



Remittances Statistics: **First Meeting of the Luxembourg Group**

June 2006

The views expressed in this paper are those of the author(s) only, and the presence of them, or of links to them, on the IMF website does not imply that the IMF, its Executive Board, or its management endorses or shares the views expressed in the paper.



Banco de Portugal

EUROSYSTEM

Remittances in the Portuguese Balance of Payments

Luxembourg Group on Remittances

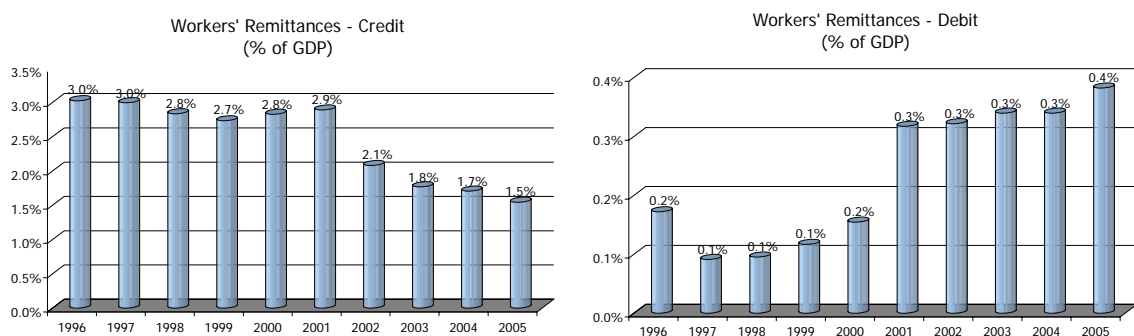
26-27 June 2006

1. In the past, Portugal used to be an emigration country. Between the beginning of the nineteenth century and the fifties of the twentieth century about two million Portuguese had left the country, looking for better conditions of life, mainly emigrating for the United States and Brazil. Between the middle of the previous century and until 1974, more than 1.5 million had emigrated especially to European countries.

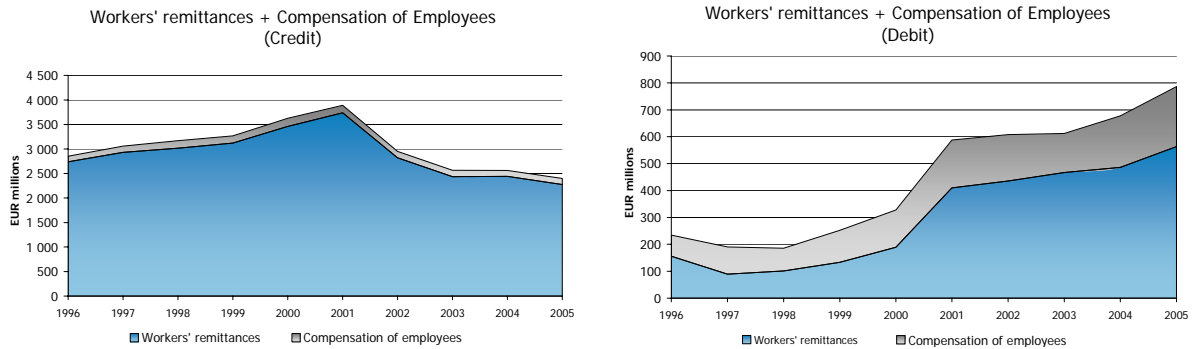
More recently Portugal has become an immigration country. In particular after the decolonization process, a great number of citizens of Portuguese-Speaking African countries (PALOP) immigrated into Portugal. Since 1986, when joined the European Union, Portugal has become a more attractive country to the immigration. From that moment onwards, Portugal has received foreigners, especially from PALOP and Brazil. Since the early nineties, a new immigration phenomenon has been occurring in Portugal, as it started receiving a wide number of immigrants from Eastern European countries.

2. The migration behavior presented above for the last ten years is confirmed by the remittances' data in the Portuguese Balance of Payments Statistics. As expected, the remittances' credits have been greater than the debits. As shown in the next bar charts the credits of workers' remittances in 2005 have been about 1.5% of GDP, while the debits have been just 0.4%. It is also important to notice that the evolution of the credits has been completely different from the debits'. Actually, considering the last decade, the credits of workers' remittances in 2005 were about a half of the 1996' figures. On the other hand, concerning its importance in GDP, the debits have increased almost four times since 1997.

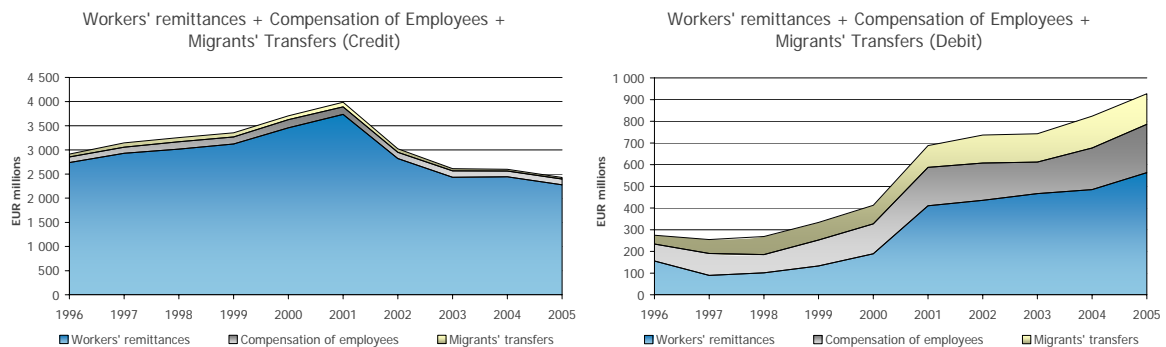
Figure 1 – Workers' remittances in percentage of GDP



3. It is internationally recognized that the distinction between the workers' remittances and the compensation of employees is not simple. So, the next figure presents both items of the Portuguese Balance of Payments Statistics. It is possible to observe that concerning credits, workers' remittances are the most important item, with about 95% of the total. Regarding the debits' side, the compensation of employees becomes more important, constituting about 30% of the sum of the both items in most of the years.

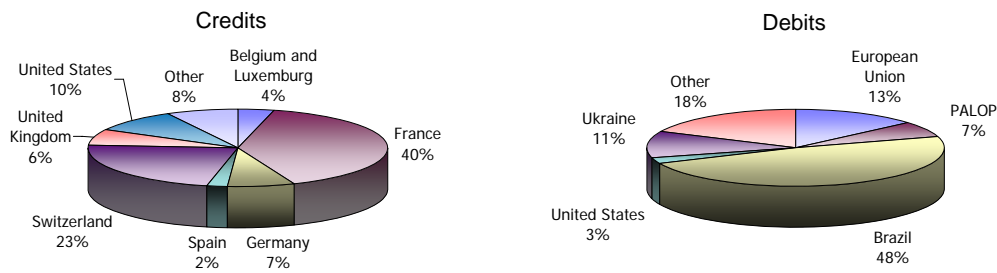
Figure 2 – Workers' remittances and compensation of employees

4. Comparing the last two items with migrants' transfers, which are part of the capital account, and occasionally not correctly distinguished and classified by the respondents, it is possible to conclude that these transfers are meaningless in the credits case, but significant for the debits (about 15% of the presented total, in 2005).

Figure 3 – Workers' remittances, compensation of employees and migrants' transfers

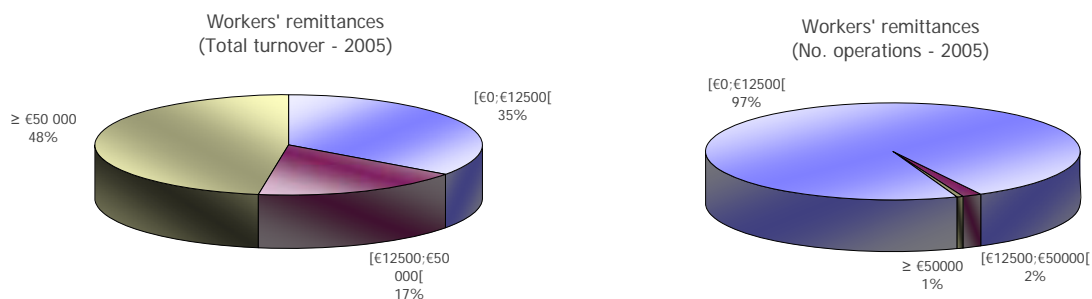
5. Analyzing the workers' remittances data on a country of origin and destiny basis, it can be deduced that the underline distribution is completely different for credits and debits. In fact, remittances from workers living abroad, and considered emigrants, have its main origins in European Union member states, Switzerland and United States. This fact has remaining unchanged in the last decade.

Regarding the debits' side, the geographical allocation of the remittances sent abroad by immigrants in Portugal has suffered a great shift since 1996, accompanying the change of the immigrant patterns. So, while in 1996 the main destinations of remittances sent by immigrants were European Union countries and the United States, in 2005 the main destinations were Brazil, PALOP and Eastern European countries, of which we have to point up the case of Ukraine.

Figure 4 – Workers' remittances – geographical allocation - 2005

6. The main sources of information for the compilation of remittances' data are the international transactions reporting system (ITRS) and the direct reporting system. So, almost all the compiled information is reported by resident banks and companies.

First of all and regarding the data provided by banks, it should be referred that the exemption reporting threshold, is set at €12 500 since 2002. In the Portuguese case, the majority of institutions are still reporting the data beneath the threshold and, in most of the cases, statistically classified. This is a very important issue because with the predictable raise of the threshold up to €50 000, the loss of information will possibly increase significantly, augmenting the data collection difficulties. In the next figure is possible to observe the forecasted impact of the increase of the reporting threshold on workers' remittances¹.

Figure 5 –Impact of the increase of the reporting threshold

Regarding the threshold increase, it should be pointed up that most of the banks can easily identify emigrants' remittances (the resident banking system has a special kind of banking account for Portuguese emigrants), so it is expected that it will be possible to keep receiving on this information on a voluntary basis. The case of immigrants' remittances could be a more complicated one given that the resident banks have more difficulty in identifying this kind of transactions. However, it is on the debit side that the exchange offices are more important in the market and, nowadays, the majority of these companies are already direct reporters to the Banco de Portugal.

¹ This impact is similar when considering compensation of employees and migrants' transfers and there aren't significant differences between credits and debits.

7. There are some other weaknesses related with the Portuguese data compilation system regarding this kind of transactions. On one hand, it is not estimated any amount of informal remittances. Nevertheless, a recent study² presented last month in Lisbon, about Brazilian migration and remittances, stressed that 97% of all remittances sent to Brazil were made through the official channels. This may confirm that the values recorded in the Balance of Payments as remittances to Brazil reflect quite well the reality.

On the other hand, concerning to the geographical allocation, it is made a great effort to control its quality through a close interconnection with the reporting institutions. Nevertheless, it could be useful to compare bilateral data in order to identify potential problems and improve the quality of the data.

8. Regarding future works on this area, the Portuguese Balance of Payments Statistics legal framework is currently under revision, namely, in order to allow the request of information to any resident entity even if the operations are intermediated by a resident bank. Nowadays, there are already some enterprises reporting all their operations on a voluntary basis, but it is under consideration the possibility of making this procedure compulsory.

To complement the current system it is envisaged the use of the information gathered through the household surveys, which nowadays already include an item on private transfers from abroad, and possibly the look for alternative sources in case of informal remittances show evidence of being significant.

In this framework, the bilateral exchange of information and data on these balance of payments' items could convey some improvements to the national systems, and contribute to an increase on the remittances item and in general on the balance of payments data quality.

² Sponsored by the Multilateral Investment Fund of the Inter-American Development Bank.
[Url: <http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=728441>]