EMIGRATION AND REMITTANCES DURING COVID-19: EVIDENCE FROM NORTH MACEDONIA AND SERBIA

Abstract: This paper provides assessment of the changes in the scope and transfer of the remittances in North Macedonia and Serbia, in light of changes in the emigration abroad during the COVID-19 pandemic. The analysis is based on the foreign data sources about emigration abroad, as well as annual and monthly remittance data from national banks of both countries.

Emigration abroad from North Macedonia and Serbia in 2020 continued but with decreased intensity than in previous years. In 2020 compared to 2019, the transfer of remittances through official channels is almost 50% higher in North Macedonia and about 17% lower in Serbia, while in 2021 compared to 2020 it increased in both countries. It implicates significant shift from informal to formal remittance channels due to travel restrictions. The category of other current transfers related to the foreign exchange operations in 2020 compared to 2019, noticed considerable decrease in both countries (for two fifths in North Macedonia and for more than one fourth in Serbia). Their decline is particularly emphasized in July and August due to less migrants’ arrivals. In 2021, the increased number of migrants in both countries results with higher inflow of remittances in cash.

Changed transfer of the remittances imply need for: Development of digital financial tools according the migrant’s needs; To stimulate the use of bank cards for remittance recipients; Improvement of communication tools
to promote financial literacy and encourage the use of digital services by migrants and their families; etc.

**JEL Classification:** F22, F24, I10, O11

**Keywords:** Emigration, Remittances, COVID-19, North Macedonia, Serbia
Introduction

COVID-19 pandemic had implications on almost all aspects of people’s lives. The restrictions for traveling and lockdowns have caused significant changes in the international migration flows, particularly in temporary and circular migration. At the same time more or less emphasized changes had happened in the impact of these migratory movements, including the remittances, as one of the most important benefits of these movements for the countries of origin and the migrants’ families.

Having on mind the significance of the migrants’ remittances for the countries in the region an analysis of the COVID-19 pandemic implications on remittances inflows in North Macedonia and Serbia is conducted, as a significant financial resource for both countries. They are mainly determined by the changes of the size and main features of the emigration abroad, economic situation in the receiving countries, lockdowns etc.

The objective of analyses is the assessment of the changes in the scope and transfer of the remittances during the COVID-19 pandemic in North Macedonia and Serbia, as one of the most significant benefits of the emigration abroad for both countries. The analysis is based on available annual and monthly remittance data for the period 2015-2021, observed in light of the changes in the emigration of both countries. Also, the results from recent research of the authors of this paper, referring to the impact of the COVID-19 pandemic on temporary and circular labour migrants from Serbia and North Macedonia, were taken into consideration.

1. REMITTANCES ON GLOBAL LEVEL

The outbreak of the COVID-19 pandemic and the measures taken by many of the countries to prevent the spread of the virus, had consequences on remittances and their transfer. The negative impacts can be seen in three areas. The economic aspect means that as a result of becoming unemployed or getting a reduced income, the migrants have less money to send back home. The migration aspect, is related to the disruptions in the migration flows, meaning that migrants can no longer leave their home country as planned, or need to return (after losing their job and/or permit), and therefore will not send remittances. There is also the disruption in terms of the remittance services, as pro-
providers had to adapt to the lockdown, meaning that the channels through which remittances can be sent are fewer, slower and/or costlier.\footnote{European Commission, Inform#4 – The impact of COVID-19 on remittances in EU and OECD countries, Series of EMN-OECD informs on the impact of COVID-19 in the migration area, 2020, p.1}

All researches made in 2020-2021 discussing the influence of the COVID-19 pandemic to migrants’ remittances indicate on the significant changes in the amount of the remittances, due to economic slowdown, changes on the global labor market and the scope of the international migrations.

The adverse effects of the crisis in terms of loss of jobs and earnings, and exposure to and infection with COVID-19, have been disproportionately high for migrants, especially for those in informal sectors and relatively low-skilled jobs. The available data from the World Bank show that at the beginning of the COVID-19 crisis there was a severe decrease in the employment in most of the countries, particularly of the foreign workers. For example, in the United States compared to the pre-crisis level of February 2020, the employment level of foreign-born workers declined by 21% in April, sharper than the 14% decline in the employment of native-born workers. Although in the following period the situation has been slightly improved, still the employment level is lower for 12% for foreign-born workers, while only by 5% for native-born workers.\footnote{World Bank Group, KNOMAD, Phase II: COVID-19 Crisis through a Migration Lens, Migration and Development Brief 33, October 2020, p. 3}

In the same research is accented that in 2020 there was a fall in the stock of international migrants. Namely, as a result of the travel bans and restrictions on cross-border mobility, a smaller number of people have crossed borders during the first six months of 2020. The provisional results of Germany’s migration statistics are confirming that, where the number of people arriving in the first half of 2020 was down by 29%.\footnote{Ibid., p. 4}

As a result of the stagnated economic activities in many major migrant-hosting countries, remittance flows were expected to register a decline compared to the pre COVID-19 levels in 2019. The World Bank has estimated that the amount of money migrant workers send home will decline for 7.2% to $508 billion in 2020, followed by a further decline of 7.5% to $470 billion in 2021.\footnote{Ibid., p. 7} The projected decline in remittances will be the steepest in recent history, certainly steeper than the decline (less than 5%) recorded during the global recession of 2009.
However, based on the World Bank Group’s available data on remittances, remittance flows have proved to be resilient during the COVID-19 crisis. In 2020, officially recorded remittance flows to low- and middle-income countries reached $540 billion, only 1.6% below the $548 billion seen in 2019.\textsuperscript{5} One of the main reasons for remittance flows resilience during the crisis was migrants’ desire to help their families, to send money home by cutting consumption or drawing on savings. Other drivers included fiscal stimulus in host countries that resulted in better economic performance, as well as the shift in flows from informal to formal channels. There was a greater use of digital remittance channels, because due to the travel bans and lockdowns it was harder to carry the remittances in cash. Starting from June 2020, remittance flows through digital channels increased, especially for migrants with access to bank accounts and credit cards. Recent data showed that cross-border remittances processed via mobile money increased by 65% in 2020 (from $7.7 billion in 2019 to $12 billion in 2020), reaching over $1 billion in transactions sent and received each month.\textsuperscript{6} Since digital remittances are better recorded than cash remittances, especially those carried by hand or sent through other informal channels, official data are likely to record more remittances even if the true size of remittances may be falling.

Considering the findings of recent researches, as well as the available data on the remittances on global level it can be noted that there are several key factors which can help to explain why the decline in remittances was not acute as earlier predicted. Thus, there was an increase in the use of digital transfers, such as mobile money, and the shift from informal to formal channels, particularly when the travel restrictions imposed by COVID-19 pandemic made harder for people to access physical remittance service providers or to carry remittances in cash. Also, remittances proved to be countercyclical during times of crises, because when migrants are able to, they send larger amounts of money to their countries of origin in order to help their families when needed. Considering the fact that the migrants present a large part of the labor force in many countries, and because key sectors continued to operate despite the pandemic, job losses for some migrants were not as widespread as initially predicted. One of the factors is the fact that more established diaspora was better prepared and able to continue to send money home to family in their countries of origin.\textsuperscript{7}

\textsuperscript{5} Ibid., p. 1
\textsuperscript{7} IOM, UN Migration, Understanding the migration & mobility implications of COVID-19,
During COVID-19 pandemic due to loss of income and economic slowdown, the need for financial support for families back home has risen, particularly for essential goods and services including health care. Therefore, remittances remain if not became even more important consumption smoothing mechanism for the recipient households and, as such, they form an increasingly important (private) element of global social protection systems.

2. CHANGES IN THE EMIGRATION FROM NORTH MACEDONIA AND SERBIA

The number of Macedonian and Serbian citizens who are permanently or for a longer time abroad, as well as the temporary and circular emigration, in last decades, is noticing continuous and significant increase. In absence of comprehensive data from domestic sources, this is shown by the migration stock data of international organizations and of the receiving countries. According to the Atlas of Migration 2021 data, in 2020 compared to 2015, the migration stock of both countries increased, by more than 130 thousand (North Macedonia) and for 185 thousand persons (Serbia). These data are confirming the rising trend of emigration abroad, but can be assessed as underestimated compared to the real volume of the migration stock of both countries.

![Figure 1. Migration stock of North Macedonia and Serbia, 2015, 2019 and 2020](source: European Commission, Atlas of Migration 2021)

The emigration increase is also confirmed by Eurostat data which show that the number of Macedonian and Serbian citizens in the European receiving

countries in 2021 is higher than in 2019 (Table 1). This means that the emigration from both countries continued, despite the restrictions on the population movement due to COVID-19 pandemic, but with significantly lower intensity, particularly in 2021.

Table 1. Emigration stock of North Macedonia and Serbia in EU countries, 2011-2021

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Decreased intensity of the emigration abroad from North Macedonia and Serbia, during COVID-19 pandemic is confirmed and by the Eurostat data on the first residence permits issued during the years. The total number of first residence permits for Macedonian citizens in EU countries have oscillating trend. In 2017 it amounts 16404 permits, in next years they increased from 24040 (2018) to 26653 permits (2019). In 2020 their number was 16338 permits, which means decrease for about 39% compared to previous year.

At the same time significant changes happened in the structure of first residence permits related to reasons for their issue. They are manifested in considerably high share of those issued for work in 2018 and 2019, while in 2020 they reached the same level from 2017 (Figure 2). In 2017 prevails the share of permits for family members (52%) and it is relatively higher than in 2020 (47%), compared to previous two years. It means that during the pandemic, the family reunion abroad has continued. As for the residence permits for education their share remains small and almost the same. Rising trend is noticed for the permits issued due to other reasons, which in 2020 reached on fifth of total issued permits (21%).
Previously identified changes had influence on the number of valid residence permits at the end of 2019 and 2020, when their number decreased from 220846 to 205736 permits, or for nearly 7%. At the same time the share of family residence permits remains dominant, noticing rising trend and reaching 50% in 2020 (Figure 3). Decreased participation is characteristic for work and education permits, while of those for other reasons remains the same. In the observed years there is a decline of the number of long-term residence permits (from 132252 to 126371), while an increase of their share in total valid residence permits (from 59.9% to 61.4%).

Source: European Commission, Atlas of Migration 2021
Data for the total number of first residence permits for Serbian citizens in EU countries also have fluctuating trend. In the period 2017-2019 it is increasing from 39673 permits, to 51057 and to 62190 permits. In 2020 their number was decreased for about one third (34.3%) and their number (40872) is almost similar to the one in 2017.

The structure of the first residence permits related to reasons of their issue during the year in Serbia is rather different than in North Macedonia. Throughout the entire period the share of work permits prevails, but with significant change in their numerical values. In 2018 and 2019 it is higher than 50%, while in 2017 and 2020 it is considerably lower (43% and 40%). As for the share of the family members’ residence permits they constantly decrease until 2019, but in 2020 it increases again, reaching one third as in 2017 (Figure 4). Regarding the residence permits for education their share is declining and in last two years amounts 4%. Oscillating trend is noticed for the permits issued due to other reasons in the period 2017-2019, and relatively high increase in 2020 when they get 23%.

The stock data for the number of Serbian citizens abroad with valid residence permits declined from 503757 (2019) to 425599 (2020), or for 15.5%. In terms of the reasons for getting valid residence permit there aren’t any changes in both analyzed years. In Serbia, prevails the share of issued permits for other reasons (more than 50%), relatively lower is that of family reasons (32%) and two times lower is of those for work (Figure 5). In last two years the number of long-term residence permits of Serbian citizens remains almost the same,

Source: European Commission, Atlas of Migration 2021
305780 (2019) and 303497 (2020). Their share in total valid residence permits rose from 60.7% to 71.3%, respectively.

There are many indications displaying that in the last decade, migration for work has become the dominant category of migration flows from North Macedonia and Serbia, while temporary and circular migration has considerably increased. This is largely the result of a significant increase in migration for work, which gradually intensified during the 2010s, after entering to the so-called white Schengen list. A large part of them refers to a short stay (up to 3 months), where family members generally remain in the country of origin. Also, these short-term migrations to a great extent are not included in the statistics of international migration. The largest number of labor migrants is directed towards Germany, Austria, and in the case of Serbia, towards the new EU members, among which are the former republics of the SFRY, Slovenia and Croatia. Considering the entire above, international migration has significant impact on the migrants’ remittances inflows in both countries.

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3. REMITTANCES IN NORTH MACEDONIA AND SERBIA

3.1. Inflow of remittances through official channels

The data from the National Banks of both countries indicate that the inflow of the remittances through the official channels in the period 2015-2019 has fluctuated. In North Macedonia it is with oscillating, but a decreasing trend and its scope didn’t reach the 2015 level (Figure 6). Quite different are the changes in Serbia, where the remittances have decreased in 2016 and 2017, but noticed a significant increase in 2018 and 2019 (Figure 7). In this period the changes in the remittances don’t correspond with the emphasized emigration abroad from both countries.

The COVID-19 pandemic had influence on the emigration abroad and consequently on the remittances’ inflow through official channels in the countries of origin. In 2020, compared to 2019, in North Macedonia the remittances increased by 46.6%, and in Serbia declined by 17.2%. In 2021 compared to 2020, the scope of the remittances has raised in both countries (for 12.9% in North Macedonia and for 18.3% in Serbia). Related to the pre-pandemic period, i.e. to 2019, the remittances’ scope through official channels in 2021 in North Macedonia was higher for 65.5%, while in Serbia it has almost reached the same level.

Monthly data on the inflow of remittances through official channels show that in North Macedonia from April 2020 until the end of 2021 the amount of the remittances is higher than in the corresponding months from 2019. In 2021 compared to the previous year they have bigger scope almost in all months (with exception of May, June and July). Nevertheless, these three months remain with highest inflow of remittances in pre-pandemic, as well as in pandemic period (Figure 8).

In Serbia, from the beginning of the COVID-19 pandemic until the end of 2021, the inflow of the remittances remains lower than in the corresponding months of 2019 (with the exception of September and November 2020 and March, November and December 2021). In 2021 in nearly all months, except in September and October, they are higher compared to 2020 (Figure 9).
Such changes in the last year are determined by the increased number of migrants that came in North Macedonia and Serbia, due to relaxed situation for traveling.

### 3.2. Remittances through unofficial channels

Apart from the official channels, a significant amount of remittances in North Macedonia and Serbia also comes through unofficial channels or the migrants carry them in cash when they visit the countries of origin or they
send money via family members, relatives and friends. During the COVID-19 pandemic, the receiving countries, as well as the countries of origin has faced specific terms for traveling and lock-downs. It influenced migrants’ possibilities to visit their countries of origin, causing changes on remittances’ inflow through unofficial channels and net cash exchanges. The available data for net cash exchange confirms these changes.

In North Macedonia in 2020 compared to 2019 net cash exchange decreased by 40.5%, while in 2021 its size was higher for 55.3% than in the previous year (Figure 10). Despite these changes, net cash exchange during the pandemic remains smaller than in the pre-pandemic period.

![Figure 10. Net cash exchange in North Macedonia, 2015-2021, (in million euro)](https://nbstat.nbrm.mk/pxweb/mk/Eksterni%20statistiki/)

In Serbia, the amount of net cash exchange in the period 2019-2020 has also decreased but by 27.4%. In 2021 compared to 2020, it is higher for 36.3% and reaches the level from 2019 (Figure 11).
Although it is difficult to determine the share of remittances within the net exchange, results of the researches in both countries show that the changes in the net cash exchange are more or less determined by the inflow of migrants’ remittances, particularly in summer months (mainly July and August). In 2020 compared to 2019 the net cash exchange has significantly decreased, in North Macedonia for 57.5% (July) and 61.1% (August), while in Serbia 38.8% and 35.4%, respectively.

With the increased number of migrants that came in both countries in 2021, when the travel constraints were relaxed, the scope of the net cash exchange in the same summer months has considerably increased in comparison to 2020. In July and August, in North Macedonia it was more than two times higher (Figure 12), while in Serbia the increase was for more than 62%, and in both countries almost reached the levels from 2019 (Figure 13).

Recent research of the authors related to the impact of the COVID-19 pandemic on temporary and circular labour migrants from Serbia and North Macedonia shows that 90% of respondents from Serbia and 55% from North Macedonia were bringing the money to the country of origin (either on accounts, in cash or by sending remittances). About one-third of all respondents

that were interviewed reported that they send remittances through the banking system and other official channels. This means that most of their earnings abroad they transfer to the countries of origin in cash. Sometimes respondents combine ways of sending remittances, meaning that they use official channels only occasionally for birthdays and holidays or if it is necessary or urgent to send money to their families.

Conclusion

The impact of the COVID-19 pandemic on remittances is twofold. Measures to restrict movement in order to curb the spread of the virus have impact on the scope of emigration abroad, in particular the temporary and circular migration. At the same time, slowdown of the economic growth and changed conditions on the labor market, have affected the available funds of the Macedonian and Serbian citizens abroad. It has a significant impact on changes in the flow of remittances in North Macedonia and Serbia and made it harder to transfer the part of remittances that migrants carry in cash.

Based on the analysis of available data and information on the inflow of remittances to North Macedonia and Serbia during the COVID-19 pandemic, the following can be concluded:

✓ Major changes are evident in the inflow of remittances from migrants in both countries. Manifested differences in the intensity of these changes are determined by several reasons: the structure of the migration contingents, the presence of permanent and temporary / circular migration, the tradition and family ties of migrants, etc.

✓ The changes in the transfer of remittances through the official channels are different. In North Macedonia historically largest increase in the inflow of remittances through the official channels is noticed in 2020 and 2021, while in Serbia after their decline in 2020, in 2021 they are gradually returning to the pre-pandemic level.

✓ The inflow of remittances through unofficial channels and in cash in 2020 and 2021 was largely determined by the arrival of migrants in both countries.

The great importance of migrant remittances for strengthening the economies of North Macedonia and Serbia and for improving the well-being of family members who are left behind is indisputable. During the COVID-19 pandemic at an aggregate level, the impact of remittances remains significant for both countries, despite the manifested trends. In that sense, in North
Macedonia the share of remittances as % of GDP amounts: 2.8% (2017), 2.7% (2018), 2.5% (2019) and 3.4% (2020), while in Serbia the numerical values of this indicator were: 8.1%, 8.8%, 8.2% and 7.3%, respectively. The remittances are even more important in terms when the economic growth is slowing down; the economic activity of the population is reduced; when there is a growing unemployment and poverty, as well as rising problems of the social and health care systems in North Macedonia and Serbia.

In these circumstances, remittance flows have impact on the livelihood improvement of the receiving households, by providing financial resources to cover basic living expenses, to compensate the rising health care costs, as well as by enabling investment in human and other capital. The higher inflow of remittances in 2021 has stimulated consumption and influenced the revitalization of economic activities in some of the sectors affected by the pandemic, as well as has reduced poverty growth in both countries.

No one knows how long the pandemic will last. In the new circumstances, a changed approach to remittance transfer is necessary. That includes: Development of digital financial tools according the end user’s needs and preferences; Stimulating the use of bank cards for remittance recipients; Improvement of communication tools to promote financial inclusion and literacy, and encourage the use of digital services by migrants and their families; Supporting micro-finance organizations to process cashless payments and open savings accounts; etc.

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