

Remittance flows to and from the EU

2007 edition



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Luxembourg: Office for Official Publications of the European Communities, 2007

ISBN 978-92-79-04771-8

ISSN 1977-0375

Cat. No. KS-RA-07-025-EN-N

Theme: Economy and finance

Collection: Methodologies and working papers

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Executive Summary

In response to the increasing demand for data on remittances, Eurostat launched an ad hoc survey in April 2007, asking Member States to provide statistics on remittances and compensation of employees, collected within the framework of balance of payments statistics. This document presents the results of the survey.

In 2006, the total reported outflow of remittances from the European Union to third countries amounted to €19.1 billion. Over the same period, flows to other Member States reached €7.0 billion. Spain, the UK, Italy, Germany and France are the prime remitting countries. These five countries account for more than 85% of total EU remittances. The results show that, in 2006, the EU as a whole remitted more than double the amount it received from third countries (€19.1 billion sent compared to €8.5 billion received).

The results of the Eurostat survey also show that, in 2006, the total amount of net compensation of employees transferred from the EU Member States to non-EU countries reached €3.0 billion. In contrast, flows to other Member States amounted to €15.4 billion. Luxembourg and Germany are the biggest sending countries in this respect.

In addition to global flows, the document identifies and quantifies the major corridors of remittance flows.

The document describes the considerable global discrepancies when intra-EU inflows and outflows are compared with each other and draws attention to the activities aimed at improving the quality of data.



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1. Introduction

The importance of remittance flows¹, both in political discussions and in economic and social analyses, has increased tremendously over the last few years. As more data become available on cross-border remittances, these financial flows are attracting greater attention from the private sector, governments and development agencies alike.

In recent years remittance flows have emerged as a major source of external financing in developing countries. The growing importance of remittances as a source of foreign exchange is reflected in the fact that remittance growth has outpaced private capital flows and official development aid (ODA) over the last decade. For some countries remittances constitute the largest single source of foreign currency and often rival foreign direct investment (FDI) in size. Because of their volume and their potential to reduce poverty, remittances are attracting growing attention from policymakers at the highest levels in both developed and developing countries.

Many national governments now identify remittances as a major policy concern and want to analyse their impact on economic development. Numerous international institutions, including the World Bank, the Bank for International Settlements and regional development banks, have programmes or projects designed to analyse or promote remittances and related policies. Some governments and international organisations wish to promote the volume and effectiveness of remittances through better regulatory and institutional arrangements.

The European Commission is committed to this issue in a broader perspective. In September 2005, it brought out a Communication entitled “Migration and Development: Some concrete orientations” (European Commission, 2005). The document contains a series of recommendations for fostering the links and synergies between migration and development, in particular with regard to facilitating remittance flows and enhancing their development impact.

The purpose of this paper is to illustrate the results of a survey on remittance flows from and to European Union Member States. The survey was carried out by Eurostat in May 2007, asking Member States to provide statistics, collected within the framework of balance of payments statistics. The paper first highlights the growing importance of remittances in the world economy. It then presents the results of the ad hoc survey and finally addresses the international initiatives undertaken in order to clarify the concepts and definitions related to remittances and provide better guidance on data collection leading towards improvement of data quality.

2. Growing importance of remittances

According to the World Bank, recorded remittances sent home by migrants from developing countries reached US\$199 billion in 2006, up from US\$188 billion in 2005 and more than double the level in 2000 (see World Bank, 2006b). Worldwide flows of remittances, including those to high-income countries, are estimated to have grown to US\$268 billion in 2006. This amount, however, reflects only transfers through official channels. Given measurement uncertainties, notably the unknown extent of unrecorded flows through formal and informal channels, the true size of remittance flows could be much higher – perhaps 50 percent or more (World Bank, 2006a).

Including these unrecorded flows, the true size of remittances is larger than foreign direct investment flows and more than twice as large as official aid received by developing countries. Remittances are the largest source of external financing in many developing countries.

¹ In the Balance of Payments statistics framework workers' remittances covers goods and financial instruments transferred by migrants living and working in new economies to residents of economies in which the migrant formerly resided.

Table 1: Global flows of remittances (US\$ billion)

	1990	1995	2000	2005	2006
All developing countries	31	58	85	188	199
Latin America and the Caribbean	6	13	20	42.4	53
South Asia	6	10	17	32.0	36
East Asia and the Pacific	3	1	17	43.1	45
Middle East and North Africa	11	13	13	21.3	25
Europe and Central Asia	3	8	13	19.9	32
Sub-Saharan Africa	2	3	5	8.1	7
High income OECD	37	43	46	68	68
World	69	102	132	257	268

Source: World Bank (2006a, p. 88), World Bank (2006b, p. 1)

3. Eurostat ad hoc survey on remittances

In recent years there has been increasing demand for statistics on remittances from the European Commission as well from individual Member States. The availability of data at EU level is, however, rather limited. As a consequence, Eurostat does not currently disseminate data on remittances – either at Member State level or as aggregated data for the EU.

In April 2007 Eurostat launched an ad hoc survey asking Member States to provide statistics on remittances. The survey included one additional category: compensation of employees, which are funds sent back by temporary workers (who work abroad for less than a year). Accordingly, a questionnaire was sent to all 27 Member States. Member States were asked to return the completed questionnaire by 15 May 2007².

Eurostat asked the Member States to transmit annual inbound (credit) and outbound (debit) data, for the years 2005 and 2006, on:

- workers' remittances,
- compensation of employees (CoE),
- net compensation of employees (net CoE), defined as:
 - compensation of employees
 - minus taxes and social contributions
 - minus transport and travel expenditures related to short-term employment

vis-à-vis:

- the European Union (consisting of 27 Member States)
- non EU countries
- total World
- three major destinations, and
- three major source countries.

It should be noted that the data collected by the Member States usually take account of flows officially recorded by the responsible authorities in the Member States, within the framework of balance of payments statistics. Money sent through informal or illegal channel is generally not recorded and therefore not part of the statistics presented in this document. Moreover, a number of countries do not publish estimates of remittances as there are serious concerns over data quality. The users need to bear this in mind when using the data.

² Eurostat would like to thank all Member States for participating in this survey.



3.1 Outbound remittance flows

Results of the ad hoc survey show that recorded remittances sent from the EU by non-EU migrants to their home countries reached €19.1 billion in 2006, up from €17.0 billion in 2005 (an increase of more than 12%). The biggest remitting country is Spain. In 2006, non-EU migrants residing in Spain sent €5.6 billion (compared to €4.2 billion in 2005) to the residents of the countries where they previously resided. Other prime remitting countries are the United Kingdom, Italy, Germany and France. These five countries account for more than 85% of total EU remittance outflows.

Table 2: Outbound flows of remittances, € billion**

	2006			2005		
	Extra-EU	Intra-EU	total	Extra-EU	Intra-EU	total
BE*	0.2	0.1	0.3	0.3	0.1	0.3
BG	0.0	0.0	0.0	0.0	0.0	0.0
CZ	0.1	0.1	0.1	0.1	0.1	0.1
DK	0.2	0.1	0.2	0.2	0.1	0.2
DE	2.0	0.9	2.9	2.0	1.0	2.9
EE	0.0	0.0	0.0	0.0	0.0	0.0
IE*	0.1	0.4	0.5	0.1	0.2	0.3
GR*	0.5	0.1	0.5	0.4	0.1	0.5
ES	5.6	1.2	6.8	4.2	0.7	4.9
FR*	1.4	1.1	2.4	1.3	1.2	2.5
IT	3.2	1.1	4.4	2.9	1.0	3.9
CY	0.0	0.0	0.0	0.0	0.0	0.0
LV*	0.0	0.0	0.0	0.0	0.0	0.0
LT*	0.0	0.0	0.0	0.0	0.0	0.0
LU	0.0	0.1	0.1	0.0	0.0	0.1
HU	0.0	0.0	0.0	0.0	0.0	0.0
MT	0.0	0.0	0.0	0.0	0.0	0.0
NL*	0.6	0.2	0.8	0.5	0.2	0.7
AT*	0.2	0.4	0.6	0.2	0.4	0.6
PL*	0.0	0.0	0.0	0.0	0.0	0.0
PT	0.5	0.1	0.6	0.5	0.1	0.6
RO*	0.0	0.0	0.0	0.0	0.0	0.0
SI	0.0	0.0	0.0	0.0	0.0	0.0
SK	0.0	0.0	0.0	0.0	0.0	0.0
FI*	0.0	0.0	0.0	0.0	0.0	0.0
SE*	0.0	0.0	0.0	0.0	0.0	0.0
UK*	4.5	1.2	5.7	4.3	1.1	5.4
EU-27	19.1	7.0	26.1	17.0	6.2	23.2

* Eurostat estimates (for country codes see annex in page 18)

** Figures in this and following tables may show inconsistencies because of rounding

As the EU has migrants from other Member States, remittance flows within the EU are far from negligible. In 2006, migrants from Member States residing in other EU countries sent home €7.0 billion (compared to €6.2 billion in 2005). Alongside the biggest Member States, Ireland and Austria also figure among the principal remitting countries when intra-EU flows are taken into account.

Taking flows both within the EU and to non-EU countries into account, the total outbound remittance flows reached €26.1 billion in 2006. The corresponding amount in 2005 was €23.2 billion. In 2006, non-EU countries accounted for about 73% of total remittances outflows from the EU, while the remaining 27% were intra-EU flows. The ratios were the same in 2005 too. Spain remains the biggest remitting country, when both intra-EU and extra-EU flows are considered. In Greece, Portugal and Spain, the share of remittance flows to non-EU countries is much higher than for the EU average

(87%, 86% and 82% respectively in 2006, compared to 73% for the EU in total). On the other hand, in Ireland, Austria and the Czech Republic, the lion's share of remittance outflows represents intra-EU flows (i.e. flows to other Member States).

In order to identify and quantify the principal corridors of remittance flows between the Member States and other regions of the world, Member States were requested to provide Eurostat with data on flows to three major destinations as well as from three major source countries.

Table 3 presents the major corridors of remittance outflows from EU Member States for the years 2005 and 2006. Remittance flows from Spain to Colombia account for the largest corridor, followed by flows from Spain to Ecuador (€1.3bn and €1.2bn respectively in 2006). In 2006, other major corridors were Germany to Turkey (€0.8 billion), and France to Portugal and Morocco (both €0.8 billion). Remittances from Spain to Bolivia and from Italy to the Philippines showed significant increases in 2006, compared to 2005, while flows from France to Portugal and from Italy to China decreased in amount. Table 3 shows that most of the receiving countries are outside the European Union.

Table 3: Major remittance corridors – outflows - (in € billion)*

Remittance corridors	2006	2005
Spain → Colombia	1.3	1.0
Spain → Ecuador	1.2	1.0
Germany → Turkey	0.8	0.8
France → Portugal	0.8	0.9
France → Morocco	0.8	0.8
Italy → Romania	0.8	0.7
Spain → Bolivia	0.7	0.5
Italy → China	0.7	0.9
UK → India	0.6	0.6
UK → Ireland	0.6	0.6
Italy → Philippines	0.5	0.2
Portugal → Brazil	0.3	0.3
France → Algeria	0.3	0.3
Greece → Albania	0.3	0.2
Belgium → Morocco	0.2	0.2

* in order of officially recorded flows in 2006

3.2 Inbound remittance flows

Some of the EU Member States are also major recipients of remittances from outside the Union. Migrants originating from the EU Member States and residing outside the EU sent, in 2006, €8.5 billion to their former countries of residence (up from €7.9 billion in 2005). This shows that the EU as a whole remits more than double the amount it receives from third countries. The prime recipients of remittances coming from non-EU countries are the United Kingdom, Spain, Germany, Portugal, Romania and Poland.



Table 4: Inbound flows of remittances, € billion

	2006			2005		
	Extra-EU	Intra-EU	total	Extra-EU	Intra-EU	total
BE*	0.0	0.0	0.0	0.0	0.0	0.0
BG	0.1	0.2	0.3	0.1	0.2	0.4
CZ	0.0	0.1	0.1	0.0	0.1	0.1
DK	0.0	0.0	0.0	0.0	0.0	0.0
DE*	1.0	1.5	2.5	0.9	1.5	2.5
EE	0.0	0.0	0.0	0.0	0.0	0.0
IE*	0.0	0.0	0.0	0.0	0.0	0.0
GR*	0.5	0.4	0.9	0.4	0.3	0.7
ES*	1.8	3.0	4.8	1.9	2.4	4.3
FR*	0.2	0.2	0.4	0.2	0.2	0.4
IT	0.1	0.1	0.2	0.1	0.1	0.2
CY	0.0	0.0	0.1	0.0	0.0	0.0
LV*	0.0	0.0	0.0	0.0	0.0	0.0
LT*	0.1	0.2	0.3	0.1	0.2	0.3
LU	0.0	0.0	0.0	0.0	0.0	0.0
HU	0.0	0.0	0.0	0.0	0.0	0.0
MT	0.0	0.0	0.0	0.0	0.0	0.0
NL*	0.2	0.4	0.6	0.3	0.4	0.7
AT*	0.1	0.2	0.3	0.1	0.2	0.3
PL*	0.6	2.4	3.0	0.5	2.0	2.5
PT	0.9	1.5	2.4	0.9	1.4	2.3
RO*	0.9	3.5	4.4	0.5	2.5	3.0
SI	0.0	0.0	0.0	0.0	0.0	0.0
SK*	0.0	0.1	0.1	0.0	0.1	0.1
FI*	0.0	0.0	0.0	0.0	0.0	0.0
SE*	0.0	0.0	0.0	0.0	0.0	0.0
UK*	1.9	1.6	3.5	1.9	1.5	3.4
EU-27	8.5	15.5	24.0	7.9	13.3	21.2

* Eurostat estimates (for country codes see annex in page 18)

However, remittance inflows from outside the EU are much lower than remittance flows from other EU Member States (intra-EU flows). More than 64% of total remittances received by the Member States came from other Member States. Romania, Spain, Poland and Portugal are the major intra-EU receivers. Romania and Poland receive about 80% of their total remittances from within the EU. At the other end of the spectrum, in the United Kingdom and France more than half of the remittance receipts come from outside the Union.

When both intra-EU and extra-EU remittance flows are taken together, Member States in total received €24.0 billion as remittances (compared to €21.2 in 2005). The biggest receiving countries in 2006 are Spain with €4.8 billion and Romania with €4.4 billion. Other prime recipients are the United Kingdom, Poland and Germany.

From the standpoint of the receiving countries, the major corridors are different from those presented in Table 3. Table 5 shows that the biggest corridor in 2006 was that of €1.6bn to Romania from Italy (€1.2bn in 2005). This was followed by Spain from the UK and Romania from Spain (€1.2bn and €1.0bn respectively). Member States also receive considerable amounts of remittances from countries outside the Union, namely Spain, Romania, Greece and Portugal from the United States; Portugal from Switzerland and the UK from Saudi Arabia.

Table 5: Major remittance corridors – inflows - (in € billion)*

Remittance corridors	2006	2005
Romania ← Italy	1.6	1.2
Spain ← UK	1.2	0.9
Romania ← Spain	1.0	0.7
Portugal ← France	1.0	0.9
UK ← Saudi Arabia	0.6	0.6
Spain ← USA	0.6	0.9
Romania ← USA	0.5	0.3
Portugal ← Switzerland	0.5	0.5
Spain ← France	0.5	0.5
UK ← Germany	0.4	0.3
Greece ← USA	0.4	0.3
UK ← Netherlands	0.3	0.3
Portugal ← USA	0.2	0.2

* in order of officially recorded flows in 2006

3.3 Outbound flows of “net compensation of employees”

In balance of payments, compensation of employees (CoE) comprises wages, salaries and other benefits earned by individuals – in economies other than those in which they are residents – for work performed and paid by residents of those economies (IMF, 1993, p.70). “Net compensation of employees (net CoE)” is defined in this paper as CoE minus taxes and social contributions minus transport and travel expenditures related to short-term employment. It thereby approximates an imputed unrequited flow from the household members as employees to the households themselves. The reason for including this item in the survey was that the definition of personal remittances to be included in BPM6 includes workers’ remittances and net CoE (see UN, 2006).

The results of the Eurostat survey show that, in 2006, the total amount of net CoE transferred from the EU Member States to non-EU countries reached €3.0 billion (€3.1 billion in 2005). The Netherlands, Spain and the Czech Republic are the major sending countries.

However, as CoE usually refers to border and seasonal workers, and they usually come from neighbouring countries, the extra-EU flows are negligible compared to intra-EU flows. In 2006, the total outflow of net CoE from EU Member States to other Member States amounted to €15.4 billion (€14.0 billion in 2005). Luxembourg and Germany are the biggest countries in this respect. Outbound flows of net CoE from Luxembourg and Germany to other Member States (intra-EU flows) reached, in 2006, €4.2 billion and €3.4 billion respectively. These figures reflect the significant number of border workers (from neighbouring countries) working in these two countries. Other major sending countries are the Netherlands and Belgium. These four countries account for more than two thirds of all intra-EU outflows of net CoE.

When both intra-EU and extra-EU flows of net CoE are taken together, the total outflow from the EU Member States in 2006 amounted to €18.4bn, of which 84% was sent to other Member States while the remaining 16% was transferred to non-EU countries.

Table 7, which shows the principal corridors of net CoE outflows, confirms that the receiving countries are generally neighbouring countries. The biggest flows of net CoE are from Luxembourg to France, Belgium and Germany, and from Germany to Poland and France.



Table 6: Outbound flows of net compensation of employees, € billion

	2006			2005		
	Extra-EU	Intra-EU	total	Extra-EU	Intra-EU	total
BE*	0.1	0.9	1.0	0.1	1.0	1.0
BG	0.0	0.0	0.0	0.0	0.0	0.0
CZ	0.3	0.7	1.0	0.4	0.4	0.7
DK	0.1	0.6	0.7	0.1	0.5	0.6
DE*	0.2	3.4	3.6	0.2	3.4	3.6
EE	0.0	0.0	0.0	0.0	0.0	0.0
IE*	0.1	0.5	0.5	0.1	0.3	0.4
GR*	0.1	0.1	0.2	0.1	0.1	0.1
ES*	0.4	0.3	0.7	0.3	0.3	0.6
FR*	0.0	0.5	0.5	0.0	0.5	0.5
IT	0.3	0.4	0.7	0.5	0.4	0.9
CY	0.1	0.1	0.2	0.1	0.1	0.2
LV*	0.0	0.0	0.0	0.0	0.0	0.0
LT*	0.0	0.0	0.0	0.0	0.0	0.0
LU	0.0	4.2	4.2	0.0	3.8	3.8
HU	0.0	0.1	0.1	0.0	0.0	0.1
MT	0.0	0.0	0.0	0.0	0.0	0.0
NL*	0.5	1.7	2.3	0.5	1.5	2.0
AT*	0.1	0.3	0.5	0.1	0.3	0.4
PL*	0.1	0.2	0.3	0.1	0.2	0.2
PT	0.1	0.1	0.2	0.1	0.1	0.2
RO*	0.0	0.0	0.0	0.0	0.0	0.0
SI	0.0	0.0	0.1	0.0	0.0	0.0
SK*	0.0	0.0	0.0	0.0	0.0	0.0
FI*	0.1	0.1	0.2	0.1	0.1	0.2
SE*	0.1	0.2	0.3	0.1	0.2	0.3
UK*	0.3	0.8	1.1	0.3	0.9	1.2
EU-27	3.0	15.4	18.4	3.1	14.0	17.1

* Eurostat estimates (for country codes see annex in page 18)

Table 7: Major net CoE corridors – outflows - (in € billion)*

Net CoE corridors	2006	2005
Luxembourg → France	2.0	1.8
Germany → Poland	1.5	1.6
Luxembourg → Belgium	1.2	1.1
Germany → France	1.0	1.1
Luxembourg → Germany	1.0	0.9
Belgium → France	0.6	0.6
Denmark → Sweden	0.4	0.3
Czech Rep → Slovakia	0.4	n.a.
Netherlands → Germany	0.4	0.3
UK → Germany	0.3	0.4
Netherlands → UK	0.2	0.2

* in order of officially recorded flows in 2006

3.4 Inbound flows of “net compensation of employees”

The total inflow of net CoE to Member States from countries outside the EU (extra-EU flows) reached, in 2006, €8.4 billion (compared to €7.5 billion in 2005). The biggest receiving countries in this case are France and Germany, accounting for more than 50% of total extra-EU inflows.

As in the case of outbound flows, the inbound flows of net CoE from within the EU (intra-EU flows) are higher than the extra EU flows, reaching €12.2 billion in 2006 (€12.0 billion in 2005). Here, Belgium is by far the biggest receiving country (€3.4 billion in 2006, €3.3 billion in 2005), followed by France and Germany.

The total inflow of net CoE to all EU Member States in 2006 amounted to €20.4bn (€19.5 billion in 2005), of which 60% originated from other Member States, while the remaining 40% was transferred to the EU from third countries.

Table 8: Inbound flows of net compensation of employees, € billion

	2006			2005		
	Extra-EU	Intra-EU	total	Extra-EU	Intra-EU	total
BE*	0.4	3.4	3.8	0.4	3.3	3.7
BG	0.0	0.3	0.4	0.0	0.3	0.3
CZ	0.1	0.3	0.4	0.1	0.3	0.4
DK	0.2	0.2	0.4	0.2	0.3	0.4
DE*	1.6	0.9	2.5	1.4	1.0	2.4
EE	0.0	0.1	0.1	0.0	0.1	0.1
IE*	0.1	0.1	0.2	0.1	0.1	0.2
GR*	0.1	0.1	0.2	0.1	0.1	0.2
ES*	0.2	0.4	0.6	0.2	0.4	0.5
FR*	3.2	1.5	4.5	2.7	1.8	4.5
IT	0.3	0.5	0.8	0.2	0.4	0.6
CY	0.0	0.0	0.0	0.0	0.0	0.0
LV*	0.1	0.3	0.4	0.1	0.2	0.3
LT*	0.0	0.1	0.1	0.0	0.1	0.1
LU	0.1	0.6	0.6	0.1	0.5	0.6
HU	0.0	0.1	0.1	0.0	0.1	0.1
MT	0.0	0.0	0.0	0.0	0.0	0.0
NL*	0.3	0.6	0.9	0.3	0.7	1.0
AT*	0.8	0.4	1.2	0.8	0.3	1.1
PL*	0.0	0.2	0.2	0.0	0.2	0.2
PT	0.0	0.1	0.1	0.0	0.1	0.1
RO*	0.2	0.7	0.9	0.2	0.6	0.8
SI	0.0	0.1	0.1	0.0	0.1	0.1
SK*	0.0	0.4	0.4	0.0	0.4	0.4
FI*	0.2	0.2	0.5	0.2	0.2	0.5
SE*	0.1	0.1	0.2	0.1	0.1	0.2
UK*	0.4	0.3	0.7	0.4	0.3	0.7
EU-27	8.4	12.2	20.4	7.5	12.0	19.5

* Eurostat estimates (for country codes see annex in page 18)

From the standpoint of receiving countries, Germany is the major receiving country, with significant flows from Switzerland (€1.1bn in 2006), from Luxembourg (€0.9bn) and from the United States (€0.5bn). Belgium also receives considerable amounts from Luxembourg (€1.0bn). As mentioned above, the country pairs forming the corridors in this case are usually neighbouring countries.



Table 9: Major net CoE corridors – inflows - (in € billion €)*

Net CoE corridors	2006	2005
Germany ← Switzerland	1.1	1.1
Belgium ← Luxembourg	1.0	1.0
Germany ← Luxembourg	0.9	0.8
Germany ← USA	0.5	0.5
Belgium ← Netherlands	0.4	0.4
Austria ← Germany	0.3	0.3
Slovakia ← Czech Rep.	0.2	0.2
Romania ← Spain	0.2	0.2
Austria ← Lichtenstein	0.2	0.2

* in order of officially recorded flows in 2006

4. Intra-EU asymmetries

Credits and debits reported by one country to and from another should, in theory, correspond to the debits and credits of that counterpart country. Consequently, total intra-EU credits and debits (inflows and outflows from all Member States to all other Member States) should amount to the same. In reality, however, for a variety of reasons, it is rarely the case that two data sources provide exactly the same results, and thus they produce a global asymmetry (see Eurostat, 2006).

Table 10 shows that, for both 2005 and 2006, intra-EU remittance credits (inflows reported by all Member States from all other Member States) were more than double intra-EU debits (outflows reported by all Member States to all other Member States). This led to rather large intra-EU asymmetries: €8.5 billion or 55% of recorded credits in 2006. For net CoE, the intra-EU asymmetry was much smaller and with the opposite sign (- €3.2bn or 26% of recorded credits). As a result, the sum of these two items shows smaller asymmetry (in both absolute and relative terms) than the remittance statistics (€5.3bn, 19% of credits).


Table 10: Intra-EU flows, € billion

	2006			2005		
	Remittances	Net CoE	Total	Remittances	Net CoE	Total
Credit	15.5	12.2	27.7	13.3	12.0	25.3
Debit	7.0	15.4	22.4	6.2	14.0	20.2
Intra-EU Discrepancy	8.5	-3.2	5.3	7.1	-2.0	5.1

The main reasons for the statistical discrepancies lie in the conceptual limitations of remittances in BPM5 and in the difficulties in compiling reliable data on remittances. The initiatives for improving data quality are addressed in the following section.

5. Initiatives to improve data quality

Data on remittances are difficult to compile, because they represent numerous, small transactions through a large variety of channels. A pre-requisite for improving compilation of data on remittances is a proper understanding of demographic aspects, transmission channels and the regulatory environment affecting the volume, frequency and transaction modes of remittances. The transmission channels may vary, *inter alia*, according to the demographic structure, financial system and overall institutional environment of the sending and receiving countries. As a result, considering their volumes and relative importance, the quality of data on remittances is quite poor. The poor quality of remittance data is in stark contrast to data on international financial flows more generally, where there has been a tremendous improvement in the quality of data over recent decades.



Furthermore, the definitions of remittance-related items in the balance of payments framework require clarification, do not fully meet user needs, and make analysis of data more onerous than necessary. As a result of the lack of clarity on what should be included in remittance statistics and the inconsistency in methods of collection and reporting, currently available remittance data are incomplete. They fail to capture a significant proportion of remittance flows and are not comparable across countries and regions and over time (see Reinke, 2006).

The importance of remittances, and improved statistics on them, was emphasised by the G8 Heads of State at their meeting at Sea Island in 2004. The G8 leaders issued an action plan in which they gave a commitment to intensify work on migrant workers' remittances, including improvement of the data. This message was reiterated by the G7 Finance Ministers, who called for the establishment of an international statistical working group bringing together technical experts from various countries and international organisations, which would be responsible for:

- (a) clarifying the concepts and definitions concerning remittances; and
- (b) providing better guidance on data collection.

The task of clarifying the **concepts and definitions** concerning remittances was carried out by the United Nations Technical Subgroup on the Movement of Natural Persons (UN-TSG). The UN-TSG has proposed new definitions for remittances within the balance of payments framework and has recommended changing the definition of “workers’ remittances” to the broader concepts of “personal transfers”, “personal remittances” and “total remittances” – for details see UN (2006). These changes will be incorporated in the forthcoming revision of Balance of Payments Manual (BPM6) and should substantially improve the accessibility and clarity of data on remittances in the framework of the balance of payments, national accounts and international trade in services.

On the other hand, in June 2006 an expert group called the Luxembourg Group on Remittances was created with the objective of providing better **guidance on data collection** by drafting a guide for compiling statistics on remittances. The primary purpose of this guide is to offer compilers a menu of possible methods for measuring remittances to assist them in their efforts to provide accurate, complete and timely data on remittances that are consistent with the improved concepts and definitions. The compilation guide is primarily aimed at those whose task is to obtain, process, verify and publish data on remittances. However, the guide will also be a useful source for data users who wish to understand the definitions and processes that shape the data they employ for analytical purposes. The draft version of the guide will be made available on the IMF’s website in early 2008 for comments from all interested parties. The final version is planned for the first quarter of 2008.

6. Concluding remarks

This document presents for the first time flows to and from the EU of remittances and “net compensation of employees” (i.e. compensation of employees minus taxes and social contributions, and minus transport and travel expenditures related to short-term employment) for the years 2005 and 2006.

Migrants in the EU Member States sent, in total, to their former country of residence an amount of €26.1 billion in 2006 (compared with €23.2 billion in 2005). These figures include both intra-EU and extra-EU flows. Flows to non-EU countries accounted for a much higher share than flows to other Member States. In 2006, extra-EU flows accounted for €19.1 billion or three quarters of the total, and intra-EU flows for €7.0 billion or one quarter, the same proportions as in 2005. Spain, the UK, Italy, Germany and France are the main remitting Member States. These five Member States account for more than 85% of total EU remittances. The data show that, in 2006, the EU as a whole remitted more than double the amount it received from third countries (€19.1 billion sent compared to €8.5 billion received).

The results of the Eurostat survey also show that, in 2006, the total amount of net CoE transferred from the EU Member States to non-EU countries reached €3.0 billion (€3.1 billion in 2005). However, extra-EU flows are negligible when compared to intra-EU flows. In 2006, the total outflow of net CoE from EU Member States to other Member States amounted to €15.4 billion (€14.0 billion in 2005). Luxembourg and Germany are the biggest sending countries in this respect.

In addition to global flows, the document identifies and quantifies the major corridors of both remittances and “net CoE” flows.

The document describes the considerable discrepancies when intra-EU inflows and outflows are compared with each other and draws attention to the activities aimed at improving the quality of data.



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8. Annex: Country codes

BE	Belgium
BG	Bulgaria
CZ	Czech Republic
DK	Denmark
DE	Germany
EE	Estonia
IE	Ireland
GR	Greece
ES	Spain
FR	France
IT	Italy
CY	Cyprus
LV	Latvia
LT	Lithuania
LU	Luxembourg
HU	Hungary
MT	Malta
NL	Netherlands
AT	Austria
PL	Poland
PT	Portugal
RO	Romania
SI	Slovenia
SK	Slovakia
FI	Finland
SE	Sweden
UK	United Kingdom
EU-27	European Union consisting of 27 Member States

European Commission

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Luxembourg: Office for Official Publications of the European Communities

2007 — 18 pp. — 21 x 29.7 cm

ISBN 978-92-79-04771-8

ISSN 1977-0375

