Measurement of the Informal Economy
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New York, United States
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"The views expressed herein are those of the author and should not be attributed to the IMF, its Executive Board, or its management".
Outline

- **Task Force on Informal Economy**
  - Preliminary report
  - Current work

- **Forthcoming 7th IMF Statistical Forum on Measuring the Informal Economy**
Informal Economy: Coverage to be used

**Informal activities**
- conducted by enterprises on the household sector or other sectors that are unregistered and/or are less than a specified size in terms of employment, and that have some market production

**Underground activities**
- both productive and legal but are statistically and economically deliberately concealed from public authorities

**Illegal activities**
- forbidden by law
Task Force on Informal Economy (TFIE)

Objective

Taking stock of country practices to identify data collection methods/compilation techniques feasible for addressing the coverage and consistency of IE in cross border statistics

Preliminary Report: BOPCOM 18/10

Phase I Work Program:

- Inventory of economies’ experiences
  - By an Online Survey
  - By Individual Reports
Preliminary Report of the TFIE: Key Findings

- Compilation focused on the **current account**, especially on **goods**
- Estimation methods **aligned NA compilation or macroeconomic modelling**
- Use of a **combination of direct and indirect sources**
- Limited availability of **separately-identifiable** data on IE activities
- **Major challenges**: data sources, enterprise registration, and methodology
Preliminary Report of the TFIE: Key Findings

On the prevalence and extent to which IE transactions impact the BOP, the estimates concentrated on goods, and to a lesser extent on services.

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of Exports of Goods</td>
<td>less than 1%</td>
</tr>
<tr>
<td>% of Imports of Goods</td>
<td>between 1% and &lt; 2%</td>
</tr>
<tr>
<td>% of Exports of Services</td>
<td>between 2% and 5%</td>
</tr>
<tr>
<td>% of Imports of Services</td>
<td>above 5%</td>
</tr>
<tr>
<td>% of Total Primary Income Credit</td>
<td>less than 1%</td>
</tr>
<tr>
<td>% of Total Primary Income Debit</td>
<td>between 1% and &lt; 2%</td>
</tr>
<tr>
<td>% of Total Secondary Income Credit</td>
<td>between 2% and 5%</td>
</tr>
<tr>
<td>% of Total Secondary Income Debit</td>
<td>above 5%</td>
</tr>
<tr>
<td>% of Total Capital Account Credit</td>
<td>less than 1%</td>
</tr>
<tr>
<td>% of Total Capital Account Debit</td>
<td>between 1% and &lt; 2%</td>
</tr>
<tr>
<td>% of Net Acquisition of Financial Assets</td>
<td>between 2% and 5%</td>
</tr>
<tr>
<td>% of Net Incurrence of Liabilities</td>
<td>above 5%</td>
</tr>
</tbody>
</table>

Number of Economies

Graph showing the distribution of percentages across different categories.
Preliminary Report: Recommendations

**Recommendations**

- Select, document, and disseminate available best practices for compiling IE activities
- Encourage coordination for a more integrated approach in covering the IE data in the BOP and ROW accounts
- Encourage national compilers to extend IE initiatives beyond the current account
- Support a more comprehensive approach to compiling IE estimates targeting specific BOP/IIP components based on cost-benefit analysis
Preliminary Report: Phase II Work Program

Phase II Work Program

- Review IE data collection and compilation practices as reported in the 2018 survey, individual reports, and other supporting materials
- Identify “encouraged” practices for collection, compilation, and dissemination of IE data, and advise and support IMF’s work on developing appropriate modes of publicizing these practices
- Provide broad (non-country specific) recommendations for improving current compilation methods

Next Steps: create a webpage to post encouraged compilation practices
Outline

- Task Force on Informal Economy
- Forthcoming 7th IMF Statistical Forum on Measuring the Informal Economy
  - Preliminary Agenda
Forthcoming Statistical Forum on Informal Economy

**When?** Washington, D.C. during **November 14-15, 2019**

**Call for papers by Friday, May 31, 2019**

Seeks proposals for empirical papers and country case studies on the practices and data sources used to measure the informal economy, including cross-border flows.

Preliminary Agenda: Main Sessions

1) Definition and Scope of the IE

2) Traditional Estimation Practices: Determining the Level and Growth of IE

3) New Technologies and New Potential Data Sources - Innovation and Big Data

4) Measuring Informal Cross-border Flows (Illicit financial flows)

5) Closing Panel: Policy Conclusions and Recommendations
Thank you!