can be recorded, a representative sample is used instead. Inflation and cost indices are calculated as price indices.
Price: In economics and business, the assigned numerical monetary value of a good, service, or asset.

Private limited company: Also 'limited liability company (LLC).' An incorporated business owned by a few shareholders. Its shareholders enjoy limited liability.

Prize bond: Type of bearer security available in the denomination of Rs. 200, Rs. 750, Rs. 1,500, Rs. 7,500, Rs. 15,000, and Rs. 40,000. No fixed return is paid; instead, prize drawings are held on a quarterly basis.

Producer goods: Also intermediate goods. Products used as inputs in the production of other goods, such as partly finished goods or raw materials.

Producer price index (PPI): Measures average change in prices received by domestic producers for output.

Progressive income tax: Type of tax where the tax rate increases as the amount to which the rate is applied increases. Generally advantageous to poor.

Notes

Public corporation: State-owned industry or entity.

Public good: A product that, when consumed by one individual, does not reduce the amount of the good available for consumption by others.

Public limited company: An incorporated business whose shares may be offered for sale to the public.

Purchasing power parity (PPP): In economics, theory that states the long-run equilibrium exchange rate of two currencies is the rate that equalizes the currencies' purchasing power. This theory is based on the law of one price – the idea that, in an efficient market, identical goods must have only one price.

Q

Quick assets: Current assets that can be converted to cash quickly at close to assessed value. Such items include cash, stock investments, and accounts receivable.

Quick ratio: See 'acid test ratio.'

Quota: Limit on the amount of a good produced, imported, exported, or offered for sale.

R

Ratio analysis: Comparison of two reported levels or flows of a company. Possible ratios: two financial flows categories divided by each other (profit margin, profit/revenue); a level divided by a financial flow (price/earnings); a flow divided by a level (return on equity or earnings/equity).

Real income: The value of income adjusted for inflation.

Real rate of interest: The rate of interest adjusted for inflation.

Recession: A period of simultaneous decline in several measures of overall economic activity, such as output, income, employment, and sales.

Regressive tax: Type of tax that takes a larger percentage of income from people with low incomes. Often it is a fixed tax – everyone pays the same amount of money, such as TV license fee, toll tax, etc. Alternatively, it may be a tax on consumption, such as value-added tax.

Regular income certificate: Introduced in 1993, scheme designed to meet the requirements of pensioners, widows, and orphans in Pakistan. These certificates are available in the denominations of Rs. 50,000, Rs. 100,000, Rs. 500,000, Rs. 1,000,000, Rs. 5,000,000, and Rs. 10,000,000.

Notes

S

Regulatory body: Institution that enforces standards and safety, oversees use of public goods, and regulates commercial activities. Examples include Pakistan Telecommunication Authority (PTA), Pakistan Electronic Media Regulatory Authority (PEMRA).

Relative price: Cost of a commodity in terms of another; i.e., the ratio of two prices.

Rent control: Law or ordinance that sets price ceiling or floor on residential housing.

Repurchase agreement: Also 'RP,' 'REPO,' 'Repo.' Financial instrument used in money markets. The sale of securities now for cash by party A (the cash borrower) to party B (the cash lender), with the promise made by A to B of repurchasing those securities later. A pays the requisite interest to B at the time of repurchase – the interest rate in this case is known as the repo rate.

Reserves: Deposits held by a local or regional bank in the central bank, plus currency physically held in the bank's own vaults (vault cash). The central bank of a given country sets minimum reserve requirements for all smaller banks.
Reserves ratio requirement: Also 'required reserve ratio.' Bank regulation that sets the minimum reserves each bank must hold in customer deposits and notes. These reserves are designed to satisfy withdrawal demands and would normally be in the form of currency stored in a bank vault or with a central bank.

Saving: To set aside or reserve, such as putting money in the bank or investing in a pension plan.

Savings certificate: Introduced in February 1990, a security with a three-year rate of maturity that considers the periodic needs of depositors – profits are paid on the completion of each six month period. Available in 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.

Sensitive Price Indicator (SPI): Figure that assesses the price movements of essential commodities at short intervals so as to review the price situation in the country weekly. The SPI is presented in the Economic Coordination Committee of the Cabinet (ECC). The SPI is based on the prices prevailing in 17 major cities for 53 items in the base year 2000-2001.

Shareholder: Also 'stockholder.' An individual, company, or corporation that legally owns one or more shares of stock in a joint stock company. The shareholders are the owners of a corporation.

Share: One of the equal fractional parts into which the capital stock of a joint-stock company or a corporation is divided; used to raise funds.

Notes

Short-term liquidity ratio: Measure of a company's effectiveness at managing its assets. The composite includes the current ratio and the acid test ratio, and demonstrates how easily the company can meet its short-term financial commitments.

Single currency: A situation in which separate countries agree to use the same currency.

Soft loan: Also soft financing. Borrowed funds subject to a below-market rate of interest. Sometimes soft loans provide other concessions to borrowers, such as long repayment periods or interest holidays. Governments may provide soft loans to fund projects they think are worthwhile. The World Bank and other development institutions provide soft loans to developing countries.
Sole proprietorship: A business that legally has no separate existence from its owner. The owner does business in his or her own name and has no partners.

Special drawing rights (SDRs): A form of international money created by the International Monetary Fund that is used to settle debts between countries.

Spread: In finance, the different between lending rates and deposit rates.
Stagflation: A portmanteau of the words stagnation and inflation. A term in macroeconomics used to describe a period of high price inflation combined with economic stagnation, unemployment, or economic recession.

Stagnation: Also economic stagnation. A prolonged period of slow economic growth (traditionally measured in terms of GDP growth).

Stakeholder: A person who holds money or other property while its owner is determined or designated.

Standard of living: The ease by which people living in a country are able to satisfy their wants. Generally measured by standards such as income inequality, poverty rate, and real income per person.

Stock exchange: Also 'share market,' 'bourse.' A corporation or mutual organization that provides facilities for stockbrokers and traders to exchange company stocks and other securities. Stock exchanges also provide facilities for the issue and redemption of securities, as well as the payment of income and dividends.

Structural Adjustments Program (SAP): Term used by the International Monetary Fund (IMF) and the World Bank for the changes it recommends to developing countries. These changes are designed to promote economic growth, generate income, and pay off debt. Implementation of these changes has been a condition for getting new loans from the IMF and the World Bank for many developing countries.

Notes

Structural unemployment: Mismatch between workers looking for jobs and the vacancies available because unemployed workers lack the specific skills required for the jobs or are geographically disparate.

Subsidy: A monetary grant given by the government to lower prices faced by producers or consumers of a good, generally because it is considered to be in the public interest.

Sukuk (Islamic bond): Five-year securities structured to comply with Islamic law. The bonds are priced at six-month US $ LIBOR + 220 basis points, floated in January 2005.

Sustainable development: Creating economic growth by protecting the environment, relieving poverty, and not destroying natural capital in the short term at the expense of long-term development.

Sustainable growth: Economic growth that can continue over the long term without exhausting non-renewable resources.

T

Tariff: Tax, generally on goods imported into a country.

Tax cut: Reduction in levy rates.

Terms of trade: Ratio of the price of an export commodity to the price of an import commodity.

Time deposit: Also 'term deposit.' Money that cannot be withdrawn for a certain period. Once the term ends, funds can be withdrawn or held for another term.

Trade diversion: Change in trade levels following the formation of a trading bloc as trade with efficient competitors is replaced by trade with less efficient trading bloc members. Often a result of free trade agreements (FTAs).

Treasury bill: Short-term (3-12 month) government borrowing. Governments issue treasury bills to increase available funds.

Trickle-down: Passing economic gains from growth to society, spurring development.

U

Unemployment: The state of being able and willing to work at a prevailing wage rate, yet unable to find a paying job.

Unemployment rate: Number of unemployed workers divided by the total civilian labor force, which includes both the unemployed and those with jobs (all those willing and able to work for pay).

Notes

V

W

Velocity of circulation: Number of times, on average, each rupee is spent on transactions. So if, for example, in an economy of Rs. 600 million with a money supply of Rs. 100 million, then each rupee must have been used on average six times. The velocity of circulation is six.

Wage rate: Pay per time period, e.g. Rs per day.

Wealth: An abundance of items of economic value, or the state of controlling or possessing such items.

Wholesale Price Index (WPI): Measure of directional movements in price for a set of selected items in the primary and wholesale markets. Items are precisely defined and offered in lots by producers/manufacturers. Prices conform to the primary seller's realization at an organized wholesale level. The wholesale prices are collected from the single market by the staff of the Federal Bureau of Statistics.

Work force: Employable labor pool. Generally used to describe those working for a single company or industry.

World Bank: International bank that encourages capital investment for reconstruction and development in member countries.

World Trade Organization (WTO): Replaced GATT in 1995. International organization that administers the global rules of trade between nations. Its main function is to ensure that trade flows as smoothly, predictably, and freely as possible.

Y

Z

Yield curve: Depicts the various rates at which the same borrower is able to borrow for different periods of time.

Zero coupon bond: Securities that do not pay periodic coupons or interest. Purchased at a discount from their value at maturity.

Notes

List of Resources

The following is a list of internet resources that can be used to supplement the definitions of economic and business terms found in the glossary.

1. Central Board of Revenue
   http://www.cbr.gov.pk

2. European Union
   http://europa.eu/index_en.htm

3. Federal Bureau of Statistics
   http://www.statpak.gov.pk/depts/

4. Human Development Report
   http://hdr.undp.org

5. Institute of Bankers Pakistan
   http://www.ibp.org.pk/usefullinks.asp

6. Investment Funds Institute of Canada's Glossary
   http://www.ific.ca/eng/Glossary/index.asp

7. International Monetary Fund
   http://www.imf.org/

8. International Trade Theory and Policy Analysis
   http://internationalecon.com/

9. Karachi Stock Exchange
   http://www.kse.com.pk

10. Ministry of Finance's Economic Survey
    (Overview, Chapters 1-13)
    http://www.finance.gov.pk/survey/home.htm

11. Monopoly Control Authority
    http://www.mca.gov.pk

12. National Savings Organization
    http://www.savings.gov.pk/

13. Organization for Economic Cooperation and Development
    http://www.oecd.org

Notes

14. Paris Club
http://www.clubdeparis.org/en/index.php

15. State Bank of Pakistan:
http://www.sbp.org.pk

16. State Bank of Pakistan,
Annual Report for 2005 (Chapters 1-8):
http://www.sbp.org.pk/reports/annual/arfy05/index.htm

17. Wikipedia
http://www.wikipedia.org

18. World Bank
http://www.worldbank.org

19. World Trade Organization
http://www.wto.org

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