

Non-Observed Economy in National Accounts

Survey of National Practices

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Background

- Major developments:
 - Eurostat pilot projects on exhaustiveness (in 1998-2000 and 2002-2003)
 - OECD Handbook for measurement of the non-observed economy (2002)
 - Eurostat TACIS projects in CIS countries
- UNECE surveys
 - 1991: 9 countries
 - 2001/02: 29 countries
 - 2005/06: 43 countries

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NOE Survey 2005/2006-Objectives

- Inventory of current methods and practices in estimating NOE
 - Definitions and concepts
 - Data sources
 - Estimation methods:
 - Production approach
 - Expenditure approach
 - Income approach
- Implications and effects on National Accounts

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NOE 2005/2006 - 44 countries

- **18 EU members**
Austria, Belgium, Bulgaria, Czech Republic, Estonia, Finland, Germany, Hungary, Ireland, Italy, Latvia, Lithuania, Netherlands, Poland, Romania, Spain, Sweden, United Kingdom
- **3 EU candidate countries**
Croatia, The former Yugoslav Republic of Macedonia, Turkey
- **5 OECD countries – non-EU members**
Australia, Canada, Mexico, Norway, United States
- **11 CIS countries**
Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Republic of Moldova, Russian Federation, Tajikistan, Ukraine, Uzbekistan
- **5 other countries**
Albania, Brazil, Mongolia, Montenegro, Serbia
- **2 do not estimate NOE** - Japan, New Zealand

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Results – share of NOE in GDP

- EU member countries
 - from ~ 1% to ~ 18.9% (from 6.6 to 18.9 among new EU members)
- EU candidate countries
 - from 9.9 % to 16.3 %, except Turkey (1.7%)
- CIS countries - from 10.7 % to 31.6%

Share of NOE in GDP

Armenia	2003	28.9	Moldova	2001	31.6
Azerbaijan	2003	20.7	Russia	2003	24.3
Belarus	2003	10.7	Tajikistan	Year not stated	25
Georgia	2004	28.3	Ukraine	2003	17.2
Kazakhstan	2003	21.6	Uzbekistan	Year not stated	29-30
Kyrgyzstan	2003	17.0			

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Analysis of the results

- NOE tabular frameworks:
 - T1 – T8: 1998-2000 EU Pilot Project on Exhaustiveness
 - N1 – N7: 2002-2003 EU Pilot Project on Exhaustiveness
- ECE tried to allocate the activities to the N1-N7 framework to allow comparison across countries
- A common framework of NOE (similar to T1-T8 or N1-N7) would be useful

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Results – types of NOE

Generally: the economic underground and informal activities (misreporting and unregistered producers) have a bigger share of NOE adjustments

Sectors: construction, agriculture, trade, health care, education, transport, housing

Most of the countries account for misreporting and other statistical deficiencies– tips, wages and salaries in kind, secondary activities, etc.

CIS countries - NOE estimated in most of the categories, except illegal activities

Illegal activities – 13 countries estimate, most of them do not include in GDP (4 include)

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Problems in CIS countries

- Lack of a conceptual framework
- Difficulties related to sample surveys
- Difficult to check the reliability of reported data
- Measuring illegal activities
- Large number of unregistered enterprises, irregular and individual activities
- High turnover of enterprises
- Unregistered employed persons
- Etc.

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Conclusions from the survey

- Difficult to compare estimates across time and across countries
- In several countries a declining trend in size of NOE, in several countries fluctuating around the same level, in some countries increasing
- Countries are trying to be as exhaustive as possible in their GDP estimates
- NOE concentrated in economic underground and informal sector
- Common NOE framework would be useful