

Measuring non-observed activities in trade

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Trade

- Trade output is measured by the total value of trade margin on goods purchased for resale. A trade margin is defined as the difference between the price realised on the good purchased for resale and the price that the trader would have to pay to replace the good at the time it is sold or otherwise disposed of.
- Small-scale operators are usually prevailing, especially in retail trade and it is difficult to cover all producers and their activities in direct surveys.

Trade

- Problems of under-coverage, non-response and misreporting are common.
- The following following phenomenon can have impact on measurement of trade activities:
 - shuttle trade;
 - black market, smuggling – illegal trade;
 - cross-border shopping - not a productive activity but can affect the estimates when demand or balancing methods are used.
 - cash and without bill settlements – misreporting of turnover, VAT fraud.

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Sources and methods used

- Direct surveys of traders. Exhaustiveness adjustments may be needed for undercoverage of small units, non-response, misreporting (comparisons of trade margins by product).
- Estimates of the supply of certain products supplied through retail channels and gross retail trade margins. Adjustment for direct purchases from producers, cross-border shopping, etc;
- Household budget survey data on purchases of goods. Adjustments for direct purchases from producers, purchases by other users;

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Sources and methods used

- Tax statistics and administrative data e.g. VAT data, turnover taxes, excise duties, etc. Adjustment for timing, valuation, etc.;
- Labour force survey and other employment data. Adjustments for hidden labour, employed without working contracts;
- Input/output tables and other balancing methods.

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Shuttle trade

- Shuttle trade refers to the activity in which entrepreneurs buy goods abroad and import them for sale in street markets or small shops.
- Shuttle trade may significantly impact import and export statistics because the goods are often imported without full declaration to avoid import duties. Often it is difficult to distinguish shuttle trade from cross border shopping.
- Shuttle trade has large volume in transition countries. It is common for the borders of monetary zones or where significant price levels occur.

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Data sources and methods used

- Customs statistics on export and imports of goods and services. Data could suffer from significant undercoverage;
- OECD manual recommends direct surveys of shuttle trades to determine journeys and values imported. However, such surveys are not common for the countries in the ECE region;
- Demand based estimates (HBS) (Some countries include questions on the type of outlet where goods were purchased);

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Data sources and methods used (cont'd)

- Estimates made for the Balance of payments;
- Commodity flow methods, input and output tables;
- Comparison with import and export data of neighbouring countries, "mirror statistics";
- Adjustments should be consistently measured on the output (trade margin) and expenditure side;
- Kazakhstan and Kyrgyzstan has indicated they include estimates for shuttle trade in exports and imports.

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Questions for discussion

- All SPECA countries who replied to the UNECE survey report that hidden activities are significant in trade? What are the sources used?
- What are the specific problems and methods used to account for non-exhaustiveness in trade?
- Is shuttle trade important in your country and do you estimate it? What are the sources and methods used to estimate shuttle trade?
- Which goods and national accounts aggregates are mainly affected by shuttle trade? How are the adjustments incorporated?