



National Bank  
of Ukraine

# Remittances in Ukraine

**Olga Tucha**

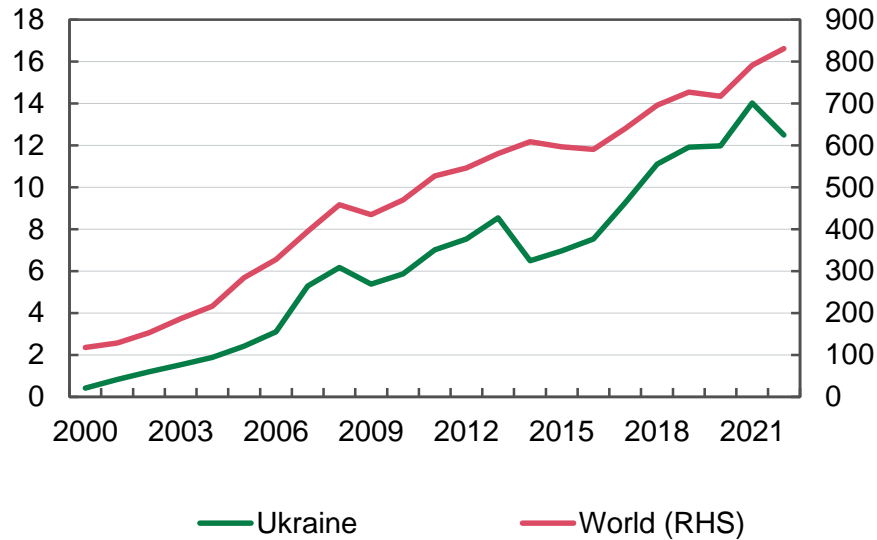
**19th Joint NBP–SNB Seminar  
"Remittances and Labour Market"**

Warsaw, Poland  
November 27, 2023



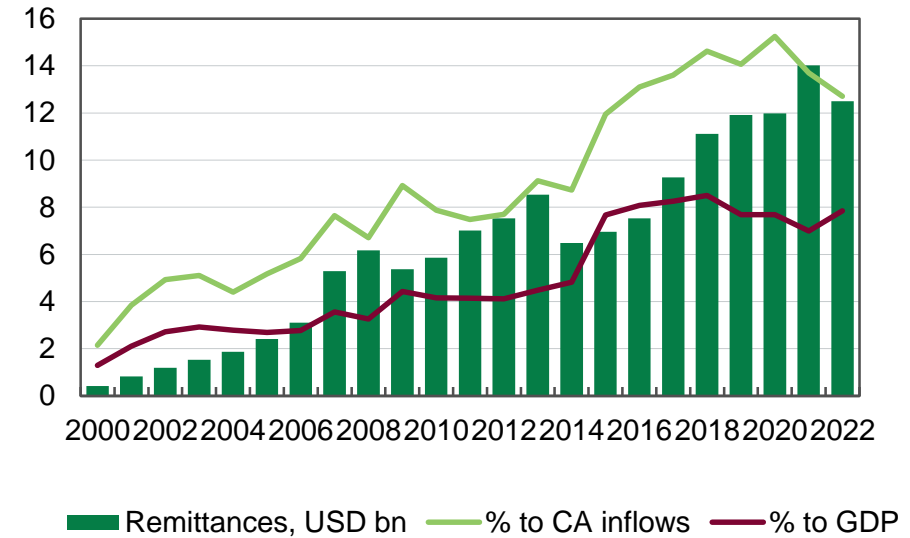
# Remittance inflows have become one of the largest sources of external financing for Ukraine

Remittances, USD bn



Source: NBU, World Bank.

Net remittances in Ukraine

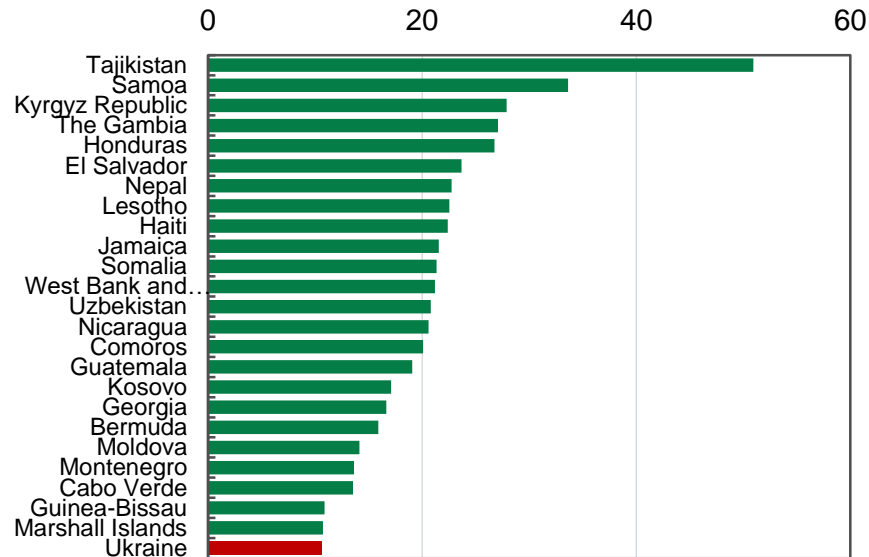


Source: NBU calculations.

- Migration is a global phenomenon. According to the recent World Development Report of the World Bank, about 184 million people, or 2.3% of the world's population, are migrants
- Clearly, migration goes hand in hand with remittances. The World Bank forecasts remittance flows to low- and middle-income countries will increase to USD 656 billion in 2023
- Ukraine is among the countries that experienced a significant rise in both migration abroad and remittance inflows. Over the last 20 years, remittances in Ukraine have grown more than tenfold and become a substantial source of foreign currency inflows

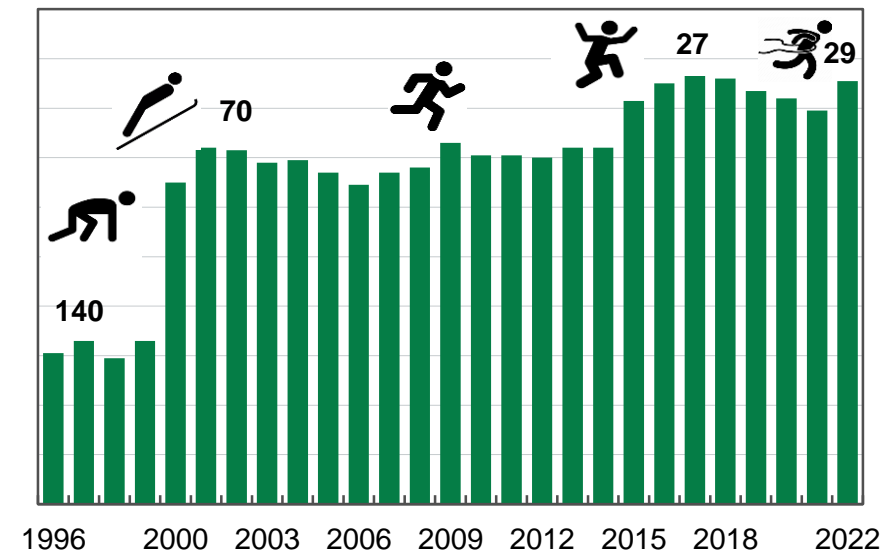
# Ukraine is among the top recipients of remittances

Gross remittances in 2022, % of GDP



Source: World Bank.

Ukraine's position in the world by the remittances-to-GDP ratio

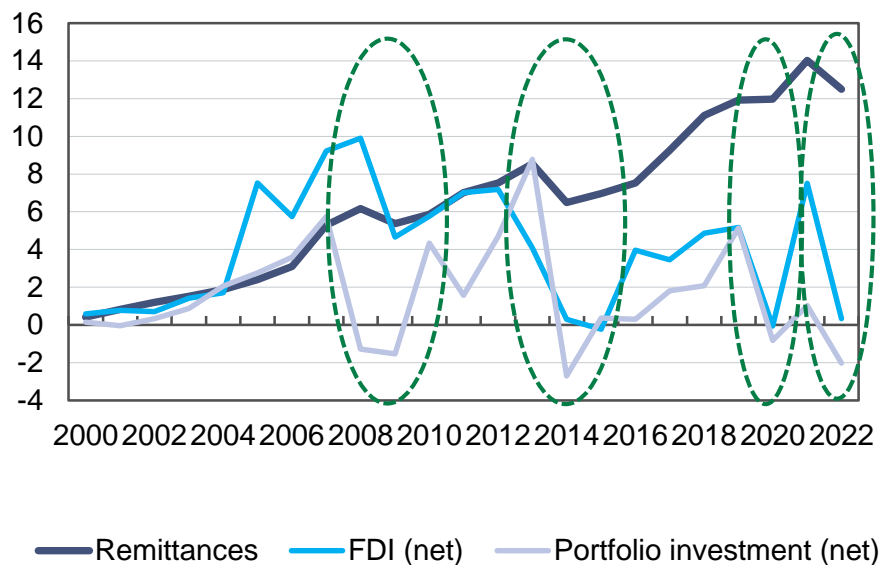


Source: World Bank.

- Independent Ukraine experienced three waves of migration. All of them reflected the complex interplay between economic conditions and geopolitical events
- In 2022, Ukraine was ranked 29th in the world by remittances-to-GDP ratio

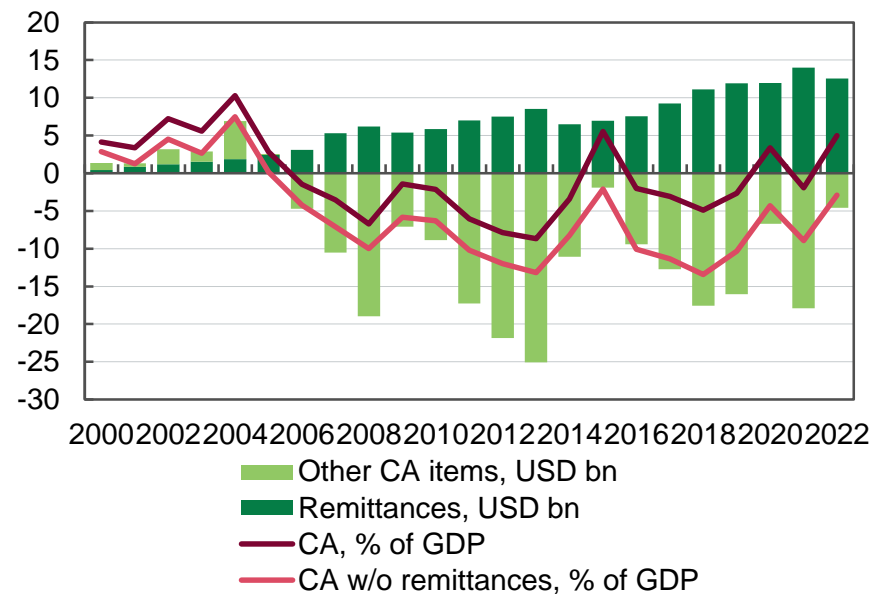
# Remittances provide an important financial buffer during economic shocks

Selected financial flows to Ukraine, USD bn



Source: NBU.

Current account

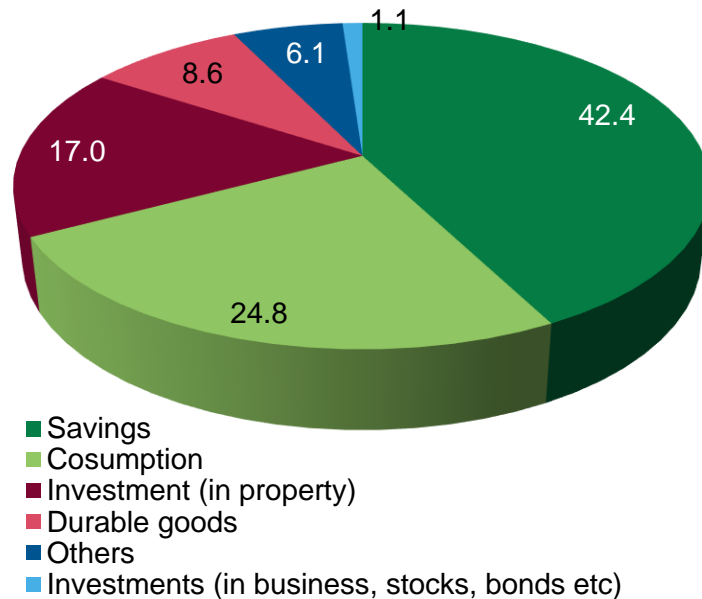


Source: NBU.

- Remittances proved to be a more resilient source of financial inflows during crises, recovering faster compared to other financial flows
- Also, remittance inflows are less dependent on the economic cycle and are less prone to sudden stops
- Previous crises led to a sharp contraction in trade and capital flows to the country, while remittances remained almost stable

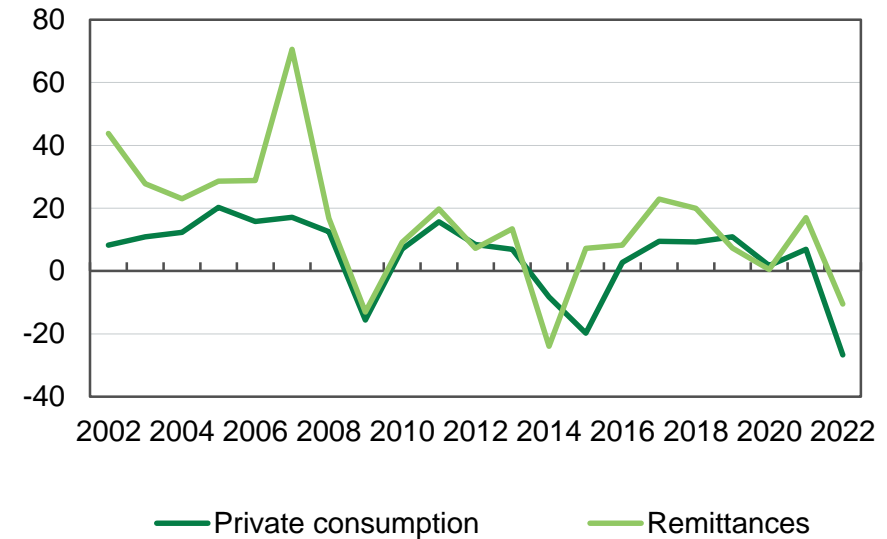
# Remittances can help stabilize consumption over time by supporting savings

Purposes for sending remittances to Ukraine, %



Source: IOM survey.

Remittances and private consumption, % yoy

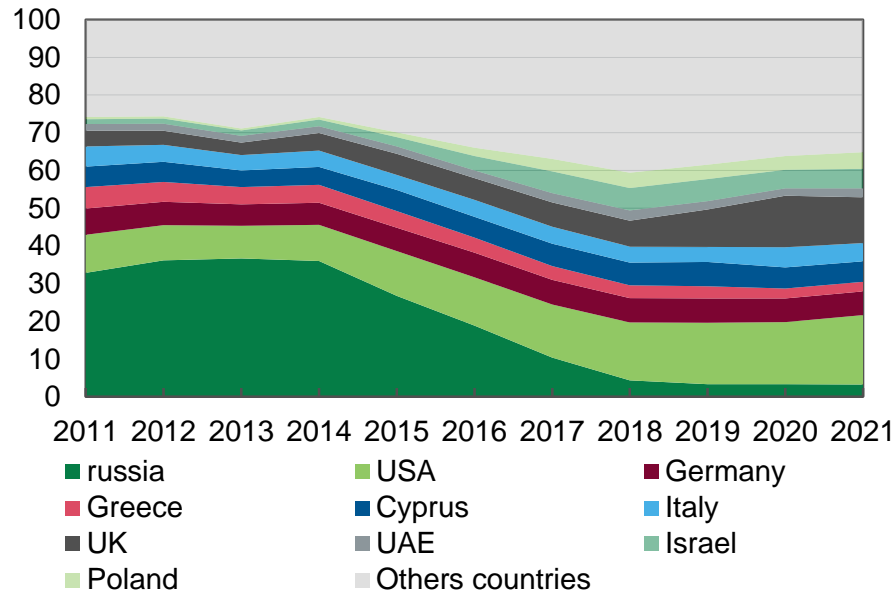


Source: NBU calculations..

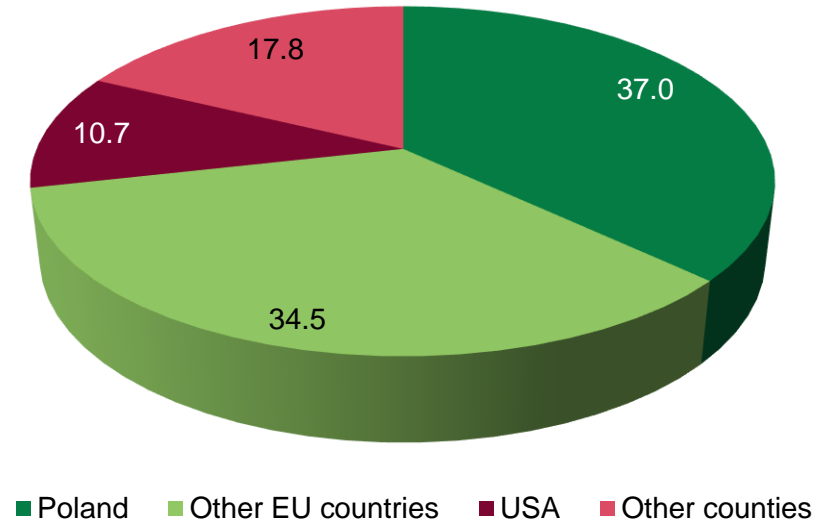
- Remittances are driven by a host of factors, in particular, economic opportunities in home countries: the more challenging the situation is at home, the more migrants try to support their relatives
- Only a marginal proportion of remittances is directed towards business investments, while the largest amount focuses on savings and consumption. Such savings serve to fund consumption during economic downturns and act as a buffer against short-term income fluctuations
- So, remittances have positive impact on consumption component of the economy.

# Remittances' structure has changed dramatically after 2014

Geographical structure of remittances through official channels, %    Geographical structure of remittances in 2023, %



Source: NBU.

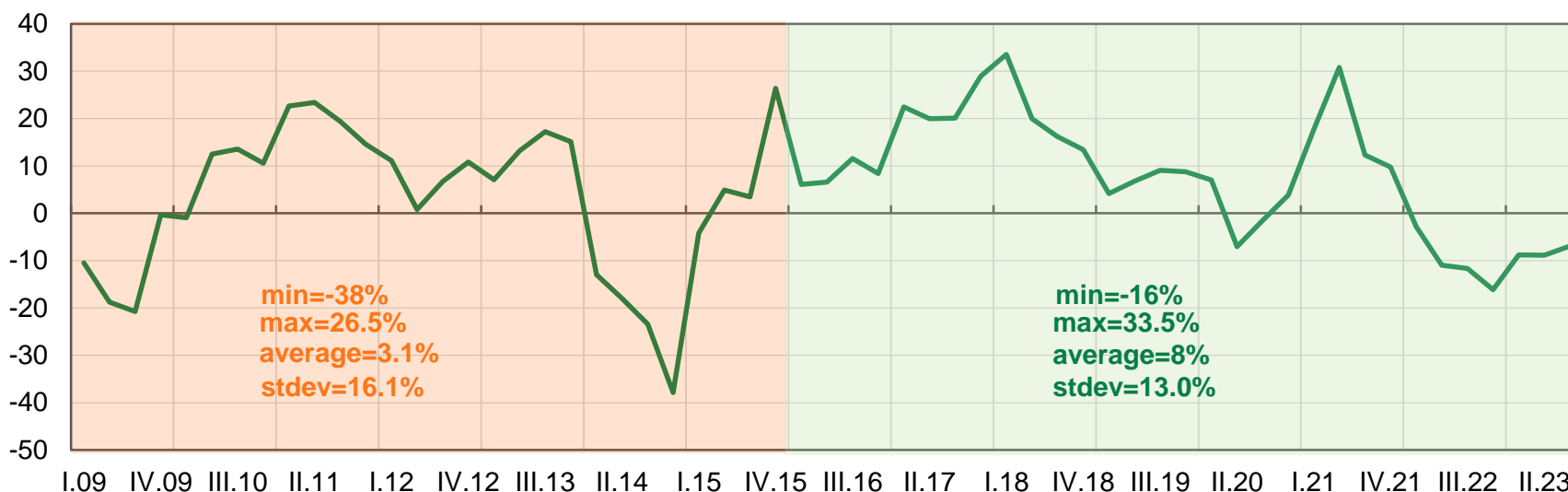


Source: NBU.

- Until 2014, Russia was the primary destination for Ukrainian migrants
- The Russian armed aggression led to a significant geographical redistribution of labor migrants. The share of high-income countries, including the EU, increased and that of Russia decreased and eventually reached zero
- Also, the role of informal channels grew, particularly, in remittances from Poland

# Shift to the high-income countries as host destinations led to greater resilience of remittances

Remittances, % yoy



Source: NBU calculations.

- The higher income levels and more stable economic environment in the developed economies hosting Ukrainian migrants have contributed to the sustained growth of remittances to Ukraine
- Also, the response of remittances to negative shocks has significantly decreased: its decline after the full-scale war was much lower than that observed after Russian armed aggression in 2014 and the crisis in 2009

# Key takeaways

---

- **Importance and Resilience of Remittances:** Remittances serve as a crucial financial lifeline for many economies, offering stability even in turbulent economic times. In Ukraine, they have grown significantly over the years. Unlike other forms of foreign investment, remittances exhibit remarkable stability during economic downturns, making them a reliable asset for Ukraine's economic well-being.
- **Impact on Consumption:** Remittances play a vital role in stabilizing private consumption, acting as a buffer against short-term income fluctuations.
- **Evolving Migration Patterns:** independent Ukraine has witnessed three distinct waves of migration, driven by economic and geopolitical factors. The adaptability of the Ukrainian diaspora in response to these shifts showcases resilience.
- **Geographical Shift:** Ukrainian migrants have shifted their focus from Russia to European countries, especially Poland. Various factors, including proximity, cultural connections, and improved living standards have influenced this shift.
- **Increased Resilience:** The preference for high-income countries as destinations for Ukrainian migrants has led to greater resilience in remittance flows. Remittances respond more consistently to negative shocks, such as wars and financial crises, ensuring economic stability.

**Keep calm and stay strong. As Ukrainian remittances**