

Size and Development of the Shadow Economy of 31 European Countries from 2003 to 2010

by

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In the following Table 1 the size and development of 31 European shadow economies over the period 2003-2010 is presented ¹. If we first look at the average of the 27 European Union countries we see, that the shadow economy in the year 2003 was 22.6%, decreased to 20.5% in 2008 and increased to 21.1% in 2010. If we compare the average of 31 European countries in 2003 the average size was 22.8%, decreased to 20.8% in 2008, and increased to 21.3% in 2010. If we consider the last 2 years (2009 and 2010) and compare them with the year 2008, we realize that in all countries we had again a slight increase of the size and development of the shadow economy. This is due to the fact of the world wide economic and financial crises. The reason for the increase is, that if the official economy is sluggish or in recession people try to compensate the income loss with additional activities in the shadow economy.

Furthermore there are two trends:

- (1) The eastern countries or the new European Union members, like Bulgaria, like Cyprus, like the Czech Republic, like Latvia, like Lithuania, like Poland have a higher shadow economies than the “old” European Union countries, like Austria, Belgium, Germany, Italy; hence we have an increase of the size of the shadow economy from west to east.
- (2) Also we observe an increase of the size and development of the shadow economy from north to south. On average the southern European countries have considerable higher shadow economies than the one in Central and Western Europe. This can also be demonstrated looking at figure 1.

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¹ The calculation of the size and development of the shadow economy is done with the MIMIC (Multiple Indicators and Multiple Courses) estimation procedure. As with the MIMIC estimation procedure one gets out only relative values, with the help of the currency demand approach for a few countries (Austria, Germany, Poland and Switzerland). These values have been calibrated into absolute ones. Source: Friedrich Schneider, Shadow Economy around the World: What do we really know?, European Journal of Political Economy, Vol. 21/2, September 2005, page 598-642.

Figure 1: Size of the Shadow Economy of 31 European Countries in 2010

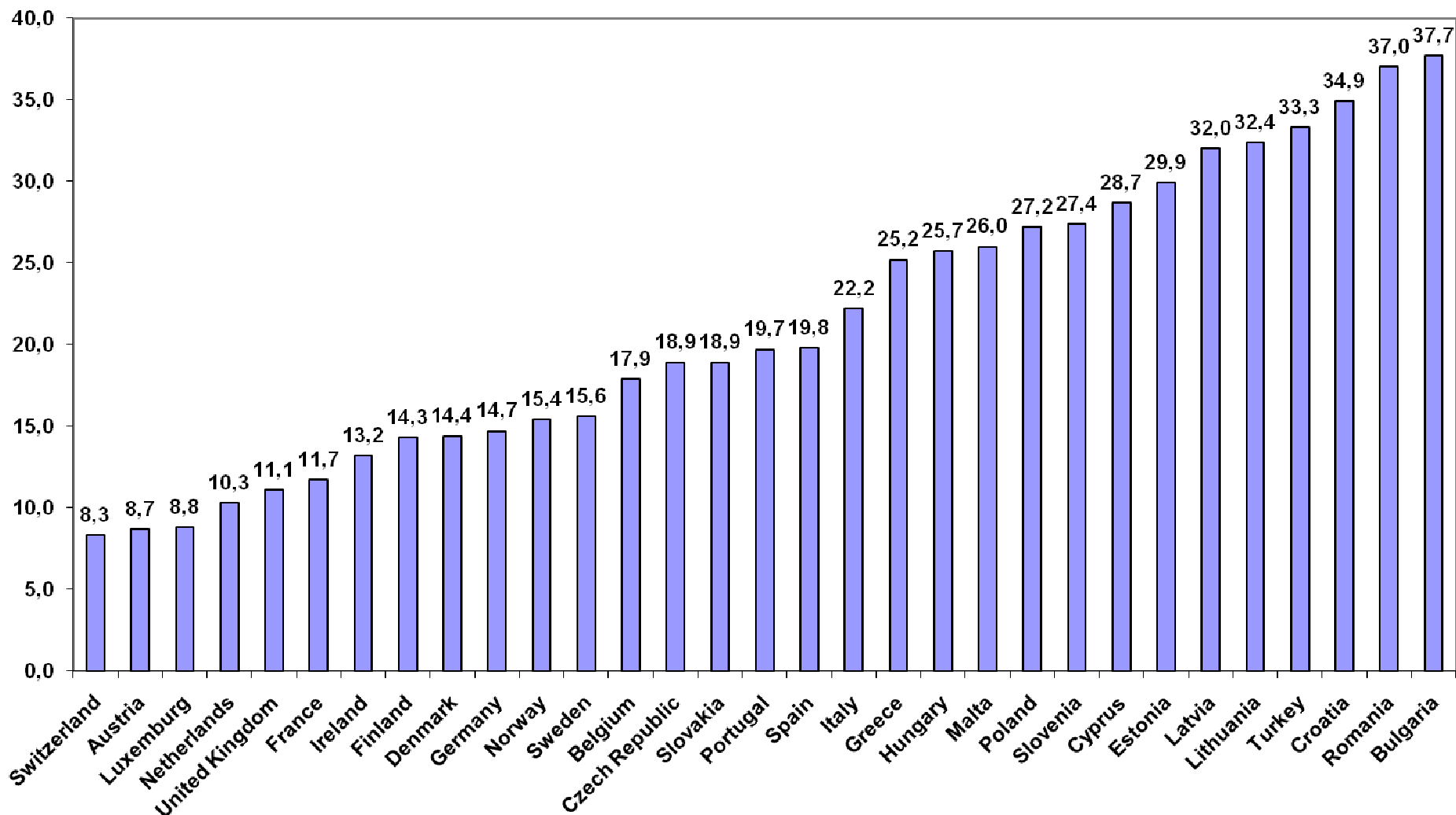


Table 1: Size of the Shadow Economy of 31 European Countries over 2003 - 2010

Abbr.	Country									Type of country
		2003	2004	2005	2006	2007	2008	2009	2010	
at	Austria	10,8	11	10,3	9,7	9,4	8,1	8,47	8,67	OECD
be	Belgium	21,4	20,7	20,1	19,2	18,3	17,5	17,8	17,9	OECD
bg	Bulgaria	38,3	39	39,7	40,4	38,2	37,1	37,5	37,7	
cy	Cyprus	29,2	29,3	29,7	30,1	29,2	28,3	28,5	28,7	
cz	Czech Republic	19,5	19,8	20,4	20,9	19,4	18,6	18,8	18,9	
dk	Denmark	17,4	17,1	16,5	15,4	14,8	13,9	14,3	14,4	OECD
ee	Estonia	30	30,3	31,1	31,9	30,7	29,6	29,8	29,9	
fi	Finland	17,6	17,2	16,6	15,3	14,5	13,8	14,2	14,3	OECD
fr	France	14,7	14,3	13,8	12,4	11,8	11,1	11,6	11,7	OECD
de	Germany	17,1	16,1	15,4	15	14,7	14,2	14,6	14,7	OECD
gr	Greece	28,2	28,1	27,6	26,2	25,1	24,3	25	25,2	OECD
hu	Hungary	25,8	26,1	26,2	26,5	26	25,2	25,5	25,7	
ie	Ireland	15,4	15,2	14,8	13,4	12,7	12,2	13,1	13,2	OECD
it	Italy	26,1	25,2	24,4	23,2	22,3	21,4	22	22,2	OECD
lv	Latvia	31,4	32	32,7	33,7	32,5	31,6	31,9	32	
lt	Lithuania	31,9	32,2	32,8	33,4	32,8	32	32,2	32,4	
lu	Luxemburg (Grand-Duché)	9,8	9,8	9,9	10	9,4	8,5	8,8	8,8	
mt	Malta	26,7	26,7	26,9	27,2	26,4	25,8	25,9	26	
nl	Netherlands	12,7	12,5	12	10,9	10,1	9,6	10,2	10,3	OECD
pl	Poland	27,7	27,9	28,3	28,7	27,5	27	27,1	27,2	
pt	Portugal	22,2	21,7	21,2	20,1	19,2	18,7	19,5	19,7	OECD
ro	Romania	36,1	37	37,3	38,3	37,5	36,8	36,9	37	
si	Slovenia	27,8	28	28,4	28,9	28	27,1	27,3	27,4	
es	Spain	22,2	21,9	21,3	20,2	19,3	18,7	19,5	19,8	OECD
sk	Slovakia	19,5	19,7	20,2	20,6	19,4	18,6	18,8	18,9	
se	Sweden	18,6	18,1	17,5	16,2	15,6	14,9	15,4	15,6	OECD
uk	United Kingdom	12,2	12,3	12	11,1	10,6	10,1	10,9	11,1	OECD
	Total EU-27 / Average	22,6	22,6	22,5	22,2	21,3	20,5	20,9	21,1	

Table 1: Size of the Shadow Economy of 31 European Countries over 2003 - 2010 cont.

Abbr.	Country									Type of country
		2003	2004	2005	2006	2007	2008	2009	2010	
hr	Croatia	34,7	35,2	35,5	36	35,4	34,7	34,8	34,9	
no	Norway	18,6	18,2	17,6	16,1	15,4	14,7	15,3	15,4	OECD
ch	Switzerland	9,5	9,4	9	8,5	8,2	7,9	8,3	8,34	OECD
tr	Turkey	32,4	33,2	34,2	34,7	33,8	33	33,1	33,3	
	Total Europe 31 countries / Average	22,8	22,7	22,7	22,4	21,6	20,8	21,2	21,3	

Source: Own Calculations, September 2010