

## Russia-Ukraine Conflict: Implications for Remittance flows to Ukraine and Central Asia

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*Just seven days into the war, more than a million Ukrainians have left the country, and millions more are expected to migrate or seek asylum in other countries in the coming months. Remittances to Ukraine are likely to increase in 2022. However, remittance flows to Tajikistan, Uzbekistan, and the Kyrgyz Republic will likely decline sharply due to the twin effects of a decline in economic activity in Russia and a weakening of the ruble against the US dollar. These short-term projections have a high degree of uncertainty around them, dependent on the scale of the military conflict in Ukraine and the effectiveness of the sanctions on outward payments from Russia. The global community should support Ukrainian migrants and refugees by facilitating their journey and ensuring arrival in a safe environment. Supporting migrants, refugees and students stranded in Ukraine is also a priority for the global community. And even as the war is topmost on everyone's mind, COVID-19 variants have still not gone away. All migrants and refugees—Ukrainians as well as those from other countries stranded in Ukraine—need access to healthcare during the pandemic. In the immediate future, there is a need to restore access to personal remittance services in Ukraine as well as in Russia. Reducing fees on remittances by even 2 percentage points could save Ukrainian migrants \$400 million, and lowering remittance costs could be an effective complement to scaling up aid to the people of Ukraine.*

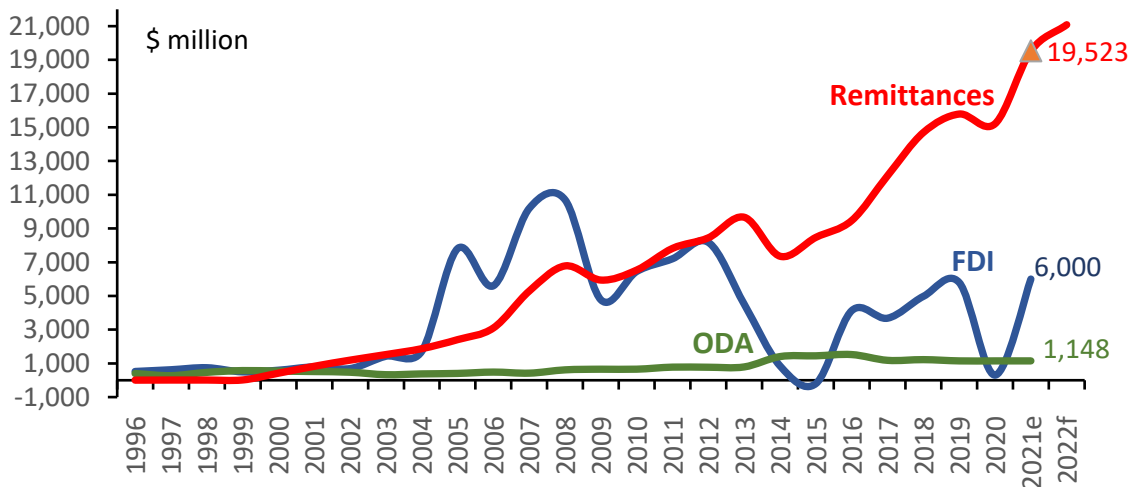
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### **Impacts on Ukraine**

1. According to the UN High Commissioner for Refugees, as of March 3, 2022, just seven days into the war, more than a million Ukrainians were believed to have fled the country. In the coming months, millions more are expected to migrate to or seek asylum in Poland and other European countries. Since 2015, there has been a shift in the destination of Ukrainian migrants: In the past, Russia used to be the largest destination country. In recent years, migration to Poland and other countries in Europe has increased. Data on the stock of migrants are scarce, but available data indicate that Russia hosts between 2 and 3 million Ukrainian migrants, equivalent to around 5-7 percent of Ukraine's population.<sup>ii</sup>
2. According to new data from the National Bank of Ukraine, remittance flows to Ukraine surpassed \$19 billion in 2021.<sup>iii</sup> These flows have proved to be resilient during the COVID-19 crisis. After a moderate decline of 3.6 percent in 2020, the flows grew by a higher-than-expected rate of 28.3 percent in 2021. Remittances were around 12 percent of GDP in Ukraine, nearly three times the size of foreign direct investment (FDI) in 2021 (figure 1).
3. We estimate that remittances to Ukraine will increase by 8 percent in 2022, with a significant probability of an even stronger rate of increase. The share of remittances received by Ukraine from Russia has steadily declined in recent years, from 27 percent in

2015 to only 5 percent in 2021 (table 1 and annex table 1).<sup>iv</sup> Remittance flows from Russia are expected to be disrupted due to sanctions and the exclusion of Russian payment systems from the SWIFT network. Any decrease in remittance flows from Russia to Ukraine, however, is likely to be more than offset by an increase in remittances from Ukrainians in Poland and other countries. During 2015–2021, the share of remittances to Ukraine from Poland rose from 19 percent to 39 percent. Existing migrants are likely to send home more money to support families during the war. Additionally, new Ukrainian migrants in Europe and other countries may also send money to support family members back home.

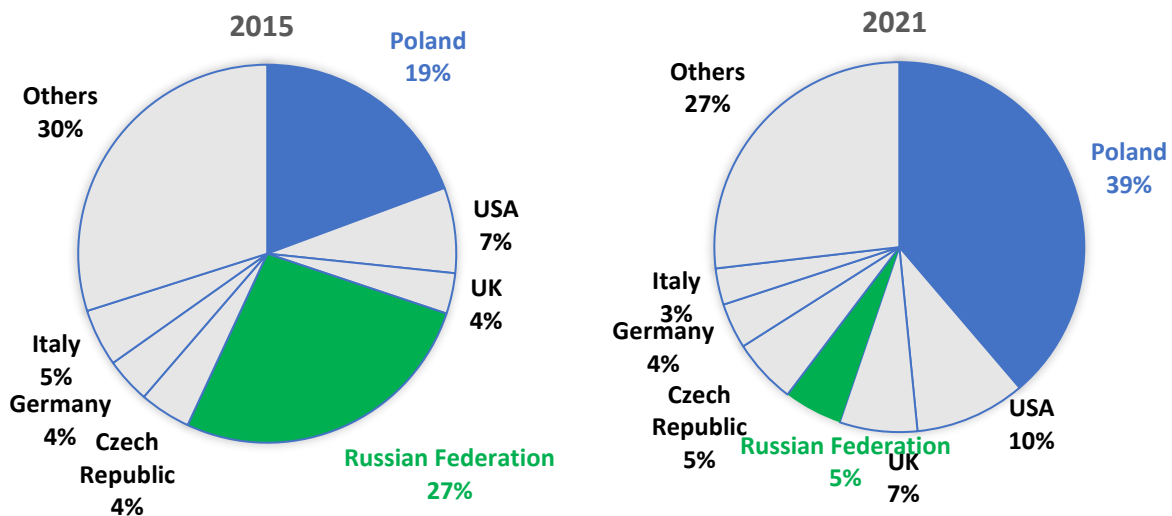
**Figure 1. Remittance flows are significantly larger than FDI and ODA flows to Ukraine**



Sources: IMF BOP Statistics, National Bank of Ukraine, and KNOMAD–World Bank

Note: FDI = foreign direct investment; ODA = official development assistance.

**Figure 2: Sources of remittances to Ukraine, 2015 vs. 2021**



Sources: National Bank of Ukraine and KNOMAD–World Bank

Note: Data for the last quarter of 2021 not yet available. Both charts show data for the first three quarters of the year.

### Impacts on Central Asia

4. Unlike Ukraine, many countries in Central Asia are highly dependent on remittances from Russia (see table 1 and annex table 2). For example, in the Kyrgyz Republic, the share of remittances from Russia was 83 percent of the total remittance receipts during Q1-Q3 of 2021 (table 1). During the same period, Azerbaijan, Armenia, Tajikistan, and Uzbekistan received more than 50 percent of their remittance inflows from Russia. Remittances provide a financial lifeline to many of these countries. For example, in the Kyrgyz Republic and Tajikistan, remittances in 2020 were respectively 31 percent and 27 percent of GDP and were comparable to or even larger than the countries' exports of goods and services.
5. Remittance flows to many Central Asian countries are likely to be affected adversely. Based on an initial assessment of the first-round effects of a decline in economic activity in Russia and a weakening of the ruble against the US dollar, the revised projected growth rates of remittances in this region in 2022 are expected to average around -25 percentage points (table 1). For example, in the Kyrgyz Republic where 83 percent of remittances originated in Russia in 2021, remittances in 2022 are likely to decline by 33 percent instead of an originally projected growth rate of 3 percent. Azerbaijan, Armenia, Tajikistan, and Uzbekistan are also likely to experience a major decline in remittance flows in 2022.

**Table 1. Impact of Russia-Ukraine conflict on remittances—Flows to Ukraine are likely to increase while those to other countries in Central Asia are likely to decline**

Country	Remittance inflows, 2020 (\$ mn)	% of GDP, 2020	% of exports and services, 2020	Share of remittances from Russia, 2021 Q1-Q3	Originally projected growth rate, 2022	Revised projection of growth rate for 2022*
Armenia	1,327	10.5%	35.3%	59%	11%	-19%
Azerbaijan	1,403	3.3%	9.2%	62%	3%	-23%
Belarus	1,014	1.7%	2.7%	42%	15%	-8%
Georgia	2,110	13.3%	35.6%	18%**	2%	-5%
Kazakhstan	374	0.2%	0.7%	51%	7%	-17%
Kyrgyz Republic	2,423	31.3%	99.5%	83%	3%	-33%
Moldova	1,877	15.7%	58.2%	14%	6%	0%
Tajikistan	2,187	26.7%	155.2%	58%	2%	-22%
Ukraine	15,213	9.8%	25.1%	5%	2%	8%
Uzbekistan	6,980	11.6%	48.0%	55%	3%	-21%

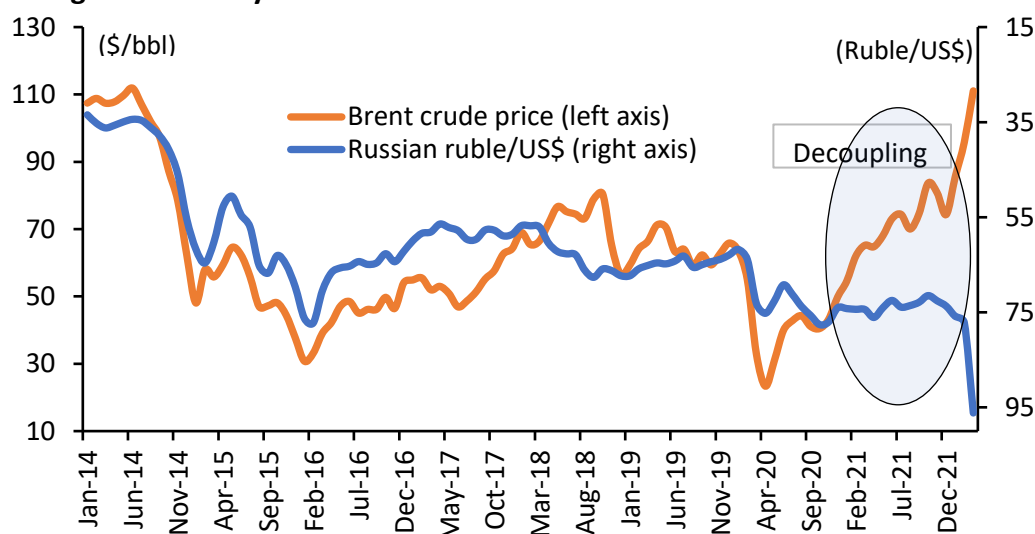
Sources: Bank of Russia, National Bank of Ukraine, National Bank of Georgia, and KNOMAD-World Bank

Notes: \* Assuming decline of 40% in remittances from Russia. Projected growth rates for other source countries are assumed to remain unchanged from those reported in the [Migration and Development Brief 35](#) (KNOMAD-World Bank, November 2021)

\*\*Data for Georgia are taken from the National Bank of Georgia. Remittance inflows from Russia to Georgia are available for all 4 quarters of 2021 (annex table 3).

- There will be a two-fold impact on remittance flows to Central Asia. A weakening of economic activity in Russia would dampen the employment and incomes of migrant workers and their ability to send remittances. The second channel of impact would be through a weakening of the ruble against the US dollar, which would reduce the nominal US dollar value of remittances sent in rubles. As of March 3, 2022, the ruble had depreciated by nearly 25 percent against the US dollar. It is likely that the weakness of the ruble will continue in 2022 despite the recent sharp increase in oil prices. Unlike in the past, the ruble and oil prices seem to have decoupled since late 2020 (figure 3).

**Figure 3. The correlation between the Ruble/US\$ exchange rate and oil prices has changed in recent years**



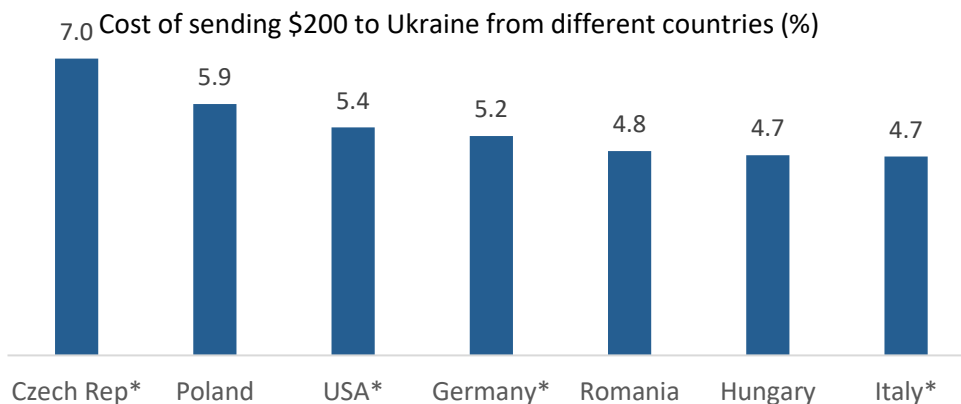
Sources: Haver Analytics and KNOMAD–World Bank staff estimates.

- The sanctions on the Russian banking system in the form of exclusion from the SWIFT network for fund transfers is likely to directly disrupt remittances through formal channels, which could lead to a partial shift to indirect and informal channels. Also, the sanctions can affect remittance flows indirectly if they lower employment and incomes for migrant workers in Russia.
- The short-term projections above are highly uncertain, dependent on the scale of the military conflict in Ukraine and the effectiveness of the sanctions on outbound payments from Russia.

### Policy Recommendations

9. *Support Ukrainian migrants and refugees.* The war has displaced millions of people in Ukraine within the span of a few days. Facilitating their journey and ensuring arrival in a safe environment will be crucial.
10. *Support migrants stranded in Ukraine.* Ukraine is host to a large number of migrants, refugees and students from Africa, Asia, and Europe. Many of these people are facing difficulties, and need help, in moving to a safer place or returning home.
11. *Provide much-needed healthcare.* Even as the war is topmost on everyone’s mind, COVID-19 variants have still not gone away. All migrants and refugees—Ukrainians as well as those from other countries stranded in Ukraine—need access to healthcare during the pandemic.
12. *Facilitate remittance services.* In the immediate term, there is a need to restore access to personal remittance services in Ukraine as well as in Russia. Remittances tend to be the first form of financial support that people receive in times of crisis. Access to remittance services is likely to have been disrupted in Ukraine because of the war. Further, the sanctions on Russia (especially exclusion from the SWIFT payments network) are likely to have disrupted access to remittance services for Central Asian and other migrants in Russia.
13. *Reduce the cost of remittances.* Some money transfer companies have announced a waiver of fees for sending money to Ukraine. This is a welcome development, and hopefully it could be emulated by other remittance service providers. Even before the war and the sanctions, the cost of sending money to Ukraine was high, ranging from 4.7 percent in Hungary and Italy to 5.9 percent in Poland and 7.0 percent in the Czech Republic (figure 4). Reducing the fees on remittances by 2 percentage points could save Ukrainian migrants \$400 million per year. If costs are eliminated, the saving could be \$1 billion per year. Lowering remittance costs could be an effective complement to scaling up aid to the people of Ukraine.

**Figure 4. Costs of sending money to Ukraine are high**



Sources: Remittance Prices Worldwide, and KNOMAD-World Bank staff estimates

Note: \*2021 Q3, Poland, Hungary and Romania are for March 3, 2022

**Annex Table 1. Sources of remittances to Ukraine (% share)**

Countries	2015	2016	2017	2018	2019	2020	2021 (Q1-Q3)
Poland	19.1	26.4	33.6	32.8	29.8	27.5	38.7
United States	7.4	7.6	7.3	7.8	8.3	10.2	9.7
United Kingdom	3.5	3.4	3.3	3.5	5.0	8.5	6.8
Russian Federation	26.4	18.5	13.9	9.8	10.6	7.2	5.1
Czech Republic	4.5	5.0	4.7	7.6	9.3	7.0	5.7
Germany	3.9	3.9	3.4	3.8	3.9	4.3	4.0
Italy	5.0	5.5	4.8	4.4	4.2	4.0	3.2
Cyprus	3.5	3.3	3.1	3.1	3.3	3.5	2.8
Israel	1.6	2.3	3.0	3.0	2.9	3.0	2.8
Greece	2.7	2.4	1.9	1.7	1.6	1.6	1.4
Netherlands	1.0	0.9	1.1	1.1	1.1	1.6	1.4
United Arab Emirates	1.2	1.2	1.3	1.4	1.1	1.2	1.2
Singapore	1.1	1.0	1.1	1.2	1.0	1.1	1.0
Canada	1.4	1.0	0.9	0.9	0.8	0.9	0.7
Spain	0.9	0.9	0.8	0.8	0.7	0.8	0.7
Turkey	0.6	0.8	0.9	1.0	0.7	0.7	0.6
Switzerland	0.9	0.8	0.8	0.8	0.7	0.7	0.6
Portugal	0.6	0.6	0.6	0.5	0.5	0.6	0.5
Norway	0.5	0.6	0.6	0.5	0.5	0.4	0.3
Virgin Islands, British	0.5	0.5	0.6	1.4	1.5	1.6	0.4
Others	13.7	13.4	12.2	12.8	12.3	13.7	12.5

Sources: National Bank of Ukraine and KNOMAD–World Bank.

**Annex Table 2. Outbound remittance flows from the Russian Federation (% share)**

Countries	2015	2016	2017	2018	2019	2020	2021 (Q1-Q3)
Azerbaijan	5.8	6.2	5.7	6.0	6.2	5.8	5.7
Armenia	7.1	5.6	6.0	5.9	5.6	5.4	6.3
Belarus	3.6	4.0	4.0	3.5	3.2	2.8	3.2
Kazakhstan	2.2	3.0	2.7	3.1	2.0	1.6	1.1
Kyrgyz Republic	9.3	11.1	10.8	12.0	13.0	13.7	15.5
Moldova	5.6	4.5	4.6	4.0	3.2	2.5	1.9
Tajikistan	12.8	13.2	13.9	14.2	15.6	12.6	11.1
Turkmenistan	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Uzbekistan	18.8	17.4	18.9	19.3	22.9	26.3	32.8
Ukraine	11.2	9.4	7.2	7.6	6.7	5.4	5.1
Others	23.5	25.5	26.2	24.3	21.6	23.9	17.3

Source: Bank of Russia and KNOMAD-World Bank.

**Annex Table 3. Sources of remittances to Georgia (% share)**

Countries	2015	2016	2017	2018	2019	2020	2021
Russia	40.1	34.2	32.8	28.9	24.7	19.3	17.5
Italy	10.1	10.7	10.7	12.2	13.8	15.8	16.4
U.S.A.	9.3	11.1	10.2	10.1	10.3	11.6	12.1
Greece	10.9	10.8	10.2	10.8	11.1	11.6	10.2
Israel	3.0	5.3	8.6	9.6	9.4	8.3	7.9
Germany	2.5	2.6	2.5	2.6	2.9	3.9	4.8
Turkey	6.4	7.5	7.9	6.7	5.5	5.7	4.4
Ukraine	1.9	1.8	1.9	1.8	2.5	4.6	3.9
Azerbaijan	1.4	1.3	1.1	1.3	1.3	2.9	3.6
Kazakhstan	1.4	1.0	1.0	1.0	1.5	1.0	2.6
Spain	2.5	2.7	2.6	2.6	2.7	2.5	2.4
France	1.0	1.0	1.0	1.2	1.5	1.5	1.6
Poland	0.1	0.1	0.2	1.2	1.8	1.5	1.4
Kyrgyz Republic	0.1	0.1	0.2	0.7	1.7	0.4	1.3
Others	9.4	9.8	8.9	9.1	9.3	9.3	9.6

Source: National Bank of Georgia and KNOMAD-World Bank.

## Endnotes

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<sup>ii</sup> [World Bank Migration and Remittances Factbook 2016](#).

<sup>iii</sup> This figure is significantly higher than the estimates published in November 2021 by KNOMAD–World Bank (see [Migration and Development Brief 35](#)).

<sup>iv</sup> According to the National Bank of Ukraine, remittances from Russia in 2020 amounted to \$863 million. The Central Bank of Russia reports a similar figure (\$807 million) for outbound remittances to Ukraine in 2020.

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