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MEASURING THE NON-OBSERVED ECONOMY IN NATIONAL ACCOUNTS

AD-HOC SURVEYS OF PRIVATE ENTERPRENEURS

MEASURING NON-OBSERVED ECONOMY IN STATISTICAL PRACTICE OF
KAZAKHSTAN

SUMMARY[1]

Note by the Kazakhstan Statistical Agency

1.   The Kazakhstan Statistical Agency is making estimates of non-observed economy already
during a number of years, following the approach described in the *OECD Handbook on Non-
observed Economy*. Table 1 in the Russian version of the paper shows the share of NOE in GDP
of Kazakhstan from 2000 to 2006 (the column titles are: (1) total NOE, (2) informal sector, (3)
underground economy, including (4) for statistical reasons and (5) for economic reasons). Table
2 provides data on the NOE types listed above in the following branches of economy:
agriculture, industry, construction, trade, hotels and restaurants, transport, and other services.

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[1] An unofficial English summary prepared by the secretariat.

2.   At first stage the Statistical Agency estimates NOE at branch level in industries where the share of non-observed activities is significant.

3.   In <u>agriculture</u>, the share of production by individual households (informal sector) is high. The sources of data on NOE are sample surveys of households, information from the government agencies dealing with agriculture and land (data on sowing areas, by type of crop and their average yield; number of livestock and its average weight, etc.).

4.   In <u>transport</u>, the calculations are based on data from the State Automobile Inspection on the number of lorries, buses, and taxis owned or rented by citizens. Also data on average mileage, load and profitability of cargo transportation are used. It is estimated that more than half of the owners of motor vehicles provide transport services.

5.   The share of informal activities in <u>trade</u> is very high. The data from regularly organised sample surveys are used. Additional information can be obtained by analysing the relations between the trade turnover and expenditure of households, cash inflow in banks, etc.

6.   The accounting for most of the <u>market services</u>, especially provided by private entrepreneurs is made by using different methods of indirect estimation. Data sources are: the number of licences given for specific activities, expert estimates of average income of persons providing services, client surveys, and other sources. The share of NOE in certain kinds of services may be very high but the impact on GDP is not significant as the total volume of individual services is small.

7.   For specific branches alternative estimates are made using data that can give an indication of the volume of production (for example, analysis of the relation between data on electricity consumption and output of specific industries, expenditure on animal feed and output of animal husbandry, use of cement and construction output, etc.). An assessment of income of households can be made based on expenditure on specific goods and services that are highly correlated with the level of income.

8.   The adjustments for non-exhaustiveness are made for the following branches:

   (a)   Industry (household production of certain food products and alcoholic beverages; production of clothes, footwear, furniture; repair of motor vehicles and household goods);
   (b)   Agriculture (production from individual household plots);
   (c)   Trade (individual traders at marketplaces);
   (d)   Health care (private doctors, additional payments to doctors and other medical personnel);
   (e)   Construction (construction and repair of dwellings and other buildings for households – for own final use as well as for sale);
   (f)   Transport (passenger transport with private cars);
   (g)   Education (private tuition).

9.   Table 4 in the Russian version of the paper shows the share of NOE in GDP according to economic branches (agriculture, industry, construction, trade, hotels and restaurants, transport, other services).

10.   Adjustments for household production are made based on household budget surveys using a special module about household production with breakdown for urban and rural households and types of goods.

11.   At the stage of compiling the national accounts, estimates of the non-observed economy are made to ensure the completeness, reliability and coherence of SNA indicators and GDP. One of the methods used is the balancing of supply-and-use tables, input-output tables, and production and use of individual types of products.

12.   Furthermore, employment data (labour input method) are widely used for NOE estimation. These data allow to estimate more precisely the volume of production with breakdown into different branches and size of enterprises. Data about employed persons from three sources are compared: enterprise surveys, household surveys and the Tax Committee data. This methodology is used for the following branches: construction, trade, repair of motor vehicles and personal and household goods, hotels and restaurants, transport, and other community, social and personal services.

13.   The improvement of NOE estimation is focused on increasing the quality of estimates at the industry level and reconciliation of time series at the industry level with national accounts data. The commodity-flow method will be increasingly used and the Input-Output tables and balances of specific products will be improved. Cooperation with different ministries and government agencies (especially the Tax Committee) will be strengthened.

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