

## Non observed economy in national accounts

Years 2011-2013

In the comprehensive revision of national accounts accompanying the migration to the ESA 2010, Istat has developed an in-depth revision of all the methodologies used to measure the underground production. This is defined as the production in legal activities that is deliberately concealed from the public authorities to avoid payment of taxes or compliance with regulations. Estimates of some specific illegal activities (trading of drugs, tobacco smuggling, and prostitution) have been included in national accounts, too.

The value added produced by underground activities amounted to 190 billion euro in 2013, that is 11.9% of Gdp (compared to 11.7% in 2012 and 11.4% in 2011). The value added related to illegal activities amounted to approximately 16 billion euro in 2013. The total Non observed economy (underground and illegal economy) was 206 billion euro (12.9% of Gdp).

In 2013, 47.9% of underground economy stemmed from under-reporting of value added, 34.7% from value added produced using undeclared work, 9.4% from other components (undeclared rents, tips and Gdp balancing procedure), and 8% from illegal activities.

In 2013 the value added produced by the underground economy accounted for 32.9% of the total value added in Other service activities, for 26.2% in Trade, transportation, accommodation and food service and for 23.4% in Construction.

In 2013, the share of value added estimated from the correction of under-reporting was 17.5% in Professional activities, 14.2% in Construction, and 13.9% in Trade, transportation, accommodation and food service. As for the manufacturing sector, the share was rather sizable in the Production of food, drink and consumption goods (8.3%) and small in Production of investments goods (2.7%).

The value added related to undeclared work is larger in the sector of Other personal services (21.7%), where it was mainly linked to domestic services, and in Agriculture (15.4%)

In 2013, undeclared work was estimated at around 3.5 millions of full-time equivalent units (FTEs), mainly employees (2,5 millions). The rate of undeclared work, defined as the share of FTES out of total labour input, was 15% (0.5 percentage points higher than in 2011).

The rate of undeclared work was higher in Other personal services (45.0%), Agriculture (17.6%), Trade, transport, accommodation and food services (15.6%), and in Construction (15.4%).

In 2013, the value added generated by the illegal activities included in NA was estimated in 15.2 billion euros. Taking into account the indirect effects the weight of illegal economy on total value added was 1.1%.

### UNDERGROUND AND ILLEGAL ECONOMY. Years 2011-2013, million euro

	Years		
	2011	2012	2013
Underground economy	187,053	189,190	190,846
<i>Under-reporting</i>	93,517	99,080	99,432
<i>Undeclared work</i>	71,171	71,509	71,959
<i>Other</i>	22,365	18,601	19,455
Illegal economy	15,486	16,430	16,548
<b>Total value added</b>	<b>1,471,729</b>	<b>1,449,429</b>	<b>1,446,420</b>
<b>GDP</b>	<b>1,638,857</b>	<b>1,614,672</b>	<b>1,606,895</b>

## For more details please refer to the Italian version

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