

## Estimates of the unrecorded economy and national accounts

### Declaration of the ISWGNA, January 2006

The degree to which official national accounts estimates cover the economy differs among countries. Statistical authorities of some countries make explicit and comprehensive estimates of activities not recorded from the usual data sources—be it because these are illegal, underground, or simply outside scope<sup>1</sup>. In other countries, statistical authorities do not provide such estimates, a situation that sometimes prompts unofficial estimates. These unofficial estimates may have a sound statistical underpinning, but many are based on bold assumptions and few actual data. The Inter-secretariat Working Group on National Accounts<sup>2</sup> (ISWGNA) feels it is necessary to alert users to the limited value of these unofficial estimates in terms of reliability and accuracy.

Unofficial estimates are often based on macro economic models. For instance, they may assume a fixed relation between the size of the economy and money in circulation. Such methods may yield grossly exaggerated results, attracting the attention of politicians and newspapers and thereby gaining wide publicity. The OECD-ILO-IMF-CIS manual on measuring the non-observed economy<sup>3</sup> rejects such “macro-model” methods because these methods suffer from serious problems that cast doubt on their utility for any purpose in which accuracy is important. In particular, they are completely unsuitable for use in compiling the national accounts.

Signed: the members of the ISWGNA:

Commission of the European Communities (Eurostat);  
International Monetary Fund;  
Organisation for Economic Co-operation and Development;  
United Nations;  
World Bank.

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<sup>1</sup> See the UN-ECE survey of some national practices of estimating the non observed economy:  
[http://www.unece.org/stats/publications/non\\_observed\\_economy.pdf](http://www.unece.org/stats/publications/non_observed_economy.pdf)

<sup>2</sup> The ISWGNA gathers representatives of the five international organizations (European Commission, IMF, OECD, UN, WB,) who have co-signed the international manual SNA 93 (System of National Accounts, 1993).

<sup>3</sup> [http://www.oecd.org/document/49/0,2340,en\\_2649\\_34253\\_2463473\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/49/0,2340,en_2649_34253_2463473_1_1_1_1,00.html)