Non-Observed Economy and effect of adopting SNA 2008 on GDP

Concept and Definition

As per OECD norms;

“The groups of activities most likely to be non-observed are those that are *underground, illegal, informal sector*, or *undertaken by households for their own final use*. The activities may also be missed because of *deficiencies in the basic statistical data collection programme*. These groups of activities are referred as the *problem areas*.”
Concept and Definition (contd./-)

Non-Observed Economy (NOE):-

- Activities not included in National Accounts

Measurement of Non-Observed Economy (NOE):-

- improvements in direct measurement
- improvements in indirect measurement

Need of measurement of NOE

- Informal sector, household production undertaken for own final use
- capital flight, shuttle trade, cross border shopping, tax evasion, and drug trafficking
- Capital flight and tax evasion
**Estimation methods, data sources and key challenges in measurement of NOE**

- Unincorporated Manufacturing and non-financial enterprises;
  - Labour Input Method (Effec. LI Method) in absence of regular annual surveys

**Data Source**

- 67th round Survey on Unincorporated Enterprises, 2010-11
- 73rd round survey Unincorporated Enterprises (non-agricultural activities), 2015-16
- Five yearly NSS Consumption Expenditure Survey for household sector

**Key Challenges**

- Absence of annual survey for unincorporated enterprises.

- Regular and reliable source of information in respect of capital flight, shuttle trade, cross border shopping, tax evasion, and drug trafficking etc.

- Estimates of dwellings, other buildings and structures’, ‘machinery and equipment’, ‘cultivated biological resources’ and ‘intellectual property products’.
Implementation of 2008 SNA in India

- Valuation of various GVA, NVA and related aggregates at basic prices and GDP at market prices
- Separately estimates of the institutional sectors
- Distinction between General Government and public corporations
- Household sector estimates

Implementation of 2008 SNA in India (Contd./-)

- Expenditure on Research & Development (R&D)
- Output of Financial Intermediation Services Indirectly Measured (FISIM) using a reference rate for the financial sector
- Output of central bank (RBI) cost.
- Consumption of fixed capital at the average prices of the period to a constant-quality price index of the asset concerned.
Implementation of 2008 SNA in India (Contd./-

- Non-financial assets

- Harmonisation between SNA and BPM

Data Dissemination/Releases

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<td>1. Advance Estimates of national income</td>
<td>7th Feb.</td>
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<td>2. Provisional Estimates of national income</td>
<td>31st May</td>
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<td>3. Estimates of GDP for Q1 (Apr-Jun)</td>
<td>31st August</td>
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<td>7. First Revised Estimates of national income</td>
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Thank You Very Much