

Remittances from the EU down for the first time in 2009, flows to non-EU countries more resilient

Eurostat has recently started to collect and disseminate data related to the flows of household income generated by the permanent or temporary movement of people to other countries. This paper highlights the main characteristics of the newly disseminated data set, which includes data on workers' remittances and compensation of employees. While workers' remittances are mainly related to migrants who come from outside the EU and tend to stay for a

long time, compensation of employees is mainly related to cross-border and seasonal workers who usually come from neighbouring countries. Outflows of compensation of employees reached €41.6 billion in 2009, while outflows of workers' remittances reached €29.6 billion - making a total of €71.2 billion. However, this figure represents a fall of 4% compared to 2008 and the first decline after a long period of continuous growth.

Remittances to non EU countries resist the financial crisis

Total outflows of workers' remittances from the EU reached €29.6 billion in 2009 - an increase of 53% compared to 2004 - mainly due to a big increase in extra-EU remittances. While extra-EU remittances increased by 87%, from €11.5 billion in 2004 to €21.5 billion in 2009, intra-EU remittances in the same period increased by only 3%. In 2009, outflows of remittances outside the EU represented 73% of total remittances – up from their level of 59% in 2004. Intra and extra EU remittances responded rather differently to the effects of the financial crisis that hit the world economy in 2008 and

2009. While intra EU remittances already started to decline in 2007 and fell at double-digit rates in 2008 and 2009 (-3% in 2007, -18% in 2008, -13% in 2009), extra-EU remittances continued to grow in double digits until 2008 (+19% in 2007 and +12% in 2008) and declined only slightly in 2009 (-4%). The quarterly data on remittances show that the negative trend in overall remittances that began at the end of 2007 was over by the second half of 2009 in most EU countries.

Table 1: Workers' remittance outflows from the EU, € billion

	2004	2005	2006	2007	2008	2009*
Total workers's remittances	19.4	23.7	28.4	31.3	31.8	29.6
Intra-EU flows	7.9	10.2	11.6	11.3	9.3	8.1
Extra-EU flows	11.5	13.4	16.8	20.0	22.5	21.5

Source: Eurostat ([bop_remit](#))

*Data for 2009 are preliminary results based on the sum of quarterly Balance of Payments data ([bop_q_eu](#))

Spain is the biggest remitting country and the largest sender of remittances to non EU countries

In 2008 and 2009, **Spain, Italy, France** and **Germany** were the main remitting Member States (Table 2). These four Member States accounted for more than 65% of total EU remittances. Spain is the largest sender of remittances to non EU countries. Spanish outflows of remittances to non EU countries

were 89% of their total in 2004, but they fell to 81% in 2008. In Italy, France and Germany, remittances to non-EU countries showed a steady increase during the period under review, rising from 77%, 54% and 63% of the total outflows in 2004 to 81%, 64% and 68% respectively of the total in 2008.

Table 2: Outflows of workers' remittances from EU Member States, € million

	2007			2008			2009**		
	Total	Intra-EU	Extra-EU	Total	Intra-EU	Extra-EU	Total	Intra-EU	Extra-EU
Belgium	348	36	312	398	43	355	440	52	389
Bulgaria	23	9	14	23	14	9	11	6	4
Czech Republic	457	214	244	376	52	324	535	272	263
Denmark	c	c	c	c	c	c	c	c	c
Germany	3005	1000	2006	3122	1000	2122	2996	976	2020
Estonia	1	1	0	1	1	0	2	2	0
Ireland	c	c	c	c	c	c	c	c	c
Greece	731	115	616	891	127	764	908	125	783
Spain	8444	1415	7029	7840	1495	6345	7131	c	c
France	3438	1219	2220	3397	1225	2173	2861	769	2092
Italy	6047	1166	4881	6382	1216	5166	6754	1187	5567
Cyprus	59	40	19	77	53	24	85	42	43
Latvia	4	0	3	3	0	3	0	0	0
Lithuania	349	154	195	368	136	232	352	165	187
Luxembourg	67	50	17	69	48	20	63	48	15
Hungary	85	41	43	91	44	47	84	45	39
Malta	c	c	c	c	c	c	c	c	c
Netherlands	672	96e	576e	729	104	625	732	96	636
Austria	770	427	343	830	456	373	828	447	381
Poland	12	8	4	21	9	12	7	3	3
Portugal	570	82	488	580	78	502	559	75	484
Romania	209	79	130	235	136	100	174	85	89
Slovenia	1	1	0	0	0	0	0	0	0
Slovakia	c	c	c	c	c	c	c	c	c
Finland	18	6	11	20	7	13	18	0	18
Sweden	21	0	21	20	0	20	18	0	18
United Kingdom	:	:	:	:	:	:	:	:	:
EU27*	31339	11337	20005	31777	9301	22476	29628	8098	21529

Source: Eurostat ([bop_remit](#))

(c) = confidential

(e) = sum of quarterly data.

(:) = missing data

* The EU27 aggregate includes confidential data and estimates for missing Member States.

** Data for 2009 are preliminary results based on quarterly data ([bop_q_c](#))

Remittance flows per country: the main corridors

There are literally a hundred possible countries of destination for outflows of workers' remittances. However, a few main corridors can be identified in each country. These corridors tend to remain fairly stable over time. Table 3 presents the major corridors of remittance outflows from EU Member States for the years 2007 and 2008.

In 2008, the 10 most important remittance corridors identified were: from Italy towards China, Philippines and Romania, from Spain towards Colombia, Ecuador and Bolivia, from France towards Portugal and Morocco, and from Germany towards Turkey and Italy.

Table 3: Major remittance corridors – outflows, € million*

Remittance corridors		2007	2008	
Italy	→	China	1688	1540
Spain	→	Colombia	c	c
Spain	→	Ecuador	c	c
Italy	→	Philippines	728	922
France	→	Portugal	891	882
Spain	→	Bolivia	c	c
Germany	→	Turkey	812	818
Italy	→	Romania	790	768
France	→	Morocco	731	737
Greece	→	Albania	:	390
Portugal	→	Brazil	312	332
Ireland	→	Poland	c	c
Germany	→	Italy	279	269
Austria	→	Serbia	157	171
Czech Republic	→	Ukraine	116	144
Netherlands	→	Suriname	:	124
Greece	→	Israel	:	113

Source: Eurostat ([bop_remit](#))

(c) = confidential

* In order of officially recorded flows in 2008

Inflows of remittances are important in some EU Member States

Inflows of remittance are important in some of the EU Member States. In 2009 they fell to €18.0 billion, down from €21.7 bn in 2008. The biggest receiving countries in 2009 were Spain, Romania, Poland and Portugal. Remittance

inflows come mainly from other Member States (70% of inflows were Intra-EU in 2009). Table 4 presents the inward flows of remittances in the EU Member States for the years 2007, 2008 and 2009.

Table 4: Workers` remittance inflows, € million

	2007			2008			2009**		
	Total	Intra-EU	Extra-EU	Total	Intra-EU	Extra-EU	Total	Intra-EU	Extra-EU
Belgium	83	26	57	95	29	66	98	33	67
Bulgaria	289	198	92	335	220	116	693	445	248
Czech Republic	109	96	13	114	99	15	69	61	8
Denmark	c	c	c	c	c	c	c	c	c
Germany	0	0	0	0	0	0	0	0	0
Estonia	21	20	1	41	39	2	41	39	2
Ireland	c	c	c	c	c	c	c	c	c
Greece	1438	825	614	1478	786	692	1158	537	621
Spain	5311	2997	2314	5340	2985	2355	4820	c	c
France	882	263	620	805	209	599	777	193	585
Italy	254	147	107	191	115	76	204	143	61
Cyprus	73	51	22	118	51	67	66	11	54
Latvia	1	0	1	1	0	1	0	0	0
Lithuania	853	637	216	867	666	200	701	526	174
Luxembourg	4	3	0	2	2	0	2	1	0
Hungary	39	37	2	42	39	2	37	35	3
Malta	c	c	0	0	0	0	c	c	c
Netherlands	228	135e	93e	182	107	74	180	72	108
Austria	340	235	105	354	240	114	364	250	116
Poland	3091	2860	231	3192	2918	274	2721	2449	272
Portugal	2588	1636	953	2485	1545	940	2282	1398	884
Romania	4989	4637	352	5156	4792	364	3026	2668	358
Slovenia	4	2	2	0	0	0	0	0	0
Slovakia	c	c	c	c	c	c	c	c	c
Finland	7	5	2	7	5	2	0	0	0
Sweden	178	0	178	171	0	171	154	0	154
United Kingdom	:	:	:	:	:	:	:	:	:
EU27*	21597	15484	6117	21716	15257	6463	17986	11631	6360

Source: Eurostat ([bop_remit](#))

(c) = confidential

(e) = Sum of quarterly data

(:) = missing data

* The EU27 aggregate includes confidential data and estimates for missing Member States

** Data for 2009 are preliminary results based on quarterly data ([bop_q_c](#))

Remittance flows to Romania are the largest in the EU

Table 5 presents the major corridors of remittance inflows to EU Member States for the years 2007 and 2008. The main corridors in 2008 were to Romania from Italy and Spain, to Spain

from the United Kingdom, Switzerland and the United States, to Portugal from France and Switzerland, and to Poland from the United Kingdom.

Table 5: Major remittance corridors – inflows, € million*

Remittance corridors			2007	2008
Romania	←	Italy	2013	2202
Romania	←	Spain	1289	1579
Spain	←	United Kingdom	c	c
Portugal	←	France	1026	983
Poland	←	United Kingdom	1061	901
Spain	←	Switzerland	c	c
Spain	←	United States	c	c
Greece	←	United States	515	558
Portugal	←	Switzerland	545	554
Greece	←	Germany	:	545

Source: Eurostat ([bop_remit](#))

*In order of officially recorded flows in 2008

(c) = confidential

The net flows of workers` remittances

In 2009, the EU as a whole remitted more than three times the amount it received from third countries (€21.5 bn sent compared to €6.4 bn received). Most of the EU Member States are net senders of remittances and post negative balances,

which are measured as inflows minus outflows. In 2009 the exceptions to this rule were Romania, Poland, Portugal, Bulgaria, Lithuania, Greece, Sweden and Estonia, listed in order of decreasing importance of the net remittances received.

Table 6: Net workers` remittances (inflows minus outflows), € million*

Reporters	2004	2005	2006	2007	2008	2009
Italy	-2476	-3666	-4279	-5793	-6191	-6550
Germany	-3180	-2926	-2927	-3005	-3122	-2996
Spain	-3	-634	-2231	-3133	-2500	-2311
France	-2119	-2088	-2580	-2556	-2592	-2084
Netherlands	-516	-684	-372	-444	-547	-552
Czech Republic	0	-153	-266	-348	-262	-466
Austria	-327	-327	-335	-430	-476	-463
Belgium	-261	-315	-319	-265	-303	-342
Luxembourg	-49	-51	-61	-63	-66	-61
Hungary	-30	-30	-42	-46	-49	-46
Cyprus	-9	-5	13	14	41	-19
Finland	0	-14	-18	-11	-13	-18
Latvia	0	0	-1	-3	-1	0
Slovenia	9	5	4	3	0	0
Estonia	9	7	6	20	40	39
Sweden	159	157	157	157	151	136
Greece	513	194	409	707	587	250
Lithuania	128	249	293	504	499	349
Bulgaria	336	353	316	266	312	683
Portugal	1957	1717	1811	2018	1905	1723
Poland	891	1463	2335	3079	3171	2715
Romania	1316	3031	4337	4780	4921	2852

Source: Eurostat ([bop_remit](#))

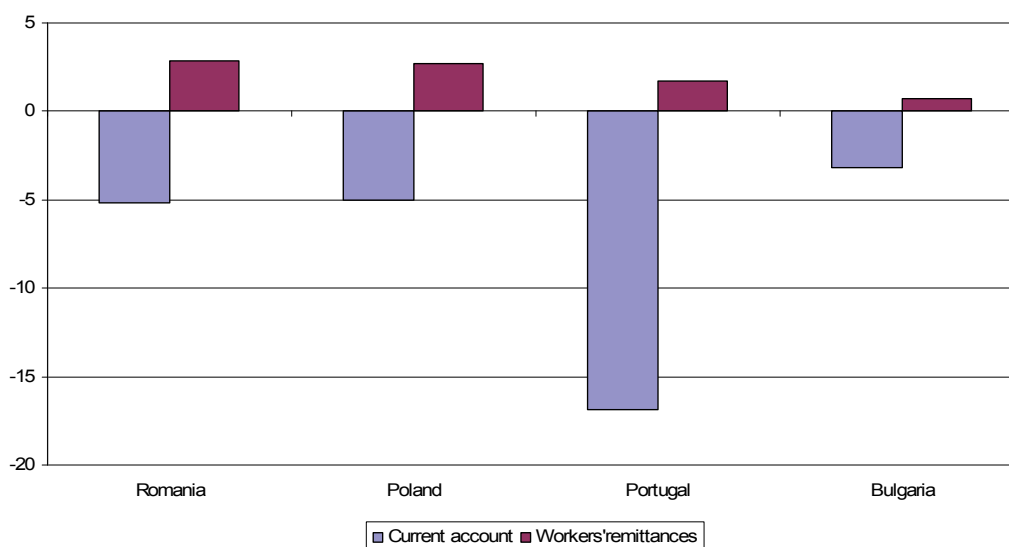
*Listed according to their size of net remittances in 2009

Without remittances the current account deficit of Romania and Poland would be 50% higher

In the receiving country, remittances support national household consumption, but they also represent an important source of foreign exchange. In Romania, Poland, Portugal and Bulgaria, net remittances make a substantial

contribution to balancing a negative current account (see figure 1). Without remittances, the current account deficit recorded by Romania and Poland in 2009 would have been 55% and 54% higher, respectively.

Figure 1: Current account and workers' remittances balances, in 2009 (in € bn)



Source: Eurostat ([bop_q_c](#))

Compensation of employees outflows decline by 2% in 2009

Compensation of employees mainly refers to cross-border and seasonal workers who usually come from neighbouring countries: the extra-EU flows are therefore negligible compared to intra-EU flows. The total outflow of compensation of employees from the EU Member States in 2009 amounted to €41.6 bn, of which 84% was sent to

other EU Member States. Compensation of employees' outflows has been increasing steadily since 2004 and declined only slightly in 2009 (-2%). This decline affected mostly extra-EU outflows, which decreased by more than 9% between 2008 and 2009.

Table 6: Compensation of employees' outflows from the EU, € billion

	2004	2005	2006	2007	2008	2009*
Total Compensation of Employees	30.5	33.8	36.2	39.2	42.4	41.6
Intra-EU flows	24.8	27.5	30.0	32.4	35.0	34.9
Extra-EU flows	5.8	6.3	6.2	6.8	7.5	6.8

Source: Eurostat ([bop_remit](#))

*Data for 2009 are preliminary results based on quarterly data ([bop_q_eu](#))

€7.5 billion of compensation of employees from Luxembourg

Luxembourg and Germany were the countries with the largest outflows of compensation of employees in 2009. These figures reflect the significant number of border workers from neighbouring countries employed in these two

countries, which can also be seen from Table 8. Significant outflows of compensation of employees were also recorded in Belgium, Netherlands, Italy, Czech Republic and Denmark (see Table 7).

Table 7: Compensation of employees outflows from EU Member States, € million

	2007			2008			2009**		
	Total	Intra-EU	Extra-EU	Total	Intra-EU	Extra-EU	Total	Intra-EU	Extra-EU
Belgium	1986	1878	107	2495	2396	99	2621	2528	94
Bulgaria	39	25	14	28	17	10	63	54	10
Czech Republic	1037	153	884	2232	824	1408	1295	119	1177
Denmark	2194	1841	353	2192	1867	325	1773	1501	271
Germany	6626	6368	258	6758	6478	280	8031	7734	298
Estonia	68	54	14	70	57	13	56	48	8
Ireland	1180	755	425	1105	650	455	838	524	313
Greece	332	101	232	410	129	281	412	116	296
Spain	1743	908	835	1564	730	834	1475	c	c
France	910	481	429	839	451	387	835	442	394
Italy	2086	1399	687	2254	1658	596	2518	1823	695
Cyprus	163	86	77	274	121	153	173	101	73
Latvia	29	0	29	37	1	36	30	0	30
Lithuania	62	61	2	53	50	3	92	54	38
Luxembourg	6525	6523	2	7298	7296	2	7500	7498	2
Hungary	863	690	173	969	775	195	876	739	137
Malta	33	23	10	36	25	11	29	16	14
Netherlands	2190	1661e	529e	2317	1757	560	2283	1725	558
Austria	1158	886	272	1258	963	296	1288	984	304
Poland	896	691	205	1119	859	260	935	731	204
Portugal	252	128	124	266	144	122	370	c	c
Romania	40	26	14	66	50	15	44	33	12
Slovenia	179	51	128	239	64	175	117	31	85
Slovakia	53	46	7	99	85	15	100	89	11
Finland	268	153	115	291	166	125	291	166	125
Sweden	628	369	259	611	359	252	571	345	225
United Kingdom	2506	2052	454	2209	1849	360	1800	1456	345
EU Institutions	5185	5002	182	5360	5168	191	5229	5065	164
EU27*	39229	32410	6818	42448	34990	7458	41646	34882	6764

Source: Eurostat ([bop_remit](#))

(c) = confidential; (e) = sum of quarterly data; (:) = missing data

* The EU27 aggregate includes confidential data and estimates for missing Member States.

** Data for 2009 are preliminary results based on quarterly data ([bop_q_c](#))

Main corridor of compensation of employees: Luxembourg- France

Table 8 shows the main corridors of compensation of employees' outflows. The biggest flows are from Luxembourg to France, Belgium and Germany, and from Germany to Poland and France. The only important corridor that does not involve neighbouring countries is the one between Germany and Romania, which

probably reflects the significant numbers of seasonal workers. The salaries that the European Institutions pay to their employees are also recorded among the flows of compensation of employees; these are high in Belgium and Luxembourg.

Table 8: Major compensation of employees corridors – outflows, € million*

Compensation of employees corridors		2007	2008
Luxembourg	→ France	3001	3352
Germany	→ Poland	2846	2621
Luxembourg	→ Belgium	1904	2097
Germany	→ France	1834	1843
Luxembourg	→ Germany	1613	1841
Belgium	→ France	1329	1612
Germany	→ Romania	675	994
Denmark	→ Sweden	1071	984
Netherlands	→ Belgium	:	894
Czech Republic	→ Slovak Republic	99	743
Denmark	→ Germany	457	522
EU Institutions	→ Belgium	2689	2753
EU Institutions	→ Luxembourg	888	918

Source: Eurostat ([bop_remit](#))

* In order of officially recorded flows in 2008

(:) = missing data

METHODOLOGICAL NOTES

DEFINITIONS

As part of the Balance of Payments (BPM5, *Balance of Payments Manual*, 5th edition, IMF 1993), two main kinds of transactions related to the temporary or permanent movement of people are defined and measured: namely workers' remittances and compensation of employees.

Workers' remittances are defined as transfers made by migrants employed and resident in the compiling economy to their relatives in their country of origin. Workers' remittances include household to household transfers in cash and in kind. Funds sent by migrants to their country of origin to purchase real estate or invest in local business are recorded not as remittances but as foreign direct investment transactions.

Compensation of employees refers to gross wages, salaries and other benefits earned by individuals in economies other than those in which they are resident, for work performed and paid for by residents of those economies. Compensation of employees includes salaries paid to seasonal and other short-term workers (less than one year), to the employees of embassies and of other territorial enclaves that are not considered part of the national economy and to cross-border workers (BPM5, 1993, p.70). The European Institutions (like the embassies) are considered as enclaves not belonging to the national economies where they are located, while their employees are considered to be resident in the country where they live. The salaries that the European Institutions pay to their employees are therefore recorded among the flows of compensation of employees.

The new edition of the Balance of Payments Manual (BPM6, IMF 2008) introduces new definitions of remittances. "**Personal remittances**" as defined by BPM6 include "**personal transfers**" (which include "of which workers' remittances") and compensation of employees, but exclude taxes, social contributions and expenditure on transport and travel made by short term and cross border workers. BPM6 "personal transfers" are defined independently of the source of income and of the origin of the sending household.

Migrant transfers are, in BPM5, capital transfers related to all the financial and non financial assets that migrants bring with them when they move to the host country, or when they finally return to their home country. Under BPM6 these are no longer regarded as balance of payments transactions. Their values have always been insignificant in the EU Member States and are therefore disregarded in this paper.

DATA SOURCES

The data used for this publication are the main results of a new annual survey introduced by Eurostat in 2009. The data were compiled by the National Central Banks or by the National Statistical Offices of the Member States as part of their Balance of Payment Statistics.

Remittances vary widely in their importance to national economies, which may result in differences in the emphasis given by national statisticians to measuring and monitoring them. For net sending nations, which tend to be those with the largest and most advanced economies, the amounts transferred may be large in absolute terms, but their importance relative to total economic activity generally is small. For net receiving nations, the situation is often the reverse.

Data on remittances are very difficult to compile, because of the small size of individual transactions, the variety of channels - sometimes informal or illegal - that can be used, and the sometimes uncertain status of those who carry out these transactions. Individual remittance transactions often fall below reporting thresholds for banks and other financial institutions. Money transfer operators, who are the preferred vehicle of transfer for many migrants, may only settle *net* payments through the banking system, making it difficult to identify the underlying gross receipts and payments. In addition, remittance transactions are sometimes conducted outside the formal financial system, such as through hand-carry or through unlicensed transfer businesses, both of which usually bypass formal reporting systems. Capturing data via household surveys may also be difficult, especially for the migrant population that have no legal status. Illegal residents are more likely to use informal channels and are often difficult to contact or survey. Faced with these numerous and varied difficulties in data collection, some countries have chosen to estimate remittances using econometric or demographic models. But models' results depend on the reliability of the source data and on assumptions about the relationships among variables; their output is therefore difficult to verify.

Different methods can also be used for compiling data related to compensation of employees. Here administrative data such as income tax and work permits might be available (in the sending country). However, illegal work does not show up in tax records. It may also be fairly difficult to assess the length of residence of the sender, which is a key factor for distinguishing between workers' remittances and compensation of employees.

The difficulties in the measurement of remittances can be illustrated by the level of the **asymmetries**, i.e. the discrepancy between intra-EU inflows (credits) and the mirror outflows (debits). Although in reality, and by any definition, the amounts sent and received should be the same, reported Intra-EU outflows in 2009, for example, at 8.1 Euro billion, were 30% lower than reported Intra-EU inflows, at 11.6 Euro billion. Such differences suggest that statistics on remittances involve serious problems of coverage. Users need to bear this in mind when analyzing the data.

DISSEMINATION

The data on remittances used for this paper are those published in the dedicated table added to Eurostat's database (domain Balance of Payments) at the beginning of February 2010.

The on-line table dedicated to remittances contains **annual data related to remittances and compensation of employees** for the years 1999-2008 with detail by partner, as reported by the EU Member States. The length of the published time-series and the geographical breakdown is different for each Member State. The on-line table was completed with the annual data on remittances, as reported by the Member States at the end of September 2009, where these data were available. Where annual data were not available, annualised quarterly data were used. The EU27 aggregate was estimated only for the period 2004A-2008A. The EU27 aggregate includes confidential data and estimates for missing Member States.

Quarterly data related to remittances and compensation of employees are also collected regularly by Eurostat as part of the quarterly balance of payments; these data have less geographical detail, but are reported after 90 days (and disseminated after 110 days) following the reference period.

The World Bank produces and publishes matrices covering bilateral remittances between 215 countries. The bilateral remittances are estimated by the World Bank mainly using migrant stocks. See:

<http://econ.worldbank.org/>

Due to rounding, the figures shown in the tables included in this paper may not add up to an exact figure, and may be subject to revisions.

Further information

Eurostat Website: <http://ec.europa.eu/eurostat>

Data on "Balance of payments – International transactions":

http://epp.eurostat.ec.europa.eu/portal/page/portal/balance_of_payments/data/database

Select: " Workers' remittances and compensation of employees"

More information about "Balance of payments statistics":

http://epp.eurostat.ec.europa.eu/portal/page/portal/balance_of_payments/introduction

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