The COVID Shock and Remittances in the Caucasus and Central Asia

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Significant dependence on remittances

Gross remittances received in selected CCA countries
(annual, percent of GDP)

Source: World Development Indicators, World Bank.
Remittances took a dip in Q2-2020…

Gross remittances received in selected CCA countries (quarterly, percentage growth)

Source: WEO; and IMF Staff Calculations.
... driven by a decline in the compensation of employees ...

Gross Personal Transfers (quarterly, percentage growth)

Gross Compensation of Employees (quarterly, percentage growth)

Source: WEO; and IMF Staff Calculations.
...but recovered in the second half of 2020

Cross-border gross individual transfers
(Index, Jan 2019 = 100)

Source: Desk survey, based on national statistics; and IMF Staff Calculations.
The recovery was supported by a gradual relaxation of stringency measures ...

Source: University of Oxford.
... and pick up in international flights ...

Source: FlightRadar24; and IMF Staff Calculations.
... with some anecdotal evidence

- Shift from informal to formal transfers
- Repatriation of savings
- Cash transfers in host countries
Takeaways: The impact of the COVID shock on remittances

**Near-term**

Substantial drop initially (*amplification channel*), followed by continued recovery (*stabilization channel*).

**Medium-term**

Volume of remittances is likely to be lower compared to the pre-COVID projections reflecting scarring.
Thank you!