Notes on Bilateral Remittance Flows from the European Union Countries

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This note summarizes some stylized facts implied by the latest Bilateral Remittances Matrix (BRM) published by KNOMAD in late December 2022.[1] The EU-27 countries as a group form the second most important source of remittance flows worldwide, after the United States. Three EU countries -- Germany, France, and Spain -- feature among the top 10 source countries for remittance flows. Officially published data show that in 2021, outward remittances from the EU countries amounted to $123 billion. **The estimates from the BRM are significantly higher, $161 billion** (table in annex 1).

Table 1. Officially Published Data Compared with Estimates from the Bilateral Remittance Matrix

	Official BOP data ($m)	BRM estimates ($m)	*Difference (%)*
Austria	7,016	5,860	*-16%*
Belgium	7,108	7,860	*11%*
Bulgaria	157	552	*251%*
Croatia	632	1,176	*86%*
Cyprus	960	407	*-58%*
Czech Rep	4,069	2,332	*-43%*
Denmark	3,647	2,368	*-35%*
Estonia	258	347	*35%*
Finland	1,013	1,325	*31%*
France	16,115	25,738	*60%*
Germany	17,326	37,363	*116%*
Greece	2,938	2,947	*0%*
Hungary	1,623	1,892	*17%*
Ireland	544	2,351	*332%*
Italy	12,273	20,441	*67%*
Latvia	398	315	*-21%*
Lithuania	403	302	*-25%*
Luxembourg	16,955	2,172	*-87%*
Malta	524	240	*-54%*
Netherlands	15,785	7,780	*-51%*

[1] The BRM dataset is available on the KNOMAD website. A blog on PeopleMove reports some preliminary findings.

Poland	9,419	2,663	*-72%*
Portugal	322	3,263	*915%*
Romania	642	2,279	*255%*
Slovak Rep.	441	779	*77%*
Slovenia	351	811	*131%*
Spain	261	22,849	*8,662%*
Sweden	2,140	4,965	*132%*
EU 27	**123,319**	**161,379**	***31%***

Source: Authors' estimates based on KNOMAD/World Bank Bilateral Remittances Matrix

The main reason for the discrepancy between the official data and the BRM estimates is that some countries that host large numbers of migrants, and therefore, are a source of outward remittances, do not report data on the latter. As shown in table 2, Germany, Spain, Portugal and Ireland do no report data to the IMF on personal transfers.[2] It appears that personal transfers are captured under a more general heading of current transfers. Indeed, the BRM estimates seem to correspond better to the data on current transfers in these countries.[3] In that sense, **the BRM estimation exercise can be helpful in cross-checking the correspondence (or a lack of it) between official data on remittances and those on migration**.

Table 2: Data on personal transfers are not published by some EU countries

$ million, 2021	Germany	Ireland	Portugal	Spain
Compensation of employees, Debit	17,326	544	322	261
Financial corporations, nonfinancial corporations, households, and NPISHs (Debit)	104,570	8,352	3,667	22,440
Personal transfers	...	...	...	...
Other current transfers	...	...	...	22,440
BRM estimate of outward remittances	*37,363*	*2,351*	*3,263*	*22,849*
Immigrants as share of population (%)	*20.2%*	*17%*	*10%*	*16%*

Sources: IMF BOP, KNOMAD/World Bank
Note: Remittances are computed as the sum of compensation of employees and personal transfers.

According to the bilateral migration matrix that was used to estimate bilateral remittances – see annex 2 for a short description of the **methodology and caveats**, the EU countries had a total immigrant population of 57.9 million (12.9 percent of population). Around 18.4 million or 32 percent of the immigrants in the EU countries are from within the group; notably from Romania, Poland, Germany, Italy, Portugal, and France. Another 5 million immigrants are from other high-income countries, notably the UK (1.4 million), Ukraine (1.1 million, before the

[2] Eurostat provides data on personal transfers for Ireland and Spain but not for Germany and Portugal. Germany has provided data on personal transfers until 2017 for both Eurostat and IMF, but there are no data reported since then.
[3] Spain and Ireland are members of the *RemitStat* working group. More granular data is expected to be published after this group's deliberations this year. See below for a short description of *RemitStat* working group.

ongoing war), and Switzerland (0.5 million), the United States (0.5 million). Thus, just **under 60 percent of immigrants in the EU are from outside the EU countries**. Top sending countries for migrants to the EU include Turkey, Morocco, Russia, Algeria, and Syria.

According to the BRM estimates, in 2021, the top 5 remittance corridors within the EU were:

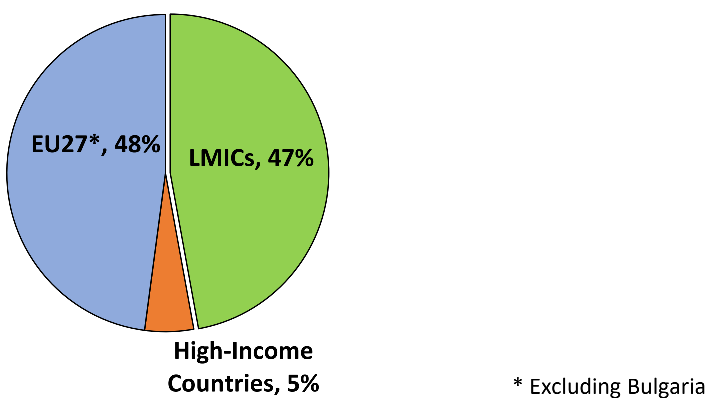
- France – Belgium: $4.4 billion
- Germany - Poland: $3.2 billion
- Spain – France: $3.1 billion
- Belgium – France: $2.8 billion
- Germany – Czech Republic: $2.6 billion

In 2021, the top 5 remittance corridors from EU to the LMICs were:

- Spain – Morocco: $2.5 billion
- Spain – Ecuador: $1.6 billion
- France – Algeria: $1.4 billion
- Spain – Colombia: $1.3 billion
- Italy – Nigeria: $1.2 billion

Interestingly, the BRM estimates imply that **less than half (47 percent) of outward remittances from the EU countries was sent to low- and middle-income countries (LMICs)** (see figure 1). A slightly larger share was sent within the EU countries, and around 5 percent, to high-income countries outside the EU.[4]

Figure 1: Destination of EU outward remittances

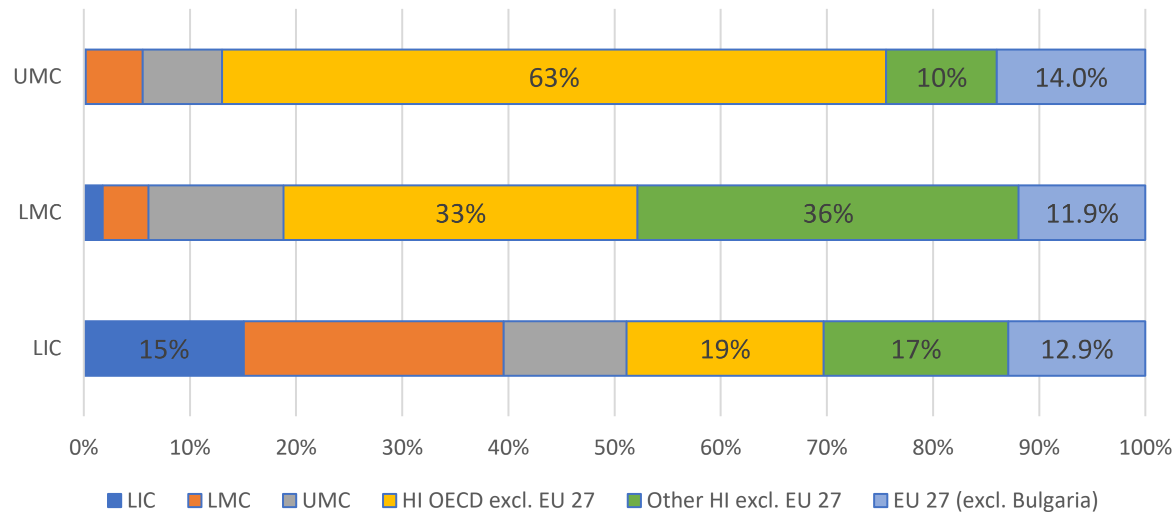


Source: Authors' calculations using KNOMAD/World Bank BRM.

[4] The EU countries received about 11 percent of their remittance inflows from the LMICs. To that extent, the net outward remittances from the EU to the LMICs was even lower.

In 2021, low- and middle-income countries (LMICs) ("Global South") received about 12-14 percent of their remittances from the EU countries (figure 2).

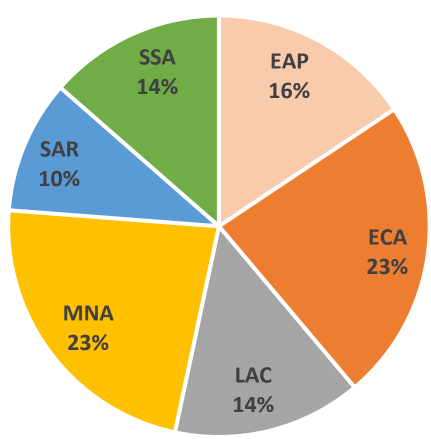
Figure 2: The EU as a source of remittances to the low- and middle-income countries (LMICs)



Source: Authors' calculations based on KNOMAD/World Bank BRM
Note: LIC=low-income countries, LMC=lower middle-income countries, UMC=upper middle-income countries, HI OECD=High-income OECD countries.

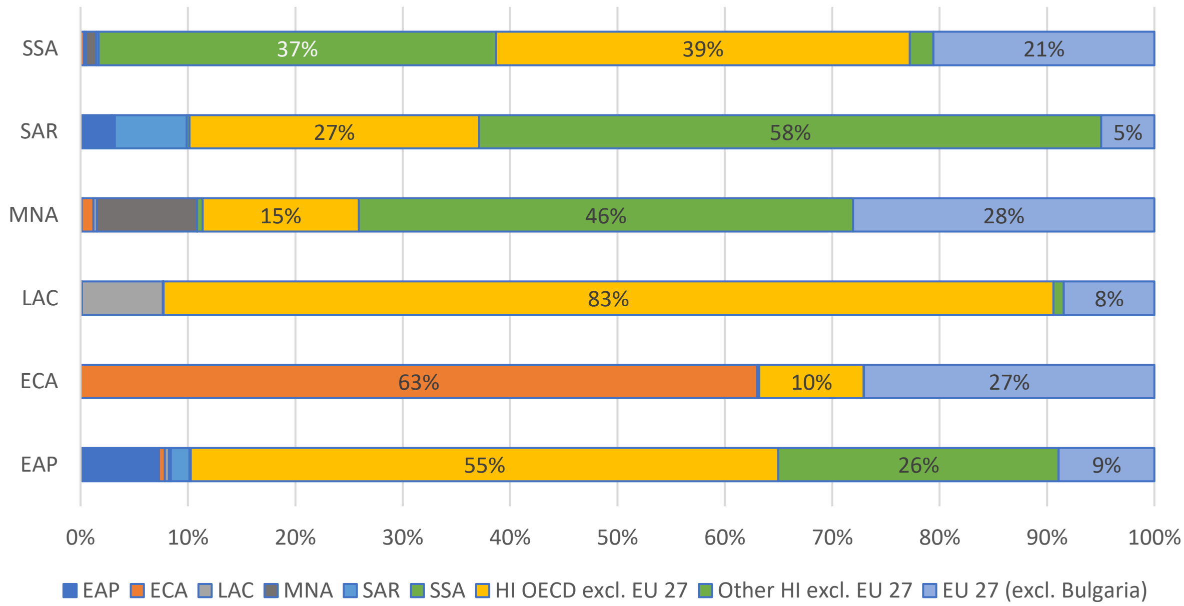
Figure 3 shows the sources of remittances received by different geographic regions, based on the bilateral remittance matrix 2021. ECA and MENA regions receive the largest share of remittances (23 percent each) from the EU countries whereas South Asia region receives a smaller share. Looking at the same picture from the recipient's viewpoint seems to reinforce the dependence of MENA and LAC, and to a lesser extent, SSA, on EU remittances (figure 4).

Figure 3: Destination of EU remittances to LMICs, by region



Source: Authors' estimates

Figure 4: Share of remittances received from the EU by region



Source: Authors' estimates based on KNOMAD/World Bank BRM

Annex 1

Methodology for Estimating Bilateral Remittances

Bilateral remittances are estimated using the simple methodology described in Ratha and Shaw, 2007, "South-South Migration and Remittances." Accordingly, inward remittances to a country are allocated to various source countries in proportion to its stock of migrants in those countries, the per capita income (in purchasing power parity terms) in the destination countries, and the per capita income (again in PPP terms) in the origin countries. For this purpose, 2021 data on remittance flows as reported in the latest Migration and Development Brief 37 are used. The bilateral migration matrix (available here) used for this calculation is based on data published, as of 2022, by the United Nations (UN DESA), Eurostat, national statistical offices, the UNHCR and the OECD.

The **main caveats** relating to the estimated bilateral remittance matrix derive from those associated with the inputs used and the methodological assumptions. On inputs, the main caveats derive from the weaknesses of the bilateral migration stock data that include undercounting and reporting lags, and the weaknesses of the remittance inflow data reported by countries (again, due to undercounting of flows through informal channels, or misclassification of trade and tourism receipts as remittances, and vice versa). On assumptions, the incomes of migrants in remittance-source countries and the costs of living in the remittance-recipient countries India are both proxied by per capita incomes in PPP terms, which is only a rough proxy. A major difficulty in aligning sources of remittances is the difficulty of attributing (often wrongly) the source of remittances to countries where the financial intermediaries (correspondent banks) have headquarters. A second, and intractable, difficulty is encountered in countries that selectively ban outward remittance flows for either geopolitical considerations or for shoring up foreign exchange reserves. In the estimates presented in the bilateral remittance matrix, flows between India and Pakistan, Pakistan and India, Lebanon and Israel and vice versa, and Azerbaijan and Armenia and vice versa are assumed to be zero given the political economy situations in these corridors.

Under the auspices of KNOMAD, the World Bank has initiated the RemitStat Working Group to improve the definition and reporting of data on worldwide remittance flows. Central banks and/or national statistical offices of 45 countries and Eurostat, the IMF and the World Bank are active members of the working group. There are 6 thematic groups exploring definitions, timeliness and frequency of data collection and publication, estimation of informal flows, and bilateral remittance flows. The group is expected to publish guidelines on remittance data compilation in 2023.

Endnotes

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