



**Economic and Social
Council**

Distr.
GENERAL

ECE/CES/GE.20/2008/SP.8
14 April 2008

ENGLISH
Original: RUSSIAN

ECONOMIC COMMISSION FOR EUROPE

CONFERENCE OF EUROPEAN STATISTICIANS

Joint UNECE/Eurostat/OECD Meeting on National Accounts

Ninth Meeting
Geneva, 21-24 April 2008
Item 1(b) of the provisional agenda

MEASURING THE NON-OBSERVED ECONOMY IN NATIONAL ACCOUNTS

AD-HOC SURVEYS OF PRIVATE ENTREPRENEURS

**ESTIMATION OF NON-OBSERVED ECONOMY IN STATISTICAL PRACTICE IN
AZERBAIJAN**

SUMMARY¹

Note by the State Statistical Committee of Azerbaijan Republic

1. The State Statistical Committee of Azerbaijan Republic considers the estimation of the non-observed economy one of its most important tasks. The non-observed activities take place in many economic branches but in some areas such as trade, agriculture and services, their share is higher than in other areas.

2. In the computations of GDP, upward adjustments for the following areas of non-observed economy are included:

(a) underground production;

¹ An unofficial English summary prepared by the secretariat.

- (b) informal sector, including production by households for own final use;
- (c) misreporting of data;
- (d) production not recorded because of statistical reasons.

3. An adjustment for illegal production is not included in GDP because its volume is considered to be small and not of economic interest.
4. The main sources used for estimating the non-observed economy are sample surveys in the industries with a high share of informal activities. For example, a survey of informal trade based on direct observation and questioning of sellers has been conducted for many years giving reliable results. In agriculture, the calculation of informal production is based on a survey of farmers' households.
5. Due to the shortage of directly observed information from regular reports and through special surveys, balancing input-output tables is an important method for estimating the non-observed economy. The supply-and-use tables are compiled regularly from 2004 onwards.
6. Since the second half of 2007, a quarterly survey of economically active population is carried out. By the end of 2008, it is planned to get an estimation of NOE in some economic branches using the labour input method (the so-called Italian method).

ADJUSTMENTS FOR NON-OBSERVED ECONOMY IN BRANCHES

7. The households' production for own final use is estimated based on household budget surveys and data on production of agricultural products (flour, bread, dairy and meat products).
8. Construction output is estimated based on data about construction of private houses, holiday homes, garages, etc.
9. Trade is estimated based on quarterly sample surveys of marketplaces, bazaars etc.
10. Transport services are estimated based on sample surveys and expert estimates. Data about lorries and buses in private ownership or rented by individuals (number, capacity, etc.) is obtained from the police. Information about transport of passengers by private taxis is received from the Transport Ministry based on the number of licences given out. In 2006, the transport division carried out a sample survey of transport of goods. The data about output of transport were updated based on the results.

IMPACT OF THE NON-OBSERVED ACTIVITIES ON NATIONAL ACCOUNTS

11. An adjustment for NOE is made to the GDP according to all three approaches: production, expenditure and income approach. Adjustments are made to the output of industry, construction, transport, trade and market services. Concerning expenditure approach, the adjustments are made to household final consumption expenditure and a small adjustment for fixed capital formation (for the construction of individual dwellings). In income approach, the adjustments are made to mixed income.

12. The non-observed economic activities are absent in the oil sector. The volume is also not significant in construction. This can be explained by the high share of foreign investment in these areas and strict rules about the transparency of the oil industry. The share of the oil sector in the country is increasing, which leads to a decrease in the share of other industries and consequently the share of the non-observed economy in GDP while the size of NOE is not decreasing.

13. In June 2008, the State Statistics Committee expects to get an estimation of NOE based on the labour input method.

14. In 2006, the share of NOE in GDP was 13.9% (in 2005 16.7%).

* * * * *