What are international remittances?

Migrant remittances are cash or in-kind transfers made by migrants to relatives in countries of origin. International remittances also include compensation of employees, such as cross border workers.

According to the World Bank, global remittance flows totaled $706 billion in 2019, with $551 billion flowing to low- and middle-income countries. In 2019, India was the top recipient of remittances in US dollar terms ($82bn), while Tonga was the largest recipient relative to the size of their economy (38% of GDP). The US was the top remittance sending country in 2018 ($68bn).

What is happening with international remittances?

Despite predictions that international remittances will decline globally in 2020 by 20% as a result of the pandemic, we are seeing remittance inflows to some countries increase during COVID19. For some countries the increases have been very significant:

⇒ Pakistan saw a surge of 31% to $7.1 billion during the first quarter of FY20-21 (July-Sept 2020)
⇒ Nepal saw a surge of 23% in the first month of FY20-21 (July/August)
⇒ Mexico recorded the 2nd highest monthly inflow on record in August 2020 (amount $3.57 billion)
⇒ Bangladesh saw a record $2.59 billion monthly inflow in July 2020.

A new pattern is emerging and economists are ‘puzzled’

“Puzzled economists now say their original forecasts underestimated the strength of human networks”. While the resilience of transnational communities plays a part, the large rises in remittances are likely due more to the disruption to informal remittance channels that rely on mobility. Bankers in Pakistan, for example, note that wiring money is more common because physically bringing cash into the country is currently not viable.
In April, the World Bank forecast that the decline in international remittances to South Asia due to COVID19 would be around 22% (and the global decline around 20%). However, despite these predictions, international remittances to Bangladesh have surged, with a record high in July 2020 recorded.

Analysts point to the shift from informal remittances channels, especially the informal cross-border movements of money through networks (called ‘hundi’), through to remitting via the formal banking system. It is also likely related to the Bangladesh government remittance incentive scheme introduced in 2019, in which beneficiaries receive direct a 2% incentive for transfers of up to $1,500 but only if using formal systems.

Dhaka-based RMMRU (‘Refugee and Migratory Movements Research Unit’) has warned that this is not the new normal, highlighting that Bangladesh's overseas employment is in the depths of a major slump with thousands of migrant workers having returned and others stranded without jobs.

Is a data-driven view of remittances blocking our view of the “bigger picture”? 

Some analysts argue that international remittances data provide only a partial picture because they fail to account for informal remittance flows as well as domestic remittances despite the continued significance of internal migration, especially the ongoing urbanization occurring in many parts of the world. These gaps risk high quality analysis of covid impacts. Further, the heavy focus on remittances received from migrant workers overseas can also obscure the broader impacts:

> While wage remittances play an essential role...it is also necessary to shed light on the work and labour of remittance recipients that are an equally important, although largely unacknowledged, part in this process. For them, the current pandemic has created a double burden, through the contraction in global and domestic remittances, and the increasing risks of continuing to work.

Read Kavita Datta and Vincent Guermond’s analysis here.

This COVID-19 Analytical Snapshot has been produced by IOM Research (research@iom.int).

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