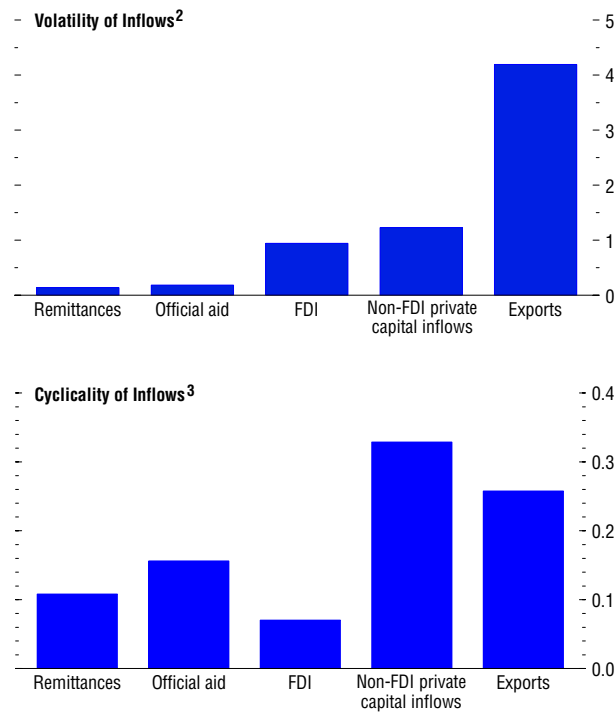


**Figure 2.4. Remittances and Other Foreign Exchange Flows: Volatility and Cyclicity<sup>1</sup>**  
(1980–2003)

Remittances to developing countries, as compared with other forms of inflows, are very stable and display relatively little procyclicality. This makes them an attractive source of external finance.



Sources: IMF, *Balance of Payments Statistics Yearbook*; and IMF staff calculations.

<sup>1</sup>For a detailed definition of the components of remittances, see Appendix 2.1.

<sup>2</sup>Volatility is defined as the standard deviation of the ratio of the relevant inflow to GDP.

<sup>3</sup>Cyclicity is defined as the correlation between the detrended relevant inflow and detrended GDP.