

# Remittances according to the BPM6 manual

Statistics Explained

**Remittances** are an important measure derived from **balance of payments**, which regularly receive attention in research and media. Remittances represent an important source of funding for households from other economies, arising mainly from the temporary or permanent movement of resident household members to abroad. By contributing to the **GNI** and the disposable income of recipient countries, lower income countries around the world and within the **EU**, benefit from this type of extra funding with regard to economic growth and poverty reduction.

## Relevant components for the various remittances measures according to the BPM6

In the 6th edition of the Balance of Payments and International Investment Position Manual (BPM6), remittances were introduced as a cumulative measure resulting in three aggregation levels: personal remittances, total remittances and total remittances including transfers to **non-profit institutions serving households (NPISHs)**. These measures overall consist of two standard (personal transfers and compensation of employees) and additional supplementary components presented in BPM6, Table A5.1 and Table A5.2. The components are a mix of goods, services, primary, secondary income and capital account items and provide for measuring in a cumulative sequence, personal remittances (R1), total remittances (R2) and total remittances and transfers to NPISH (R3). The 2009 International Transactions in Remittances: Guide for Compilers and Users (RCG) is the compilation guide based on the concepts set out in BPM6.

### Personal Remittances:

Personal transfers

- + Compensation of employees less taxes, social contributions, expenditures for transport and travel
- + Capital transfers between households

### Total Remittances:

Personal Remittances

- + Social benefits

### Total Remittances and Transfers to NPISHs:

Total Remittances

- + Current and Capital transfers to NPISHs

## The components in detail

The components are referenced with their database identifier codes.

### For compiling personal remittances:

### **Personal transfers (D752)**

Personal transfers consist of all current transfers in cash or in kind between resident and non-resident households (BPM6, A5.7), disregarding the underlying source of income, the relationship between the households or the purpose of the transfer. Personal transfers replaced the BPM5 concept of “workers’ remittances” (a BPM6 memo-item), which was limited to what migrants send home to their immediate household members from their new place of employment abroad.

### **Compensation of employees (D1)**

[Compensation of employees](#) refers to the income of border, seasonal and other short-term workers, who work in an economy where they are not residents (BPM6, A5.12). The income is remuneration in return for labour input, where an employer-employee relationship is present and both are residents of different economies (BPM6, 11.10). The earnings of individuals from the provision of services to another economy are, however, not included. To obtain the net value of compensation relevant for calculating personal remittances, supplementary items such as paid taxes, social contributions, transport and travel expenses, as well as personal expenses of seasonal, short-term employees and cross-border commuters need to be deducted.

### **Current taxes on income and wealth payable by border, seasonal and other short-term workers (D5Z)**

Taxes on income and wealth are mainly taxes levied on the income earned by non-resident short-term workers and cross-border commuters from the provision of their labour and payable to the host economy. They are a supplementary item (BPM6, 12.28) of other sectors other current transfers. For the purpose of personal remittances, these transfers need to be deducted from compensation of employees (D1).

### **Social contributions related to employment of border, seasonal and other short-term workers (D61Z)**

Non-resident short-term workers and cross-border commuters make social contributions to social insurance schemes (public or employment-related schemes, funded or unfunded pension schemes) of the host economy where they are employed. Because the amount payable by employers is also included in the compensation of employees, the total of actual and rerouted contributions (on behalf of the employer) are payable by the employee and recorded as other current transfers supplementary item (BPM6, 12.32). For the purpose of personal remittances, these transfers need to be deducted from compensation of employees (D1).

### **Passenger services in form of transport and travel payable by border, seasonal and other short-term workers (SCAZ)**

Passenger services relate to services expenses on international transport that border, seasonal and other short-term workers pay for their commute to the place of employment in the host economy. Expenditures on local transportation of non-resident employees within their host economies are covered under travel services. These subcomponents of transport and travel, respectively (BPM6, 10.76), are deducted from compensation of employees (D1) for calculating personal remittances.

### **Personal expenses: Acquisition of goods and services by border, seasonal and other short-term workers (SDA1)**

The acquisition of goods and services for personal use by cross border, seasonal and other short-term workers in the host economy are a subcomponent of business travel services (BPM6, 10.93). It should be noted that expenditures by seasonal or cross-border workers for durable and valuable goods are included in the goods account and would need to be subtracted as well from the gross compensation (D1).

### **Capital transfers between households (D99R1)**

Infrequent and extraordinary large capital transfers, such as donations or inheritances, in which the ownership of assets changes between resident and non-resident households, may be identified separately when considered significant (BPM6, 13.35). Capital transfers between households are a supplementary item in the capital account.

### **For compiling Total remittances and Total remittances and transfers to NPISHs:**

#### **Social benefits (D62)**

Social benefits relate to international current transfers receivable from social security or pension funds, but also any other sickness, unemployment, housing or education schemes in the context of employment in another economy (BPM6, 12.40). Social benefits is a supplementary item within the secondary income and has to be included to arrive at the concept of total remittances (BPM6 A5.14).

#### **Current transfers to NPISH (D751) and Capital transfers to NPISH (D99R2)**

Current and capital transfers to NPISHs from any sector of the sending economy (households, corporations, governments, and non-profit institutions) include funds and non-cash items that flow indirectly to households

through non-profit institutions (BPM6, A5.15). Current transfers received by and sent to NPISHs are supplementary items within the miscellaneous current transfers of secondary income; capital transfers are supplementary in the other capital transfers of the capital account.

## The measures in detail from the perspective of the recipient economy

### Personal remittances (R1)

Personal remittances are defined as current and capital transfers in cash or in kind receivable by resident households from non-resident households plus net compensation of employees receivable by resident workers that temporarily work abroad or are cross-border commuters. In order to obtain a net value for compensation of employees, four supplementary components concerning taxes, social contributions, transport and personal expenses have to be deducted from the corresponding standard component (BPM6, A5.10).

$$R1 = D752 + [D1 - (D5Z + D61Z + SCAZ + SDA1)] + D99R1$$

### Total remittances (R2)

Total remittances are the sum of personal remittances receivable and social benefits receivable; thus, the measure additionally includes cross-border transfers of acquired benefits from social security and pension funds abroad. (BPM6, A5.14).

$$R2 = R1 + D62$$

### Total remittances and transfers to NPISHs (R3)

This measure includes total remittances receivable plus current and capital transfers receivable by resident NPISHs. This adds donations in cash or in kind, cross-border sponsorships, aid programs in relation to health, educational and cultural development from non-resident governments and the private sector to resident charitable organisations (NPISHs). This measure is defined in a broader context beyond the limits of migration-related transfers and donations, and is a more general indicator of the impact of international development programs and activities.

$$R3 = R2 + D751 + D99R2$$

## The current data situation for compiling remittances measures according to the BPM6

In June 2014, BPM6 was introduced in European balance of payments statistics in line with EC Regulations 184/2005 and 555/2012 on community statistics concerning balance of payments, international trade in services and foreign direct investment. Currently, only the two standard components for remittances (personal transfers and compensation of employees) are readily available for the calculation of remittances measures. Consequently, Eurostat cannot compile the broader measures of R2 and R3. Due to the lack of supplementary components, also the compilation of personal remittances (R1) is incomplete, resulting from compensation of employees being available predominantly on a gross basis without the availability of the four supplementary items that need to be deducted, as well as missing cross-border capital transfers between households. In summary, currently no remittances measures in European statistics are available that strictly adhere to the BPM6 concepts. For the needs of macroeconomic management and surveillance, it is however already of interest to assess personal transfers and gross values for compensation of employees; see: Eurostat Statistics Explained article: [Personal transfers and compensation of employees](#). The World Bank publishes annual data of estimates for personal remittances as part of its World Development Indicators<sup>1</sup>, using the sum of the two standard components.

### Possible reasons for the missing components:

#### (1) Voluntary character of supplementary components in the BPM6

The reporting of supplementary items related to the calculation of remittance measures is considered voluntary, thus remaining at the discretion and needs of the compiler (BPM6, A5.9). Through this, the BPM6 allows compilers to keep a cost-benefit balance in their statistical production processes.

<sup>1</sup>Data starting from 2005 are available according to the BPM6.

## **(2) Relative insignificance of remittances flows in some economies**

In some advanced economies, remittances inflows to households may appear of minor importance compared to other international transaction volumes in their balance of payments statistics. As a consequence, data production of these items may rank lower in priority and the production of voluntary data is deemed too costly. The lack of resources and source data may also be a constraint in lower income economies, even though these transfers may constitute a significant source of income in these recipient economies.

## **(3) Heterogeneous character of remittances transactions**

Due to its heterogeneous character, compilation of data on remittances requires a combination of data sources, which makes the underlying data production process more complex<sup>2</sup>. While data from the international transactions reporting systems (ITRS) cannot be considered complete as they only cover transactions conducted through formal channels in the financial sector, the collection of survey data may be less timely and frequent (RCG, 5.10), and is more costly. Surveys relating to households and specifically to border, seasonal and other short-term workers are demanding to the compiler with respect to the target population of the recipient counterparts; the survey would have to rely on sampling due to cost-benefit reasons and would require further quality interventions (estimations, secondary data sources, and adjustments). Consequently, compiling data on remittances is less straightforward compared to other balance of payments items, and thus, the immediate availability of consistent data cannot be expected.

## **(4) Bilateral asymmetries**

For the European balance of payments statistics, compilers report geographical breakdowns for transactions related to personal transfers and compensation of employees. These bilateral breakdowns by countries are vital for further quality analysis as they provide valuable information on the most relevant remittance corridors (RCG, 6.12).

## **Other articles**

- [Personal transfers and compensation of employees](#)
- [Balance of payments and international investment position manual \(BPM6\)](#)

## **Database**

- [Balance of payments \(bop\)](#) , see:

Personal transfers and compensation of employees (bop\_rem6)

## **Publications**

- [News article - Extra-EU personal transfers in 2021](#)
- [News article - Amounts sent to non-EU countries by EU residents in 2020](#)
- [News article - EU residents sent € 34.1 billion in 2020 to non-EU countries](#)

## **Methodology**

- [Balance of payments and international investment position manual, Washington D.C., IMF 2009, 6th edition \(BPM6\)](#)
- [International Transactions in Remittances: Guide for compilers and users, Washington D.C., IMF 2009 \(RCG\)](#)

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<sup>2</sup>For full description and discussion of data sources, see RCG Chapter 4.

## Legislation

- [Regulation \(EC\) No 184/2005](#) of 12 January 2005 on Community statistics concerning balance of payments, international trade in services and foreign direct investment.
- [Summaries of EU Legislation: EU statistics — balance of payments, trade in services and foreign direct investment](#)
- [Regulation \(EU\) No 555/2012](#) of 22 June 2012 amending Regulation (EC) No 184/2005 on Community statistics concerning balance of payments, international trade in services and foreign direct investment, as regards the update of data requirements and definitions.

## External links

- [World Bank DataBank](#)

*View this article online at [http://ec.europa.eu/eurostat/statistics-explained/index.php/Remittances\\_according\\_to\\_the\\_BPM6\\_manual](http://ec.europa.eu/eurostat/statistics-explained/index.php/Remittances_according_to_the_BPM6_manual)*