



Bank of Russia

CROSS-BORDER TRANSFERS OF INDIVIDUALS IN 2020

Moscow 2021

In 2020, the value of total cross-border transfers of individuals (residents and non-residents of the Russian Federation) decreased by 4.9% to \$63.5 billion compared to the previous year. The negative balance of the indicator remained virtually unchanged due to a symmetric reduction in the value of both outgoing and incoming transfers. The deficit in the balance of cross-border transfers of individuals to non-CIS countries increased but it dropped to the CIS countries.

Remittances from the Russian Federation decreased by 3.8% to \$40.1 billion. In the dynamics of outgoing transfers, there was an increase in transfers which were predominantly for saving purposes. This was confirmed by a growing share of transfers to non-CIS countries, primarily to traditional 'safe havens' (e.g., Switzerland and the United Kingdom). On the other hand, 2020 was characterised by a decline in remittances to the CIS countries, predominantly associated with funds transfers by labour migrants to support their families at home.

Remittances to individuals in the Russian Federation fell by 6.7% vs 2019 to \$23.4 billion. A steeper drop was recorded in the inflow from non-CIS countries, primarily from the US and UK. At the same time, the remittances from the CIS countries, which have a less significant role in the incoming flow, did not decrease so significantly, while

Kazakhstan retained its traditionally dominant position among the senders of transfers to individuals in the Russian Federation.

The share of remittances made via payment systems in the total cross-border household remittances amounted to 16.6% with a 72.2%-portion in the total transactions with CIS countries.

The currency composition of cross-border transfers of individuals continued to shift towards the prevailing use of the Russian ruble (23.1% of the total transfers in 2020). The share of the national currency of the Russian Federation in servicing transfers via payment systems was, as before, prevailing (62.8%).

According to World Bank data, despite the COVID-19 pandemic, remittances to developing countries remained stable in 2020, with their posted reduction being not as big as it was previously forecast. According to the latest World Bank Migration and Development Report¹, in 2020, the volume of officially registered remittances to low and middle-income developing countries totalled \$540 billion, down just by 1.6% compared to the total remittances in 2019, which amounted to \$548 billion.

The decline in the volume of registered remittances in 2020 turned out to be less significant than during the 2009 global financial crisis (4.8%). Similarly, it was much less meaningful than the decrease in direct investment in low and middle-income countries: in 2020, such investment (excluding investment in the Chinese economy) dropped by more than 30%. As a result, in 2020, for the first time since 1990, the volume of remittances to low and middle-income countries exceeded total direct investment (\$259 billion) and foreign development assistance (\$179 billion).

Key contributors to the stable inflow of remittances to developing countries include: fiscal incentives that made the economic situation in advanced economies hosting migrants better than expected; switch from cash to digital remittances and from non-official to official channels of transfers; and also growing oil prices and exchange rate movements.

An increase in remittance inflows was registered in Latin America and the Caribbean (by 6.5%), South Asia (by 5.2%), as well as in the Middle East and North Africa (by 2.3%). At the same time, remittance inflows to East Asia and the Pacific fell by 7.9%, to Europe and Central Asia by 9.7%, and to sub-Saharan Africa by 12.5%.

According to the forecast, recovery of the global economic growth is projected to continue in 2021 and 2022, and against this backdrop, remittances to low and middle-income countries are expected to increase by 2.6% to \$553 billion in 2021 and by 2.2% to \$565 billion in 2022.

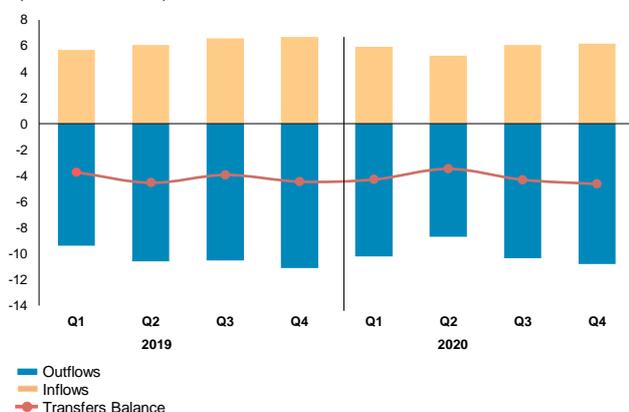
In 2020 Q4, the global average fee charged for a \$200 transfer remained high at 6.5% of the remittance amount, which is more than double the 3% target as set forth by the Sustainable Development Goals. The lowest was the average fee for transfers to South Asia (4.9%), and the highest was, as before, the fee for transfers to sub-Saharan Africa (8.2%).

¹ Resilience COVID-19 Crisis Through a Migration Lens. Migration and Development Brief 34. May 2021. World Bank Group. 2021

In 2020, total cross-border remittances by both resident and non-resident individuals of the Russian Federation² fell by 4.9% to \$63.5 billion vs 2019.

The negative balance on individuals' cross-border remittances remained at the level of 2019 at \$16.7 billion. At the same time, the deficit in the balance of individuals' cross-border remittances from or to non-CIS countries expanded by 26.2% to \$ 9.1 billion against 2019, while of those from or to the CIS countries, on the contrary, decreased by 18.8% to \$7.6 billion.

CROSS-BORDER TRANSFERS OF INDIVIDUALS (RESIDENTS AND NON-RESIDENTS OF RUSSIA) IN 2019 AND 2020 (billions of US dollars)



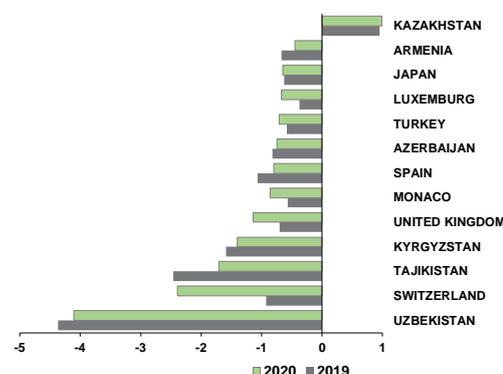
Like a year earlier, in 2020, the balance of individuals' cross-border remittances from or to the most of principal non-CIS counterparties was negative and amounted to \$2.4 billion for Switzerland, \$1.1 billion for the UK, \$0.9 for Monaco, \$0.8 billion for Spain, and \$0.7 billion each for Turkey, Luxembourg and Japan.

Among the CIS countries, the most significant deficit in the balance of cross-border remittances of individuals was traditionally observed for Uzbekistan (\$4.1 billion), Tajikistan (\$1.7 billion) and Kyrgyzstan (\$1.4 billion). Like in 2019, the positive balance on individuals' cross-border remittances was registered with Kazakhstan (\$1.0 billion) and Turkmenistan (\$0.1 billion).

² Cross-border remittances of individuals are defined as cross-border wire money transfers by resident and non-resident individuals (receipts of resident and non-resident individuals) effected

The combined negative balance on individuals' cross-border remittances with the EAEU countries decreased by 41.5% to \$0.8 billion in 2020.

BALANCE OF CROSS-BORDER TRANSFERS OF INDIVIDUALS (RESIDENTS AND NON-RESIDENTS OF RUSSIA) BY SELECT PARTNER COUNTRY IN 2019 AND 2020 (billions of US dollars)



Transfers via payment systems play an important role in the cross-border remittances by individuals. Their total turnover was \$10.5 billion in 2020, down \$0.4 billion from the previous year. The negative balance of cross-border transfers via payment systems amounted to \$4.3 billion, which is up 1.7% compared to the previous year.

In order to obtain information about the main characteristics of cross-border remittances via payment systems, in 2020, from 17 to 21 February and from 17 to 21 August, individuals making funds transfers were asked to fill in questionnaires (hereinafter, the survey). In 2020, over 50 thousand completed questionnaires were received from 20 banks making funds transfers via the largest payment systems.

The main purpose of the survey is to determine the composition of remittances by purpose and receive additional information about senders/recipients in order to improve the methodology for calculating individuals' cross-border transfer indicators that are reflected in the balance of payments of the Russian Federation as personal remittances.

with or without opening an account via credit institutions, including remittances via payment systems.

TRANSFERS FROM THE RUSSIAN FEDERATION

Transfers from the Russian Federation made by individuals to other countries decreased by 3.8% from \$41.7 billion in 2019 to \$40.1 billion in 2020.

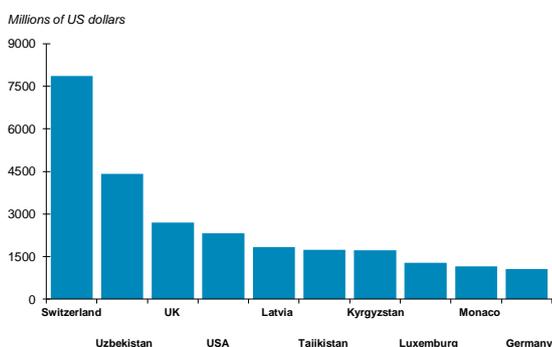
As remittances were mostly *sent by residents*, their share in total cross-border transfers abroad grew from 79.2% in 2019 to 82.8% in the reporting period. In 2020, residents' overseas remittances totalled \$33.2 billion (vs \$33.0 billion a year earlier), including \$26.9 billion (vs \$26.1 billion a year ago) to non-CIS countries. Non-residents transferred abroad \$6.9 billion (vs \$8.7 billion a year earlier).

In the geographic composition of resident and non-resident individuals' remittances, transfers to non-CIS countries grew from \$28.8 billion in 2019 to \$29.1 billion in 2020.

Remittances to the CIS countries totalled \$11.0 billion in the reporting year vs \$12.9 billion in 2019. As in the previous year, the leading countries recipients were Uzbekistan, Tajikistan and Kyrgyzstan, the total volume of transfers thereto decreased by \$1.4 billion to \$7.9 billion, however, their share remained at the past year's level – 71.4%.

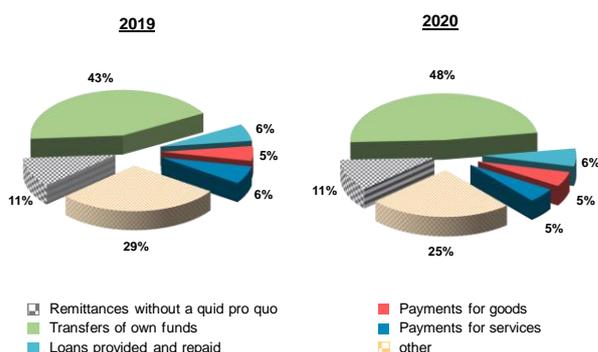
Individuals' transfers from the Russian Federation to the EAEU countries decreased by 16.0% compared to 2019 to \$3.2 billion (8.1% of outflows).

CROSS-BORDER TRANSFERS OF INDIVIDUALS (RESIDENTS AND NON-RESIDENTS) FROM RUSSIA TO TOP 10 PARTNER COUNTRIES IN 2020



The *target structure* of residents' cross-border remittances was dominated by *funds transfers to their own accounts* in foreign banks (\$16.0 billion vs \$14.2 billion in 2019). Their share in total resident individuals' transfers grew from 43.0% to 48.2%. More than half of the funds were transferred to banks in Switzerland, the United Kingdom, Monaco, the United States of America and Luxembourg.

COMPOSITION OF CROSS-BORDER TRANSFERS OF INDIVIDUALS (RESIDENTS) FROM RUSSIA IN 2019 AND 2020, BY PURPOSE



Residents' *remittances without a quid pro quo* increased to \$3.6 billion, or by 4.8%, with their share in outgoing transfers changed from 10.5% to 11.0%. The bulk of transactions represented remittances to the CIS countries, primarily Tajikistan, Armenia and Uzbekistan (a total of \$1.3 billion against \$0.9 billion a year before) due to those made by labour migrants from those countries, among other things. The volume of individuals' free remittances to China reduced (from \$0.3 billion to \$0.2 billion). An overwhelming part of free remittances was traditionally made via payment systems, their share remained at the 2019 level of 87.9%.

Total remittances *in payment for goods and services* stood at \$3.3 billion (against \$3.8 billion in the previous year); however, their share decreased from 11.6% of the outgoing flows to 10.0%. The main recipients of remittances *in payment for goods* were Japan, Italy, the United States of America, Germany, and Switzerland (in aggregate, 64.0% of transfers in this category). Flows of remittances to these countries are most commonly associated with purchases of cars, furniture and clothes. Top recipients of

remittances *in payment for services* were the United Kingdom, Switzerland, the United States of America, Italy, and Cyprus.

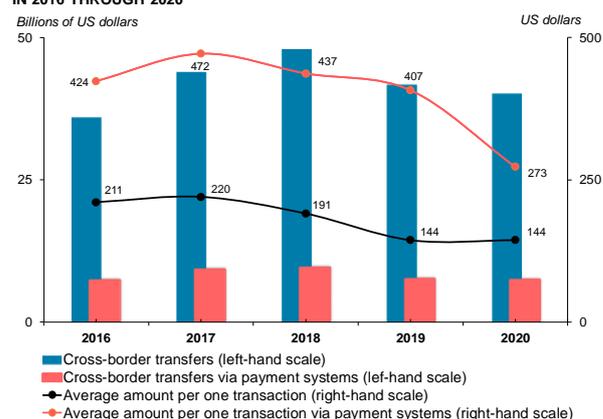
The amount of residents' transactions to extend, *service and repay loans* in 2020 was up 3.4% to \$2.1 billion vs 2019, with its share remaining at the level of the previous year – 6.2%. The volume of loans provided by resident individuals to foreign counterparties did not exceed \$1.7 billion as in the previous year. Loans were mostly issued to legal entities to their accounts in banks of Switzerland, Cyprus, Luxembourg, the United States of America, and Monaco. Resident individuals transferred \$0.4 billion to repay and service previously received loans which is 18.4% above the past year figure.

Despite the fact that the US dollar remained the main currency in the interbank cross-border remittances of individuals in 2020, its share in the outgoing cross-border transfers shrank to 44.4% from 45.3% in 2019. At the same time, the share of transactions in Russian rubles increased to 25.2% (vs 23.8% a year earlier), while in euros, in contrast, decreased to 23.7% (vs 25.0%), and the share of other currencies changed to 6.6 % from 5.9% in 2019.

The average amount of a remittance from the Russian Federation in 2020 remained at the level of 2019 at \$144. Average amounts of outgoing remittances to non-CIS and the CIS countries in 2020 were \$126 and \$234, respectively.

The volume of remittances by individuals from the Russian Federation via payment systems continued to decline in the reporting year. In 2020, this indicator decreased by 1.9% to \$7.4 billion. The share of transfers made via payment systems in the outgoing flow of cross-border transfers grew to 18.5% (vs 18.1% a year earlier).

CROSS-BORDER TRANSFERS OF INDIVIDUALS (RESIDENTS AND NON-RESIDENTS) FROM RUSSIA, INCLUDING THOSE MADE VIA PAYMENT SYSTEMS IN 2016 THROUGH 2020

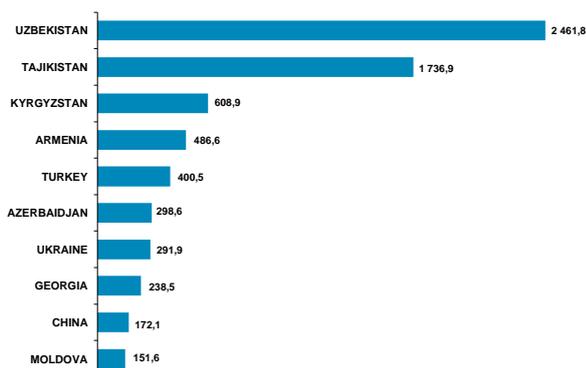


Transactions with the CIS countries dominated outgoing transfers, totalling \$6.2 billion or 83.7% of all remittances via payment systems; remittances to non-CIS countries amounted to \$1.2 billion (16.3%).

Non-residents prevailed among the *senders* of transfers via payment systems in 2020. However, their share in total cross-border transfers via payment systems decreased from 59.5% in 2019 to 56.8% in the reporting period. In 2020, non-residents' overseas remittances totalled \$4.2 billion (vs \$4.5 billion in 2019), including \$4.0 billion (vs \$4.2 billion) to the CIS countries. Residents transferred \$3.2 billion abroad (vs \$3.1 billion a year earlier), including \$2.2 billion (vs \$2.0 billion) to the CIS countries and \$1.0 billion (vs \$1.1 billion) to non-CIS countries.

In the geographical composition of remittances via payment systems from Russia, top recipient countries in 2020 included such CIS countries as Uzbekistan, Tajikistan, Kyrgyzstan, and Armenia. They accounted for 71.5% (\$5.3 billion) of the outgoing remittances via payment systems.

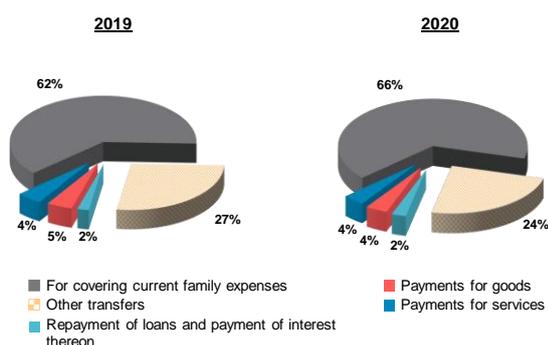
CROSS-BORDER TRANSFERS OF INDIVIDUALS (RESIDENTS AND NON-RESIDENTS) FROM RUSSIA VIA PAYMENT SYSTEMS TO SELECT PARTNER COUNTRIES IN 2020 (millions of US dollars)



According to the survey, transfers to cover current expenses of one’s family remained the most widespread in the composition of remittances via payment systems³ by purpose. In 2020, their share increased by 3.7 percentage points to 65.9% compared to 2019. In 2020, this transfer purpose was noted by 53.5% of non-resident respondents vs 72.1% a year earlier. Payments for goods accounted for 3.7% (vs 4.4% in 2019); services – 3.7% (vs 4.4%); loans repayments and interest payments – 2.5% (vs 2.0%); and other remittances – 24.2% (vs 26.9%).

COMPOSITION OF CROSS-BORDER TRANSFERS BY INDIVIDUALS (RESIDENTS AND NON-RESIDENTS) FROM RUSSIA VIA PAYMENT SYSTEMS IN 2019 AND 2020, BY PURPOSE

(according to the survey)



The currency composition of remittances in 2020, as in previous years, was dominated by three monetary units: Russian rubles, US dollars and euros. The leading currency in previous

years was the US dollar, but in 2020, the Russian ruble became the main currency, the share of which reached 66.1%. The share of the US dollar decreased by 21.1 percentage points to 30.4%, while the portions of euro and other currencies remained virtually unchanged, amounting to 2.1% and 1.3%, respectively.

An average remittance via payment systems from Russia declined by 33.0% from \$407 in 2019 to \$273 in 2020. An average remittance to non-CIS countries dropped to \$520 (from \$749 in the previous year), to the CIS countries – to \$250 (vs \$368).

TRANSFERS TO THE RUSSIAN FEDERATION

Receipts of transfers by individuals in Russia totalled \$23.4 billion in 2020, which is 6.7% less than in 2019 (\$25.1 billion).

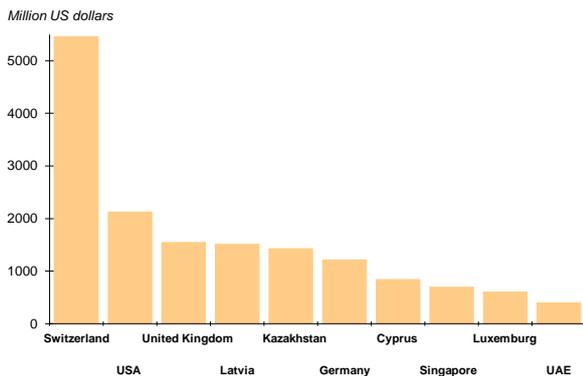
As in previous years, most funds (\$21.1 billion, or 90.1% of the incoming flow) was received by the residents of the Russian Federation, including \$18.3 billion coming from non-CIS countries.

In the geographic composition of inflows, remittances from non-CIS countries to residents and non-residents decreased by 7.4% to \$20.0 billion. The bulk of inflows, totalling \$11.9 billion, came from Switzerland, the United States of America, the United Kingdom, Latvia, and Germany, which accounted for a half of all receipts in the Russian Federation. The volume of transfers from Switzerland, accounting for the largest share, rose by 12.4% to \$5.5 billion.

³ Hereinafter, the weighted averages for two surveys performed in 2020 are provided. The weighted averages for two surveys performed in 2019 are used for comparison. The

number of questionnaires received for each survey is used for determining weights. Minor discrepancies between the total and the sum of components are due to rounding of data.

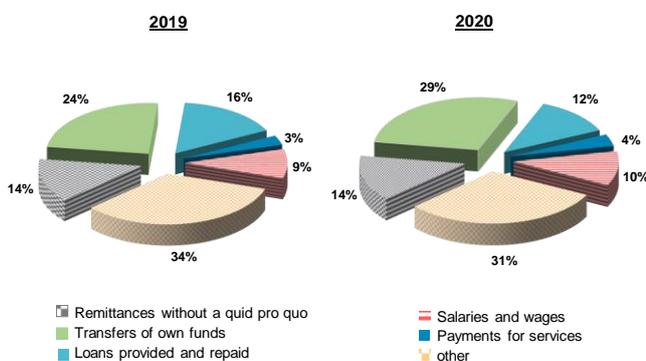
CROSS-BORDER TRANSFERS OF INDIVIDUALS (RESIDENTS AND NON-RESIDENTS) IN RUSSIA BY TOP 10 PARTNER COUNTRIES IN 2020



In 2020, remittances from the CIS countries decreased by 2.6% to \$3.4 billion. Remittances from the EAEU countries dropped by 1.5% to \$2.4 billion. Kazakhstan was traditionally the most important counterparty: despite a slight decrease in the receipts to \$1.4 billion, its share in the total inflows from the EAEU countries remained at the 2019 level (59.5%).

The composition of inflows by purpose was dominated by transfers of resident individuals from their accounts in foreign banks (*own funds transfers*). In the reporting period, they grew by 10.6% to \$6.1 billion. The share of this category of receipts in total inflows grew by 4.4 percentage points to 28.7%. In the reporting year, over a half of such receipts (\$4.0 billion) came to resident individuals from their accounts opened with banks in Switzerland, the United States of America, the United Kingdom, Monaco and Cyprus.

COMPOSITION OF CROSS-BORDER TRANSFERS OF INDIVIDUALS (RESIDENTS) IN RUSSIA IN 2019 AND 2020, BY PURPOSE



In 2020, cross-border *free remittances* to resident individuals dropped by 4.8% to \$3.0 billion, with their share slightly increasing to 14.1%. The bulk of such transfers were received from Kazakhstan (\$0.5 billion), the United Kingdom (\$0.3 billion), the United States of America, Kyrgyzstan and Latvia (\$0.2 billion each).

Inflows to Russia associated with raising, servicing and repayment of previously issued loans decreased in 2020 by 30.1% to \$2.5 billion (12.0% of inflows). Resident individuals received \$0.9 billion in credits and borrowings from abroad, which is 38.2%, less than in the previous year. Switzerland, Luxemburg, Cyprus, Germany, and Hong Kong were the main lenders with their transfers totalling \$0.6 billion. Principal repayments and interest payments on previously issued loans dropped by 25.1% to \$1.7 billion.

In 2020, *salaries and other labour contract-related remittances* to Russian residents increased by 7.4% to \$2.2 billion, with the share of this category in the inflows increasing to 10.6%.

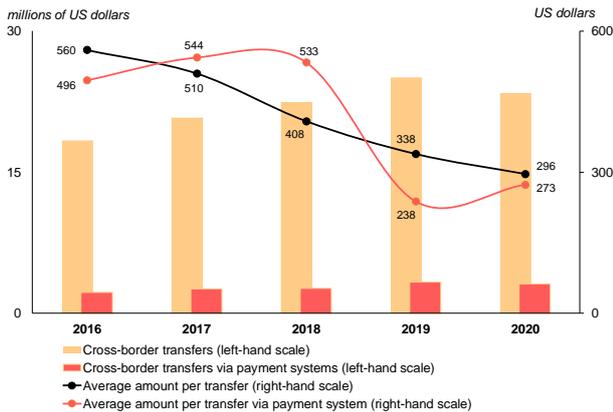
The US dollar continued to dominate the *currency composition* of inflows, with its share growing from 54.0% to 55.2% in 2020. The euro and the Russian ruble accounted for 22.3% and 19.6% of the incoming transfers, respectively (vs 24.2% and 18.6% in 2019).

An average incoming remittance to an individual in Russia decreased by 12.6% from \$338 in 2019 to \$296 in 2020. An average amount of a transfer from the CIS countries was \$205 vs \$320 from non-CIS countries.

The amount of remittances via payment systems to individuals in Russia decreased by 6.3% to \$3.1 billion. The share of remittances via payment systems in the overall cross-border remittances of individuals to the Russian Federation amounted to 13.3%, as in 2019.

CROSS-BORDER TRANSFERS OF INDIVIDUALS IN 2020

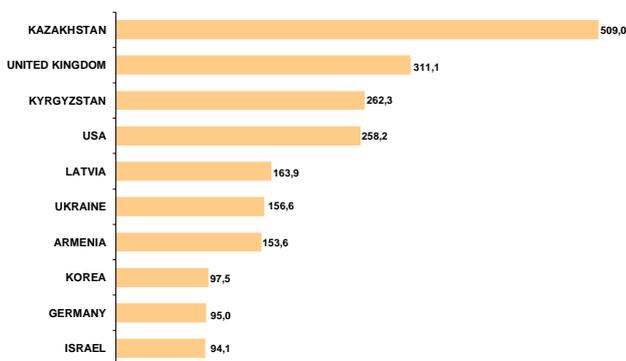
CROSS-BORDER TRANSFERS OF INDIVIDUALS (RESIDENTS AND NON-RESIDENTS) IN RUSSIA, INCLUDING THOSE MADE VIA PAYMENT SYSTEMS IN 2016 THROUGH 2020



Among *recipients* of remittances via payment systems, residents continued to prevail in 2020, with their share in the total volume of inflows via payment systems from abroad growing from 84.7% in 2019 to 86.7% in the reporting period. In 2020, the total amount of funds the residents received from abroad via payment systems was \$2.7 billion (vs \$2.8 billion in 2019), including \$1.5 billion from non-CIS countries and \$1.2 billion from the CIS countries. Non-residents received from abroad \$0.4 billion, in total.

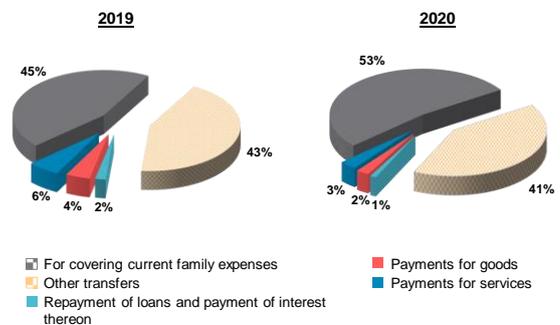
As in the previous year, inflows from the major senders to Russia (Kazakhstan, the United Kingdom, Kyrgyzstan, the United States, and Latvia) in aggregate accounted for nearly a half of all funds received by individuals in Russia (48.2%).

CROSS-BORDER TRANSFERS OF INDIVIDUALS (RESIDENTS AND NON-RESIDENTS) VIA PAYMENT SYSTEMS TO RUSSIA BY SELECT PARTNER COUNTRIES IN 2020
(millions of US dollars)



According to the survey, the composition of inflow and outflow by purpose had it that the main purpose of remittances was the financing of current family expenses: in 2020, the share of such remittances amounted to 52.5%, which is 7.7 percentage points higher than in the previous year. At the same time, the share of remittances to individuals in payment for various services decreased to 3.0% (vs 5.7% in 2019), for goods – to 2.3% (4.3%), in repayment of loans and payment of interest – to 1.1% (1.9%). The share of other transfers decreased to 41.1% (vs 43.3% a year earlier).

COMPOSITION OF CROSS-BORDER TRANSFERS OF INDIVIDUALS (RESIDENTS AND NON-RESIDENTS) VIA PAYMENT SYSTEMS TO RUSSIA IN 2019 AND 2020, BY PURPOSE
(according to the survey data)



As for the currency composition of remittances received, the share of transactions in Russian rubles declined by 2.7 percentage points vs 2019 to 55.0%. The share of remittances in US dollars increased to 37.3% (vs 36.9% in 2019), the portion of remittances in euros and other currencies increased by 0.6 and 1.6 percentage points to 3.7% and 4.0%, respectively.

An average incoming remittance via a payment system to an individual in Russia increased by 15.0% from \$238 in 2019 to \$273 in 2020. The average amount of a remittance from the CIS countries was \$417 vs \$214 from non-CIS countries.