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acomodative monetary policy	When the monetary authorities of a country adopt a policy that boosts money supply and lowers interest rates as a means to stimulate economic activity. Also called a loose credit or easy money policy.
appreciation	An increase in the market value of an asset, such as a stock, bond, commodity or piece of real estate, or in the value of one currency with respect to another. The opposite of depreciation.
arrears	Money that is owed because it has not been paid on time.
ASEAN	Association of South East Asian Nations; a political and economic group of countries formed in 1967 which now has 10 members : (par ordre d'adhésion) Indonésie Malaisie, Philippines, Singapour, Thaïlande, Brunei, Viêt Nam, Laos, Birmanie et Cambodge
Asian Development Bank	A bank owned by the governments of Asian and other countries, which tries to encourage economic development in Asia and the Pacific.
austerity measure	Austerity measures refer to official actions taken by the government, during a period of adverse economic conditions, to reduce its budget deficit using a combination of spending cuts or tax rises.
automatic stabilisers	Automatic stabilisers, or automatic fiscal stabilisers, are budgetary arrangements that help smooth output without the explicit intervention of a country's fiscal authority. Taxes are a source of automatic stabilisation in that they tend to follow their respective tax base: they increase during upturns and shrink during downturns.

B

balance of payments	Statement of a country's net financial transactions with other countries. This is normally broken down into the current account, which includes the visible balance of trade (the net difference between exports and imports of merchandise goods) and the invisible trade balance (payments and receipts for services such as shipping, banking and tourism); and the capital account, which measures the inflow and outflow of short-term and long-term capital (such as direct investment; income from securities, property, etc.). The visible and invisible trade balances, current account and capital account can be either in surplus (exports are larger than imports) or deficit (imports are larger than exports), but in principle there should be no surplus or deficit in the overall balance of payments.
balance of payments deficit	The amount by which money going out of a country is more than the amount coming in.
balance of payments surplus	The amount by which the money coming into a country is more than the money going out in a particular period of time.
balance of trade	The part of a country's balance of payments that relates to the value of goods and services imported and exported. The difference in the total value of imports and exports between two countries or areas
balanced budget	When spending equals revenue. The term is normally used in the context of government finances.
Balassa-Samuelson effect	In 1964, academics Bela Balassa, a Hungarian economist, and Paul Samuelson, a Nobel-Laureate economist, independently observed that countries with higher levels of productivity growth experienced rapidly rising real wages and so appreciating real exchange rates.
bank borrowing	When people or companies borrow from banks, rather than using other forms of finance, such as shares or bonds.
bank capital	Bank capital is the value of the bank's assets minus its liabilities, or debts. Assets include cash, loans and securities, while liabilities...
bank credit	An arrangement with a bank for a loan, or bank lending in general.
bank debt	Money owed to banks, rather than other types of lenders.

bank deposits	The total amount of money that customers have paid into a particular bank or into all banks in a particular area or economy.
bank money	Money that is held by banks, a part of the money supply.
bank reserves	Money and liquid assets (such as securities that can be sold quickly) held by banks in order to meet withdrawals by customers.
bank run	Simultaneous (large) withdrawal of bank deposits, generally caused by the self-fulfilling belief the bank might not be solvent anymore
banking system	The way banks work together to make payments, make money available etc.
Basel Accord	Banking supervision rules, including minimum capital requirements, agreed upon by the G10 major western economies in the wake of the messy...
Basel Committee	Made up of central bankers and regulators from 27 countries it lays down global rules for bank governance. Regulators around the world look...
Basel III	Global banking regulators sealed a deal, in September of 2010, to effectively triple the size of the capital reserves that the world's banks...
Basel ratios	See Bank for International Settlements and capital adequacy ratio.
basket of currencies	Or currency basket. Currencies that are grouped to produce one value against which another currency is measured. The resulting exchange rate...
beggar-thy-neighbour policy	When one country's actions to boost its economy, for instance by raising tariffs on imports or devaluing its currency, have a negative impact on other trading countries
below the line	Relating to profits after exceptional items (profits and losses that are made in a particular period of time but do not occur regularly) have been taken into account
BIS	Abbreviation for Bank for International Settlements.
bond	A tradable IOU. Governments, companies and other organisations issue bonds to raise money; in doing so, they have an obligation to repay the bondholder according to specific terms. Once issued, bonds - including the right to receive the issuer's repayments - can be traded on established markets
boom and bust	A situation in which an economy regularly becomes more active and successful and then suddenly fails.
bubble	When the prices of securities or other assets rise so sharply and at such a sustained rate that they exceed valuations justified by fundamentals, making a sudden collapse likely (at which point the bubble "bursts").
budget	in the context of government finances, a forecast of expenses and revenues over a particular period.
budget balance	A balanced budget occurs when an entity's spending matches its revenue during a period of time. An excess of revenue over spending is referred to as a budget surplus and an excess of spending over revenue is referred to as a budget deficit
budget deficit	The amount by which what a government spends is more than it receives in taxes or other income, during a particular period of time.
budget surplus	When spending, usually by a government, is less than the amount of money received in taxes or other income during a particular period.
budgetary	Relating to a budget and how much money is available to spend.
bull market	A financial market in which prices are rising, especially over a long period of time. A bull market is typified by generally rising stock.
business confidence	An economic indicator that measures the amount of optimism or pessimism that business managers feel about the prospects of the economy

business cycle	Also known as the economic cycle. The period of time during which an economy moves from a state of expansion to a state of contraction, before expanding again. A cycle can last anywhere between 2-1/2 and 50 years depending on which economic theory one adheres to. In practice, a cycle should contain a phase of expansion or recovery (to a peak) and a phase of slowdown or recession (to a trough). If the rates of growth and contraction are very strong, an economy could be ""booming"" for a while at its peak, while the trough could see a phase of depression or stagnation. A trend governed by a business or economic cycle is termed cyclical
C	
capital	In economic theory, the assets, other than land and labour, required for production (such as buildings, machinery, etc).
capital account	Movements of money into and out of a country relating to investment and other exchanges of capital.
capital adequacy	A measure of whether a bank has enough capital in relation to possible losses on loans to borrowers.
capital adequacy ratio	Also known as the economic cycle. The period of time during which an economy moves from a state of expansion to a state of contraction, before expanding again. A cycle can last anywhere between 2-1/2 and 50 years depending on which economic theory one adheres to. In practice, a cycle should contain a phase of expansion or recovery (to a peak) and a phase of slowdown or recession (to a trough). If the rates of growth and contraction are very strong, an economy could be ""booming"" for a while at its peak, while the trough could see a phase of depression or stagnation. A trend governed by a business or economic cycle is termed cyclical
capital controls	Government restrictions on the flow of capital into or out of a country.
capital flight	The rapid movement of large sums of money out of a country. There could be several possible reasons - lack of confidence in a country's economy and/or its currency (and thus the valuation of local assets), concerns over the imposition of capital controls, political turmoil, etc.
capital flow	When money for investment goes from one country to another.
capital formation	The accumulation of wealth for the purpose of investing in capital goods.
capital goods	Goods used to produce other goods.
central bank	The monetary authority and major regulatory bank in a country. Its functions include issuing and managing the country's currency,...
central bank intervention	When a central bank enters the foreign exchange market to buy or sell currency in order to influence exchange rates. It may also intervene in the money markets to influence interest rates
classical economics	A school of economic thought, exemplified by Adam Smith's writings in the 18th century, that states that a change in supply will eventually be matched by a change in demand - so that the economy is always moving towards equilibrium.
coincident indicators	Indicators that describe current economic activity, rather than trends that are weeks or months old.
collateral	Assets used as security for a loan and which therefore can be seized by the lender if the borrower defaults on repayments.
competitiveness	usually distinguished between price- and cost-competitiveness. The former is associated with the external value of a currency, which directly impacts the price of national products relative to their competitors; the latter is associated with the costs of production, labour cost, administrative hindrances, etc.
concessional	a loan is said to be concessional by the IMF if the grant element is at least 35%, with the CIRR as discount rate. It is said to be concessional by the DAC if the grant element is at least 25% with a discount rate of 10%.

conditionality	use of conditions attached to a loan, debt relief or any form of official assistance. Usually concerns institutional reform and economic policy implementation
consensus forecast	A forecast of a company's earnings based on the average of a representative number of securities analysts' individual estimates.
consumer borrowing	Borrowing by people for their own spending, rather than by businesses.
consumer confidence	A school of economic thought, exemplified by Adam Smith's writings in the 18th century, that states that a change in supply will eventually be matched by a change in demand - so that the economy is always moving towards equilibrium.
consumer credit	Debt accumulated by consumers from the buying of consumer goods (as opposed to, for instance, mortgage loans).
consumer credit bubble	When consumers build up so much consumer credit that they are unable to repay, a situation which can cause havoc in a country's financial system.
consumer debt	Money owed by people, rather than businesses or countries.
consumer demand	The amount of goods and services consumers are willing to buy.
consumer durables	Products that people do not buy regularly or often.
consumer finance	Finance that is provided to people, usually so that they can buy particular goods.
consumer goods	Goods and services sold for final use by consumers, as opposed to capital goods or producer goods, which are used to produce other goods.
consumer price index (CPI)	index of the price of a basket of goods typical of domestic private consumption. It thus may include local products as well as imported ones.
consumer price inflation	The increase in prices paid by people buying goods and services.
consumer prices	When consumers build up so much consumer credit that they are unable to repay, a situation which can cause havoc in a country's financial system.
consumption	The quantity of goods and services consumed in an economy. In effect, this is the sum of the spending by individual consumers (private consumption) and the government (public consumption).
consumption tax	A tax imposed on the consumer of a good or service. This can be levied at the final sale level (sales tax), or at each stage in the production and sale process that adds value to a product, including its final sale (value added tax).
contagion	When economic or financial problems spread from one country to another.
contingent liability	The potential obligation of the party guaranteeing or endorsing another party's financial liability.
core capital	The part of a financial institution's capital that comprises equity and disclosed reserves. The other part, which includes loan loss provisions, undisclosed reserves and subordinated debt, is called supplementary capital. In terms of the capital adequacy standards established by the Bank for International Settlements, core capital is termed Tier 1 capital, and supplementary capital Tier 2
core tier one capital	Tier one capital is the best form of bank capital - the money that the bank has in its coffers to support all the risks it takes: lending, trading and so on.
corporate borrowing	Borrowing by businesses rather than by individuals.
corporate investment	Investment by businesses, rather than by the government.
corporate profits tax	See corporate tax.
corporate tax	Tax on company profits. This is also known as corporation tax and corporate profits tax. See Corporation Tax.
cost and freight	Term used in foreign trade contracts indicating that the price of the goods sold includes the cost of freight, but not insurance
cost-push inflation	When the driving force behind rising prices is the increased cost of producing goods, rather than stronger demand by consumers.

countercyclical	Countercyclical actions are intended to change the way in which the economy is behaving at different times, for example actions to stop it growing too fast, or to help it grow when it is not growing.
countercyclical buffering	One of the big problems was that banks entered the global financial crisis with weak capital bases, despite years of boom. That failure to retain a decent share of profits and build up reserves is what regulators want banks to reverse: hence the term countercyclical buffering.
country risk	The risk associated with investing in a particular country, or providing funds to its government. Also called sovereign risk.
crawling peg	One of the big problems was that banks entered the global financial crisis with weak capital bases, despite years of boom. That failure to retain a decent share of profits and build up reserves is what regulators want banks to reverse: hence the term countercyclical buffering.
credit rationing	When financial institutions limit the amount of money that people or companies can borrow, or refuse to lend them any money.
creditor nation	In international trade, a country that is owed more by other countries than it owes to them.
crowding out	When government actions discourage businesses and consumers from following suit. Most often used in relation to excessive government borrowing, which pushes up interest rates and acts as a disincentive to other potential borrowers, in turn leading to a slowdown in economic activity.
currency basket	See basket of currencies.
currency board	A fixed exchange rate system that emphasizes the need for strict discipline by a country's monetary authorities. They must hold foreign..
currency crisis	sudden devaluation of a currency, possibility as a result of a speculative attack in the foreign-exchange market
currency devaluation	When the value of a currency falls compared to the currency of other countries, causing imports to cost more and exports to be worth less. When a country decides to reduce the value of its currency, usually to help its economy.
currency exposure	When an investment or part of an investment is at risk because it is in a foreign currency and will be affected by changes in the value of that currency
currency market	Another name for foreign exchange market.
currency peg	A publicly announced fixed exchange rate, normally against a major currency like the US dollar, but also sometimes against a basket of currencies
currency risk	The potential that a company will lose money because of movements in exchange rates.
currency wars	The term currency wars, coined in September 2010 by Guido Mantega, Brazil's finance minister, refers to monetary and exchange rate policies designed to lower the value of one's currency.
current account balance	This is part of a statement of a country's net financial transactions with other countries which includes the visible balance of trade (the net difference between exports and imports of merchandise goods such as clothes).
current account deficit	The amount by which money relating to trade, investment etc going out of a country is more than the amount coming in.
current price	Prices measured after inflation has been taken into account, used to compare real present values with earlier values.
cyclical unemployment	The category of unemployed whose number varies according to the business or economic cycle.

D

DAC	Development Assistance Committee. Forum of discussion on major development issues including Official Development Aid (ODA), hosted by the OECD
de facto	Really existing, even if there is no formal legal document etc to prove it.
de jure	Recognized and supported by law.
debasement of coinage	A reduction in the value of gold and silver coins, which happened in the past when the coins were dishonestly reduced in weight, resulting in increases in prices
debt	An amount owed, in money or in kind, by a borrower to a lender.
debt burden	The amount of debt that a business or country has.
debt relief	When poor countries no longer have to pay back loans or interest on loans from foreign governments and banks.
debt rescheduling	An agreed delay in the repayment of a debt, usually applying to both interest and principal payments, and also often involving a renegotiation of the terms
debt service coverage/ratio	The amount of a country's interest payments on its foreign debt as a percentage of its exports.
debt service/servicing	When a company, government, or person makes regular payments on a debt, or the payments they make. The payment of interest on outstanding debt plus any principal repayments due.
default	The failure of a debtor to make agreed payments of principal or interest on a loan, a bond or other type of borrowing.
deficit financing	Government policy to run a budget deficit and thus increase the government borrowing requirement.
deficit spending	When a government spends more than it receives from taxes and other income.
deflation	A sustained fall in the prices of goods and services, and thus the opposite of inflation.
demand curve	A graph of the relationship between the price of a good and the amount of demand at different prices. Normally demand falls at higher prices
demand deposits	The balances of bank accounts from which one can draw money without prior notice. A major component in the measurement of a country's money supply
demand-side	Demand-side ideas emphasize managing the economy through changes in interest rates and taxes in order to influence demand and so keep unemployment low
demonetisation	The withdrawal of a coin, note or form of currency from circulation.
deposit insurance/protection	In many countries, depositors are automatically insured against the risk that their bank will fail to meet payments.
depository institution	A bank or other financial institution into which people can pay money so that it can be held there and earn interest.
deposit-taking	A deposit-taking financial institution is one into which people can pay money so that it can be held there and earn interest.
depreciation	A fall in the market value of an asset, or of one currency with respect to another. The opposite of appreciation.
depression	A prolonged severe drop in economic output accompanied by sustained deflation.
deregulation	Substantial easing of government restrictions in a particular industry, normally in order to boost competition.
devaluation	Official lowering by monetary authorities of the value of a country's currency in relationship to the currencies of one or more other countries
development aid	Financial help given by richer countries to poorer ones to help their industrial and economic development.
development bank	A bank that gives loans to help increase business, trade, and industrial activity in a particular country or area.

development grant	Money given by a government authority for economic development in a particular region.
dim sum bond	A dim sum bond is a bond denominated in renminbi but issued outside China.
direct taxation or direct tax	Taxes levied on the earnings of an individual or company and paid directly to the government (income tax, corporate profits tax ...)
discount rate	The interest rate charged by a central bank to commercial banks when lending short-term funds
discount window	When commercial banks borrow from the central bank at the discount rate, they are using the discount window.
disinflation	Disinflation is a sustained slowing down in price increases (in the rate of inflation).
dollarisation	When the US dollar (or any other hard currency) replaces a country's own currency. This can be a government decision or a move by the market.
domestic consumption	Goods and services consumed in the country where they are produced.
domestic currency	The currency of the home country of a particular user.
domestic demand	Demand from within a particular country, not from abroad.
domestic investment	Investment in your own country rather than abroad.
domestic market	The country you live in or where a company is based, seen as a place where goods or services can be sold.
DSA	Debt Sustainability analysis. Performed on a yearly base by the IMF and the World Bank for developing and emerging countries. usually by the
domestic policy	Government policy concerned with education, health, and other issues that affect its own country.
E	
earmark	To plan to use something for a particular purpose or to give someone a particular role.
econometrician	A person who has studied econometrics or works using econometrics.
econometrics	Econometrics is the art and science of using data to test various economic theories.
economic cycle	See business cycle.
economic growth	An increase in the value (adjusted for inflation) of goods and services produced in a country or area.
economic growth rate	The annual rate of growth of the economy, normally measured by the change in gross national product (GNP) or gross domestic product (GDP).
effective exchange rate	A measure of a currency's value against a trade-weighted basket of currencies of the country's main trading partners.
EMBI	The EMBI (Emerging Market Bond Index) is JP Morgan's index of dollar-denominated sovereign bonds issued by a selection of emerging market...
equilibrium exchange rate	An exchange rate that would take account of differences in inflation interest rates, and other aspects of the economic situation.
excess reserves	Funds held by a bank above the reserve requirement and thus available for other uses, such as loans.
exchange rate	The rate at which one currency can be exchanged for another.
exchange risk	The possibility of making a loss on a sale, deal etc because of changes in the value of one currency in relation to another.
excise	A government tax that is charged on certain goods that are sold in the country, for example alcoholic drinks and petrol.

expansionary monetary policy	A policy by monetary authorities to expand money supply and boost economic activity, mainly by keeping interest rates low to encourage consumption and investment.
expenditure	The total amount of money that a government, organization, or person spends during a particular period of time.
expenditure tax	Tax imposed on the total amount an individual spends in a year, rather than on what he earns.
export	A product or service that is sold to another country.
export credit	Government aid to the export sector, for instance by providing guarantees on bank loans to companies selling goods abroad.
export duty	Tax that is paid on goods leaving a country.
export subsidy	Government payments or other financial incentives to domestic producers, contingent on the export of their goods or services.
external account	Another name for balance of payments current account.
external competitiveness	The ability to sell goods at competitive prices in a foreign country.
external debt	Money that a country owes to other countries.
F	
factors of production	The elements used to produce economic goods, in other words, land, labour, capital and enterprise.
financial crisis	term that covers a wide array of situation, usually characterised by a sudden decrease in the nominal value of an asset or a currency.
financial regulation	Financial regulation: laws and rules that govern what financial institutions such as banks, brokers and investment companies can do.
financial system	The institutions and markets that enable the flow of money around the world.
fiscal	Connected with government taxes, debts, and spending.
fiscal consolidation	Fiscal consolidation is a reduction in the underlying fiscal deficit. It is not aimed at eliminating fiscal debt.
fiscal deficit/surplus	The amount by which government expenses exceed income is the fiscal deficit.
fiscal policy	A government's policy regarding taxation and public spending.
fiscal stimulus	Government measures, normally involving increased public spending and lower taxation, aimed at giving a positive jolt to economic activity.
fixed currency	Another name for a pegged currency.
fixed exchange rate	When a currency's exchange rate does not move freely but is based on a pre-determined rate (parity) against a specific foreign currency or a basket of currencies
flight capital	Capital sent abroad because of economic or political uncertainty.
flight to quality	When investors move their funds to more secure/less risky assets during a particularly volatile period in the markets
floating currency	A currency whose value is allowed to change in relation to other currencies.
floating exchange rate	When a currency's exchange rate is allowed to move freely depending on supply and demand in the foreign exchange market.
foreign aid	Money, goods and services given by the government of one country to help another.
foreign currency	A currency or currencies not belonging to your own country.
foreign currency account	A bank account held in one country, containing money in the currency of another.

foreign debt	What one government owes to another, or to a multilateral institution such as the World Bank, or to overseas bank creditors.
foreign direct investment	Investment from one country into another (normally by companies rather than governments) that involves establishing operations or acquiring operating firms
foreign exchange (forex) market	A market where currencies (foreign exchange) are traded. Gains or losses are made from the movement of exchange rates.
foreign exchange FX or forex	The term foreign exchange is used to refer to both the currency of another country and to the process of buying and selling foreign currencies. Forex, or FX, trading takes place in a decentralised global market.
foreign exchange reserves	Money in foreign currency held by a country and used to support its own currency and to pay for imports and foreign debts.
foreign investment	Investment in a country other than your own.
foreign loan	A loan to a country or organization made by a foreign government or financial institution.
foreign trade	Trade with other countries.
forward exchange rate	A fixed price given for buying a currency today to be delivered in the future, for example in three months' time, used in international...
forward guidance	Forward guidance is the term used by central banks to communicate what their future monetary policy will be.
free on board FOB	Term used in foreign trade contracts (normally shipping) indicating that the price of the freight includes loading of the ship and...
freight	Goods carried in large quantities by ship, plane, train etc. The cost of carrying goods in large quantities by ship, plane, train etc.
frictional unemployment	Unemployment related to the process of changing jobs, which may involve a period out of work.
FSAP (Financial Sector Assessment Program)	joint work by the IMF (financial stability) and the World Bank (financial development) to assess the countries' financial systems.
FSI (Financial Sector Indicators)	set of indicators monitored by the IMF on a quarterly basis to assess country financial soundness
full employment	When labour supply and demand in an economy are balanced at market wages.
G	
GDP	The total value of an economy's domestic output of goods and services, also known as GDP
GDP deflator	index of the price of goods and services accounted for in the GDP.
Gini coefficient	∫ index of the distance to a state of income distribution within a country and perfect equality, on a scale from 0 to 1
GNP (Gross National Product)	market value of all final goods and services produced thanks to labour and assets supplied by a country's residents during a year
grant element	the percentage of difference between the face value and the net present value of a loan. IFIs such as the IMF or the OECD usually refer to some conventions of discount rate rather than the market rate to compute the grant element of a loan
goods and services	Used to talk about everything produced or sold in an economy.
goods and services tax	A type of value-added tax charged on goods and services in some countries.
government	The group of people responsible for running a country or state and making decisions about taxes, laws, public services etc.
government bonds	Bonds issued by a government.

government borrowing	Borrowing by a government in a particular country.
government consumption	Government spending which buys goods and services produced in the economy.
government debt	Debt of the government to investors and banks
government expenditure	What a government spends in order to achieve its planned budget.
government investment	Investment by a government, for example in roads, schools etc.
government revenue	What a government takes in from tax and other sources, such as the privatisation of government assets, to help finance expenditure.
grace period	An agreement to allow a certain amount of additional time for a borrower to meet repayment obligations.
gross domestic product	see GDP
H	
hard currency	A freely tradable currency that inspires confidence because of the stable economy that generates it.
HDI (Human Development Index)	composite index of life expectancy, education and income per capita.
HIPC (Highly indebted poor country) Initiative	the name of an initiative aimed at restructuring most of the official debt of countries characterised by high external indebtedness and low income.
headline inflation	Inflation calculated based on all prices, including prices that change a lot such as those for food and fuel.
hyperinflation	very high level of inflation over a long period of times (more than 12 months)
I	
IBRD	Abbreviation for International Bank for Reconstruction and Development.
IMF	International Monetary Fund
IMF quota	Money that a country which is a member of the International Monetary Fund (IMF) has to give the fund so that it can lend money to countries.
import	Something that is made in one country and brought into another, usually in order to be sold there.
import control	An action taken by a government to limit the number of goods that can be brought into a country from abroad to sell.
import levy	A tax on goods coming into a country from abroad, often used by governments as a way of reducing imports and protecting local industries.
import prices	The price of goods coming into a country from overseas.
income tax	This is a tax on the earned and unearned income of individuals
indexed bond	A bond issued by a government where the interest rate follows changes in the consumer price index (the rate of increase of prices of goods...
inflation expectations	Rate of inflation that workers, businesses and investors think will prevail in the future
inflation risk	The risk that the return from an investment will be eroded by the negative impact of inflation on the value of a country's currency.
inflation-adjusted	Inflation-adjusted prices and indicators such as spending, growth etc take inflation into account.
inflation-adjusted gross domestic product	Gross domestic product after increases in prices are taken into account.
interbank market	Money market created by the short-term funding needs of banks, which borrow from banks with surplus funds
interest	What it costs to borrow money and what is earned from lending it or putting it on deposit. Interest is normally expressed in annual terms.

interest payment	A payment that repays interest on a loan, bond etc, rather than paying off any of the original amount.
international aid	Money, goods and services given by the government of one country or a multilateral institution such as the World Bank or IMF to help another country
L	
lagging indicators	Economic indicators that show trends based on data gathered weeks or months earlier. Many of the key indicators, including GDP, CPI,...
lender of last resort	A central bank's role as the entity that lends money to commercial banks and other financial institutions when they have no other means to finance themselves.
liquidity	Cash, cash equivalents and other assets (liquid assets) that can be easily converted into cash (liquidated).
liquidity crisis	A situation where depositors demand larger withdrawals than normal and banks are forced to borrow funds at an elevated interest rate.
liquidity preference	The degree to which people and organizations like to hold their assets and investments in different forms, some of which can be bought and sold more easily than others. This influences the demand for money and a country's control of the amount of money in the economy
long-term debt	In corporate terms, the principal and interest owed on loans and other obligations due in more than one year.
long-term unemployment	When people have been unemployed for a long time, for example more than a year.
lump-sum tax	A tax that is the same amount across all income levels.
M	
managed float	The degree to which people and organizations like to hold their assets and investments in different forms, some of which can be bought and sold more easily than others. This influences the demand for money and a country's control of the amount of money in the economy
marginal tax rate	The rate of tax per additional unit of income. In most countries, the tax rate increases as income rises from one tax bracket to another.
monetary authority	Or monetary authorities. The entity (typically the central bank) given the authority by the government or parliament to control money supply by raising or reducing interest rates, oversees exchange rate policy and usually also supervises the banking sector.
monetary base	The narrowest measure of money supply. Also known as M0. Controlled by the Central Bank
monetary crisis	When the value of a country's currency falls sharply due to political concerns, speculative attack or other factors, prompting monetary authorities to substantially raise interest rates to prevent capital flight.
monetary easing	Action by a central bank aimed at boosting the money supply and stimulating economic activity.
monetary growth	An increase in the amount of money in the economy.
monetary policy	The decisions a monetary authority makes to manage the money supply. The tools at its disposal include modifying benchmark interest rates, conducting money market operations (which influence short-term interest rates), and changing banks' reserve requirements. Depending on whether the authority wishes to expand money supply, keep it steady or reduce it, monetary policy can be described as accommodative (or loose), neutral or tight.
monetary stimulus	An attempt by a government to make the economy grow faster by increasing the money supply (the amount of money in the economy).

monetary system	The system of money in a particular country or the world as a whole, and the way that it is controlled by governments and central banks.
monetary theory	Ideas about how monetary systems operate, what effect monetary policies have etc.
monetary transmission	Monetary transmission refers to the process by which a central bank's monetary policy decisions are passed on, through financial markets and the banking system, Monetary transmission refers to the process by which a central bank's monetary policy decisions are passed on, through financial markets, to businesses and households.
monetisation	Monetisation refers to the conversion of an object into money, which means that it is generally accepted as a medium of exchange. Metals are monetised as coins once they are standardised in weight and accepted as money. Government debt can also be monetised, which occurs when a government replaces its interest-bearing debt with money.
monetise debt	When a government pays off its debt by printing more money.
money supply	The total amount of money in an economy. The narrow definition of money supply (classified as M0 or M1) includes notes and coins in circulation and money equivalents easily convertible into cash; the broad definition (M2, M3, M4) expands this to include various kinds of longer-term less liquid bank deposits, i.e. money that is not as easily available.
monopolistic	Controlling or trying to control an industry or business activity completely by not allowing other companies to compete fairly.
monopolistic competition	Competition between companies whose products are similar but sufficiently differentiated to allow each to benefit from monopoly pricing.
monopolize	See monopolise
monopoly	When a single supplier, helped by various barriers to entry, controls the market for a particular good or service, thus benefiting from the freedom to set prices and quality levels without the pressure of competition.
monopsony	When a single supplier, helped by various barriers to entry, controls the market for a particular good or service, thus benefiting from the freedom to set prices and quality levels without the pressure of competition.
moral hazard	In insurance, the chance that the insured will be more careless and take greater risks because he or she is protected, thus increasing the potential of claims on the provider. The concept can be extended to any contract (such as a loan from the IMF to a country in financial crisis) that by its existence could prompt a signatory to take unnecessary risks. Moral hazard arises when a contract or financial arrangement creates incentives for the parties involved to behave against the interest of others.
multiplier	factor by which an initial increase in government expenditure translates into additional growth.
N	
NAIRU	Non-accelerating inflation rate of unemployment: the number of people without work that some economists say is necessary at a particular time in order to prevent prices rising too fast
narrow money	See monetary base
neo-classical economics	School of economic thought that gained prominence at Cambridge University in the late 19th Century. It gave analytical depth to the ideas of the classical economists, developing the theories of equilibrium, elasticity and monopoly. Supplanted by Keynesian economics after the Second World War but came back into fashion with the monetarism of the late 20th Century.
non-accelerating inflation rate of uner	See NAIRU.

non-convertible currency	A currency that cannot be exchanged for other currencies.
non-durables	Products that are not intended to have a life of more than three years from when they are made or bought.
non-performing loan NPL	A loan on which the borrower is not making interest payments or repaying any principal.
O	
ODA (Official Development Aid)	“Flows of official financing administered with the promotion of the economic development and welfare of developing countries as the main objective, and which are concessional in character with a grant element of at least 25 percent (using a fixed 10 percent rate of discount). By convention, ODA flows comprise contributions of donor government agencies, at all levels, to developing countries and to multilateral institutions. ODA receipts comprise disbursements by bilateral donors and multilateral institutions”
OECD	Organisation for Economic Cooperation and Development; an international organisation based in Paris that helps its member states to develop economically by producing studies, statistics etc.
official exchange rate	An exchange rate set by the government.
open market operations	Central bank intervention in the money markets, where it buys and sells securities in order to control the money supply and the level of interest rates.
optimum currency area	The theory of optimum currency areas (OCA) was first published by Robert Mundell in 1961. It shows that countries could join a monetary...
original sin	Original sin was first used in an economic sense in 1999 when economists Barry Eichengreen and Ricardo Hausmann described the developing world's inability to borrow abroad in their local currency the “original sin” of emerging markets.
outflow	Money which is being taken out of a company, country etc.
output gap	The difference between an economy's current output and the estimated maximum potential output (full capacity).
overheating	When an economy has been growing too rapidly, leading to supply shortages and rising prices as production fails to keep up with demand.
P	
Pareto-efficiency	situation in which no entity can be made better without making another worse off.
paradox of thrift	This describes the economic danger of a propensity to save money, causing a recession to be prolonged through a spiral of decining prices. ...
Paris club	created in 1956, and hosted at the French ministry of Finance, the Paris Club is an informal institution aiming at coordinating official, bilateral and multilateral donors, in order to handle the case of countries defaulting on their official external debts.
pegged currency	A currency that is controlled by the central bank in a country so that it keeps the same value against other currencies.
pegged exchange rate	A fixed exchange rate, held steady by the buying and selling of foreign currencies or gold.
personal income tax	Income tax imposed on individuals (and in some cases sole proprietorship companies).
policy mix	combination of the monetary and fiscal policies;
poll tax	A tax of a particular fixed amount that every person in a country or state has to pay.
potential GDP	theoretical notion which describes the highest possible level of output that can be achieved with full and efficient usage of the factors of production at the current level of technology, without inflation increasing
primary balance	government revenue minus all expenditures except interest payment

present value	An estimate of the current value of future receipts or payments, calculated by reducing the annual amount by an interest rate (discount...
primary market	The market where new securities are issued and sold directly by the issuer to investors. Any trading after that takes place on the secondary...
principal	The amount borrowed or invested, on which interest is paid or earned. Or the balance of a loan, net of interest.
principal payment	A payment that pays off part or all of the original amount of a loan, bond etc rather than any interest payment.
property tax	Tax charged on the value of real estate, but in some countries also on other property such as cars, jewellery, etc.
proportional tax	A flat-rate taxation system, i.e. one that imposes the same rate of tax on all income levels.
protectionism	The use of tariff and non-tariff restrictions on imports to protect domestic producers from foreign competition.
public debt	Money owed by a local or national government debt in the form of loans obtained on financial markets, rather than other forms of lending.
public finance	The management of money by a local or national government, or money that spent by a government.
public goods	Goods that are available to all, all the time and in a constant amount, whether or not they have been consumed.
public spending	The money spent by the government on public services and other state-controlled operations, projects and investments.
purchasing power parity PPP	Method of currency valuation based on the premise that two identical goods in different countries should eventually cost the same.
Q	
quantitative easing	When interest rates are close to zero there is another way of affecting the price of money: Quantitative Easing (QE). The aim is to bring down interest rates faced by companies and households and the most important step in QE is that the central bank creates new money for use in an economy.
R	
real economy	The part of the economy that is concerned with actually producing goods and services, as opposed to the part of the economy that is concerned with buying and selling on the financial markets
real exchange rate	An exchange rate adjusted to reflect the different inflation rates in the countries of the two currencies concerned.
real interest rate	The actual interest rate (the nominal interest rate) minus the inflation rate. Real interest rates are considered when any monetary transaction has time factored in – for example you lend money to someone for a year and ask to be repaid the principal plus interest of 5 per cent. Over that year, however, inflation runs at 3 per cent. This means that, in effect, you will only have been paid 2 per cent for the lending risk.
real wage	The amount of goods and services that can be bought with someone's wages, after taking into account inflation (rising prices).
redistribution	The actual interest rate (the nominal interest rate) minus the inflation rate. Real interest rates are considered when any monetary transaction has time factored in – for example you lend money to someone for a year and ask to be repaid the principal plus interest of 5 per cent. Over that year, however, inflation runs at 3 per cent. This means that, in effect, you will only have been paid 2 per cent for the lending risk.

redistributive tax	A tax that is intended to spread incomes more fairly among people, by taxing rich people more and poor people less.
remittance	An amount of money sent somewhere to pay for something. When money is sent somewhere.
reserve currency	A foreign currency that is traditionally held in countries' official reserves because of its global importance as a medium of exchange and...
reserve requirement	The proportion of deposits a bank, by law, must keep in cash or place with the central bank. An important tool for monetary policy, as a medium of exchange and its inherent stability.
risk premium	The additional return an investor expects from holding a risky asset rather than a riskless one
risk-free rate	The risk-free rate, or as it is sometimes known, the risk-free interest rate, is the yield on high quality government bonds.
ROA (return on asset)	a percentage to show how assets of a company or bank are profitable in generating income. One of the financial soundness indicators (see FSI)
ROE (return on equity)	a percentage to show how net assets, or ownership interests, of a company or bank are profitable in generating income. One of the financial soundness indicators (see FSI)
S	
secondary market	a market where financial instruments that were previously issued can be bought and sold.
seigniorage	The profit made by a government from the printing of money, literally the face value of the money minus the cost of physically making it. Seigniorage is the revenue governments derive because the cost of minting coins or printing paper money is less than the market value of the money.
shock	Unexpected event with a large effect on an economy or the markets.
short-term loan	A loan for a period of time up to a year.
solvency ratio	A bank's capital as a percentage of what it lends, an important measure in calculating if it is likely to fail.
sovereign bonds	Sovereign bonds are bonds issued by governments.
sovereign debt	This is debt that is issued by a national government.
sovereign rating	A credit rating on sovereign debt.
sovereign risk	The risk that a government could default on its debt (sovereign debt) or other obligations.
stabilisation	In macroeconomics, a policy to smooth out the business cycle through fiscal and/or monetary policy.
stagflation	A period of economic stagnation accompanied by inflation.
stagnation	A period of essentially nonexistent economic growth, often accompanied by high unemployment.
sterilised intervention	When a country's monetary authority buys or sells treasury bills or other securities in the money markets to offset the impact of its foreign exchange intervention on that country's official reserves (and thus money supply).
structural adjustment	Deregulation and other policies aimed at improving the structure of an economy, usually designed to resolve budget deficit or current...
structural deficit	The budget deficit that results from a fundamental imbalance in government receipts and expenditures, as opposed to short-term factors

structural inflation	Inflation that is part of a particular economic system, so that a complete change in economic policy would be needed to get rid of it.
structural unemployment	Unemployment that remains in place even when the economy grows
supply-side economics	The theory that lower tax rates should be the key tool to boost the economy, because companies and individuals will have more money to...
systemic risk	The risk of an adverse change in the financial system as a whole, which would affect all markets and asset classes.
T	
tariff	Tax levied on certain imports, either to raise revenue or to protect domestic goods from foreign competition.
tax base	The aggregate value of the financial streams or assets on which tax can be imposed.
tax bracket	A tax rate that applies to a specific level of income.
tax credit	A reduction in tax liability typically offered by a government to encourage a certain activity.
tax rate	The proportion of income, spending or asset value that is taxed, expressed as a percentage.
terms of trade	The strength of a country's export prices relative to its import prices.
trade surplus	A surplus related to imports and exports.
trade-weighted exchange rate	A way of evaluating the strength of a country's currency by weighting its value according to the relative amount of trade carried out with each of its trading partners. If the majority of a country's trade is with Japan, for instance, then the movement of its currency against the yen will be given greater importance in the overall measurement of the exchange rate's value. This overall value is normally expressed as an index level that changes on a daily basis
Treasury	The government department in charge of the money that a country collects in taxes and from borrowing, and the money that it spends.
U	
underlying inflation	The general rise or fall in prices, not including prices that are untypical.
unemployment rate	Unemployment is the condition, among those who are able and allowed to work, of being involuntarily without a job. This is normally expressed as the proportion of the total labour force.
unofficial exchange rate	An exchange rate that is not set by a government but is one that people really use, for example on the black market
unsustainable growth	Growth that it is not possible to sustain (make continue) without causing economic problems economic growth that it is not possible to sustain without causing environmental problems
V	
value added	In economic theory, the worth added to a product during the production process - i.e. the difference between what the producing company paid for its inputs (excluding wages) and the price it charges for the finished goods and services
Value added tax VAT	VAT is a tax on consumer expenditure. 'Output' VAT on standard-rated supplies of goods and services is charged at each stage of the supply, and if the customers are registered for VAT and use the goods or services for business purposes, they reclaim the VAT on their purchases so that they have, in effect, only accounted for tax on the 'value added' by the business activities.
W	
World Bank	International organisation, created under the Bretton Woods agreement, that focuses on providing financial aid to developing countries, targeting public works and other essential capital or social projects.

World Trade Organisation (WTO)

An organisation that was formed in 1995 to control trade agreements between countries and to set rules on international trade.

Y

yield curve

A graphical representation of the relationship between the yields and maturities of different bonds of similar quality, currency denomination and risk (usually government bonds).