



National Bank
of Ukraine

Personal Remittances Data Revision for 2015-2017

National Bank of Ukraine
Statistics and Reporting Department
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Content

Summary	3
<i>I. Methodological background</i>	5
<i>II. Data revision – reasons and methods</i>	10
<i>III. Results</i>	14
<i>IV. Impact on Balance of Payments</i>	17
<i>V. Appendix</i>	23

Summary

Issues

- Estimation of the informal part of personal remittances is carried out on the basis of surveys conducted once per several years.
- The main source of such information was the IOM study "Migration as a Development Factor in Ukraine". This survey was conducted in 2014 prior to significant changes in migration flows
- The need to review personal remittances data relates to the publication of new surveys in 2017:
 - National Bank of Poland (NBP) published the report about remittances to Ukraine based on results of own Survey of Ukrainian Workers in Poland.
 - Central Bank of Russia (CBR) published assessments of personal remittances to CIS countries
 - State Statistics Service of Ukraine (SSSU) conducted a module survey of migrant workers

Changes

- Shift of short-term workers migration from Russia to Poland after 2014 caused significant underestimation of personal remittances due to the extremely low share of official transfers from Poland
- Statistics and Reporting Department conducted an appropriate review of the calculation method and update of personal remittances data from 2015 using mirror statistics (data of the main partner countries - Poland and Russia). Data for individual European countries has been insignificantly refined.

Results

- Personal remittances were revised up by:
 - 2015: USD +1.8 billion, 2016: USD +2.1 billion, 2017: +USD 2.0 billion
- As a result Current Account (CA) as % of GDP was respectively revised to:
 - 2015: **+1.8%** (- 0,2%), 2016: **- 1.4%** (- 3.7%), 2017: **- 1.9%** (- 3.7%)
 - (previous data are given in brackets)
- Overall balance remain unchanged due to corresponding changes in financial account



Methodological background

Personal Remittances: Definitions and Methodology

- Remittances represent household income from foreign economies arising mainly from temporary or permanent migration of people to these economies (BPM6, A5.1).
 - Remittances include cash and noncash coming through formal channels, such as via electronic wire, or through informal channels, such as money or goods carried across borders.
 - They largely consist of funds and noncash items sent or given by individuals who have migrated to a new economy and become residents there, and the net compensation of border, seasonal, or other short-term workers who are employed in an economy in which they are not residents.

Personal Remittances		
Compensation of employees (Primary Income)	Personal Transfers (Secondary income)	
Income of border, seasonal, and other short-term workers who are employed in an economy where they are not residents and of residents employed by nonresident entities.	All current transfers in cash or in kind received by resident households from nonresident households	
<i>Net compensation of employees</i>	<i>Workers remittances</i>	<i>Other transfer</i>
Income of border, seasonal, and other short-term workers who are employed in nonresident economy less than one year	Current transfers by migrants who are employed in new economies more than one year and considered residents there.	Other current transfers sent by individuals to individuals

Personal Remittances in Balance of Payments

- Remittances are mainly derived from two items in the BOP framework - “compensation of employees” and “personal transfers” (recorded in the current account). Appendix 5 of BPM6 provides supplementary items to allow compilation of remittance aggregates.
- Compensation of employees is recorded in BOP on gross, before taxes and other expenses incurred in the economy where the work is performed (BPM6, p.11.10-11.23)
- In the derivation of personal remittances, a net measure of compensation of employees is derived (BPM6, A5.12)

	2017	BOP items
1. Compensation of employees	9,172	Primary income account, standard component
1.a. Travel and transport related to employment of border, seasonal, and other short-term workers	2,411	Services account, supplementary item
1.b. Taxes and social contributions related to employment of border, seasonal, and other short-term workers	466	Secondary income account, supplementary item
2. Net compensation of employees (less expenses related to border, seasonal, and other short-term workers (1.1 – 1.a – 1.b))	6,295	
3. Personal transfers	2,995	Secondary income account, standard component
4. Personal remittances (2+3)	9,290	Supplementary item

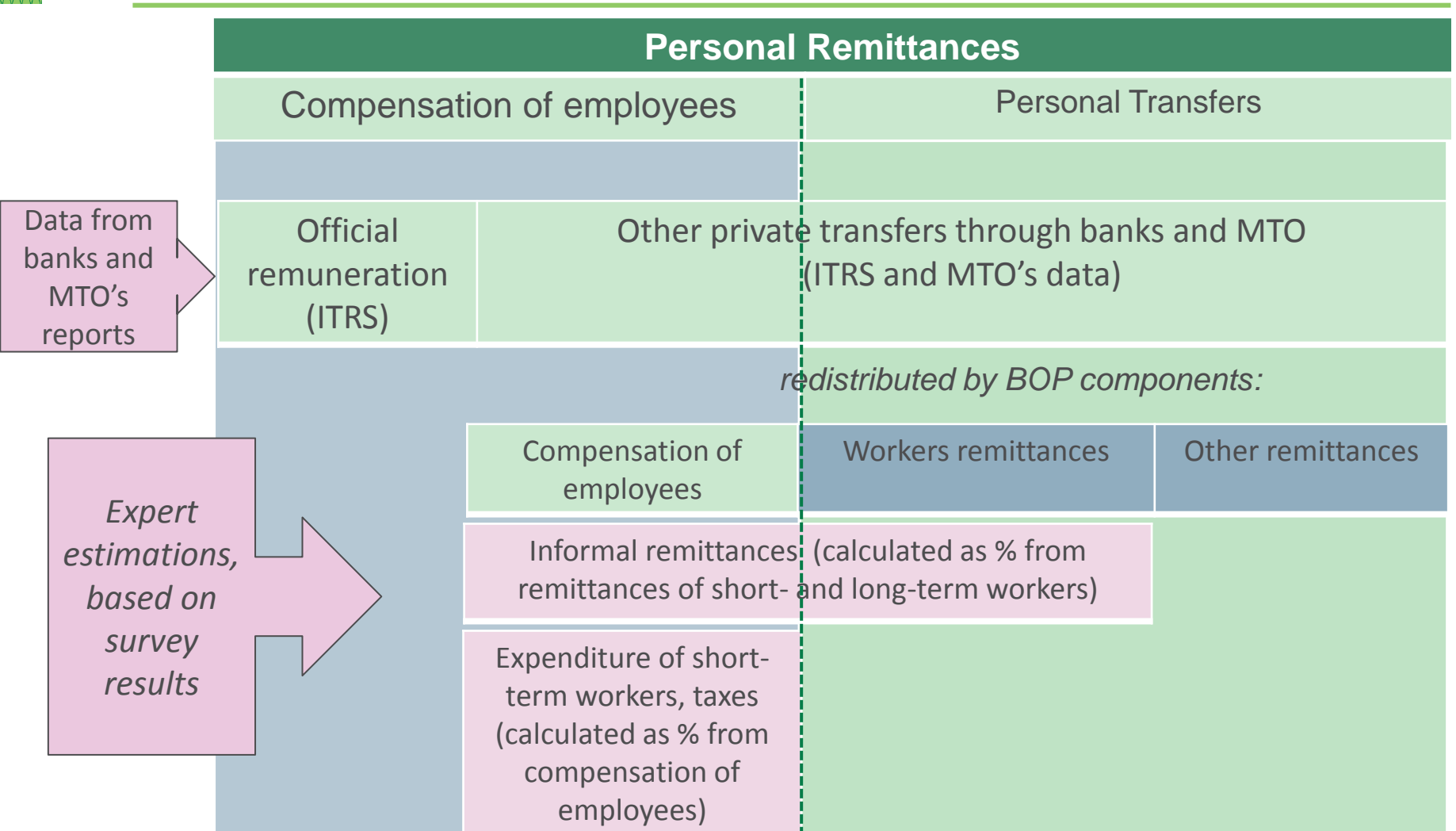
Data sources for compilation data on remittances in Ukraine

- International Transactions Reporting System (ITRS) and Money Transfer Operators' (MTO's) statistics
 - Strengths - Monthly (quarterly) data are available
 - Weaknesses – cover only transfers through formal channel, classification problem (reporters could not distinguish transfers from short-term workers and long-term workers, transfers from nonresidents)
- Survey of Migrant Workers - SSSU surveys of labor migration (2008, 2012, 2017) and IOM survey (2014)
 - Strengths – information on number of migrant workers, their main characteristics, transfers sent through different channels
 - Weaknesses–
 - very low frequency, couldn't be directly used for estimation without additional data with high periodicity
 - underestimation in household surveys - question about migrant workers and transfers from abroad tends to be sensitive, in particular in cases of undocumented workers, hence the tendency to get a lower number than in reality
 - Discrepancies in results of different surveys (*according to SSSU surveys share of long term migrant workers was 17.3% in 2010-2012 and 10.1% in 2015-2017 while according to IOM survey – 61.6% in 2014-2015*)
 - High costs

Compiling data on remittances is not straightforward as with other BOP items. Heterogeneous character of remittance transactions makes the compilation process more complex, thus usually having to rely on a combination of sources (data collections from the financial sector, surveys on migrants, estimations based on data model), depending on the availability of corresponding data sources. As a consequence there appears to be a systemic problem of undercoverage combined with data asymmetries.

This can be illustrated by intra-EU remittance flows. Due to the increasing coordination work among compilers, discrepancy between reported intra-EU inflows and intra-EU outflows decreased from EUR -6.5 billion in 2007 to EUR -2.8 billion in 2016 (EUR 61.4 billion of inflow were reported against EUR 58.6 billion of outflow).

Main sources for estimation remittances in Ukraine are ITRS and MTO's data adjusted for informal remittances



Starting from 2008 the National Bank of Ukraine on recommendations of the IMF technical assistant mission estimates personal remittances based on ITRS and MTO's data and adjustments for transfers through informal channels for two group of countries (CIS and other countries).



Data revision - reasons and methods

Main reasons for revision of personal remittances data in 2015-2017

- Underestimation of personal remittances due to changes in main "remittances corridors" and remittances channels
 - Reorientation of short-term workers from Russia to Poland with the sharp increase in the number of Ukrainians working in Poland caused underestimation of remittances due to the very low level of official transfers from Poland
 - Restrictions for transfers through MTO's imposed by Russia and Ukraine.
- New data sources on migrant workers and remittances
 - Results of the module survey of migrant workers conducted by State Statistics Service of Ukraine
 - National Bank of Poland estimations on remittances to Ukraine based on results of survey of Ukrainians working in Poland
 - Central Bank of Russia data on personal remittances to CIS countries
- Hypothesis of huge foreign cash currency net sales by individuals financed by remittances inflows

Weaknesses of model used for estimates before revision:

- Fixed coefficients for adjustments over long periods do not reflect changes in remittances characteristics
- Low frequency of the surveys does not allow to determine the dynamic changes in remittances flow, especially for informal remittances
- No other secondary data sources with high frequency in Ukraine for coefficients' revision

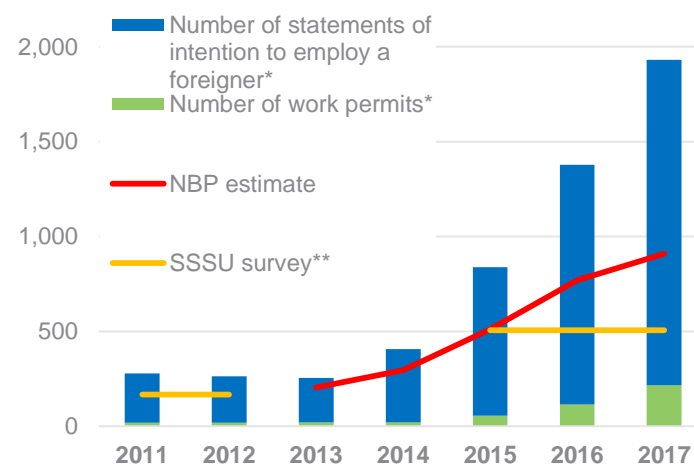
Possible solution

- Use of available partner country data

Sharp increase of short-term workers in Poland caused underestimation of remittances due to the very low level of official transfers from Poland

- During 2015-2017 Poland became the main destination country for Ukrainian labor migrants.
- Labor migration to Poland is mostly short-term and cyclical, most workers can bring money in Ukraine personally. The level of official transfers remains very low.
- The NBP conducted a survey of Ukrainian workers in Poland, which revealed the characteristics of a new wave of migrants
- NBP estimates remittances to Ukraine on the basis of survey results and estimation of number of Ukrainians working in Poland based on administrative data.
- NBP data were used for data revision on personal remittances in Ukraine

Estimates on the number of Ukrainians working in Poland, thousand people



USD million	2015	2016	2017
Transfers from Poland through official channels (NBU data)	55	97	161
NBU estimates of remittances from Poland (before revision)	350	567	1,350
<i>Share of remittances through official channels, %</i>	16.7	17.1	11.1
NBP estimates of remittances from Poland	1,329	1,991	3,123**
<i>Share of remittances through official channels, %</i>	4.1	4.7	5.2

* Ministry of Family , Labour and Social Policy of Poland data

**Two main factors may lead to underestimation in SSSU household survey: (1) the representativeness of the sample (sample may be insufficient to properly cover this population due to the latest events in Ukraine); and (2) the question about ST workers abroad tends to be sensitive, in particular in cases of undocumented workers, hence the tendency to get a lower number than in reality.

*** Preliminary estimates of remittances for Q4 included, NBP data for 9 months – USD 2,242 million

New estimation method for compilation remittances was introduced and personal remittances data for 2015-2017 were revised based on mirror statistics for main partner countries (Poland and Russia) and new SSSU survey results for other countries

New estimation method for compilation remittances:

- For main partner countries - mirror statistics (Poland - estimates of the NBP, Russia - CBR estimates)
 - *Mirror data usually become available later than BOP release date, for last quarter preliminary estimates are used, data revised when actual data became available*
- Adjustments of private transfers through banks – transfers to nonresidents and big transactions are deducted
- Calculation of coefficients for redistribution of data on transfers from official sources by BOP items and for estimates of informal transfers, by country (for 18 countries):
 - Estimation of the level of remittances of short-term and long-term migrant workers (18 countries) - based on SSSU and IOM surveys data
 - Comparison of estimates obtained with data on transfers through official channels
 - The share of transfers received from labor migrants is determined
 - Redistribution of official transfers between items "compensation of employees" and "workers remittances" (according to the share of short-term and long-term migrants transfers).
 - The volume and share of informal transfers are calculated as a difference between the estimates and official transfers (for 6 countries – Italy, Czech Republic, Portugal, Hungary, Slovakia, Finland)
- Compilation of quarterly data for 2015-2017 for all items based on data from official statistics and coefficients for redistribution of them and for estimates of informal transfers

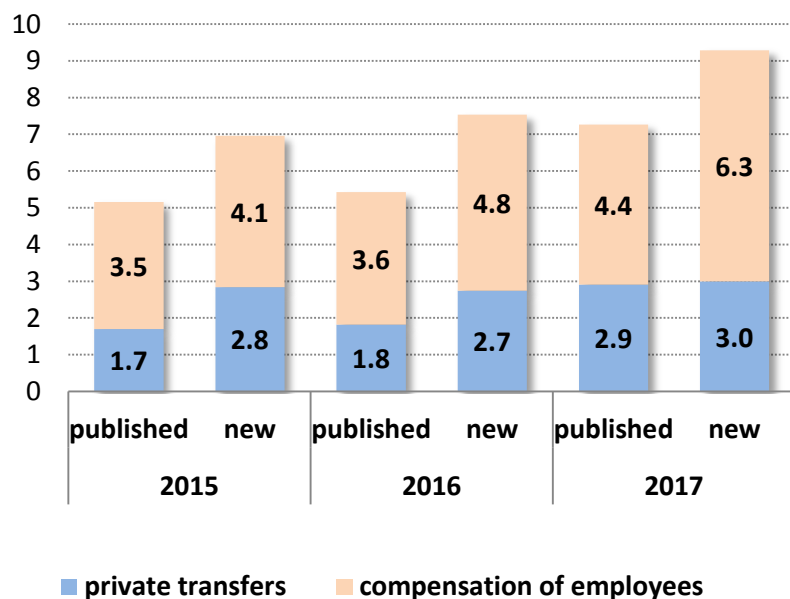


Results

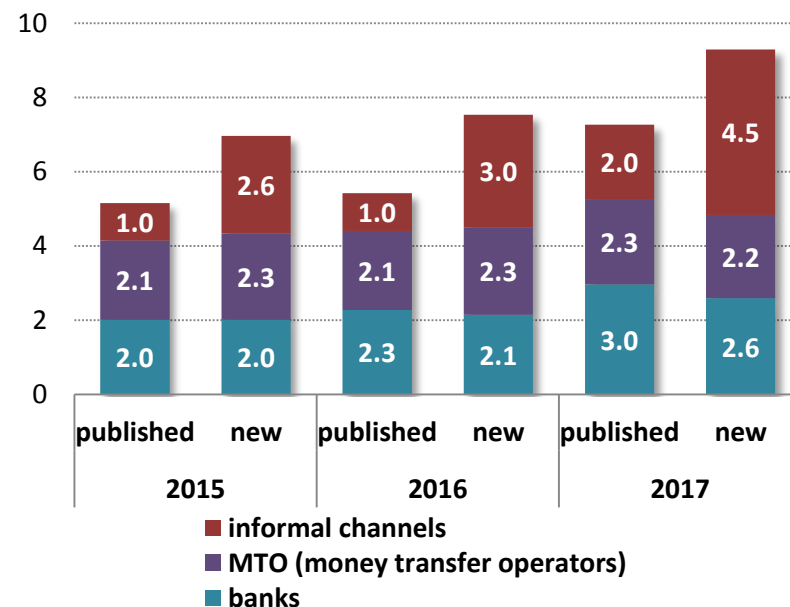
The main result of the data revision is the sharp increase in the value of personal remittances

	2015	2016	2017*
Personal remittances (published), USD billion	5.2	5.4	7.3
Personal remittances (published), % of GDP	5.7	5.8	6.6
Personal remittances (new), USD billion	7.0	7.5	9.3
Personal remittances (new), % of GDP	7.6	8.1	8.4

Personal remittances by BoP items, USD billion

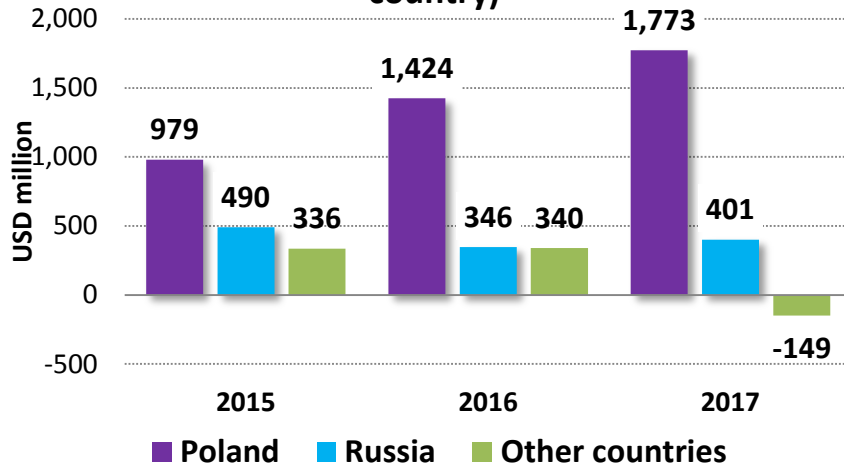


Personal remittances by channels, USD billion

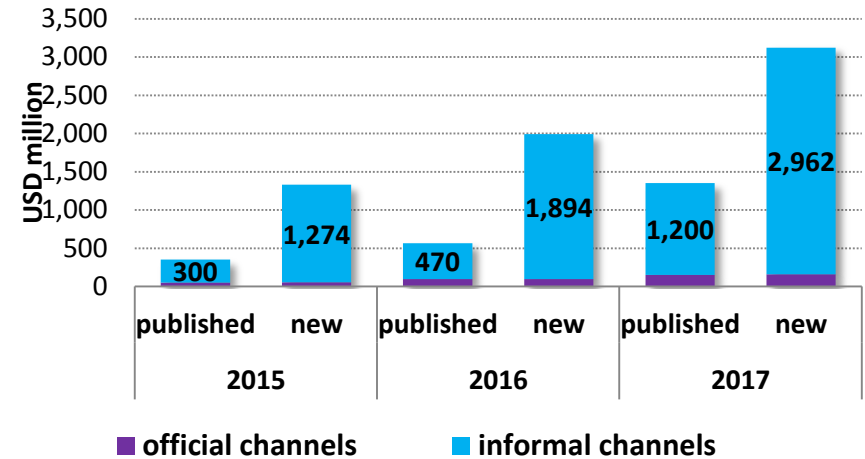


Revision is highly focused on remittances from Poland and Russia

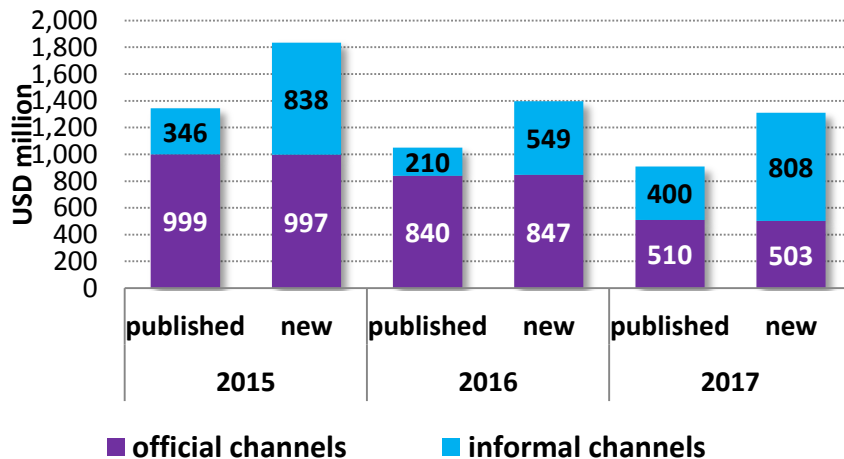
Difference with previously published data (by country)



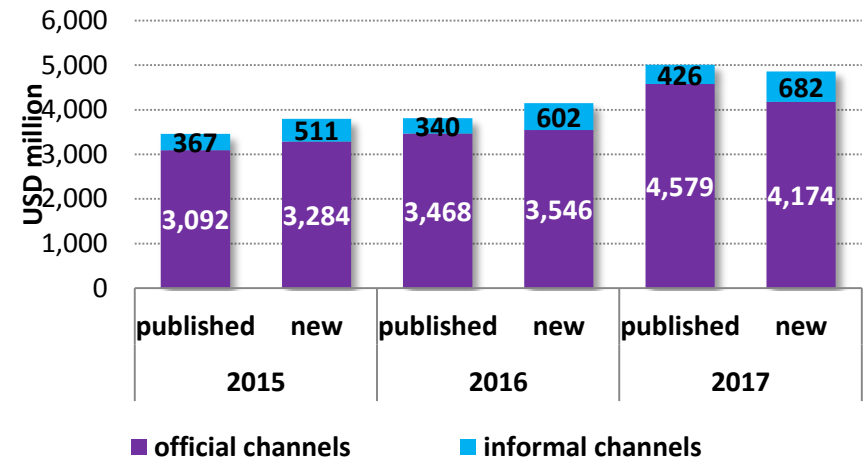
Poland



Russia

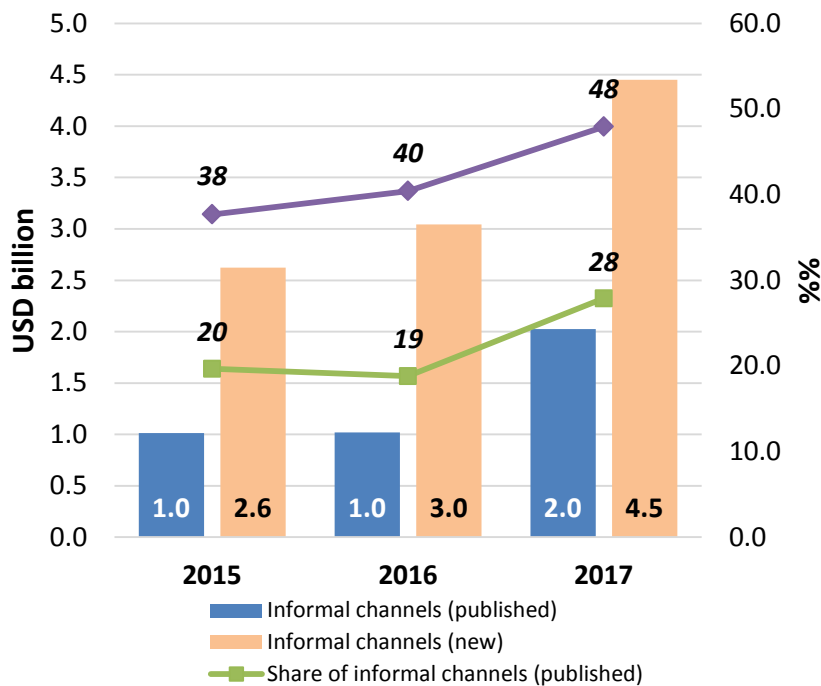


Other countries

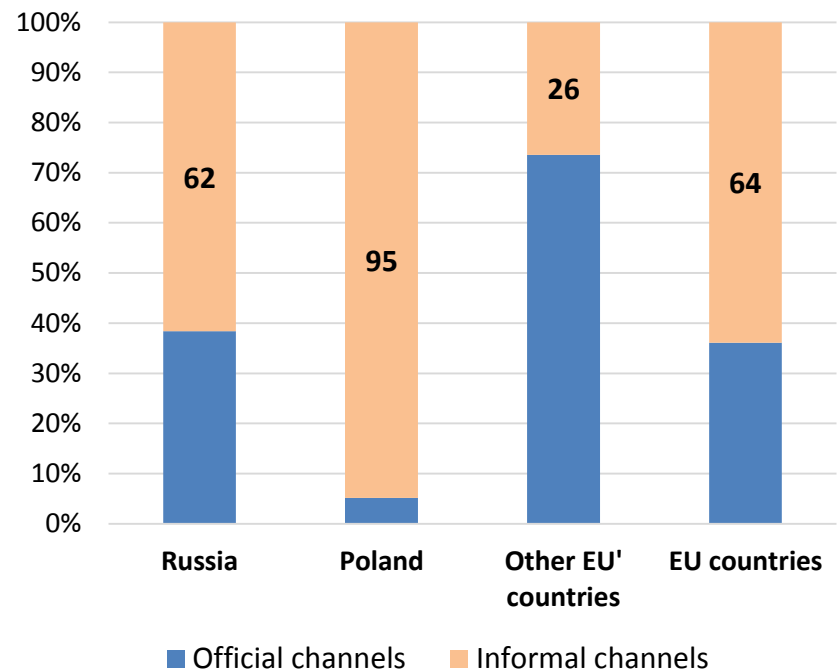


As the results of the data revision, share of remittances through informal channels has significantly increased

Value of informal channels and its share in the total amount of personal remittances



Share of informal channels' inflows, % of total value

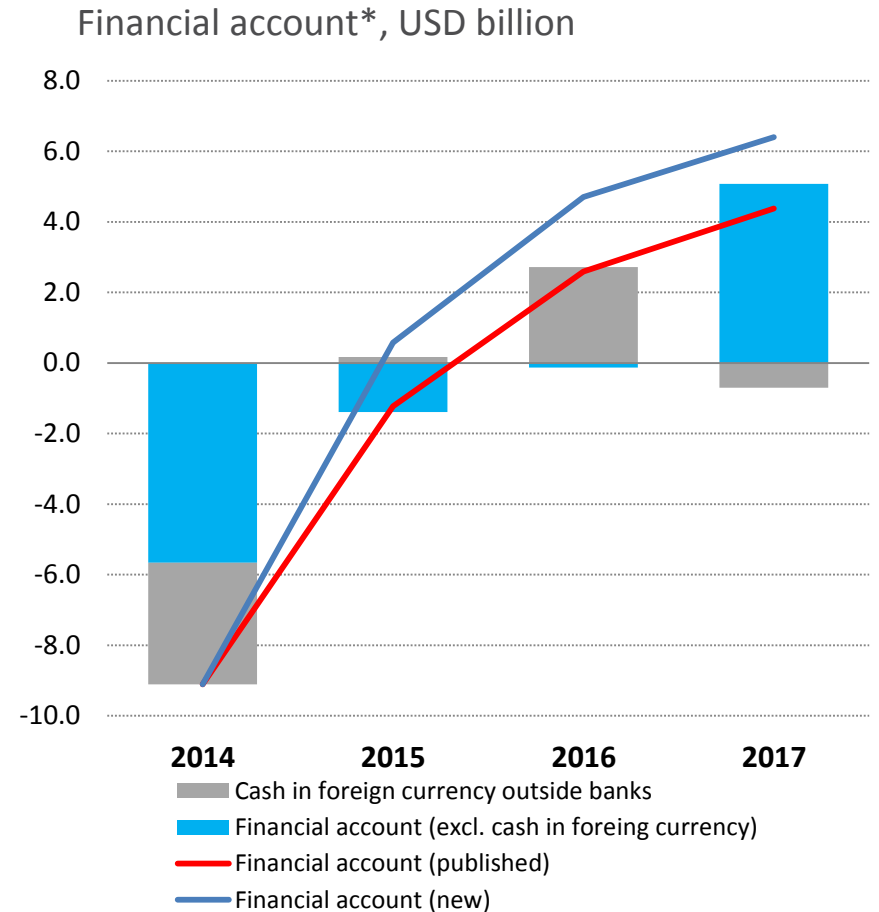
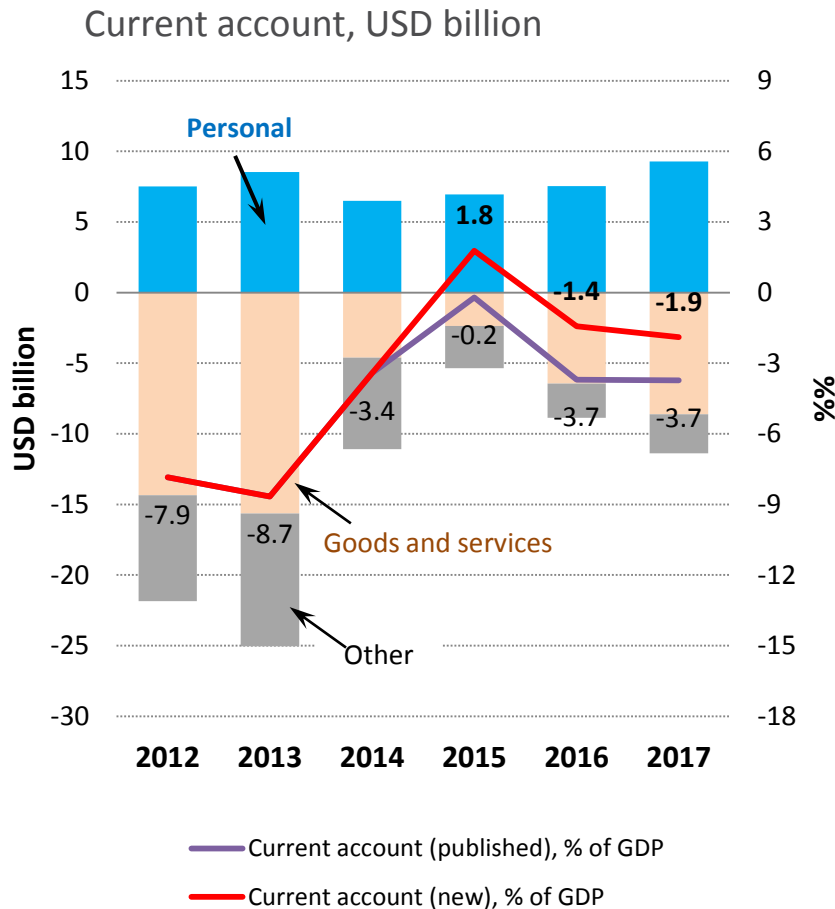


IV

Impact on Balance of Payments

The impact of remittances data revisions on BOP is reflected in CA improvement Overall balance remain unchanged due to corresponding changes in financial account

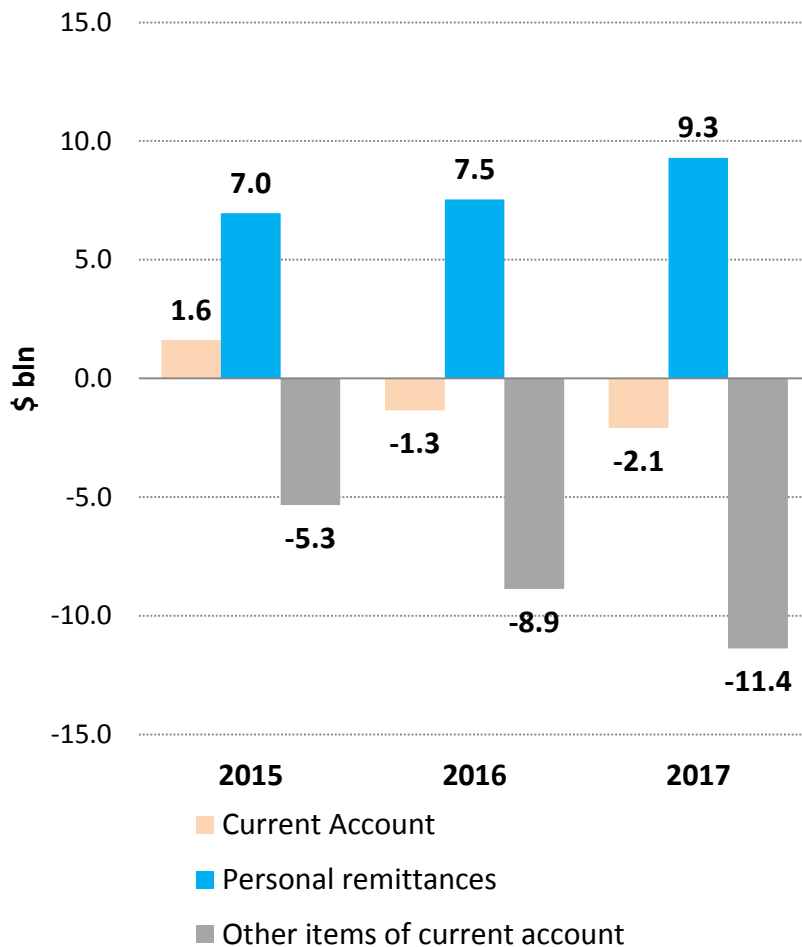
	2015	2016	2017
Changes to current account balance, % of GDP	+2.0	+2.3	+1.8



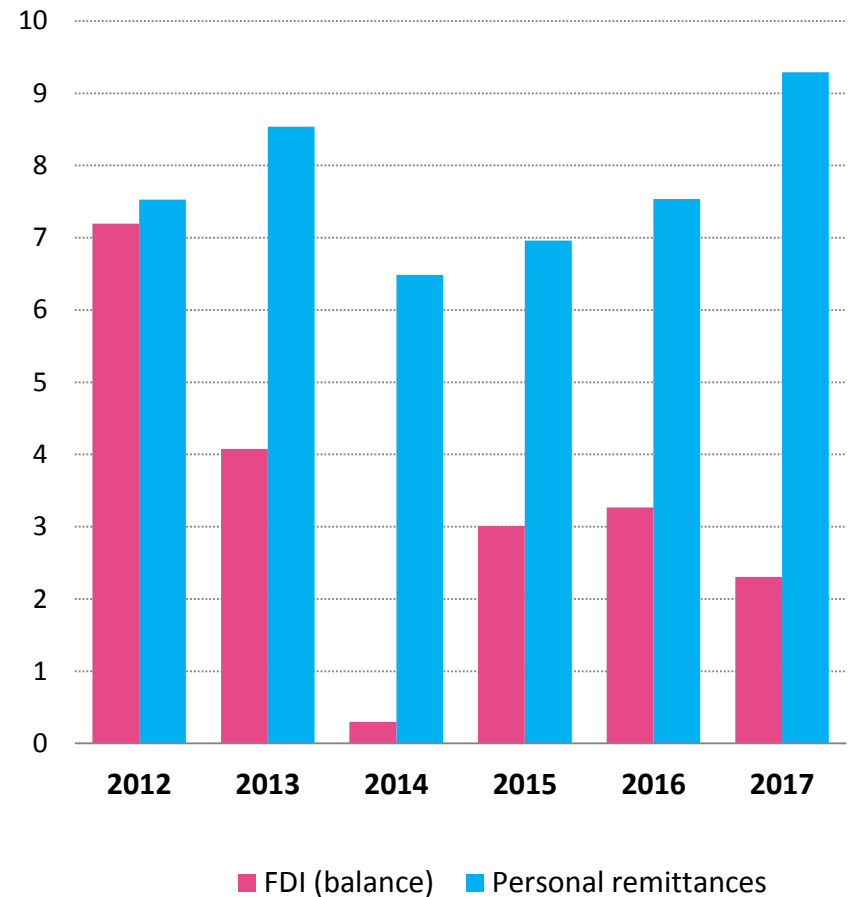
* positive values mean inflow of capital

After 2014 crisis personal remittances remain an important source of foreign currency inflows into Ukraine

Personal remittances and current account balance, USD billion

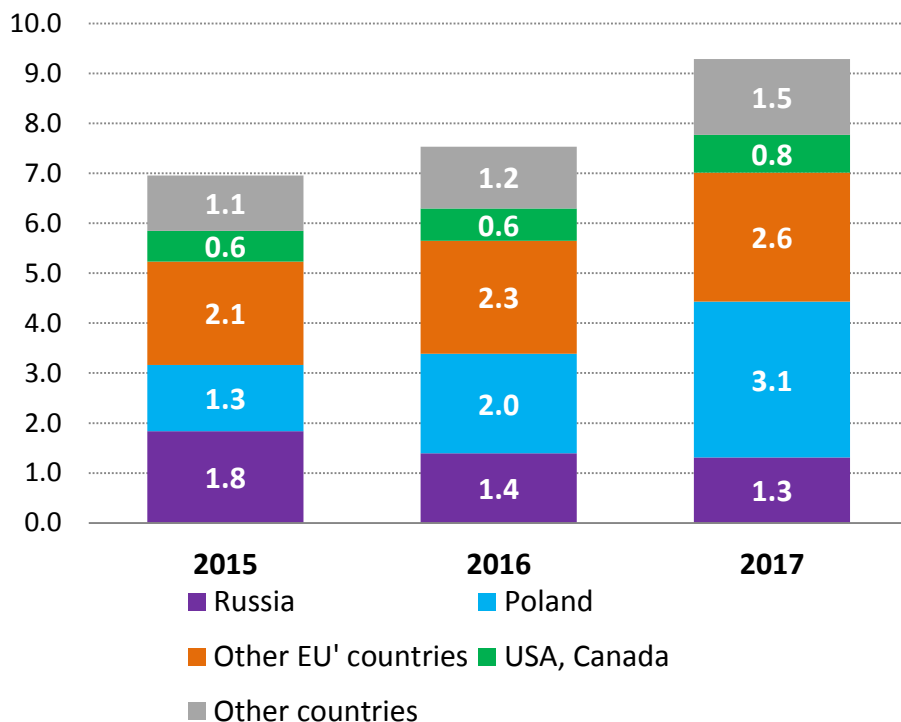


Personal remittances and FDI, USD billion



After 2014 crisis geographical structure of remittances changed with reduction of remittances from Russia and significant increase in remittances from Poland

Personal remittances by country, USD billion

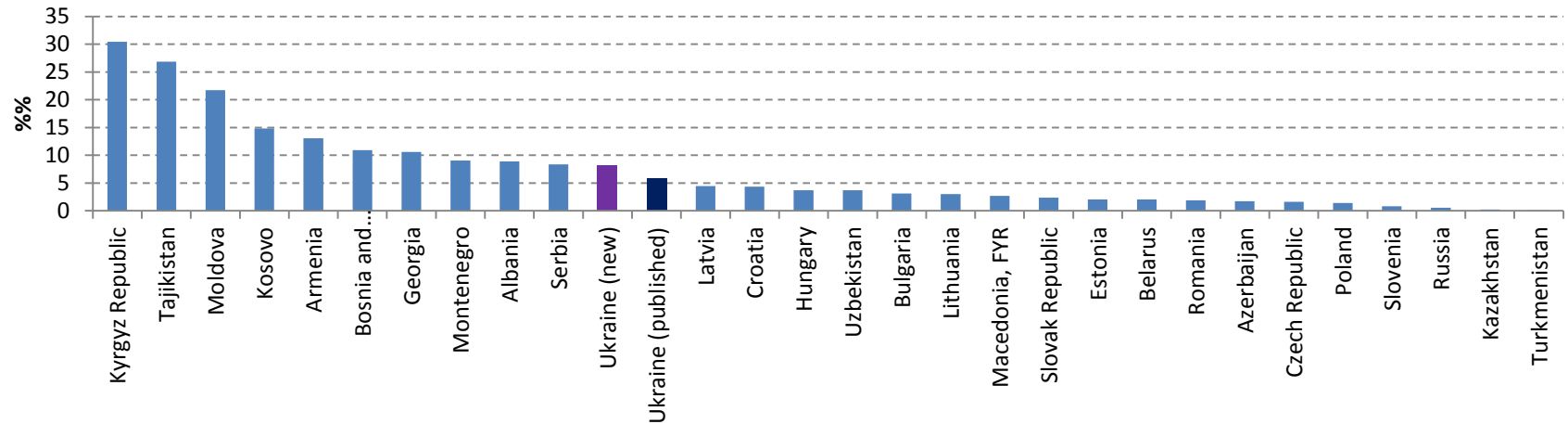


Changes in the personal remittances in 2017 compared to 2016

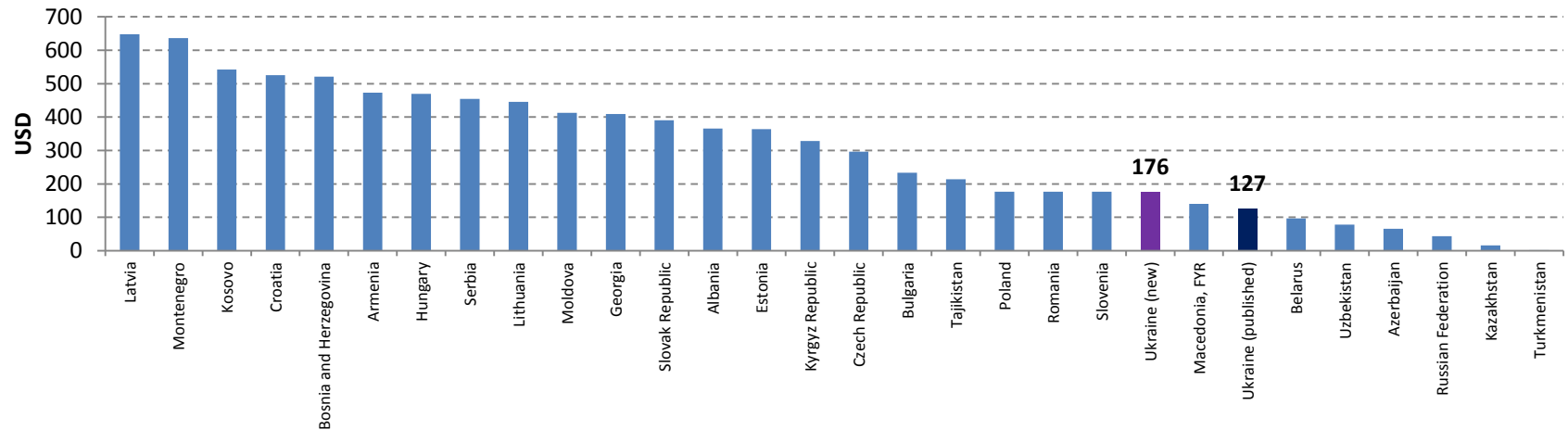
country / group of countries	Share, 2017, %	2017, %, yoy
Russia	14.1%	-6%
Poland	33.6%	57%
Other EU' countries	27.8%	14%
USA, Canada	8.1%	17%
Other countries	16.3%	23%

Personal remittances by country

Personal remittances by country in 2016, % of GDP



Personal remittances by country in 2016, USD per capita



Source: World Bank, NBU estimates



Appendix

Characteristics of Ukrainian migrants in Poland (*from NBP survey results*)
https://www.nbp.pl/.../20161212_obywatele_ukrainy_pracujacy_w_polsce_-_raport_z_badania.pdf

Revision of personal remittances data and differences with previously published data

USD million	2015			2016			2017		
	published	new	difference	published	new	difference	published	new	difference
1.1 Compensation of employees	4,143	5,631	1,488	4,323	6,731	2,408	5,309	9,172	3,863
of which									
1.a Expenditures of short-term workers	655	1,313	658	686	1,669	983	905	2,411	1,506
1.b Taxes and social contributions	36	202	166	35	268	233	48	466	418
2. Net compensation of employees (1.1 – 1.a – 1.b)	3,452	4,116	664	3,602	4,794	1,192	4,356	6,295	1,939
3. Personal transfers	1,702	2,843	1,141	1,823	2,741	918	2,909	2,995	86
4. Personal remittances (2. + 3.)	5,154	6,959	1,805	5,425	7,535	2,110	7,265	9,290	2,025
of which Informal remittances	1,013	2,623	1,610	1,020	3,045	2,025	2,026	4,452	2,426

Impact of revision on the Balance of Payments items

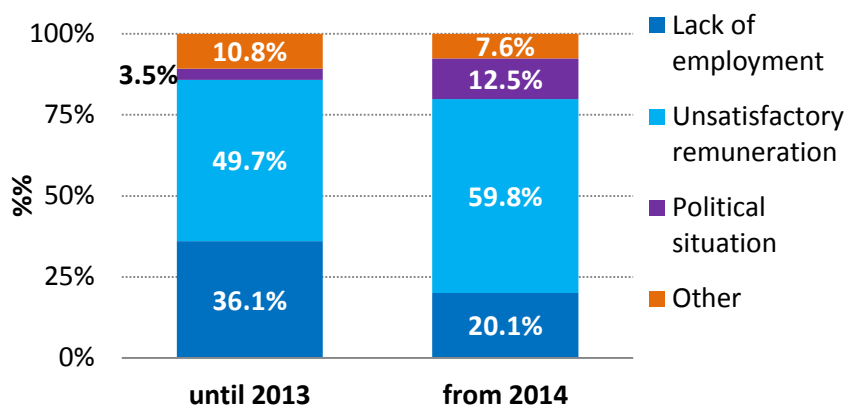
USD million	2015			2016			2017		
	published	new	difference	published	new	difference	before revision*	new	difference**
I. Current account balance	-189	1,616	1,805	-3,450	-1,340	2,110	-4,113	-2,088	2,025
<i>% of GDP</i>	-0.2	1.8	2.0	-3.7	-1.4	2.3	-3.7	-1.9	1.8
<i>of which: personal remittances</i>	5,154	6,959	1,805	5,425	7,535	2,110	7,265	9,290	2,025
of which informal transfers	1,013	2,623	1,610	1,020	3,045	2,025	2,026	4,452	2,426
I.1 Trade balance	-1,704	-2,362	-658	-5,470	-6,453	-983	-7,104	-8,610	-1,506
Services (net)	1,751	1,093	-658	1,472	489	-983	2,268	762	-1,506
I.2 Primary income (net)	-1,113	375	1,488	-931	1,477	2,408	-850	3,013	3,863
I.3 Secondary income (net)	2,628	3,603	975	2,951	3,636	685	3,841	3,509	-332
II. Net lending (+) / net borrowing	267	2,072	1,805	-3,358	-1,248	2,110	-4,117	-2,092	2,025
III. Financial account (incl. errors and omissions)	-582	1,223	1,805	-4,704	-2,594	2,110	-6,683	-4,658	2,025
<i>of which: Cash in foreign currency outside banks</i>	-1,778	-168	1,610	-4,747	-2,722	2,025	-1,827	599	2,426
Overall balance (II. + III.)	849	849	0	1,346	1,346	0	2,566	2,566	0

*Revised BOP data (include revisions to published preliminary data except revisions of personal remittances data)

**Differences due to revision of personal remittances data

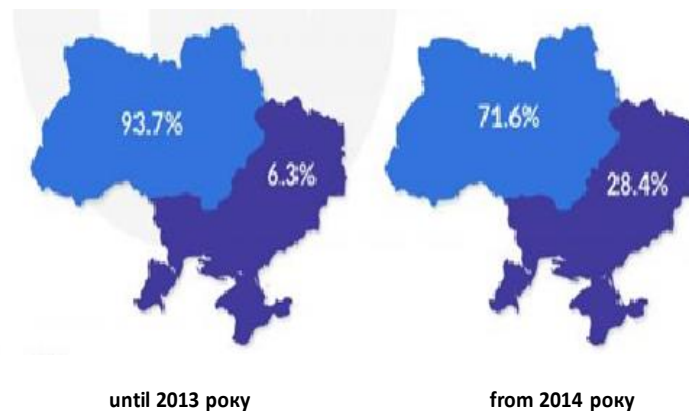
Demographic characteristics of a new wave of migrants to Poland

Main reasons for the migrants' arrival to Poland



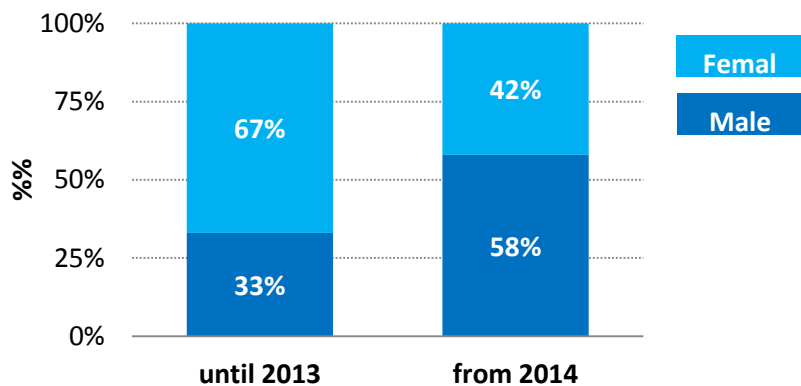
Source: National Bank of Poland

Regions from which the Ukrainians migrated to Poland



Source: National bank of Poland

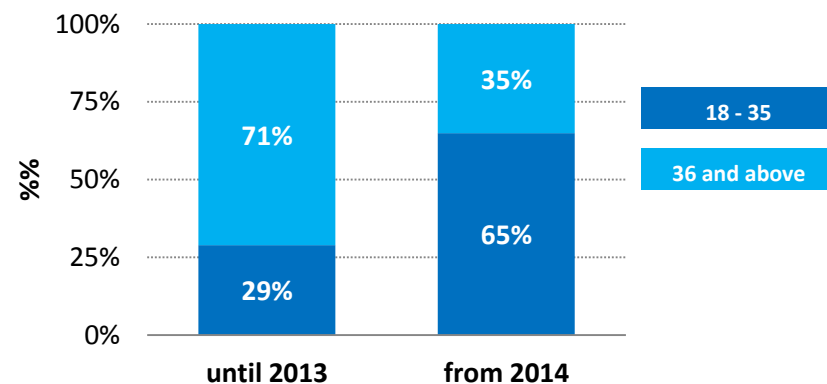
Sex of the migrants according to the year of the first arrival to Poland



Source: National Bank of Poland

Age structure of the migrants*

according to the year of the first arrival to Poland

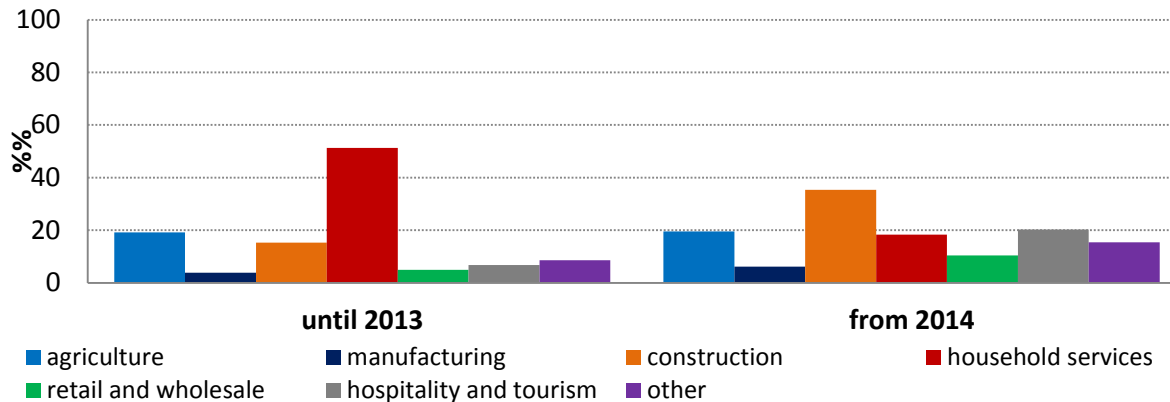


Source: National bank of Poland

Average income by sector

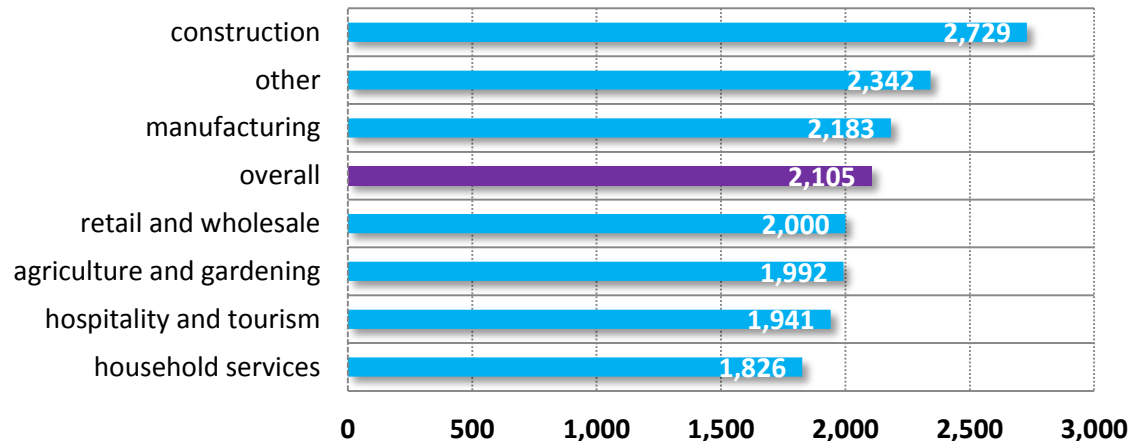
Sectors of employment of migrants *

* The immigrants could indicate all the sectors in which they worked



Source: National Bank of Poland

Average income broken down into sectors (in PLN)

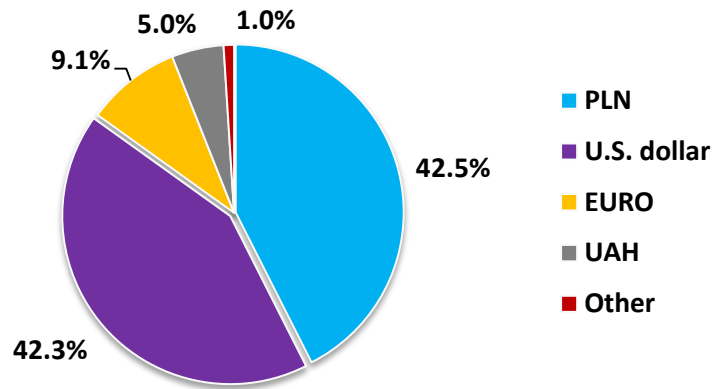


Source: National Bank of Poland

Funds transferred to Ukraine

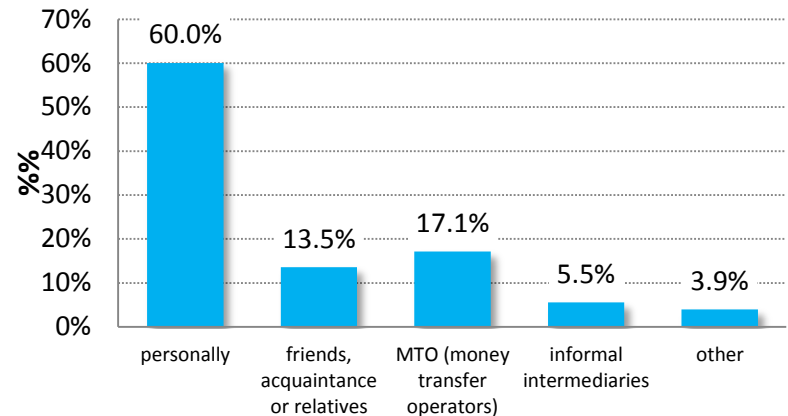
	Average	Time of the first arrival to Poland		Sex		Region	
		until 2013	from 2014	Female	Male	West	East
transfer	66.4%	78.4%	49.4%	74.2%	56.1%	78.6%	47.9%
not transfer	33.6%	21.6%	50.6%	25.8%	43.9%	21.4%	52.1%

Currency structure of remittances



Source: National Bank of Poland

Main channels for fund transfers

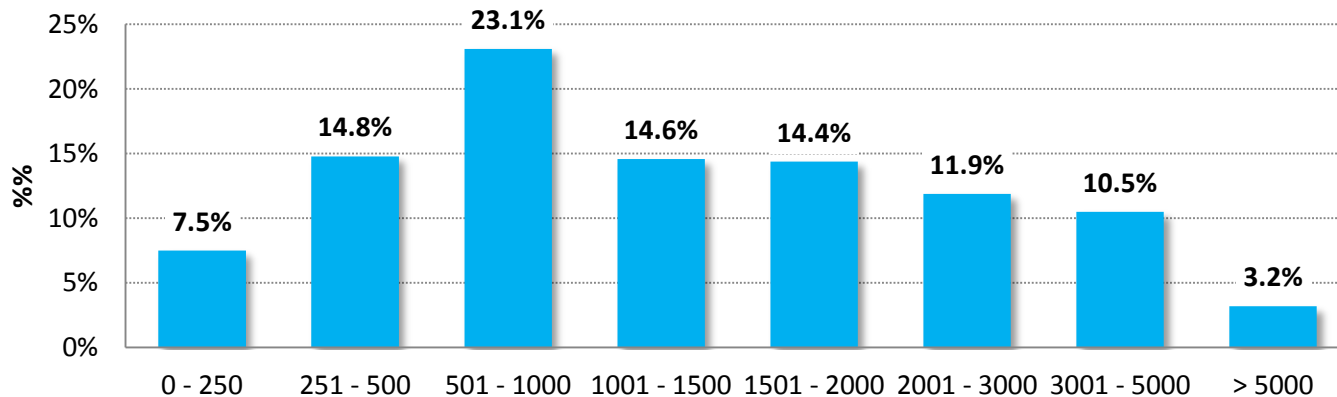


Source: National Bank of Poland

- Ukrainian migrants spend for accommodation on average 34.2% of their income in Poland

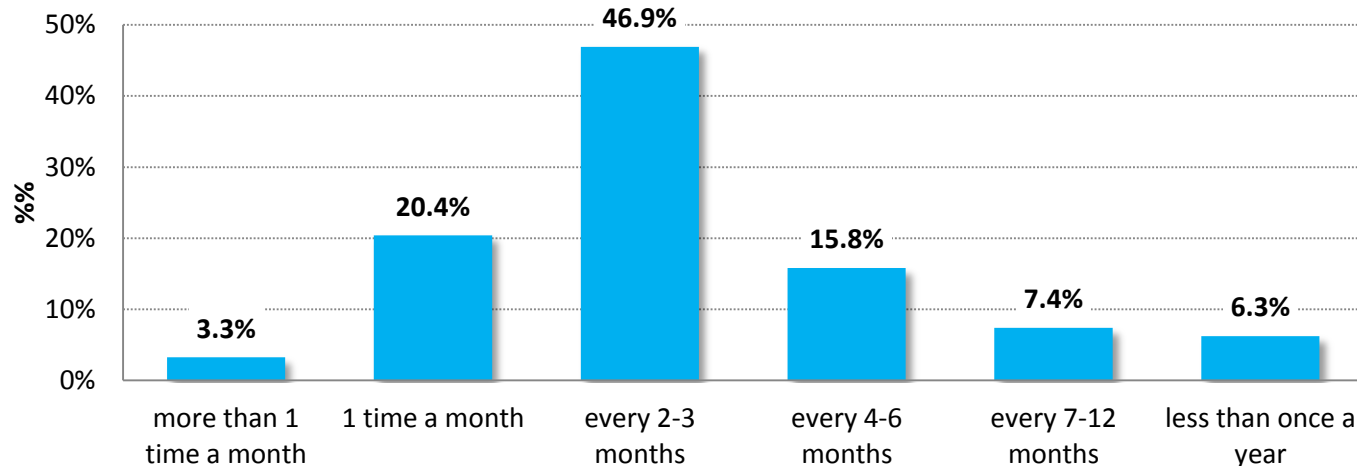
Average value and frequency of personal remittances

The value of a last single transfer into Ukraine (in PLN)



Source: National Bank of Poland

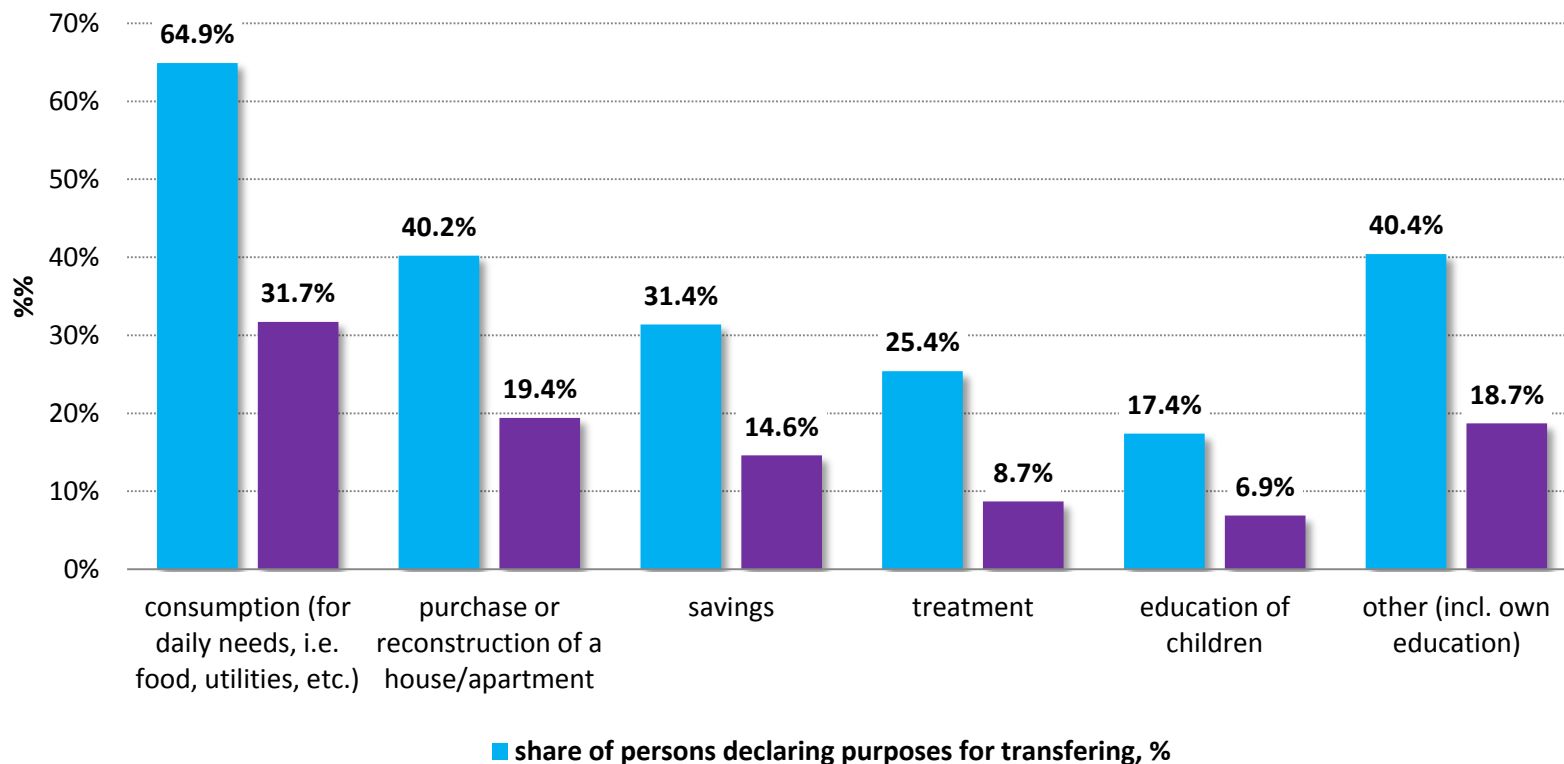
The frequency of the transfers



Source: National bank of Poland

Main purposes of personal remittances are consumption and reconstruction/purchases of real estate

Purposes for transferring funds to Ukraine



Source: National Bank of Poland