

- According to the World Bank, global remittances¹ will decline by 14% by the end of 2021², compared to the pre-pandemic level of 2019.
- In 2020, remittance inflows into Ukraine declined just by 0.3%, compared to 2019.
- Remittance inflows in Ukraine have been growing at an annual average of 8.2% over the past decade.
- The contribution of remittances to GDP in Ukraine amounted to 7.7% in 2020.
- The top senders of remittances to Ukraine in 2020 were Poland (26%), the United States (10%), and the United Kingdom (9%). In 2016-2019, the top senders were Poland (30%), Russia (12%), and the United States (8%).
- Remittances from Russia declined the most in 2020 (-20%), compared to 2019, while the United Kingdom recorded the strongest growth (69%) over the same period.

In this bulletin, a snapshot of remittance inflows into Ukraine pre-COVID will be discussed, followed by its developments in 2020.



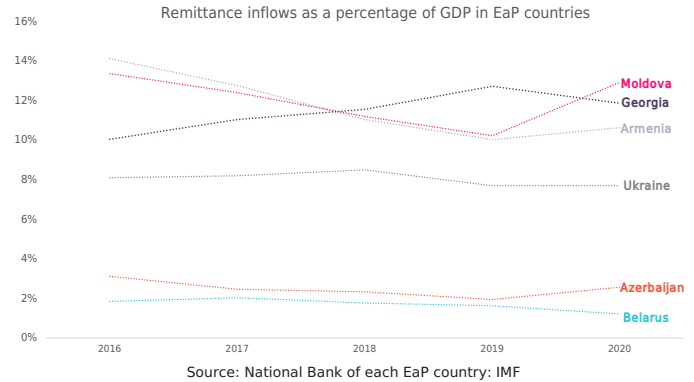
Remittance inflows into Ukraine have been growing steadily over the past decade, with the exceptions of 2014 and 2020. The declines in these years could be attributed to the Euromaidan Revolution and the COVID-19 pandemic, respectively.

The average annual growth rate of remittance inflows into Ukraine has been strong over the past decade, amounting to 8.2%, and this same indicator amounts to 13.3% when the years of 2014 and 2020 are excluded.

The amount of remittance inflows has experienced double digit YoY growth on four occasions over the past 10 years, with the highest growth recorded in 2017 (23%), followed by 2018 and 2011 (both 20%). The only years with negative recorded growth rates were 2014 and 2020, when it amounted to -24% and -0.3%, respectively.

With the growth of remittance inflows, its role in the Ukrainian economy, demonstrated by its ratio to GDP, has also increased over time. The average figure for remittance inflows as a % of GDP was 4% for the period of 2008-2011, increasing to 5.3% over the next four-year period, and reaching 8.1% in 2016-2019. In 2020, this figure amounted to 7.7%.

A comparison of remittance inflows as a % of GDP of Eastern Partnership member countries over the period of 2016-2020 reveals that Ukrainian figures are higher than those of Azerbaijan and Belarus, but lower compared to Moldova, Georgia, and Armenia.

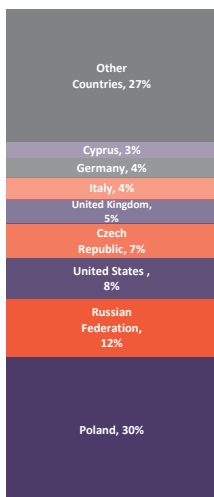


Ukraine's indicator has been stable over the covered period but has showed a slight decrease since 2018.

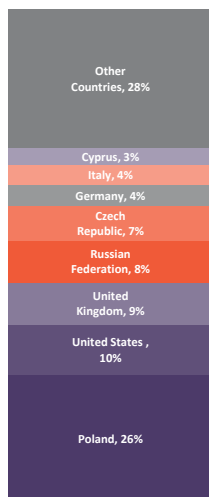
Moreover, Georgia, Armenia, and Moldova were characterized by significant fluctuations in this area during 2018-2020.

Belarus and Azerbaijan are the least dependent of the examined countries on remittance inflows, with their inflows to GDP ratio being lower than 3% over the past five years.

2016-2020



2020



Source: National Bank of Ukraine

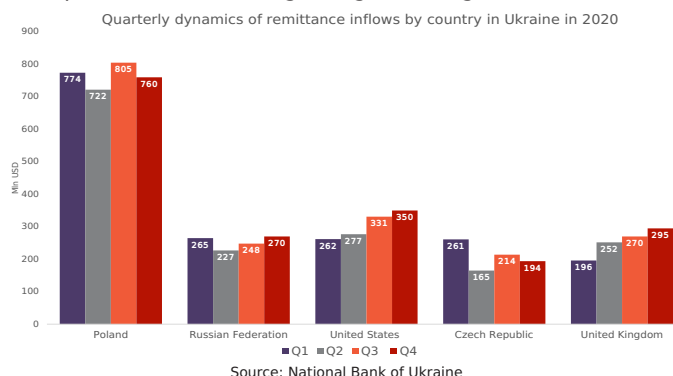
Decomposition of remittance inflows in Ukraine by country in the period of 2016-2020 shows relative consistency in terms of sender countries over time as the same countries were amongst the top senders throughout the period.

In 2020, the top senders of remittances into Ukraine were Poland (26%), the United States (10%), the United Kingdom (9%), Russia (8%), and Czech Republic (7%). In the period of 2016-2020, the top senders of remittances into Ukraine were Poland (30%), Russia (12%), the United States (8%), Czech Republic (7%) and the United Kingdom (5%).

Remittance inflows from the United Kingdom and the United States were larger in 2020, compared to the average of the 2016-2020 period, by 4% and 2%, respectively. It is also worth noting that the shares of Russia and Poland were less in 2020, both by 4 percentage points, compared to 2016-2020.

Poland has become the main source country of remittance inflows into Ukraine in recent years due to significant worker migration to that country and thus their earnings being sent back to Ukraine³. This trend could be attributed to Poland's dynamic economic growth and visa liberalization.

The amount of remittance inflows in 2020, compared 2019, showed strong growth in Q1 (7.3%), but declined in Q2 (-5.4%), Q3 (-0.3%), and Q4 (-1.9%). The decline in Q2 could be attributed to seasonal workers not being able to start their jobs abroad in mid-April, which is the beginning of the agricultural season⁴, due to the pandemic.



Considering the lockdowns and quarterly fluctuations of different macroeconomic indicators over 2020, it is important to analyze the quarterly dynamics of remittance inflows into Ukraine.

The analysis reveals that a country from where remittance inflows experienced the biggest drop in Q2 2020, compared to Q1 2020, was Czech Republic (decline of 36.8%). However, Czech Republic also saw the biggest increase in Q3 (29.7%), compared to the other top sender countries.

In Q3 2020, compared to Q2 2020, all top sender countries recorded positive growth rates, while in Q4, two out of five countries (Poland and Czech Republic) recorded negative growth rates of -5.6% and -9.3%, compared to Q3.

As demonstrated by the quarterly dynamics, Poland is the only country with negative YoY growth rates in Q1 2020 amongst top senders in Ukraine (-8.6%). According to the Polish Central Statistical Office of Poland, since the beginning of the pandemic the number of Ukrainian migrant workers in Poland decreased by 160 000 workers by the end of April⁵, which could explain such a decrease in Q1 YoY. In Q2, three out of five countries recorded negative growth rates (Poland, Russia, and Czech Republic with -19.8%, -13.7%, and -38.4%, respectively). Moreover, these same countries continued recording negative YoY growth rates in Q3 and Q4. It is also worth noting that the United Kingdom showed strong growth rates during 2020, ranging from 58.1% to 77.5%. The United States also showed positive growth rates for all four quarters of 2020.

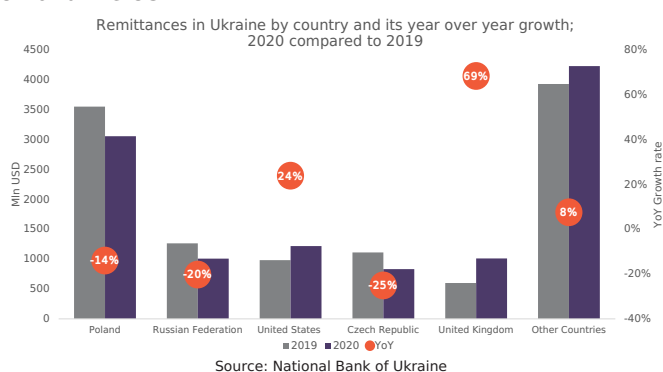
Table 1 : YoY growth rates of remittance inflows from top sender countries in Q1-Q4 of 2020 compared to Q1-Q4 of 2019.

| | 2020 Q1/ 2019 Q1 | 2020 Q2/ 2019 Q2 | 2020 Q3/ 2019 Q3 | 2020 Q4/ 2019 Q4 |
|--------------------|---------------------|---------------------|---------------------|---------------------|
| Poland | -8.6% | -19.8% | -14.1% | -13.0% |
| Russian Federation | 6.4% | -13.7% | -31.3% | -31.3% |
| United States | 20.7% | 14.9% | 29.3% | 29.6% |
| Czech Republic | 10.1% | -38.4% | -27.5% | -38.0% |
| United Kingdom | 58.1% | 77.5% | 69.8% | 67.6% |
| Other countries | 11.1% | 1.2% | 11.6% | 8.1% |
| Total | 7.3% | -5.5% | -0.3% | -1.9% |

Source: National Bank of Ukraine

In the graph below, remittance inflows for 2020, compared to 2019, are presented, and disaggregated in terms of top sender countries. Out of the five top sender countries, inflows from Poland, Russia, and Czech Republic declined, by 14%, 20%, and 25%, respectively. Meanwhile, inflows from the United Kingdom and the United States increased by 69% and 24%, respectively, over the same period.

In April 2020, the National Bank of Ukraine forecasted a 17% decrease in the total value of remittances in 2020, compared to 2019. However, in this timeframe the overall remittance inflows declined by just 0.3%. Even though there was a large fall in remittance inflows from Poland, Russia, and Czech Republic, this was largely offset by increases in remittance inflows from the UK and the US.



The COVID-19 pandemic and corresponding lockdowns stalled economic activity in nearly every country, resulting in a drying-up of remittance inflows. As has been demonstrated, overall, Ukraine did not suffer a significant decline in this regard, compared to the pre-pandemic period.

Indeed, Ukraine performed significantly better than the predicted global estimates for lower and middle income countries made by the World Bank (19.7% decline in 2020, compared to 2019)⁶.

Nevertheless, the expectations for figures for remittances inflows into Ukraine in 2021 are a subject of concern, caused by the uncertainty about new waves of the COVID-19 pandemic and slow vaccination rates in some of the host countries of migrants.

Despite ongoing uncertainty, it could be argued that the figures for remittance inflows into Ukraine have thus far showed resilience, leading to optimistic expectations for 2021. Moreover, the positive economic growth forecasted by the IMF in some of the top sender countries (Poland - 3.5%, Russia - 3.8%, and the United States - 6.4%) also contributes to a generally upbeat outlook.

1 Remittances represent household income from foreign economies arising mainly from the temporary or permanent movement of people to those economies.

2 Source: <https://www.worldbank.org/en/news/press-release/2020/10/29/covid-19-remittance-flows-to-shrink-14-by-2021>.

3 Source: <https://bank.gov.ua/en/archive-news/all/67093111-national-bank-of-ukraine-improves-the-methodology-for-calculating-personal-remittances-to-ukraine-and-clears-calculations-hereof-for-2015-2017>.

4 Source: http://ukraine.iom.int/sites/default/files/iom_ukraine_labour_migration_position_paper_eng.pdf.

5 Source: http://ukraine.iom.int/sites/default/files/iom_ukraine_labour_migration_position_paper_eng.pdf.

6 Source: <https://www.worldbank.org/en/news/press-release/2020/04/22/world-bank-predicts-sharpest-decline-of-remittances-in-recent-history#:~:text=The%20large%20decline%20in%20remittances,record%20>.

| Basic Economic Indicators | 2017 | 2018 | 2019 | 2020 Q1 | 2020 Q2 | 2020 Q3 |
|---------------------------------|--------|--------|--------|---------|---------|---------|
| Nominal GDP (bln hryvnia) | 2 984 | 3 561 | 3 975 | 846 | 868 | 1 157 |
| GDP per Capita (USD, PPP) | 11 871 | 12 629 | 13 341 | - | - | - |
| GDP Real Growth (%) | 2.5% | 3.4% | 3.2% | -1.3% | -11.4% | -3.5% |
| Yearly inflation (%) | 14.4% | 10.9% | 7.9% | 2.9% | 2.4% | 2.4% |
| Exchange rate (hryvnia/USD) | 26.6 | 27.2 | 25.9 | 25.0 | 26.9 | 27.8 |
| FDI (BOP net inflows) (bln USD) | 3.7 | 4.5 | 5.9 | -1.5 | 1.3 | 0 |
| Unemployment Rate (%) | 9.9% | 9.1% | 8.6% | 8.5% | 9.8% | 9.5% |

* preliminary data