



**STATISTICS**

# **Measuring the Informal Economy**

**THEME: SEVENTH IMF STATISTICAL FORUM**

Presented at the 13<sup>th</sup> Meeting of the Advisory  
Expert Group on National Accounts



**7<sup>TH</sup> IMF Statistical Forum**

**MEASURING  
THE INFORMAL  
ECONOMY**

**STATISTICS DEPARTMENT**

November 14-15, 2019 | IMF Headquarters | Washington, D.C.

# IMF Recent and Ongoing Work on Informal Economy

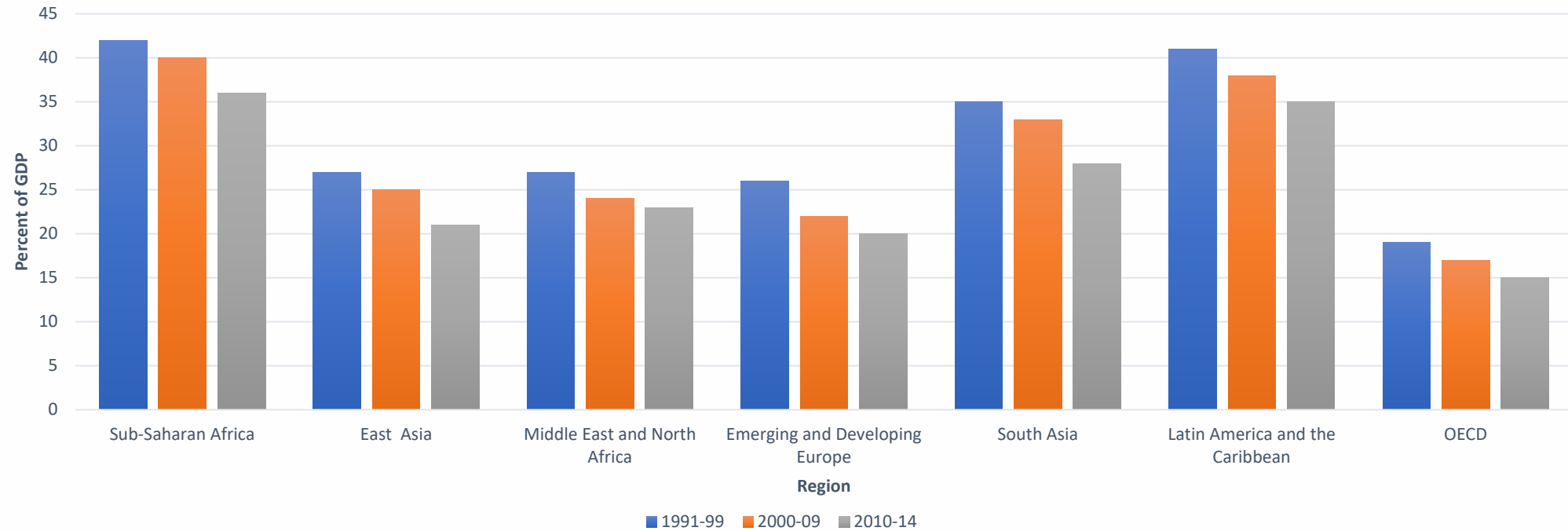
- 2017 IMF Regional Economic Outlook: Sub-Saharan Africa—*The Informal Economy in Sub-Saharan Africa*
- IMF Committee on Balance of Payments Statistics—*Task Force on Informal Economy*
  - - *focus is on cross-border flows*
- Seventh IMF Statistical Forum—*Measuring the Informal Economy*
- Continuing IMF Work on Illicit Financial Flows

# Overview

The informal economy is of particular interest to developing economies—for instance, in Sub-Saharan Africa and Latin America—where the estimates of the size of the informal economy are relatively high.

- It is generally associated with low productivity, poverty, and under-employment.
- It provides employment and income for individuals who would otherwise not find employment in formal units, or as a means to supplement the income received from employment in these units (IMF 2017).

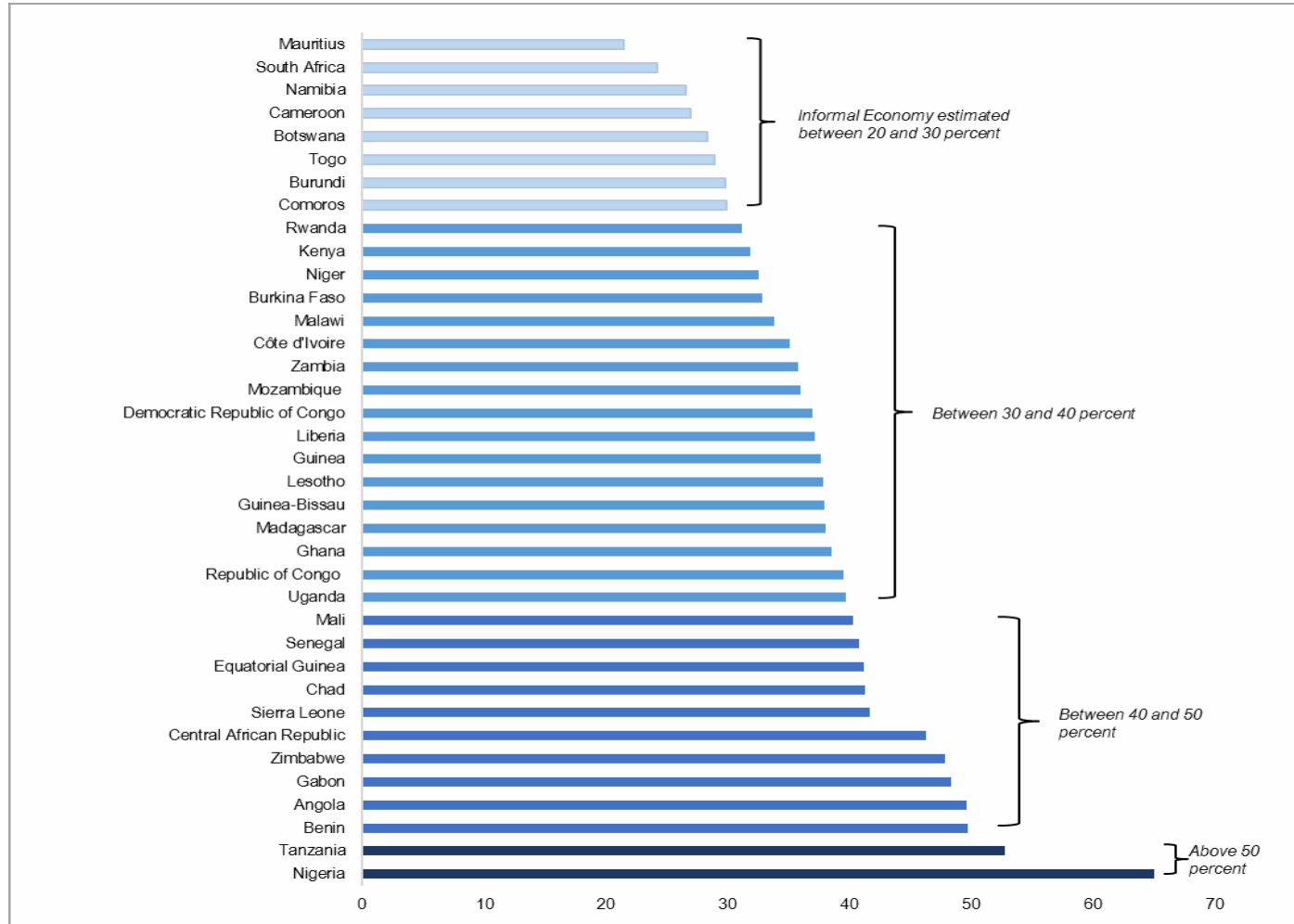
# Informal Economy By Region



Countries are grouped according to IMF's *World Economic Outlook* Regional Classification

Source: IMF Staff Estimates; 2017 Regional Economic Outlook: Sub-Saharan Africa (IMF)

# Informal Economy in Africa



Source: IMF WP--The Informal Economy in Sub-Saharan Africa: Size and Determinants

# What is Informal?

The 2008 SNA recognizes the analytical importance, especially in developing countries, of being able to measure that part of the economy that reflects the efforts of people without formal jobs to engage in some form of monetary economic activity.

## IMF Statistical Forum—Practical Definition

Activities and transactions that are not covered in the regular data collection framework for compiling integrated macroeconomic statistics. It therefore includes (i) the market production of households; and (ii) the unrecorded (underground, illegal) activities of businesses.

# IMF Statistical Forum—Agenda

## Session I: Definition and Scope of the Informal Economy

- take stock of the concepts and definitions presented in the existing statistical manuals.
- provide a critical assessment of their suitability for compiling the requisite statistics for policy analysis.
- propose a definition and perimeters of the informal economy in the context of macroeconomic statistics.

## Session II: Traditional Estimation Practices: Determining the Level and Growth of the Informal Economy

- review the consistency and reliability of the methods used to estimate production, employment, and productivity in the informal economy.

*Selected countries will present their estimation practices, as well as the challenges (resources, data, estimation) and how these have been addressed.*



# IMF Statistical Forum—Agenda

## Session III: New Technologies and New Potential Data Sources—Innovation and Big Data

- present new technologies—often digital—that are being, or could be used to derive data to measure economic activity including satellite imagery or mobile phone data.

*It will also seek to address some key questions such as: (i) has the increasing use of digital platforms transformed the informal economy; and (ii) has the relative size of the informal economy changed with the increasing use of digital platforms.*

## Session IV: Measuring Informal Cross-border Flows (Illicit financial flows)

- review the estimation of cross-border flows and will focus on the movement of money across borders that is illegal in its source (e.g. corruption, smuggling), its transfer (e.g. tax evasion), or its use (e.g. terrorist financing).

# Illicit Financial Flows

No settled definition

- ✓ Narrow definition focuses on illegal activities
- ✓ Broad definition includes flows that may be considered unethical or immoral, though legal (e.g. tax avoidance).

IMF uses a narrow definition: movement of money across borders that is illegal

- in its source (e.g. corruption, smuggling; production of illegal drugs);
- transfer (e.g. tax evasion); or
- its use (e.g. terrorist financing).

# Possible Takeaways

Work currently being undertaken at the country level

- Key data sources
- Key estimation methods
- Are these estimates explicitly shown
- Frequency of estimates
- Consistency over time and across countries

Measurement challenges

- Technical definitions
  - ▶ Consistency and differences
  - ▶ Scope

Possible solutions

- Source data development/new data sources
- Feasibility of measurement
- Resource implications/constraints

Thank You