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THE IMPACT OF THE CORONAVIRUS PANDEMIC ON REMITTANCES

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Abstract: *COVID-19 generated a decrease in remittances worldwide from March to April 2020, a decrease that was initially forecast at about 20% throughout 2020. Final figures showed that they decreased by only 1,2% worldwide. However, the values differ from country to country (World Bank, 2020). The restrictive measures imposed by the quarantine, the decrease of incomes, the loss of jobs, but also the economic uncertainty discouraged the citizens to send money home. Given that remittances account for a significant percentage of the annual GDP of many countries, a reduction in them generates multiple socio-economic implications (Giuliano and Ruiz-Arranz, 2009). This paper aims to make a brief assessment of the evolution of migrant remittances in 2020, a year marked by numerous restrictions and socio-economic events related to the Coronavirus pandemic (worldbank.org).*

Keywords: *Labor force migration, remittances, COVID-19*

Classification JEL: *J1, J61, C33*

1. Introduction

With the outbreak of the COVID-19 pandemic, in order to prevent the spread of the virus, most employers, at the behest of the authorities in several host countries, ceased economic activities and, consequently, for most migrants, the income from work was either they have declined or become depleted, being eligible for “emergency” crisis support in the form of compensation directly to employees or employers to discourage mass redundancies and an exaggerated

rise in the unemployment rate (Castillo-Ponce, Torres-Preciado, & Manzanares-Rivera, 2020). At the same time, a large number of migrant workers, especially irregular ones, were not included in the pandemic protection policies of the workers by the host countries and, remaining without any source of income, they found themselves in the situation of returning as soon as possible more urgent in the country of origin (Orozco and Yansura, 2019).

For the vast majority of migrants, the decline in income has led, as a chain reaction, to challenges related to the difficulty or impossibility of paying apartment rents, communal services and mortgage rates. Although host country authorities have implemented measures banning the eviction of landlords in times of medical crisis, facilities for rescheduling mortgage repayments and the possibility of postponing the payment of housing rental services, following interviews with migrants and diaspora exponents, while incomes have these measures only help for the time being, because, once the state of emergency / quarantine is over, these financial obligations must be met anyway, even to a greater extent because the accumulated debts will supplement the rates that were already quite difficult to reimburse for many migrant families (Giuliano, & Ruiz-Arranz, 2009). Also, irregular migrant workers, in the absence of an employment contract and / or registered lease, were often unable to benefit from the above provisions and cases were reported when they were evicted from rented housing. The decrease in the volume of remittances, as a direct consequence of the substantial decrease in the incomes noted above, is consistent (The World Bank, 2020a).

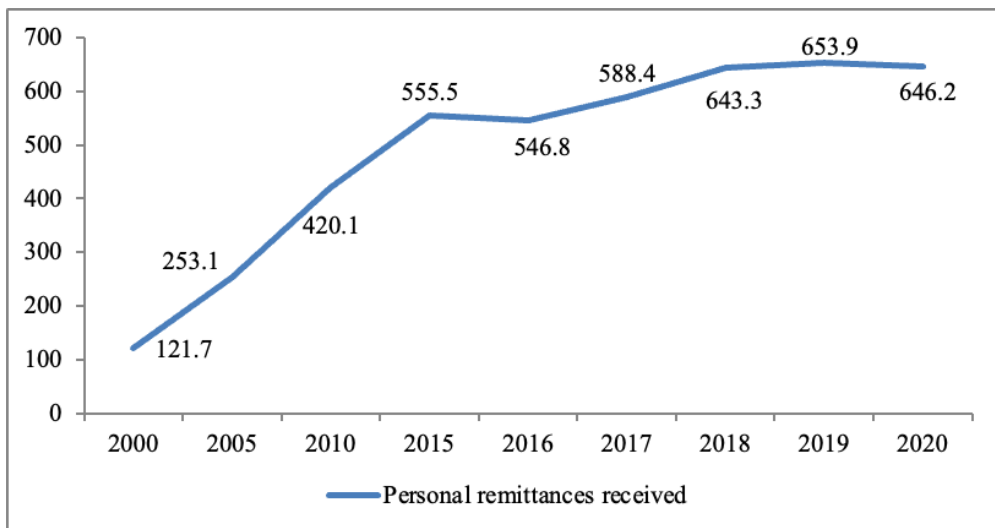
2. The evolution of remittances in 2020 worldwide

According to a report published by the World Bank, remittances to low and middle-income countries fell by only 1,2% in 2020 to 646,2 billion dollars. In April, World Bank specialists forecast a 19% decline. This decrease, much smaller than originally thought in remittances in 2020, is partly explained by the shift from informal remittances physically transported on the occasion of travel to formal remittances sent digitally, says the World Bank. Some migrants have also been able to access cash transfer systems in the countries where they work (INS, 2017).

Regarding our country, remittances sent to Romania by emigrants settled abroad were 7,44 billion dollars, representing 3% of GDP, down from 8,14 billion dollars in 2019, according to World Bank data. Despite these developments, the World Bank is counting on a 7,5% drop in remittances by 2021, to about \$ 594 billion, compared to the previous estimate which predicted a return of 5.6%. By region, the World Bank (2020a) expects Europe and East Asia to be the hardest hit in 2020.

Next, we aim to review the evolution of these remittances, by regions of the world as well as by countries (Worldbank.org). Figure 1 shows the evolution of remittances worldwide, starting with the year 2000. If in the year 2000 remittances worldwide were worth 121,7 billion dollars, these amounts increased year by year, reaching the level of 420,1 billion in 2010. Between 2000 and 2010, there was the largest increase in these amounts (almost 300 billion). After 2016, the total value of remittances worldwide increased steadily until 2019, reaching 653,9 billion dollars. Between 2019 and 2020 there was a decrease in the total value worldwide of about 7,7 billion dollars, which was a decrease of 1,2% over the previous year (United Nations, 2020).

Figure 1. Personal remittances received - word (billions US \$) - World Bank staff estimates based on IMF balance of payments data

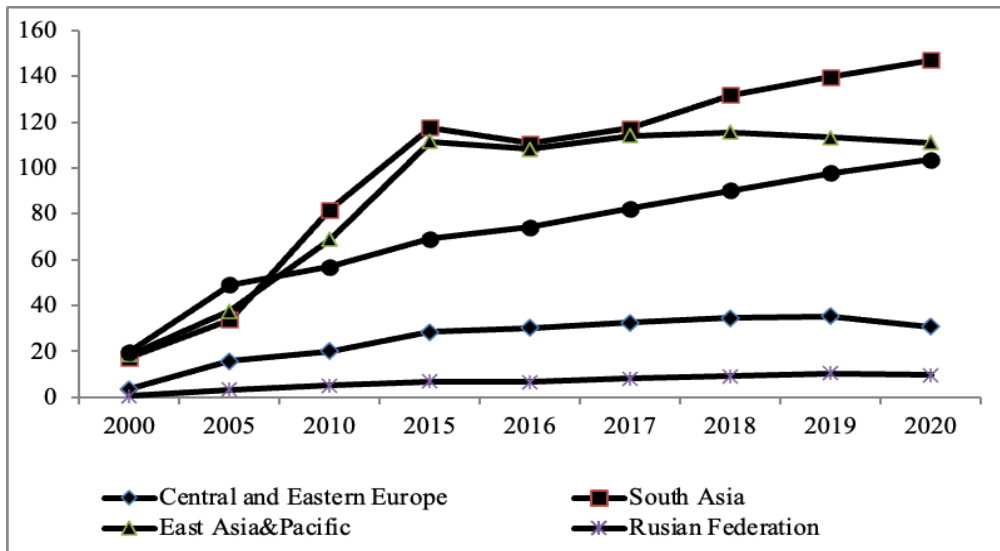


Source: The World Bank (2020b),
<https://data.worldbank.org/indicator/BX.TRF.PWKR.CD.DT>

Evolution of remittances in 2020 by regions

The evolution of these remittances on the main areas of the world shows a differentiated evolution, if in some areas of the world (IFAD, 2019), these remittances registered a much more pronounced decrease compared to the global average, other areas of the planet even increased compared to 2019 (Figure 2). The largest decrease in remittances was registered in Central and Eastern Europe area (-12,5%), followed by the Russian Federation (-5,8%) and the East Asia and Pacific area (-1,9), the latter registering decreases starting with 2018. Remittances increased in Latin America and the Caribbean (+ 6,1%) followed by South Asia (+ 5,2%).

Figure 2. Personal remittances received by region (billions US \$) – World Bank staff estimates based on IMF balance of payments data



Source: The World Bank (2020b).

<https://data.worldbank.org/indicator/BX.TRF.PWKR.CD.DT>

Analyzing the evolution of remittances in Central and Eastern Europe (which includes Romania), the area that recorded the largest decrease in remittances worldwide (-12,5%), we find that here too there were differentiated decreases at the level of each country (Table 1).

Table 1. The evolution of migrant remittances in the countries of Central and Eastern Europe

	2019 (US \$ billion)	2020 (US \$ billion)	Difference 2020 compared to 2019 -%
Central and Eastern Europe:	35,28	30,96	-12,2
Romania	8,14	7,44	-8,6
Poland	6,50	5,9	-8,8
Czech Republic	3,86	4,18	8,3
Croatia	4,0	4,0	-1,5
Hungary	4,71	3,65	-22,5
Slovak Republic	2,09	1,9	-10,0
Latvia	1,14	1,08	-5,3

	2019 (US \$ billion)	2020 (US \$ billion)	Difference 2020 compared to 2019 -%
Bulgaria	2,34	1,0	-59,4
Lithuania	1,3	0,79	-39,2
Estonia	0,54	0,5	-5,6
Slovenia	0,61	0,56	-8,2

Source: The World Bank (2020b), <https://data.worldbank.org/indicator/BX.TRF.PWKR.CD.DT> and author calculations

There are countries in Central and Eastern Europe that have seen dramatic declines in the volume of remittances in 2020, even the largest declines in the world compared to 2019 (Castillo-Ponce, Torres-Preciado, & Manzanares-Rivera, 2020). Among them we mention: Bulgaria (has recorded the largest decrease in these remittances: -59,4%), followed by Lithuania (-39,2%) and Hungary (-22,5%). The other countries (with the exception of the Czech Republic, which saw an increase in these remittances + 8,3%), fell below the region average of -12,2%: the Republic of Slovenia (-10,0%), Poland (-8,8%), Romania (-8,3%), Slovenia (-8,2%), Estonia (-5,6%), Latvia (-5,3%) and Croatia which had the lowest decrease in the region (-1,5).

3. Conclusions

The COVID-19 pandemic that hit the world had many economic and social repercussions in addition to the already known medical ones (Castillo-Ponce, Torres-Preciado, & Manzanares-Rivera, 2020). One of these is the impact on labor markets worldwide and consequently the impact on income and one of the most affected is the migrant labor force. This affected the volume of remittances that these migrants sent to their countries of origin (Orozco & Yansura, 2019).

However, as noted in the analysis above, some countries and regions saw increases in migrant remittances. Many countries also saw dramatic declines in remittances by more than half.

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