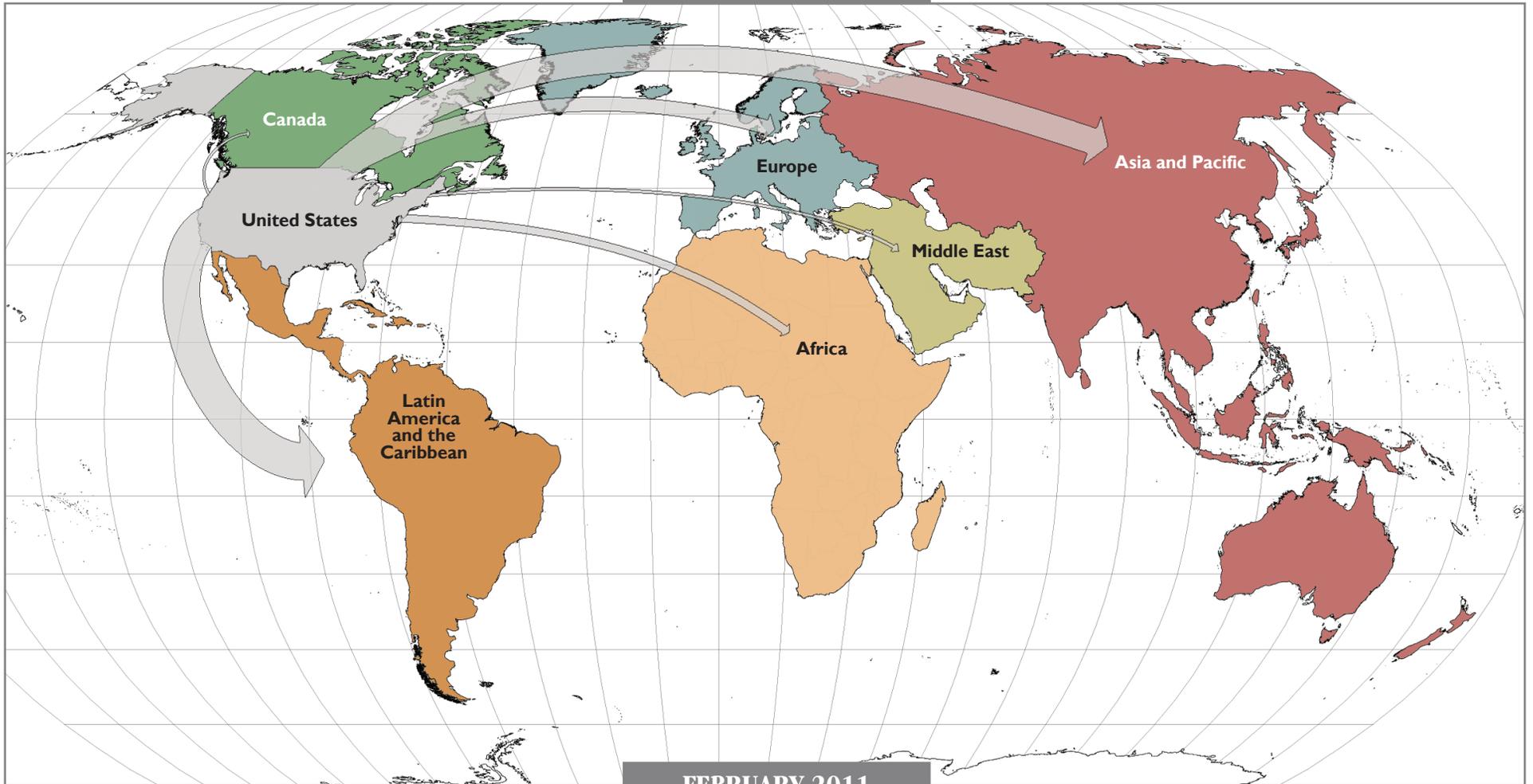


# CBO

## Migrants' Remittances and Related Economic Flows



FEBRUARY 2011



The logo for the Congressional Budget Office (CBO) features the letters "CBO" in a bold, black, serif font. The letters are centered between two thick, horizontal gray bars, one above and one below.

# **Migrants' Remittances and Related Economic Flows**

February 2011

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## Notes and Definitions

**Migrants:** People who move to a country other than that of their usual residence, whether legally or illegally. Short-term migrants stay or are expected to stay for a period of at least three months but less than a year; long-term migrants stay or are expected to stay for a period of at least a year, so the host country becomes their new country of usual residence, but not of citizenship.

**Personal transfers:** Transfers in cash or in kind from resident households in one country to households in another. Most such transfers from the United States are remittances by long-term foreign-born migrants to family members in their home country; some portion is by foreign-born residents who have acquired citizenship or by natural-born citizens.

Personal transfers, as reported in Exhibit 1, are what the U.S. Department of Commerce's Bureau of Economic Analysis (BEA) terms "personal transfers by the foreign-born population." Personal transfers, as reported in Exhibits 9 through 12, are what the International Monetary Fund terms "workers' remittances."

**Compensation of employees:** Wages, salaries, and other forms of compensation, in cash or in kind, paid to workers. In the international economic accounts maintained by BEA, "compensation of employees" refers to compensation of workers who have worked for less than one year in a country other than the one in which they reside. All such compensation is treated in international economic accounts as a flow of funds from a worker's host country to his or her home country, even though some unmeasured portion is spent in the host country. Transfers of money by short-term migrants to their home country are considered part of compensation and therefore are not classified as personal transfers. "Net compensation of employees" refers to the difference between the compensation of short-term migrants in a country and the compensation of that country's residents working as short-term migrants in other countries.

**Migrants' remittances:** The main estimate of remittances reported in this document, composed of personal transfers, as reported in Exhibit 1, plus compensation of employees. As estimated by BEA, these remittances include personal transfers by the foreign-born population, which includes people who have become U.S. citizens.

**Private remittances and other transfers:** Private remittances are personal transfers plus institutional remittances. Institutional remittances include funds transferred and goods shipped to foreign residents by religious, charitable, educational, scientific, and similar nonprofit organizations. Other transfers are certain types of international insurance

payments and taxes withheld on certain types of international transactions. This document reports only on *net* private remittances and other transfers (that is, outflows minus inflows).

**Private remittances and related flows:** Private remittances and other transfers plus compensation of employees. This document reports only on *net* private remittances and related flows (that is, outflows minus inflows).

**Migrants' capital transfers:** Transfers of financial assets made by migrants as they move from one country to another and stay for more than one year. Under recent changes in the structure of the international economic accounts, BEA includes such capital transfers in its estimates of changes in a nation's net international investment position but does not include them in estimates of international monetary flows, because they do not involve a transaction between a resident of the United States and a resident of another country.

**High-, middle-, and low-income countries:** Regions of the world are as defined in World Bank, *World Development Report, 2010: Development and Climate Change* (Washington, D.C.: World Bank, p. 377). High-income countries include the United States, Canada, many countries in Europe, Australia, New Zealand, Japan, and South Korea. Other countries of Europe and Asia are among the middle- and low-income countries.

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## Preface

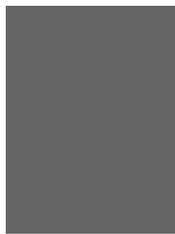
Migrants' remittances—payments sent by foreign-born workers back to their home country—have become a significant source of monetary inflows for many countries. In 2009, such remittances from the United States to other countries totaled more than \$48 billion, nearly 30 percent more in inflation-adjusted terms than they were in 2000. People in Mexico receive more of the remittances sent from the United States than do residents of any other country.

This document updates and expands upon the Congressional Budget Office's (CBO's) May 2005 publication *Remittances: International Payments by Migrants*. That paper included data through 2003; this document includes data through 2009. The existing data on global remittances are not of very high quality, however, and the comparisons and trends reported here should be viewed only as approximations.

Jonathan A. Schwabish of CBO's Health and Human Resources Division and Robert Shackleton of CBO's Macroeconomic Analysis Division wrote the document under the supervision of Bruce Vavrichek and Robert Dennis, respectively. Sarah Axeen and Jimmy Jin provided research assistance. The document benefited from the comments of Greg Acs, Kim Kowalewski, Joyce Manchester, Melissa Merrell, Brian Prest, and David Rafferty—all of CBO—as well as Anne Flatness of the Bureau of Economic Analysis, Dilip Ratha of the World Bank, and Roberto Coronado and Pia Orrenius of the Federal Reserve Bank of Dallas. (The assistance of external reviewers implies no responsibility for the final product, which rests solely with CBO.)

John Skeen edited the document, and Sherry Snyder proofread it. Maureen Costantino designed the cover and prepared the document for publication. Monte Ruffin printed the initial copies, and Simone Thomas produced the electronic version for CBO's Web site ([www.cbo.gov](http://www.cbo.gov)).

Douglas W. Elmendorf  
Director



# List of Exhibits

<b>Exhibit</b>	<b>Page Number</b>
<b>Remittances from the United States</b>	
1. Migrants' Remittances (Gross) from the United States, Selected Years, 1990 to 2009	5
2. Net Private Remittances and Related Flows from the United States, Selected Years, 1990 to 2009	6
3. Net Private Remittances and Related Flows from the United States to Various Regions, Selected Years, 1990 to 2009	7
4. Net Private Remittances and Related Flows from the United States to Selected Countries, Selected Years, 1990 to 2009	8
<b>Effects in Recipient Countries</b>	
5. Percentage of Foreign-Born Workers Who Remit, by Characteristics of Workers, 1999 to 2004	10
6. Cost of Remitting \$200 to Selected Latin American and Caribbean Countries, Selected Years, 2001 to 2009	11
<b>Remittances to Mexico</b>	
7. Different Estimates of Remittance Flows Involving Mexico, 1990 to 2009	13
8. Migrants' Remittances per Person in 2009 for States in Mexico	14
9. Average Annual Percentage Change in Migrants' Remittances per Person from 2003 to 2009 for States in Mexico	15
<b>Global Flows of Remittances</b>	
10. Inflows of Personal Transfers, Compensation of Employees, and Migrants' Capital Transfers Compared with Other Economic Flows for Various Regions and Countries, 2008	17
11. Outflows and Inflows of Personal Transfers in Various Regions, Selected Years, 1990 to 2008	18
12. Outflows and Inflows of Compensation of Employees in Various Regions, Selected Years, 1990 to 2008	19
13. Outflows and Inflows of Migrants' Capital Transfers in Various Regions, Selected Years, 1990 to 2008	20

# Migrants' Remittances and Related Economic Flows

Migrants to the United States often send money to people in their home country or take it with them when they return home. Those transfers can involve sending money through banks or other institutions to family members or others in the home country, making financial investments in the home country, or returning to the home country while retaining bank accounts or claims on other financial assets in the United States. All three types of actions are similar in their economic effects, even though only transfers of money through banks and other financial institutions to foreign individuals are commonly thought of as migrants' remittances.<sup>1</sup>

As one of the most important destinations of global migration, the United States is the largest national source of remittances. The opportunity to send or bring remittances home is one of the

important motivations for migration, and policies that affect migration to the United States could affect outflows of remittances. In turn, the flow of remittances can affect economic growth, labor markets, poverty rates, and future migration rates in the United States as well as in recipient countries.

This document updates and expands upon the Congressional Budget Office's previous analysis of remittances—*Remittances: International Payments by Migrants* (May 2005)—and presents data through 2009. The new presentation provides a better view of people's total transfers of money between the United States and other countries but, because of changes in the way the data are collected and reported, does not provide as much information as was previously available on the portion of those transfers that is attributable to migrants. (See "Notes and Definitions" at the beginning of this document for a summary of terminology and the appendix for a discussion of recent changes in the classification of remittances.) The existing data on global remittances and related economic flows are not of very high quality, and the comparisons and trends reported here should be viewed only as approximations.

## Remittances from the United States (Exhibits 1 to 4)

The Bureau of Economic Analysis (BEA) estimates that migrants' remittances totaled about \$48 billion in 2009—nearly 70 percent more than official development assistance provided by the U.S. government.<sup>2</sup> Nearly \$38 billion of that amount was personal transfers by foreign-born residents in the United States to households abroad. The rest, about \$11 billion, reflected the compensation of employees who were in the United States for less than a year; some of that compensation, however, was spent in the United States. No breakdown of the regional destination of the money sent home is available for 2009, but in 2003, by BEA's estimate, about two-thirds of personal transfers went to countries in the Western Hemisphere, one-quarter went to countries in Asia and the Pacific, and the rest went to countries in Europe and

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1. In data published by the International Monetary Fund and the U.S. Department of Commerce's Bureau of Economic Analysis, a distinction is made between transfers by resident migrants (those who stay or are expected to stay in a country for a year or more) and nonresident workers (who stay or are expected to stay for less than a year). In this document, transfers by both groups (along with certain other flows that are also included in the relevant data series) are referred to as migrants' remittances.

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2. The phrase used by BEA is "gross outflows of personal transfers by foreign-born residents in the United States to households abroad plus gross outflows of compensation of employees." Data on development assistance are available from the Development Co-operation Directorate of the Organisation for Economic Co-operation and Development; see [www.oecd.org/department/0,3355,en\\_2649\\_34447\\_1\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/department/0,3355,en_2649_34447_1_1_1_1_1,00.html).

Africa.<sup>3</sup> BEA also reports that, in 2009, migrants' capital transfers (that is, individuals' transfers for themselves, as opposed to transfers to others) amounted to nearly \$3 billion on net.

BEA estimates outflows of personal transfers on the basis of four characteristics: the size of the foreign-born population (differentiated by duration of stay in the United States, family type, country of origin, and sex), the percentage of the foreign-born population that remits, the income of the foreign-born population, and the percentage of income that the foreign-born population remits.

No information is publicly available on flows of migrants' remittances from the United States to specific regions or countries. Such details are available only for a category that BEA calls "net private remittances and other transfers," which measures outflows minus inflows (rather than outflows only) and includes institutional remittances by U.S. non-profit organizations as well as a variety of other minor transactions. For 2009, BEA reports net private remittances and other transfers of \$74 billion and net compensation of nonresident employees of nearly \$8 billion, for a total of \$82 billion in net outflows. That figure represented about 0.6 percent of total U.S. gross domestic product (GDP) in 2009. About 40 percent, or \$33 billion, went to other countries in the Western Hemisphere. Another \$17 billion was sent to countries in Asia and the Pacific, \$9 billion flowed to countries in Europe, and \$5 billion was transferred to countries in Africa.<sup>4</sup>

3. See Government Accountability Office, *International Remittances: Different Estimation Methodologies Produce Different Results*, GAO-06-210 (March 2006)

## Effects in Recipient Countries (Exhibits 5 and 6)

Remittances can have both positive and negative effects on the economies of recipient countries.<sup>5</sup> The transfers provide a country's economy with foreign currency, help finance imports, improve the balance of payments in its international accounts, and increase national income. However, the migration that generates remittances also reduces the labor force of the country of origin, and remittances may reduce the remaining family members' incentive to work. The available evidence suggests that recipients with income below a threshold level tend to use remittances primarily for consumption, including, for instance, purchases of food, consumer goods, and health care. In surveys of people in the United States who remitted money to Mexico, for example, 70 percent reported that consumption was the only purpose, 3 percent reported that asset accumulation was the only purpose, and 26 percent said that both consumption and asset accumulation were reasons for remitting. Nevertheless, evidence from some developing countries suggests that households in those countries tend to save a larger portion of income from remittances than from other sources of income, providing a source of capital for investment.

4. Those figures for various regions include some unknown portion of the \$8 billion of compensation of nonresident employees that was, in fact, spent in the United States.

5. For a more extensive discussion of such effects, see Congressional Budget Office, *Remittances: International Payments by Migrants* (May 2005) and World Bank, "Migration and Remittances," [www.worldbank.org/prospects/migrationandremittances](http://www.worldbank.org/prospects/migrationandremittances).

Concurrent with the overall increase in global remittances has been a decline in the fees charged by financial institutions to make those transfers. Between 2001 and 2009, the fees charged to transfer \$200 to six countries in Latin America declined by an average of at least 3 percent per year (for Haiti) to 10 percent per year (for Colombia), possibly because of lower transaction costs resulting from technological progress and more awareness among migrants about alternative ways to remit.

## Remittances to Mexico (Exhibits 7 to 9)

Mexico is the destination of the largest amount of remittances from the United States. According to BEA's estimates, of the \$33 billion (net) transferred from the United States to people in other countries in the Western Hemisphere in 2009 or earned as compensation by short-term migrants, about \$20 billion was identified in the international economic accounts as going to Mexico; by BEA's estimates, such flows from the United States to Mexico (adjusted for inflation) rose by an average of 2 percent per year between 2000 and 2009. The Banco de México estimates that all gross inflows of funds from abroad—not only from the United States—were about \$22 billion in 2009. (The bank does not estimate outflows.) Estimates from the Banco de México indicate that all gross inflows (adjusted for inflation) rose by an average of 11 percent per year during the past decade.

The difference between BEA's and the Banco de México's estimates could stem not only from differences in definitions but also from differences in methodology and source data. Beginning in 2003, all Mexican banks and money transfer companies

were required to register with the Banco de México and to report monthly remittances by state. (Prior to that rule change, the Banco de México inferred remittances from a 1990 census of different Mexican financial institutions.) In addition, around that time, the “matricula consular”—an identification card issued by the Mexican government to Mexican nationals living outside of the country—began to be accepted for opening bank accounts in the United States; that change may have helped facilitate money transfers to Mexico in a way that allowed the Banco de México to better record them. Finally, the Banco de México also conducts a border survey that asks returning migrants about cash and goods that they are bringing to relatives in Mexico. With the apparent increased use of more formal channels to transfer money between the United States and Mexico and those border surveys, the official Mexican statistics are recording cash transfers not captured in the past.<sup>6</sup>

## Global Flows of Remittances (Exhibits 10 to 13)

According to the International Monetary Fund, total inflows of remittances globally—the sum of personal transfers, compensation of employees, and migrants’ capital transfers—were about \$407 billion in 2008 (in nominal dollars), up from about \$150 billion in 2002, an average increase of 18 percent per year. About two-thirds of global inflows was sent as personal transfers, about 30 percent was recorded as compensation of employees, and about 5 percent stemmed from migrants’ capital transfers. Although total inflows and outflows of global remittances should be equal, total recorded outflows—about \$289 billion in 2008—are generally much lower than total recorded inflows. The discrepancy between total

inflows and total outflows underscores the deficiencies of remittance data, which are collected or estimated in different ways in different countries. Even when remittance data are collected directly, discrepancies arise because of the use of informal channels for transfers of funds as well as the misclassification of remittances as tourism receipts, trade receivables, or deposits.<sup>7</sup>

Total inflows of remittances constitute a small fraction of global economic activity, amounting to about 1 percent of total gross domestic product in 2008. For a number of countries, however, such funds constitute a substantial source of income: For at least six countries in Latin America and the Caribbean, total inflows amounted to more than 10 percent of GDP. Further, for a number of countries, total inflows were more than double total foreign direct investment in 2008. ♦

6. For a review of issues surrounding measuring remittances between the United States and Mexico, see Jesus Cañas, Roberto Coronado, and Pia M. Orrenius, “Commentary on Session III: U.S.–Mexico Remittances: Recent Trends and Measurement Issues,” in James F. Hollifield, Pia M. Orrenius, and Thomas Osang, eds., *Proceedings of the 2006 Conference on Migration, Trade, and Development* (Federal Reserve Bank of Dallas, October 2006).

7. For a discussion of BEA’s methodology, see Government Accountability Office, *International Remittances: Different Estimation Methodologies Produce Different Results* (March 2006); and Christopher L. Bach, “Annual Revision of the U.S. International Accounts, 1991–2004,” *Survey of Current Business*, vol. 85, no. 7 (July 2005), pp. 54–67.



# **Remittances from the United States**



**Exhibit 1.****Migrants' Remittances (Gross) from the United States, Selected Years, 1990 to 2009**

(Billions of dollars)

	1990s		2000s						Average Annual Percentage Change, 2000–2009
	1990	1995	2000	2005	2006	2007	2008	2009	
Migrants' Remittances in Nominal Dollars									
Personal transfers by the foreign-born population	8.4	15.9	23.4	31.3	34.3	36.9	38.5	37.6	5
Compensation of employees	3.5	6.3	7.5	9.3	9.5	10.1	10.4	10.8	4
<b>Total</b>	<b>11.9</b>	<b>22.2</b>	<b>30.9</b>	<b>40.6</b>	<b>43.8</b>	<b>47.0</b>	<b>48.9</b>	<b>48.4</b>	<b>5</b>
Migrants' Remittances in 2009 Dollars <sup>a</sup>									
Personal transfers by the foreign-born population	12.7	21.4	28.9	34.3	36.4	38.1	38.9	37.6	3
Compensation of employees	5.3	8.4	9.3	10.2	10.1	10.4	10.5	10.8	2
<b>Total</b>	<b>18.0</b>	<b>29.8</b>	<b>38.2</b>	<b>44.5</b>	<b>46.5</b>	<b>48.4</b>	<b>49.3</b>	<b>48.4</b>	<b>3</b>

Source: Congressional Budget Office based on data from the Bureau of Economic Analysis.

Notes: For definitions, see "Notes and Definitions" at the beginning of this document.

a. Adjusted for inflation using the chain-type price index for U.S. gross domestic product.

Migrants' remittances—the sum of personal transfers sent from the United States by foreign-born workers and the compensation of foreign employees who were in the country for less than a year—were an estimated \$48 billion in 2009. Of that total, \$38 billion was personal transfers by foreign-born residents in the United States sent to households abroad, and the rest, about \$11 billion, was the compensation of employees who were in the United States for less than a year. (Because some of that compensation was spent in the United States, however, the measure termed migrants' remittances somewhat overstates the amount of money actually sent from the United States.) The measure describes gross outflows; that is, it does not count funds sent by American workers in other countries to households in the United States. Adjusted for inflation, remittances by migrants in the United States grew at an average rate of 3 percent per year from 2000 to 2009. ♦

**Exhibit 2.****Net Private Remittances and Related Flows from the United States, Selected Years, 1990 to 2009**

(Billions of dollars)

	1990s		2000s						Average Annual Percentage Change, 2000–2009
	1990	1995	2000	2005	2006	2007	2008	2009	
Net Private Remittances and Related Flows									
Net private remittances and other transfers	13.1	23.4	37.2	65.8	57.2	73.8	77.6	74.4	8
Net compensation of employees	2.3	4.1	4.7	6.4	6.6	7.1	7.3	7.8	6
<b>Total</b>	<b>15.4</b>	<b>27.5</b>	<b>41.9</b>	<b>72.2</b>	<b>63.8</b>	<b>80.9</b>	<b>85.0</b>	<b>82.2</b>	<b>8</b>
<b>Total in 2009 Dollars<sup>a</sup></b>	<b>23.3</b>	<b>37.0</b>	<b>51.8</b>	<b>79.2</b>	<b>67.8</b>	<b>83.4</b>	<b>85.8</b>	<b>82.2</b>	<b>5</b>
Migrants' Capital Transfers	n.a.	n.a.	1.0	1.8	2.1	2.3	2.6	2.7	12
<b>Memorandum:</b>									
Foreign-Born Workers (Millions)	n.a.	12.9	18.9	22.0	23.1	24.0	24.1	23.9	3

Source: Congressional Budget Office based on data from the Bureau of Economic Analysis with two exceptions: migrants' capital transfers are from Helen Y. Bai and Mai-Chi Hoang, "Annual Revision of the U.S. International Transactions Accounts," *Survey of Current Business* (July 2010), Table D; the number of foreign-born workers is based on monthly data from the Census Bureau, Current Population Surveys, Outgoing Rotation Groups, 1995 to 2009.

Notes: For definitions, see "Notes and Definitions" at the beginning of this document.

n.a. = not available.

a. Adjusted for inflation using the chain-type price index for U.S. gross domestic product.

A somewhat different picture of remittances is provided by a broader category of transactions that BEA calls "net private remittances and other transfers," which also includes institutional remittances by U.S. nonprofit organizations as well as a variety of other minor transactions. That measure is available only for net outflows (that is, outflows minus inflows); among the "other transfers," institutional remittances and the various minor transactions tend to be about equal in size.

Net outflows of private remittances and other transfers plus compensation of employees amounted to \$82 billion in 2009. Those net outflows, taken together, are referred to in this document as private remittances and related flows; that category is relevant because data for various regions and countries are available for it (and presented in upcoming exhibits). In addition, migrants' capital transfers (that is, individuals' transfers for themselves) amounted to nearly \$3 billion.

Net private remittances and related flows grew on average by 5 percent per year (in inflation-adjusted dollars). Overall, those net total outflows represented about 0.6 percent of total U.S. gross domestic product in 2009, up from about 0.4 percent in 2000 (not shown in the exhibit). Over the 2000–2009 period, the number of foreign-born workers in the United States rose at a similar rate, to about 24 million people in 2009. ♦

**Exhibit 3.****Net Private Remittances and Related Flows from the United States to Various Regions, Selected Years, 1990 to 2009**

(Billions of dollars)

	1990s		2000s						Average Annual Percentage Change, 2000–2009
	1990	1995	2000	2005	2006	2007	2008	2009	
Latin America, Canada, and Other Countries in the Western Hemisphere	8.6	17.8	24.8	35.9	34.6	37.1	39.1	32.9	3
Asia and Pacific	n.a.	n.a.	7.3	9.8	9.7	12.3	15.9	16.9	10
Europe	-0.6	-0.4	0.8	12.4	1.7	7.9	4.5	9.2	32
Africa	n.a.	n.a.	1.5	3.1	3.9	3.6	3.3	5.0	14
Middle East	n.a.	n.a.	2.7	1.7	1.9	2.8	2.0	1.9	-4
Payments to International Organizations and Unallocated Payments	2.3	3.6	4.8	9.4	12.1	17.2	20.2	16.2	15
<b>Total</b>	<b>15.4</b>	<b>27.5</b>	<b>41.9</b>	<b>72.2</b>	<b>63.8</b>	<b>80.9</b>	<b>85.0</b>	<b>82.2</b>	<b>8</b>
<b>Total in 2009 Dollars<sup>a</sup></b>	<b>23.3</b>	<b>37.0</b>	<b>51.8</b>	<b>79.2</b>	<b>67.8</b>	<b>83.4</b>	<b>85.8</b>	<b>82.2</b>	<b>5</b>

Source: Congressional Budget Office based on data from the Bureau of Economic Analysis.

Notes: For the definition of private remittances and related flows, see “Notes and Definitions” at the beginning of this document.

n.a. = not available.

a. Adjusted for inflation using the chain-type price index for U.S. gross domestic product.

Net private remittances and related flows from the United States—that is, net private remittances and other transfers from the United States plus net compensation of employees who were short-term migrants—exceeded \$82 billion in 2009. About 40 percent of that amount, or almost \$33 billion, was identified in the data as going to Canada and countries in Latin America and other parts of the Western Hemisphere. Almost \$17 billion went to Asian and Pacific countries, and about \$16 billion went to countries in Europe, Africa, and the Middle East. The remainder, about \$16 billion, was either sent to international organizations (such as the World Bank, other development banks, and the United Nations) or not allocated by BEA to any particular region.

The amount of net private remittances and related flows grew at an average rate of about 8 percent per year between 2000 and 2009; adjusted for inflation, the average rate of increase was about 5 percent. Although people in Europe received only about 11 percent of the total in 2009, such transfers to that region grew more rapidly than those to any other region over the past 10 years, rising from about \$1 billion in 2000 to about \$9 billion in 2009. Moreover, net private remittances and related flows varied significantly from year to year; for instance, the net outflow to Europe ranged from \$0.8 billion in 2000 to \$12.4 billion in 2005. Much of the volatility can be attributed to factors unrelated to remittances (such as insurance claims and taxes withheld) that are part of the “other transfers” recorded in the account. Transfers to Asian and Pacific countries increased from \$7 billion in 2000 to \$17 billion in 2009, growing by an average of 10 percent per year. Although countries in Latin America, Canada, and the rest of the Western Hemisphere received the largest sums of private remittances and related flows, the amounts grew relatively slowly over the period, rising from about \$25 billion in 2000 to \$33 billion in 2009, or by an average of 3 percent per year. ◆

**Exhibit 4.****Net Private Remittances and Related Flows from the United States to Selected Countries, Selected Years, 1990 to 2009**

(Billions of dollars)

	1990s		2000s						Average Annual Percentage Change, 2000–2009
	1990	1995	2000	2005	2006	2007	2008	2009	
Mexico	5.6	10.2	14.1	18.0	18.7	19.9	20.8	19.9	4
China	n.a.	n.a.	1.5	2.5	2.6	3.1	3.2	3.2	9
India	n.a.	n.a.	1.1	1.9	2.3	3.0	2.9	3.2	13
Canada	0.1	0.4	0.5	0.4	-0.7	1.3	1.5	2.2	17
Korea	n.a.	n.a.	0.3	0.6	0.6	0.7	0.8	1.0	14
Brazil	n.a.	n.a.	0.4	0.7	0.9	1.0	1.2	0.8	8
Netherlands	*	*	-0.1	-0.9	-0.5	-0.9	-0.2	0.7	**
Luxembourg	n.a.	n.a.	*	0.1	-0.1	*	0.1	0.5	***
Taiwan	n.a.	n.a.	0.4	0.5	0.4	0.5	0.5	0.5	3
Japan	0.1	*	-0.5	-1.3	-1.9	-1.6	0.3	0.5	**
<b>Total, Selected Countries</b>	<b>5.9</b>	<b>10.7</b>	<b>17.8</b>	<b>22.7</b>	<b>22.3</b>	<b>27.0</b>	<b>31.2</b>	<b>32.4</b>	<b>7</b>
<b>Total, All Countries</b>	<b>15.4</b>	<b>27.5</b>	<b>41.9</b>	<b>72.2</b>	<b>63.8</b>	<b>80.9</b>	<b>85.0</b>	<b>82.2</b>	<b>8</b>
<b>Memorandum:</b>									
Total, Selected Countries in 2009 dollars <sup>a</sup>	8.9	14.3	22.0	24.9	23.7	27.8	31.5	32.4	4
Total, All Countries in 2009 dollars <sup>a</sup>	23.3	37.0	51.8	79.2	67.8	83.4	85.8	82.2	5

Source: Congressional Budget Office based on data from the Bureau of Economic Analysis.

Notes: For the definition of private remittances and related flows, see "Notes and Definitions" at the beginning of this document.

n.a. = not available; \* = between -\$50 million and \$50 million; \*\* = undefined because the amount in 2000 was negative; \*\*\* = not calculated because the value in 2000 was less than \$50 million.

a. Adjusted for inflation using the chain-type price index for U.S. gross domestic product.

In 2009, 10 countries accounted for over \$32 billion, or about 40 percent, of net private remittances and related flows from the United States. People in Mexico received about \$20 billion, the largest single share by far, about 61 percent of total receipts for the 10 countries. People in India and China received over \$3 billion each and together accounted for about 20 percent of the total for those 10 countries.

Between 2000 and 2009, net private remittances and related flows to those 10 countries grew by an average of 7 percent per year (not adjusted for inflation). Such transfers to people in India experienced double-digit growth over the period, rising from \$1.1 billion in 2000 to \$3.2 billion in 2009, an average increase of 13 percent per year. Transfers to people in China rose from \$1.5 billion in 2000 to \$3.2 billion in 2009, an average increase of 9 percent per year. Such transfers to Canada were erratic over the period; they rose from \$0.5 billion in 2000 to \$2.2 billion in 2009, but net outflows from Canada occurred in some of the intervening years. Although a substantial share of net private remittances and related flows went to these 10 countries, other countries experienced faster growth in such transfers over the past decade. ♦



## **Effects in Recipient Countries**



**Exhibit 5.****Percentage of Foreign-Born Workers Who Remit, by Characteristics of Workers, 1999 to 2004**

	Costa Rica	Dominican Republic	Mexico	Nicaragua
Status				
Citizen or legal resident <sup>a</sup>	66	68	73	57
Unauthorized resident	81	*	83	80
Educational Attainment				
Up to 15 years	70	65	80	63
16 years or more	*	73	56	53
Decade of arrival				
1990s	71	82	83	71
2000s <sup>b</sup>	88	*	92	65
Reason for Remittance <sup>c</sup>				
Consumption only	58	89	70	81
Asset accumulation only	6	1	3	1
Both	35	6	26	16
Not specified	1	4	1	1

Source: Congressional Budget Office based on data from the Latin American Migration Project and the Mexican Migration Project.

Note: \* = the small number of observations renders the estimate unreliable.

- Legal residents include legal permanent residents, legal temporary residents and visitors, refugees, and people seeking asylum.
- Data on the 2000s differ by country. Data for Costa Rica are from surveys administered from 2000 to 2003; Dominican Republic, 1999 to 2001; Mexico, 1999 to 2004; and Nicaragua, 2000 to 2003.
- Consumption includes purchases of food and maintenance, a vehicle, and consumer goods and purchases or payments related to a special event, recreation and entertainment, education, health care, and debt. Asset accumulation includes the construction or repair of a house; purchases of a house or lot, tools, livestock, and agriculture inputs; the start or expansion of a business; and savings.

Surveys of migrants from four Latin American and Caribbean countries—Costa Rica, the Dominican Republic, Mexico, and Nicaragua—provide additional details on the characteristics of those sending remittances and the purposes to which those remittances are put. According to those surveys of foreign-born workers, which encompassed varying periods between 1999 and 2004, a smaller share of legal residents in the United States send remittances to those home countries than do unauthorized residents. For Mexico and Nicaragua, workers with lower levels of educational attainment are more likely to send remittances to their home country than are those with higher levels of educational attainment; the opposite is true for the Dominican Republic. Foreign-born workers who arrived in the United States more recently (that is, in the 2000s rather than the 1990s) are also somewhat more likely to send remittances home.

Workers from all four countries examined are much more likely to send remittances for the purpose of consumption than for asset accumulation (including constructing or purchasing a house and starting or expanding a business). Well over half of the foreign-born workers surveyed stated that consumption was the only purpose for remitting to their home country; that share was highest (89 percent) for those from the Dominican Republic. Fewer than 10 percent of the foreign-born workers surveyed reported that asset accumulation was the only reason for remitting. Between 6 percent and 35 percent of those surveyed reported that both consumption and asset accumulation were reasons for remitting. ♦

**Exhibit 6.****Cost of Remitting \$200 to Selected Latin American and Caribbean Countries, Selected Years, 2001 to 2009**

(Percent)

	2001	2003	2005	2007	2009	Average Annual Percentage Change, 2001–2009
Haiti	9.0	6.0	6.7	4.4	7.0	-3.1
Jamaica	9.8	7.2	8.2	8.4	6.7	-4.6
Dominican Republic	9.4	5.8	6.4	5.2	6.0	-5.5
Mexico	8.8	10.4	6.0	7.3	5.6	-5.5
El Salvador	6.7	12.7	5.2	7.8	4.5	-4.9
Colombia	10.1	7.5	5.0	5.7	4.4	-9.9

Source: Manuel Orozco, Elisabeth Burgess, and Landen Romej, *A Scorecard in the Market for Money Transfers: Trends in Competition in Latin America and the Caribbean* (Washington, D.C.: Inter-American Dialogue, June 18, 2010).

Note: The data represent average remittance costs (fees and commissions) from nearly 40 lending companies, including money-transfer operators and commercial banks, covering about 90 percent of all remittance flows from the United States to Latin American and the Caribbean.

Fees for remittances have declined over the past eight years, possibly because of lower transaction costs resulting from technological progress and more awareness among migrants about alternative ways to remit funds. For example, the cost of sending \$200 to Mexico (from any country) declined by an average of 5.5 percent per year between 2001 and 2009; the fees fell from 8.8 percent in 2001 to 5.6 percent in 2009. Fees for remittances to Colombia declined by nearly 10 percent per year, falling from about 10 percent in 2001 to 4.4 percent in 2009.

There was wide variation (not shown in the exhibit) in the remittance fees charged by major banks and money-transfer operators (such as Western Union): For example, in 2009, the charge to transfer \$200 from the United States to Mexico ranged from 1 percent to 7 percent. The range of fees diminished from 2008 to 2009. For example, in 2008, the fee to transfer \$200 from the United States to the Dominican Republic ranged from 6 percent to 28 percent, whereas in 2009, it ranged from 4 percent to 18 percent.<sup>1</sup> ♦

1. Data are from the third quarter of 2009. See World Bank Group, "Remittance Prices Worldwide," 2010, available at <http://remittanceprices.worldbank.org/>.



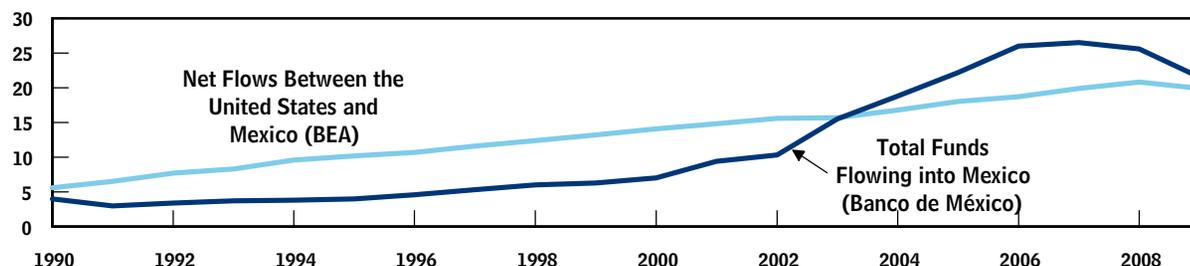
# **Remittances to Mexico**



**Exhibit 7.**

**Different Estimates of Remittance Flows Involving Mexico, 1990 to 2009**

(Billions of dollars)



	1990s		2000s									Average Annual Percentage Change, 2000–2009	
	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	
Net Flows Between the United States and Mexico (Bureau of Economic Analysis) <sup>a</sup>													
Billions of dollars	5.6	10.2	14.1	14.8	15.6	15.7	16.8	18.0	18.7	19.9	20.8	19.9	4
Billions of 2009 dollars <sup>b</sup>	8.5	13.7	17.4	17.9	18.6	18.3	19.1	19.7	19.9	20.5	21.0	19.9	2
Total Funds Flowing into Mexico (Banco de México) <sup>c</sup>													
Billions of dollars	4.0	4.0	7.0	9.4	10.3	15.5	18.8	22.2	26.0	26.5	25.6	21.5	13
Billions of 2009 dollars <sup>b</sup>	6.1	5.4	8.7	11.3	12.3	18.1	21.3	24.3	27.6	27.4	25.8	21.5	11

Source: Congressional Budget Office based on data from the Bureau of Economic Analysis (BEA) and the Banco de México.

Note: Data from BEA describe private remittances and related flows, and data from the Banco de México describe migrants' remittances. See "Notes and Definitions" at the beginning of this document.

- a. The difference between total inflows and total outflows. BEA's estimates count only those dollars flowing between the United States and Mexico.
- b. Adjusted for inflation using the chain-type price index for U.S. gross domestic product.
- c. The estimates count funds flowing from all countries to Mexico and do not capture funds transferred out of Mexico.

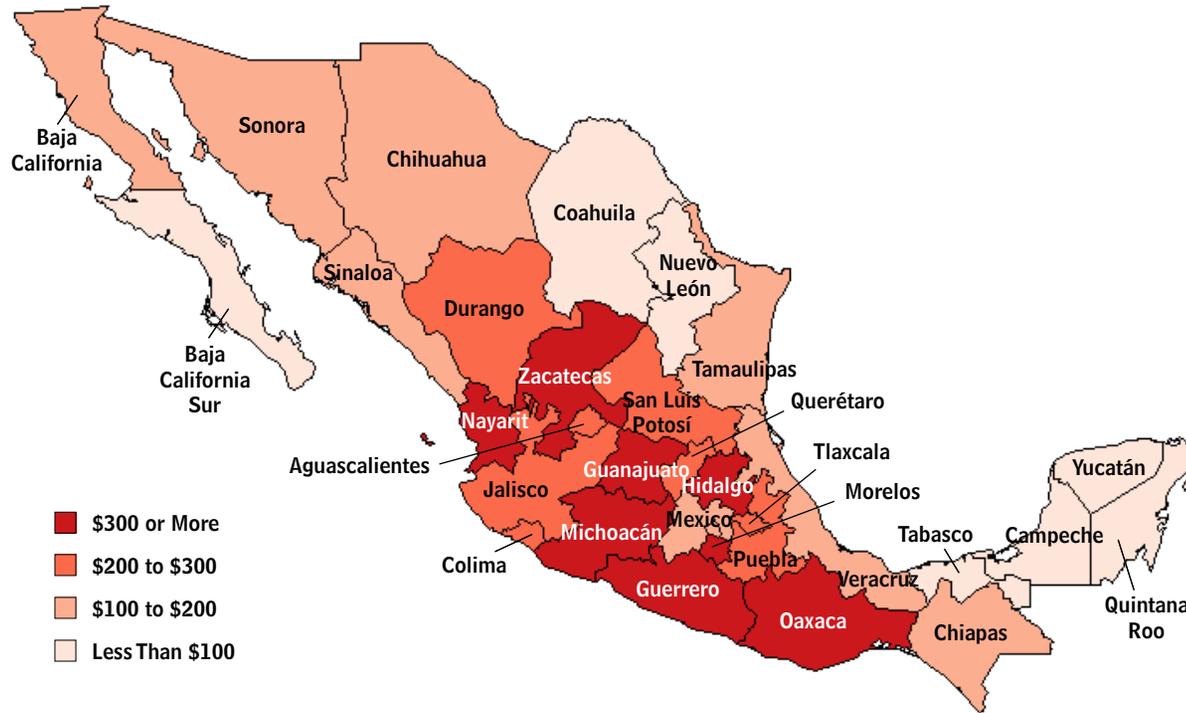
Net private remittances and related flows from the United States to Mexico are greater than those from the United States to any other country. According to BEA's estimates, about \$20 billion in such flows occurred in 2009. The Banco de México estimated that gross inflows of remittance funds from abroad—not only from the United States—were about \$22 billion—approximately equal to 2 percent of Mexico's GDP. (Estimates from the Banco de México do not indicate the origin of remittance inflows or take outflows into account. Most inflows are believed to come from the United States, and outflows are believed to be quite small, so those estimates should be similar in size to BEA's.)

For the 2000–2006 period, estimates from the Banco de México show significantly faster growth in gross inflows from abroad (an annual average of 21 percent in inflation-adjusted dollars) than BEA estimates for net inflows to Mexico from the United States (an annual average of 2 percent in inflation-adjusted dollars). For the past two years, the Mexican statistics show a decline, whereas BEA's roughly continue the historic trend.

The U.S. and Mexican statistics measure different things (net flows from the United States to Mexico and gross flows from all other countries into Mexico, respectively) but also differ in other ways, including source data and the definition of what constitutes a remittance. Most important, perhaps, BEA estimates the transfers on the basis of the size, composition, and income of the foreign-born population in the United States, while, since 2003, the Banco de México has reported actual transfers. BEA's approach may explain the comparatively steady rise in its estimates, and new reporting requirements may partly explain the rapid rise in the Banco de México's series after 2002. Mexican statistics also indicate that gross inflows to Mexico from abroad declined by nearly \$5 billion from 2007 to 2009, perhaps because of the global economic slowdown. ♦

**Exhibit 8.**

**Migrants' Remittances per Person in 2009 for States in Mexico**



Source: Congressional Budget Office based on data from the Banco de México and Consejo Nacional de Población.

Notes: For the definition of migrants' remittances, see "Notes and Definitions" at the beginning of this document. State-level estimates from the Banco de México do not include institutional remittances or other transfers. Estimates are gross inflows; that is, the estimates count funds flowing from all countries to Mexico and do not capture funds transferred out of Mexico.

According to data from the Banco de México and Consejo Nacional de Población (the Mexican government's agency for population policy), gross remittances per person from abroad (not only from the United States) to Mexico varied greatly by the receiving state. In 2009, gross remittances per capita ranged from a low of \$55 per person in the state of Tabasco (located on the north side of the Yucatán Peninsula) to \$535 per person in Michoacán (located in the center-west of the country along the Pacific coast).

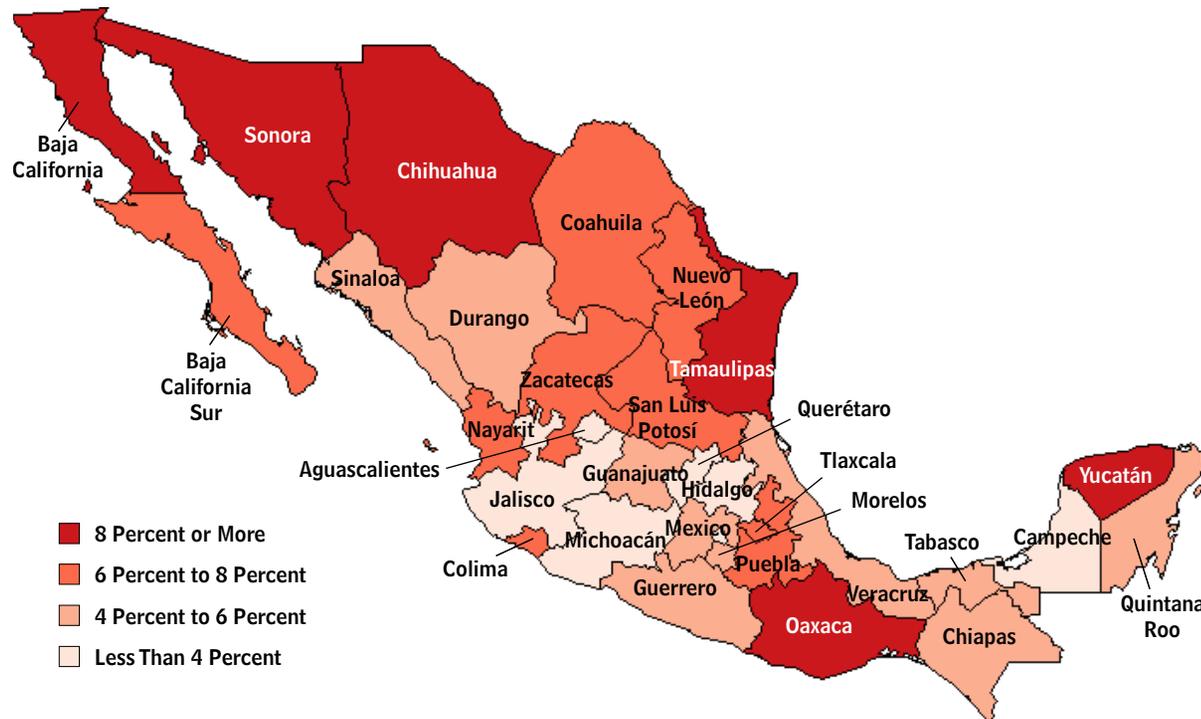
The state of Mexico, which surrounds but does not include Mexico City, was the largest state by population in 2009, with nearly 15 million residents. Remittances to people in that state totaled about \$1.7 billion, or about \$114 per person.

The three states in Mexico with the highest percentage of people emigrating to the United States between 1995 and 2000 (Zacatecas, Michoacán, and Guanajuato, all located near the center of the country) received the highest remittances per person in 2009. None of the states that border the United States (Baja California, Chihuahua, Coahuila, Nuevo León, Sonora, and Tamaulipas)—all of which had relatively low emigration rates—had per capita remittances that exceeded the national average of \$197 per person.<sup>2</sup> ♦

2. Emigration rates are from Gordon H. Hanson, *Emigration, Remittances, and Labor Force Participation in Mexico*, Working Paper 28 (Washington, D.C.: Inter-American Development Bank, February 2007).

**Exhibit 9.**

**Average Annual Percentage Change in Migrants' Remittances per Person from 2003 to 2009 for States in Mexico**



According to data from the Banco de México and Consejo Nacional de Población (the Mexican government's agency for population policy), gross remittances per person from abroad (not only from the United States) grew quickly for most states in Mexico for most of the past decade (though they were lower in 2009 than they were in 2006, 2007, or 2008). Of the 32 states in Mexico, 25 experienced average annual growth rates in remittances per person—the sum of gross private remittances and compensation of employees divided by the Mexican population—that exceeded 4 percent per year from 2003 through 2009, and 2 states (Sonora and Baja California, both on the border with the United States) experienced double-digit rates of increase. Only 2 states (Aguascalientes, near the center of the country, and Campeche, on the Yucatán Peninsula) experienced average annual growth rates below 2 percent. ♦

Source: Congressional Budget Office based on data from the Banco de México and Consejo Nacional de Población.

Notes: For the definition of migrants' remittances, see "Notes and Definitions" at the beginning of this document.

State-level estimates from the Banco de México do not include institutional remittances or other transfers. Estimates are gross inflows; that is, the estimates count funds flowing from all countries to Mexico and do not capture funds transferred out of Mexico.



# **Global Flows of Remittances**



**Exhibit 10.**

## Inflows of Personal Transfers, Compensation of Employees, and Migrants' Capital Transfers Compared with Other Economic Flows for Various Regions and Countries, 2008

Region/Country	Total (Billions of nominal dollars)	Average Annual Percentage Change, 2002-2008	As a Percentage of Receiving Country's:		
			Exports of Goods and Services	Foreign Investment <sup>a</sup>	Gross Domestic Product
All Countries	406.7	18	2	20	1
High-Income Countries	98.4	11	1	10	*
United States	3.1	1	*	*	*
Low- and Middle-Income Regions/Countries	308.3	21	5	40	2
Europe and Central Asia	62.6	31	4	20	1
Middle East and North Africa	31.7	15	5	50	3
Sub-Saharan Africa	25.5	34	7	80	3
South Asia, East Asia, and Pacific	124.0	21	5	50	2
China	23.2	44	1	20	1
India	49.9	21	17	120	4
Pakistan	7.0	12	28	130	4
All others	43.8	16	6	140	3
Latin America and Caribbean	64.5	15	6	50	2
Argentina	0.7	22	1	10	*
Colombia	4.9	12	11	50	2
Costa Rica	0.6	16	4	30	2
Dominican Republic	3.6	8	30	120	8
Ecuador	2.8	12	14	280	5
El Salvador	3.8	12	62	490	17
Guatemala	4.5	19	46	530	11
Haiti	1.4	13	169	**	20
Honduras	2.9	23	41	330	22
Jamaica	2.2	10	41	150	15
Mexico	26.3	16	8	120	2
Nicaragua	0.8	14	28	130	12
All others	10.1	18	2	10	*

Source: Congressional Budget Office based on data from the International Monetary Fund and the World Bank.

Notes: For definitions of personal transfers, compensation of employees, and migrants' capital transfers, see "Notes and Definitions" at the beginning of this document.

\* = between zero and 0.5 percent; \*\* = Haiti received only a small amount of foreign direct investment in 2008.

a. Rounded to the nearest 10 percent.

According to data from the International Monetary Fund, which collects information from all countries, total inflows of remittances globally—the sum of personal transfers, compensation of employees, and migrants' capital transfers—were, in nominal terms, about \$407 billion in 2008—of which more than \$48 billion was sent from the United States.<sup>3</sup> Global inflows of remittances have grown by an average of 18 percent per year since 2002, when they were around \$150 billion (not adjusted for inflation).

Personal transfers, compensation of employees, and migrants' capital transfers constitute a small fraction of global economic activity, amounting to about 1 percent of total gross domestic product (GDP) worldwide in 2008. For nearly all major receiving countries, moreover, such transfers are minor relative to other international financial flows, such as exports and foreign investment. Nonetheless, they make up a substantial and important source of income in a number of countries. For example, inflows amounted to more than 10 percent of GDP in six countries shown in the exhibit—all in Central America or the Caribbean. For low- and middle-income countries taken as a group, inflows from all countries in 2008 were equivalent to about 2 percent of aggregate GDP, 5 percent of exports of goods and services, and 40 percent of foreign direct investment. In addition, total inflows of remittances were more than four times the amount of total official development assistance received by low- and middle-income countries from government agencies and multilateral institutions in 2008 (not shown in the exhibit). ♦

3. Data reported by the International Monetary Fund for the United States differ slightly from the more recently updated data reported by BEA and shown in Exhibits 1 through 4.

**Exhibit 11.****Outflows and Inflows of Personal Transfers in Various Regions, Selected Years, 1990 to 2008**

(Billions of dollars)

	1990s		2000s				Average Annual Percentage Change, 2000–2008	
	1990	1995	2000	2005	2006	2007		2008
<b>Outflows</b>								
High-Income Countries	20.9	31.0	40.2	62.7	74.2	87.3	93.2	11
Low- and Middle-Income Countries	15.0	22.1	20.8	35.7	42.2	49.9	60.9	14
Europe and Central Asia	*	*	0.3	5.0	8.3	12.3	12.0	58
Latin America and Caribbean	0.8	0.7	1.3	1.6	1.8	2.6	3.1	11
Middle East and North Africa	12.7	18.8	17.6	20.6	23.1	23.4	31.4	7
South Asia, East Asia, Pacific	*	1.4	0.3	7.1	7.5	9.8	13.4	61
Sub-Saharan Africa	1.5	1.1	1.3	1.5	1.5	1.8	0.9	-4
All Countries	35.9	53.1	61.0	98.4	116.4	137.3	154.1	12
<b>Inflows</b>								
High-Income Countries	12.4	12.3	10.6	11.7	14.3	17.5	18.8	7
Low- and Middle-Income Countries	33.4	38.3	61.5	154.2	184.7	223.2	249.9	19
Europe and Central Asia	12.6	5.0	7.6	13.7	18.7	29.8	32.9	20
Latin America and Caribbean	4.7	11.8	18.1	46.8	55.5	59.5	59.9	16
Middle East and North Africa	9.2	8.3	8.8	19.8	21.6	26.2	27.7	15
South Asia, East Asia, Pacific	6.2	11.5	24.2	55.7	67.7	83.9	105.7	20
Sub-Saharan Africa	0.7	1.7	2.9	18.2	21.3	23.8	23.7	30
All Countries	45.8	50.6	72.1	165.9	199.0	240.6	268.7	18

Source: Congressional Budget Office based on data from the International Monetary Fund.

Notes: For the definition of personal transfers, see "Notes and Definitions" at the beginning of this document.

\* = less than \$50 million.

According to data from the International Monetary Fund, in 2008 total outflows of personal transfers were in the vicinity of \$150 billion, and total inflows neared \$270 billion. Inflows of personal transfers accounted for about two-thirds of total inflows from personal transfers, compensation of employees, and migrants' capital transfers (shown in Exhibit 10).

The discrepancy between estimates of outflows and inflows underscores the deficiencies of the existing data on global remittances (as the two must in fact be equal in total). As a general rule, recipient countries have greater incentive to keep track of inflows than sending countries have to keep track of outflows, a fact that suggests that the larger values for reported inflows are likely to be more accurate.

Most outflows—about \$93 billion, or 60 percent—were transferred from high-income countries to other countries. Another \$31 billion, or 20 percent of the total, emanated from the Middle East and North Africa. Nearly all inflows were received in low- and middle-income countries. Asian countries accounted for about 40 percent of the inflows; countries in Latin America and the Caribbean accounted for another 22 percent of the total.

Total outflows of personal transfers rose by an average of about 12 percent per year between 2000 and 2008, while total inflows rose by an average of about 18 percent per year (not adjusted for inflation). Inflows grew the fastest for low- and middle-income countries in Sub-Saharan Africa, rising from \$2.9 billion in 2000 to \$23.7 billion in 2008, an average increase of 30 percent per year. Low- and middle-income countries in Europe and Central Asia and in South Asia, East Asia, and the Pacific experienced an average increase of 20 percent per year in inflows of personal transfers. ♦

**Exhibit 12.****Outflows and Inflows of Compensation of Employees in Various Regions, Selected Years, 1990 to 2008**

(Billions of dollars)

	1990s		2000s				Average Annual Percentage Change, 2000–2008	
	1990	1995	2000	2005	2006	2007		2008
<b>Outflows</b>								
High-Income Countries	23.3	34.6	35.1	57.6	62.4	71.6	80.6	11
Low- and Middle-Income Countries	2.8	4.2	8.0	17.7	22.2	29.3	41.8	23
Europe and Central Asia	*	1.0	1.4	7.1	10.5	16.1	27.2	45
Latin America and Caribbean	0.1	0.3	0.4	0.4	0.6	0.5	0.6	5
Middle East and North Africa	0.9	1.4	3.3	3.8	4.1	4.5	5.4	6
South Asia, East Asia, Pacific	0.5	0.6	1.7	4.7	5.2	6.1	6.6	18
Sub-Saharan Africa	1.3	0.8	1.2	1.6	1.8	2.1	2.0	7
All Countries	26.1	38.8	43.1	75.3	84.6	100.9	122.4	14
<b>Inflows</b>								
High-Income Countries	19.7	25.4	29.7	46.3	49.7	58.0	63.8	10
Low- and Middle-Income Countries	4.8	10.8	11.9	32.0	36.2	44.8	53.1	21
Europe and Central Asia	*	0.7	3.6	16.1	18.9	23.6	27.6	29
Latin America and Caribbean	0.9	1.2	1.8	2.5	2.6	2.5	3.0	7
Middle East and North Africa	0.5	1.1	1.4	2.5	2.5	2.8	3.1	11
South Asia, East Asia, Pacific	2.4	6.9	4.2	9.1	10.5	13.8	17.7	20
Sub-Saharan Africa	0.9	1.0	1.0	1.7	1.8	2.1	1.8	8
All Countries	24.5	36.3	41.6	78.3	86.0	102.9	117.0	14

Source: Congressional Budget Office based on data from the International Monetary Fund.

Notes: For the definition of compensation of employees, see “Notes and Definitions” at the beginning of this document.

\* = less than \$50 million.

About \$120 billion of international monetary flows in 2008 were categorized as compensation of employees—defined as payments to workers expected to stay in the host country for less than a year. That amount accounts for about 30 percent of total flows. Most of the outflows for compensation of employees (about \$81 billion) originated in high-income countries in 2008. Among outflows originating in low- and middle-income countries, the majority came from countries in Europe and Central Asia. Inflows of compensation of employees were also concentrated among high-income countries but to a smaller degree than outflows. Among inflows to low- and middle-income countries, just over half were to countries in Europe and Central Asia; another third were to countries in South Asia, East Asia, and the Pacific.

Between 2000 and 2008, inflows and outflows of compensation of employees grew at an average rate of about 14 percent (not adjusted for inflation). Most of the increase in outflows can be attributed to countries in Europe and Central Asia, which experienced a 45 percent average annual increase between 2000 and 2008—possibly as a consequence of the collapse of the former Soviet Union as well as accessions to the European Union.

As a share of total compensation of employees, flows of compensation of employees to and from low- and middle-income countries as a group have grown over the past 20 years. In 2000, compensation of employees in those countries accounted for about 19 percent of outflows and about 29 percent of inflows for all countries. By 2008, low- and middle-income countries accounted for about 34 percent of outflows and 45 percent of inflows for all countries. ♦

**Exhibit 13.****Outflows and Inflows of Migrants' Capital Transfers in Various Regions, Selected Years, 1990 to 2008**

(Billions of dollars)

	1990s		2000s				Average Annual Percentage Change, 2000–2008	
	1990	1995	2000	2005	2006	2007		2008
<b>Outflows</b>								
High-Income Countries	3.6	4.7	6.0	9.7	10.8	10.2	10.7	7
Low- and Middle-Income Countries	0.4	4.3	2.0	2.0	1.9	2.2	2.2	1
Europe and Central Asia	*	4.0	1.3	1.4	1.4	1.4	1.4	1
Latin America and Caribbean	0.1	0.1	0.3	0.3	0.4	0.5	0.6	7
Middle East and North Africa	*	*	*	*	*	*	*	-15
South Asia, East Asia, Pacific	0.1	0.1	0.2	0.2	0.1	0.2	0.2	-1
Sub-Saharan Africa	0.1	0.1	0.1	*	*	0.1	*	-10
All Countries	4.0	9.0	8.0	11.7	12.8	12.5	12.9	6
<b>Inflows</b>								
High-Income Countries	4.5	5.9	6.5	10.8	11.6	12.7	15.7	12
Low- and Middle-Income Countries	0.9	3.7	1.8	3.1	3.4	4.5	5.3	15
Europe and Central Asia	*	2.5	1.0	1.0	1.1	1.8	2.1	9
Latin America and Caribbean	0.1	0.4	0.4	0.8	1.1	1.2	1.6	21
Middle East and North Africa	0.7	0.7	0.2	0.5	0.5	0.6	0.9	18
South Asia, East Asia, Pacific	*	0.1	0.1	0.6	0.6	0.5	0.6	26
Sub-Saharan Africa	0.1	*	*	0.1	0.1	0.2	0.1	7
All Countries	5.3	9.5	8.3	13.9	15.0	17.2	21.1	12

Source: Congressional Budget Office based on data from the International Monetary Fund.

Notes: For the definition of migrants' capital transfers, see "Notes and Definitions" at the beginning of this document.

\* = less than \$50 million.

In addition to the workers' remittances, returning migrants took home substantial amounts of financial capital. In 2008, total outflows of migrants' capital transfers were estimated at almost \$13 billion, and estimated total inflows exceeded \$21 billion. The latter amount accounts for about 5 percent of total estimated inflows. Capital transfers were more likely to flow both into and out of high-income countries; in 2008, 83 percent of outflows from all countries were from high-income countries, and about 75 percent of inflows from all countries were to high-income countries. By comparison, 60 percent of outflows of personal transfers were from high-income countries, while only 7 percent of inflows of personal transfers from all countries were to high-income countries (see Exhibit 11). ♦

# Appendix: Recent Changes in the Classification of Remittances

In principle, the concept of remittances as international transfers of funds sent by resident migrant workers back to households in their home country is a straightforward one, but in practice, the classification of international transactions complicates the accounting of such flows. Moreover, international organizations and their member countries are in the process of updating reporting standards for the international economic accounts. As part of that transition, the International Monetary Fund (IMF) has revised its definition of workers' remittances.

The IMF used to define workers' remittances as a standard item in its accounting system for international transactions.<sup>1</sup> That specificity was useful, although the definition excluded many monetary flows involving foreign workers:

- Temporary workers who stayed or were expected to stay for less than a year were considered nonresident employees rather than migrants, and funds that they sent or brought home were classified as compensation of nonresident employees rather than as remittances.<sup>2</sup>
- Migrants' financial investments in their home country were excluded from the definition of

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1. Moreover, the IMF also used the term "remittance" to refer to institutional remittances by nonprofit organizations such as religious and charitable institutions, and many countries included such flows in reported estimates of private remittances.

remittances, even though they were included in the IMF's financial transactions accounts.

- Migrants' transfers of capital upon returning to their country of origin were excluded altogether from the accounts for international transactions because they involve a change in status rather than a transaction between two entities.

Recently, the IMF dropped workers' remittances as an explicit item in its accounting system, replacing it with several supplemental items that amount to a new definition of remittances.<sup>3</sup>

- Personal remittances are composed of transfers in cash or in kind between resident and nonresident households (referred to as "personal transfers") and compensation of nonresident employees minus expenditures in the host economy.
- Total remittances include personal remittances as well as social benefits (such as social security or pension payments) paid to nonresident households.

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2. For statistical purposes, the IMF broadly defines residency as living or intending to live in a host country for a year or more and defines migrants as resident workers.

3. See International Monetary Fund, *Balance of Payments and International Investment Position Manual*, 6th ed. (Washington, D.C.: International Monetary Fund, 2009), pp. 272–277.

- Total remittances and transfers to nonprofit institutions serving households include transfers by charities and other nonprofit groups.

Under the new definition, personal remittances include transfers from both native and migrant households, but in practice, most transfers from resident to nonresident households are from migrant workers. Although the new definition breaks out the portion of compensation sent to the home country and the portion spent in the host country, the definition still excludes migrants' financial investments in their home country and their capital transfers upon returning home.

In this document, the estimates of migrants' remittances reported in Exhibits 1 through 4 are those reported by the Bureau of Economic Analysis that come closest to the IMF's new definition. They differ from the IMF's new definition by including personal transfers by only the foreign-born population (rather than by all resident households in the United States) and by including all compensation of nonresident employees (rather than subtracting expenditures incurred in the United States). It is unclear whether the data reported by the IMF, drawn from many different countries, and shown in Exhibits 10 through 13, conform to the old definition, the new definition, or some combination of the two. ♦