



The impact of the Eurozone economy on national economic statistics

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Potential effects of the Eurozone economy on economic indicators

- Economic downturn increasing underground activity
- European Union (EU) and Member State actions that increase underground activity
- Problems unique to the Eurozone
- EU and Member State actions to counter underground activity
- Conflict between EU and Member State economic statistics



Underground economy

- More unemployment, so more alternative methods to earn a living
- Difficult to measure. Range of estimates.
- Cash one factor that is important in underground economy
 - not important just for illegal activity

Other underground economic activity



- Alternative currencies
 - Bitcoin-now regulated by Germany and U.S.
 - *estimated value of about \$1 billion worldwide, though highly volatile.
 - other local currencies, particularly in southern Europe, but also UK
- Barter



Structural problems of the euro

- Differences in strength of Member State economies
- Possibility of a Member State leaving makes euros in its banks potentially less valuable than euros in other countries
 - Increases incentive to move euros out of banks in vulnerable countries
- Interests of governments not always aligned with interests of individuals



Cyprus, EU reaction

- Cyprus
 - originally all bank deposits subject to “haircuts”
 - then only uninsured
 - increased value of Bitcoin
- EU reaction

Possible effects on GDP measurement, expenditure surveys

- Unmeasured economic activity
- Volatile currency, hard to measure
- Are problems concentrated in certain sectors of the economy, in certain countries? Biased estimate



EU, Member State legislation

- Reduce tax havens
- Pre-filled tax forms
- Limit cash transactions

-goal is to reduce underground economy, increase tax revenue



Possible results of legislation

- Increase measured economic activity
- Increased availability of electronic records
 - more accurate data
 - more timely data
- Might produce better recall for consumer surveys/household budget surveys

Statistical standards at the Member State and EU levels



- Member State and EU goals not always aligned
- Prosecution of Greek statistician by Greek authorities
- Creation of European Public Prosecutor to reduce fraud

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