

Outlook for Remittances 2009-11: Resilience in the face of crisis

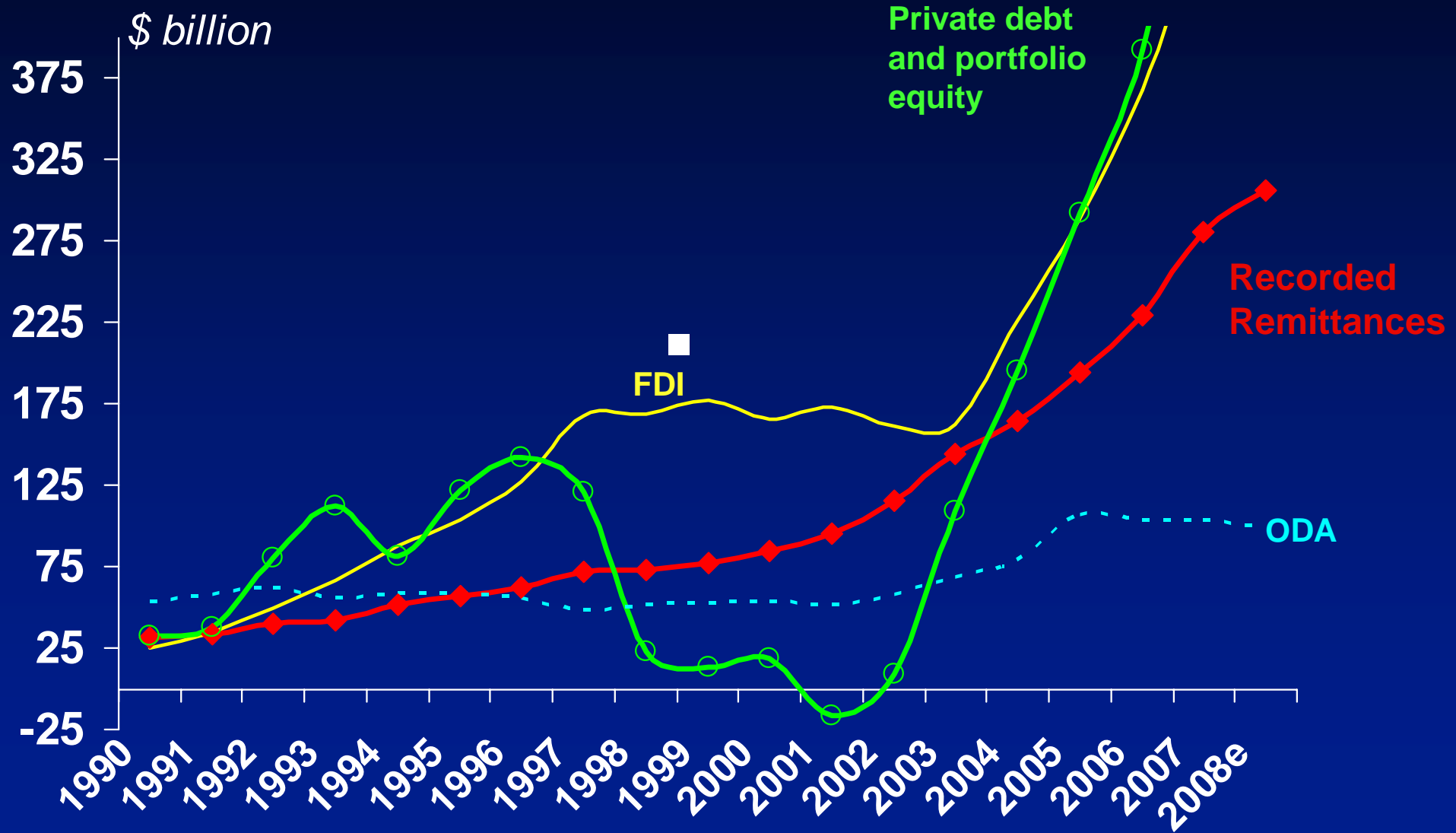
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World Bank

BSP International Research Conference on Remittances
Manila, Philippines
March 30, 2009

Outline

- Recent trends
- Outlook for 2009-11
- Policy options ■

Remittances exceeded \$300 billion in 2008



Remittance flows to developing countries

<i>US\$ billion</i>	2006	2007	2008e
Developing countries	229	281	305
East Asia and Pacific	53	65	70
Europe and Central Asia	38	50	53
Latin America and Caribbean	59	63	63
Middle-East and North Africa	26	31	34
South Asia	40	52	66
Sub-Saharan Africa	13	19	20
<u>Growth rate (%)</u>	■		
<i>Developing countries</i>	17%	23%*	9%
<i>East Asia and Pacific</i>	13%	23%	7%
<i>Europe and Central Asia</i>	23%	31%	5%
<i>Latin America and Caribbean</i>	18%	7%	0%
<i>Middle-East and North Africa</i>	6%	22%	8%
<i>South Asia</i>	20%	31%	27%
<i>Sub-Saharan Africa</i>	37%	44%*	6%

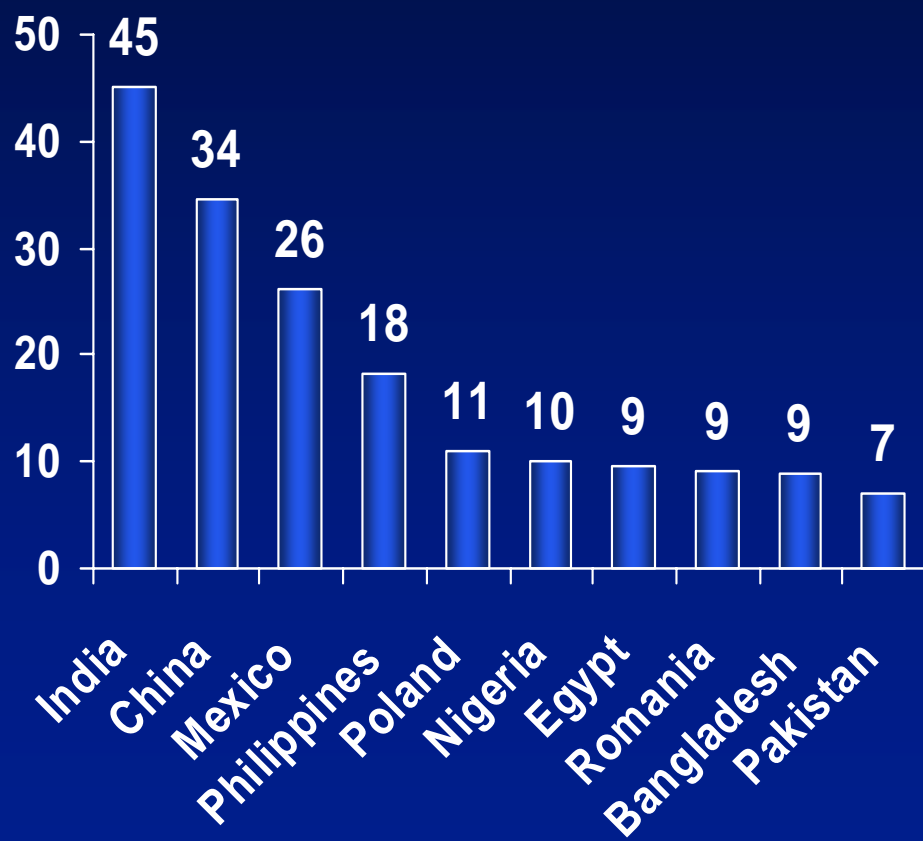
Remittance flows to developing countries

<i>US\$ billion</i>	2006	2007	2008e
Developing countries	229	281	305
Low-income countries	31	40	45
Middle-income	198	241	260
<u>Growth rate (%)</u>			
<i>Developing countries</i>	17%	23%	9%
<i>Low-income countries</i>	29%	29%	13%
<i>Middle-income countries</i>	16%	22%	8%
<u>Share of GDP (%)*</u>			
<i>Developing countries</i>	2.0%	2.1%	1.9%
<i>Low-income countries</i>	4.9%	5.5%	5.2%
<i>Middle-income countries</i>	2.6%	2.8%	2.7%

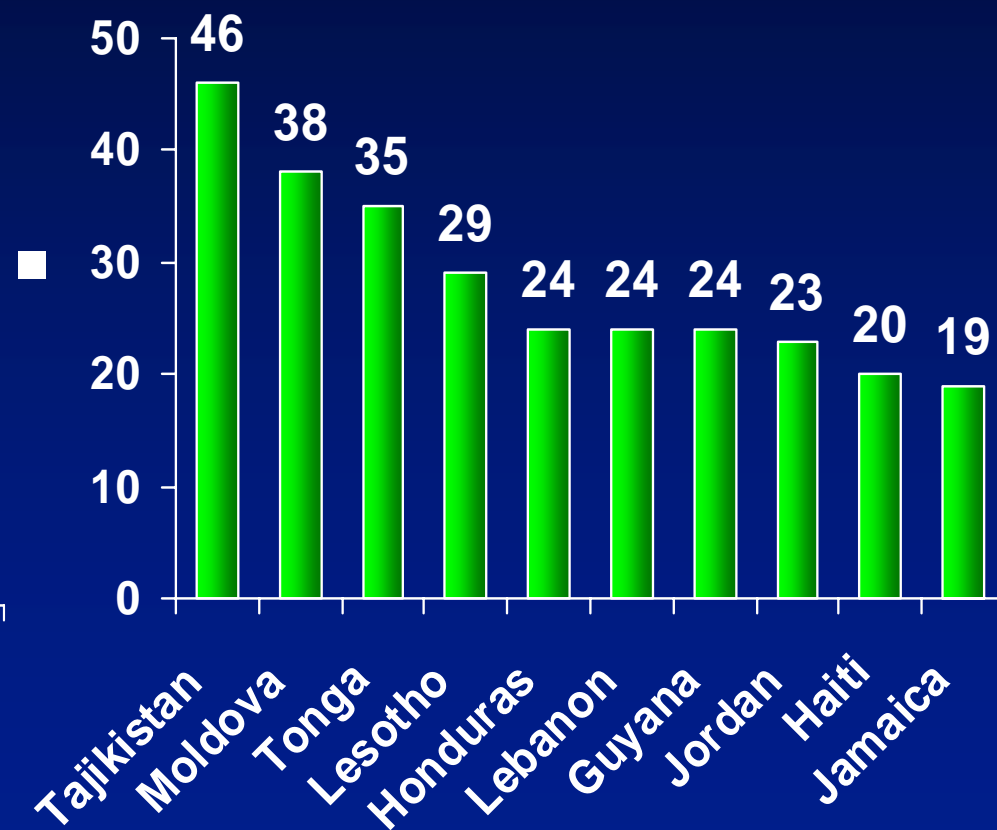
*Only countries with estimates and forecasts of remittances and nominal GDP for 2008-11

Top recipients of remittances

\$ billion, 2008e



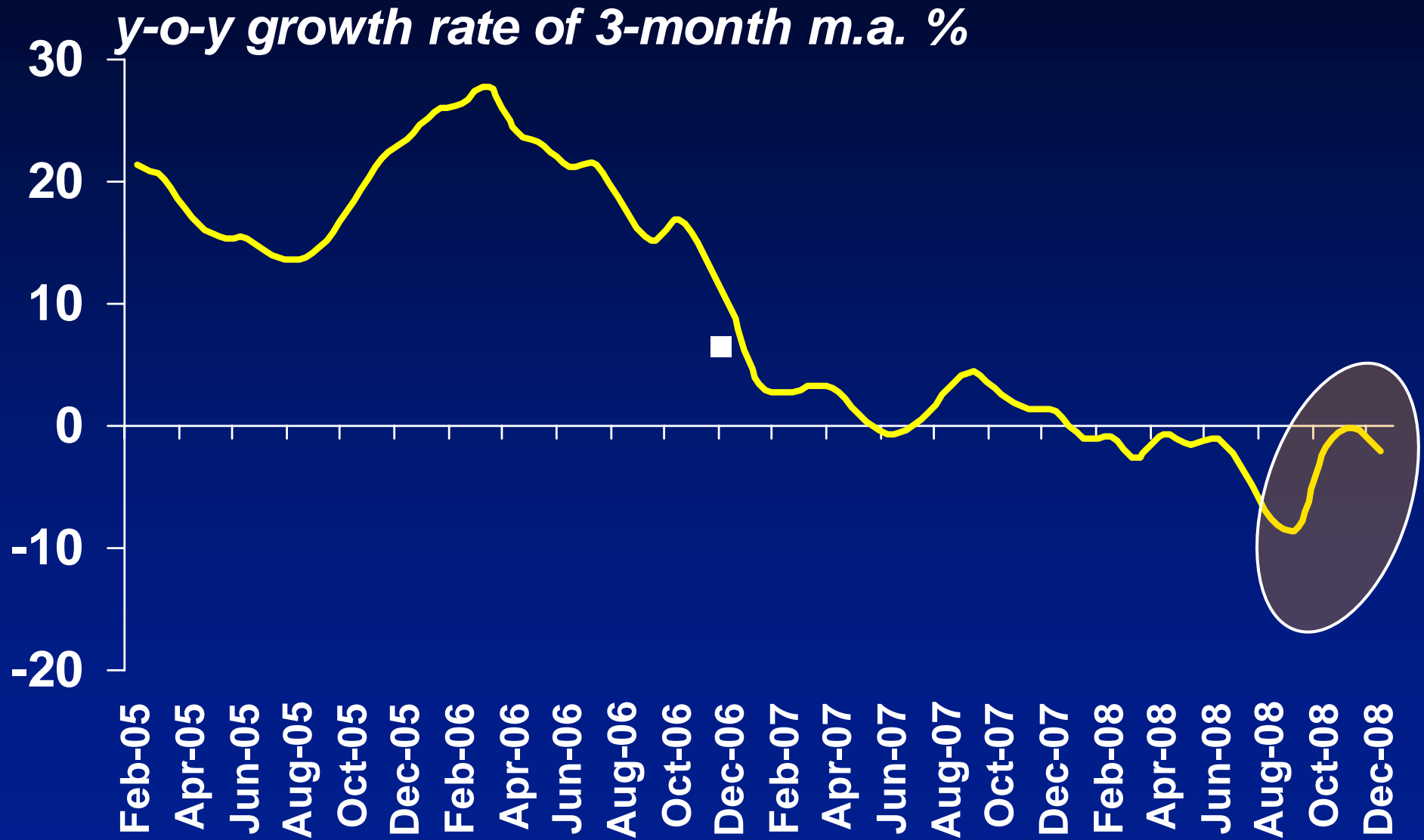
% of GDP, 2007



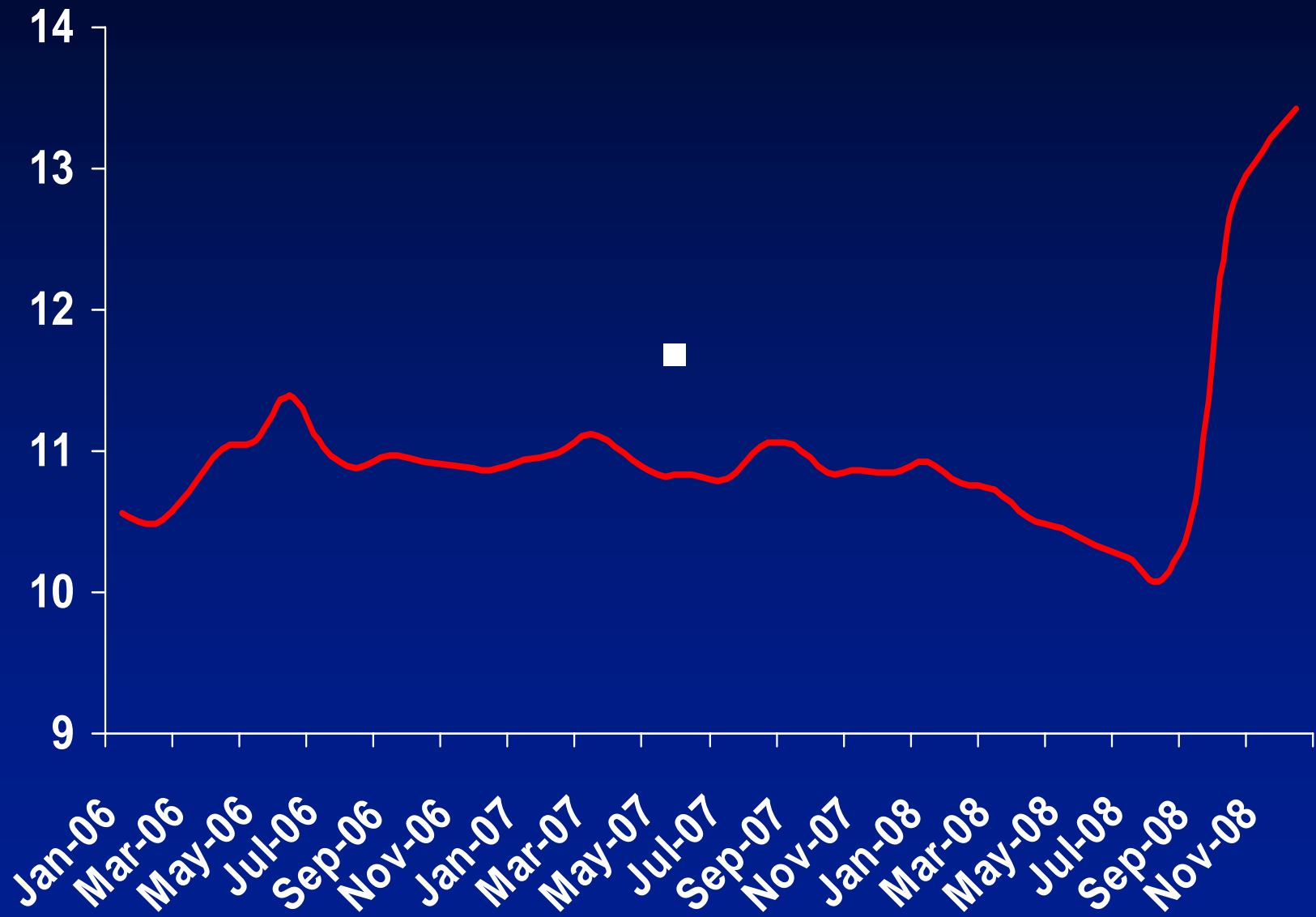
Near-term outlook

- The current crisis is unique, the environment extremely uncertain
- Slowdown in remittance flows in 2008 -- expected to deepen further in 2009
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- Flow – not the stock – of migration to decrease

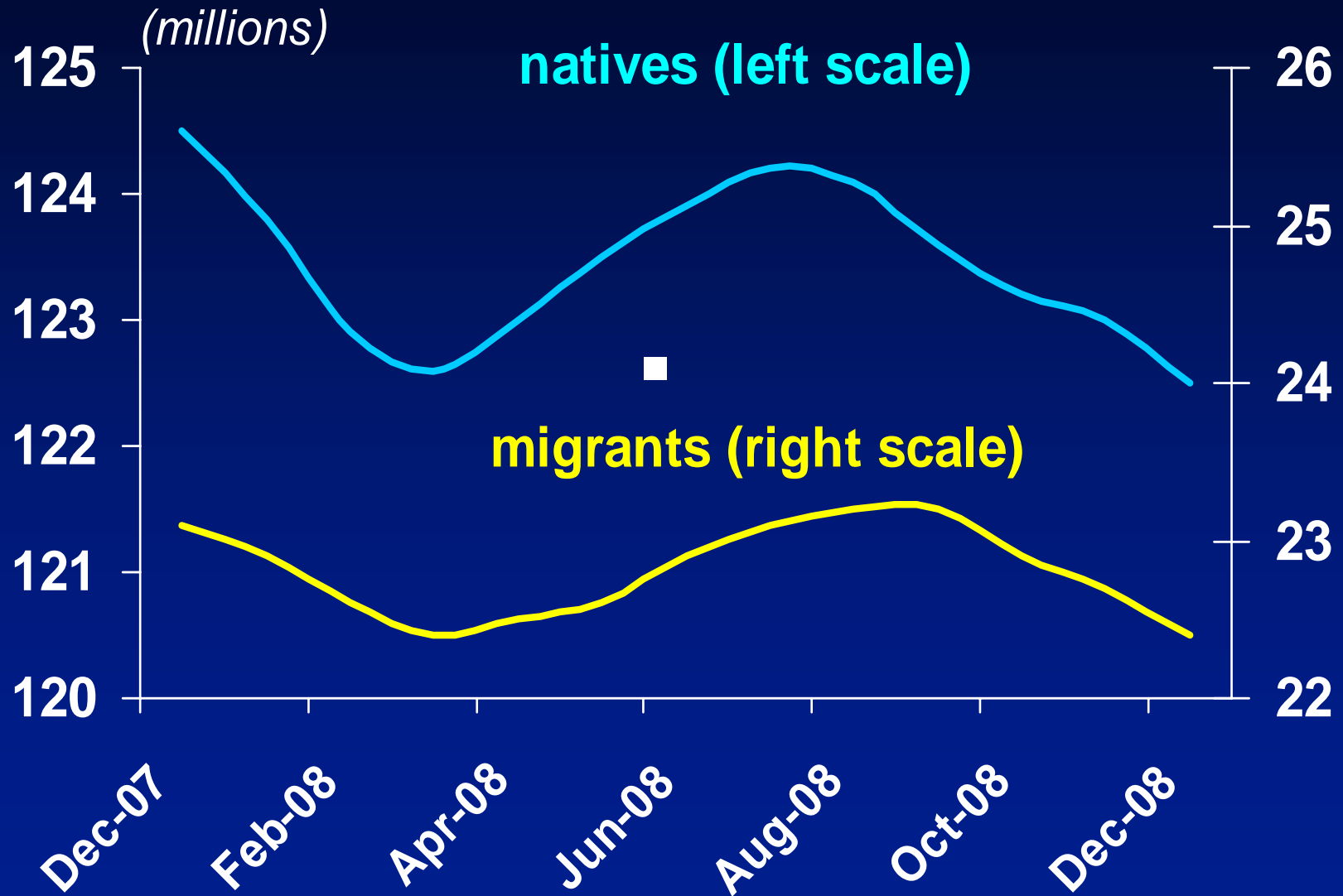
Remittance flows to Mexico have slowed



Mexican peso/US \$ exchange rate



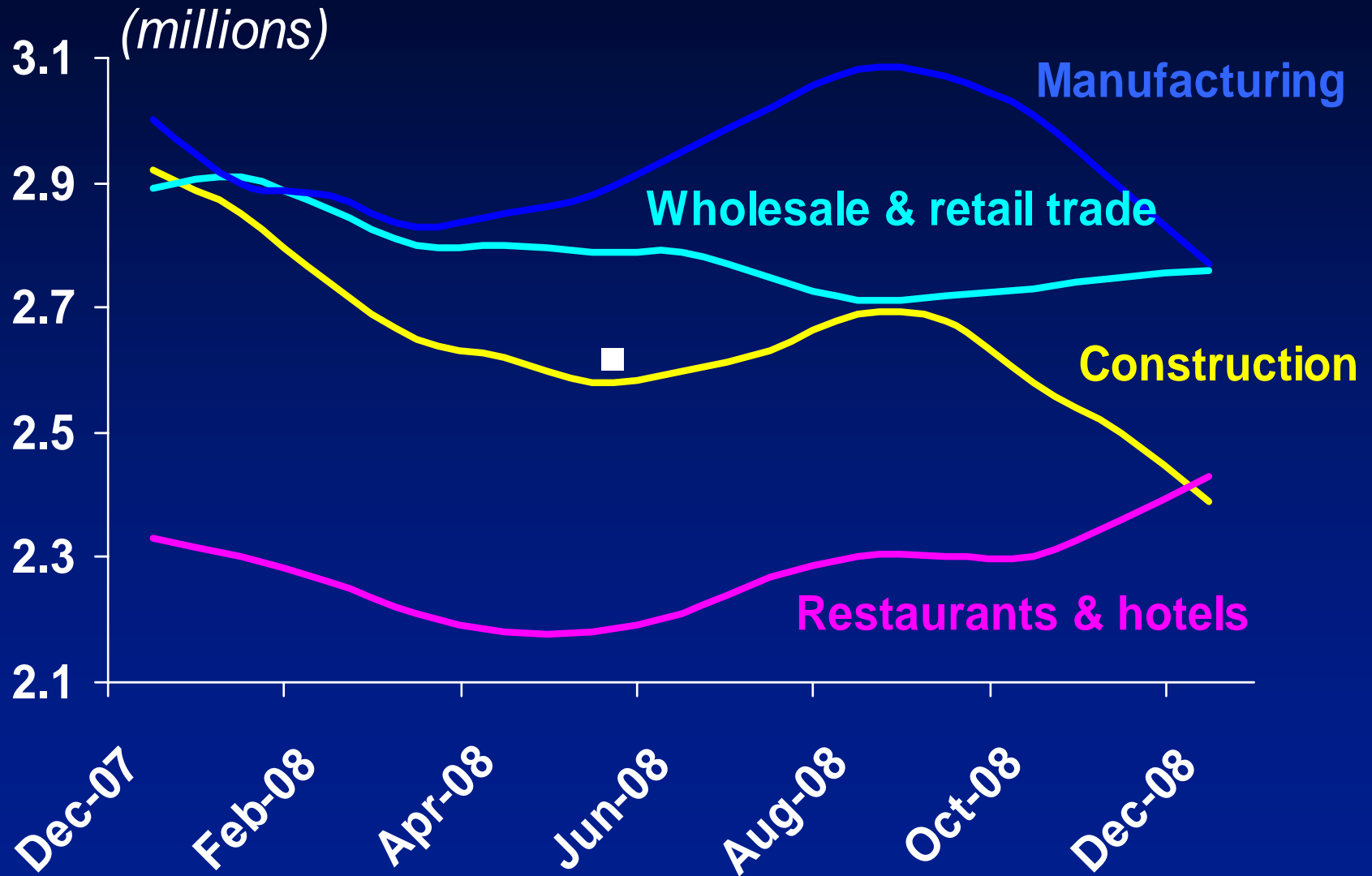
US employment: job losses are not different between natives and migrants



3-month moving average

Source: Current population survey.

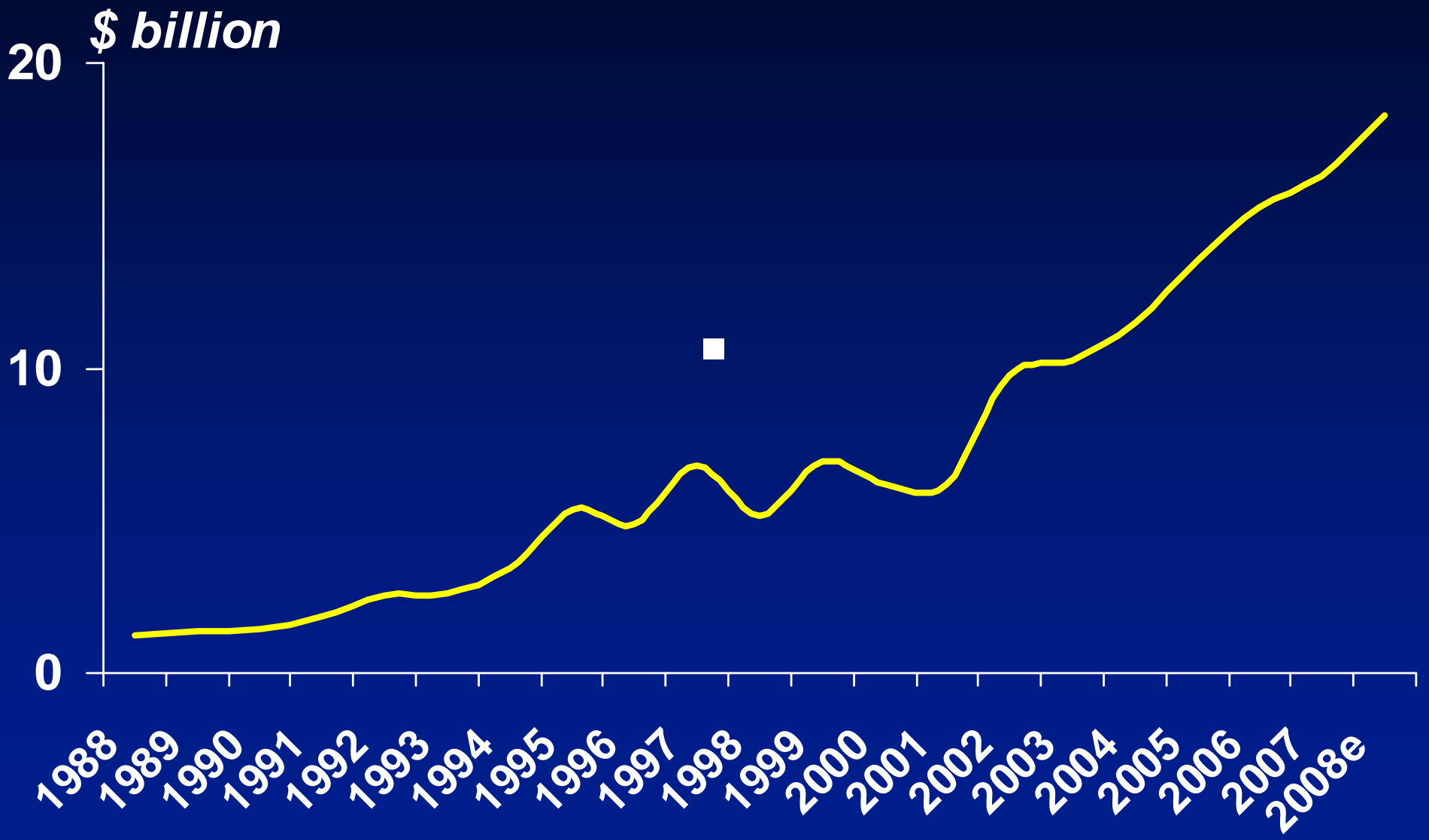
Sharp decline US migrant employment in construction and manufacturing; switch to wholesale and retail and restaurants



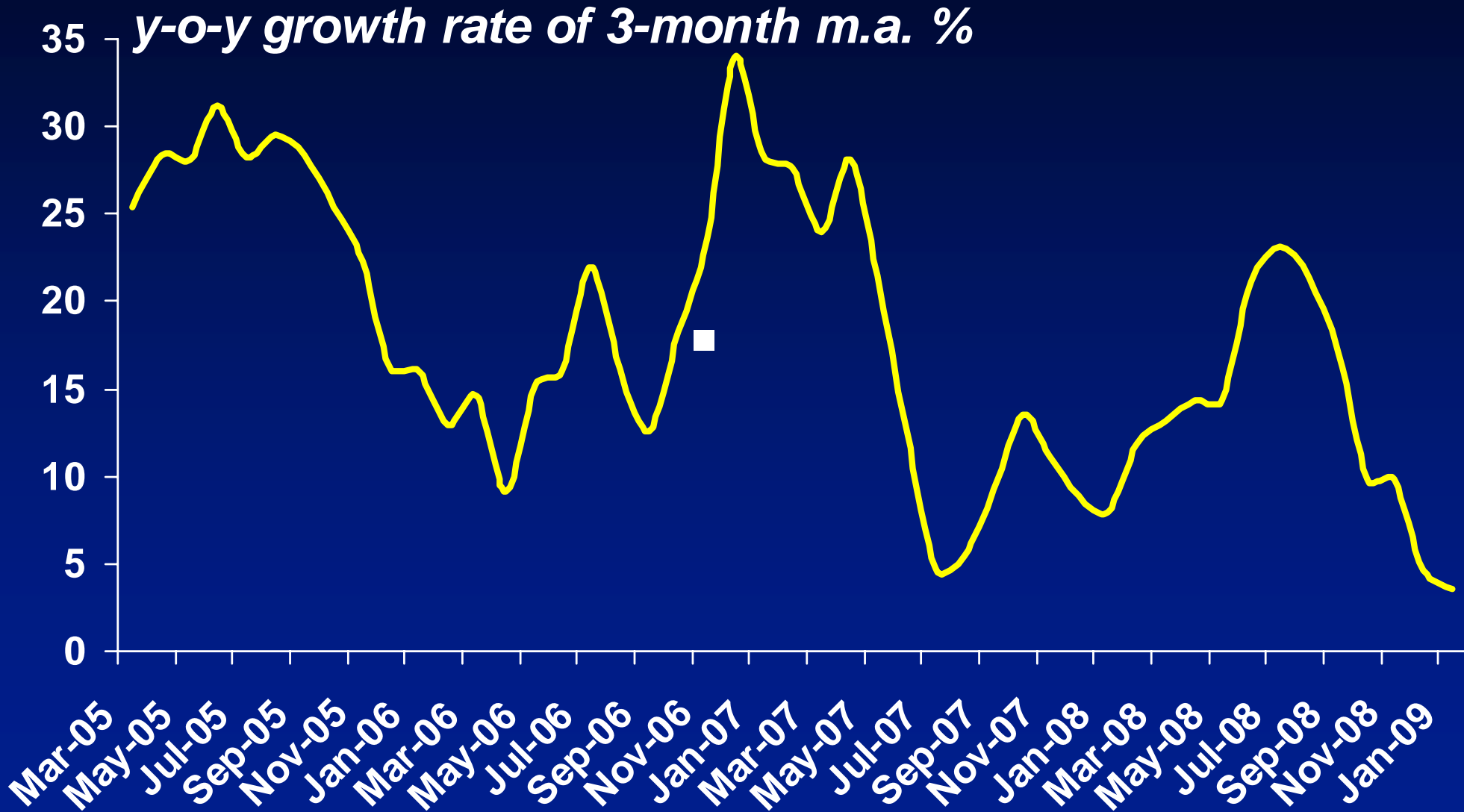
3-month moving average

Source: Current population survey.

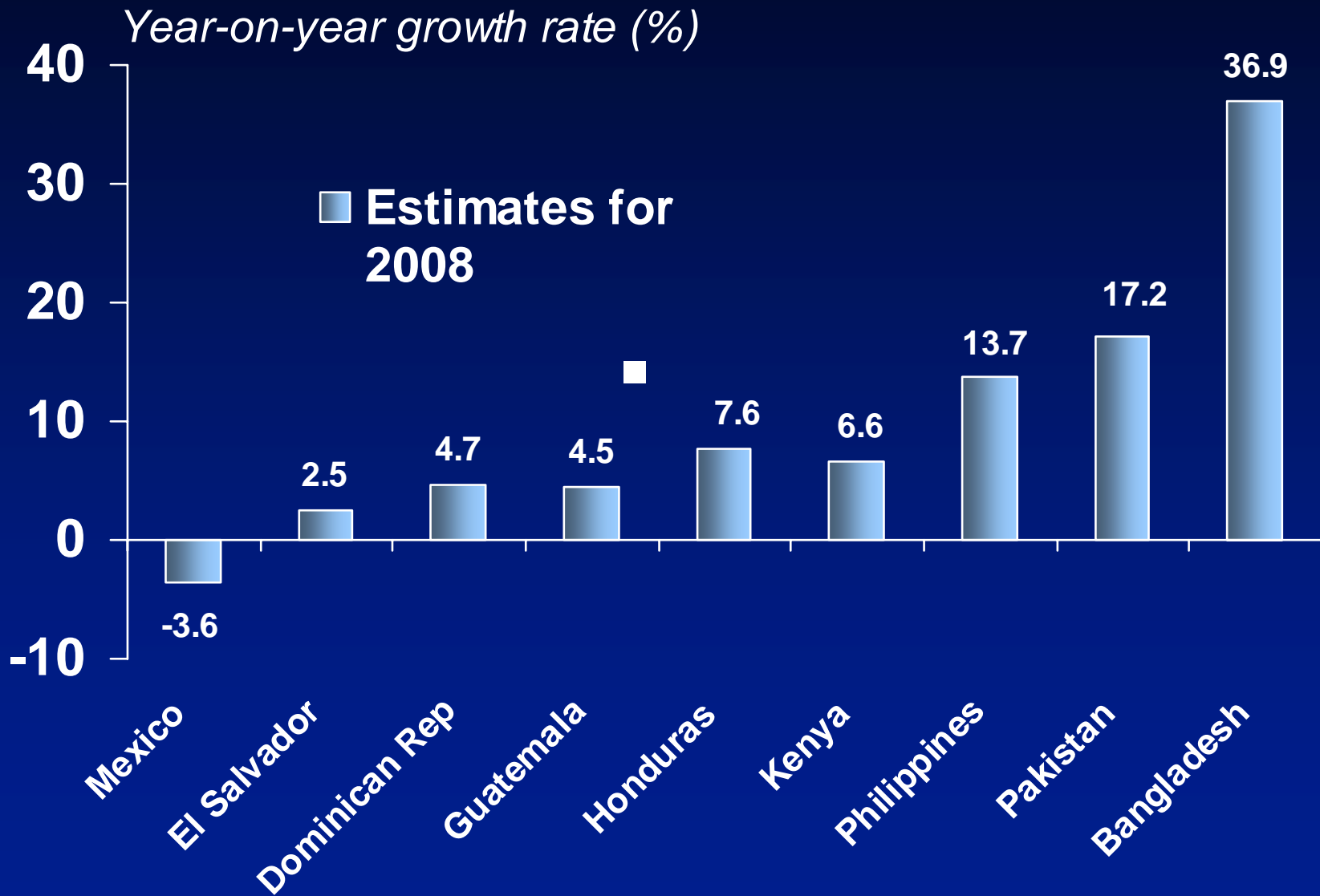
Remittance flows to the Philippines have surged in recent years to about \$18 billion in in 2008



Remittance flows to the Philippines have also slowed, but much less so than Mexico



Remittances have grown outside Latin America, but are expected to slow



Growth relative to same period last year. Jan-Dec for all countries, except Dominican Republic (Jan-Sep actual data and estimates for remaining months)

Outlook for 2009-2010



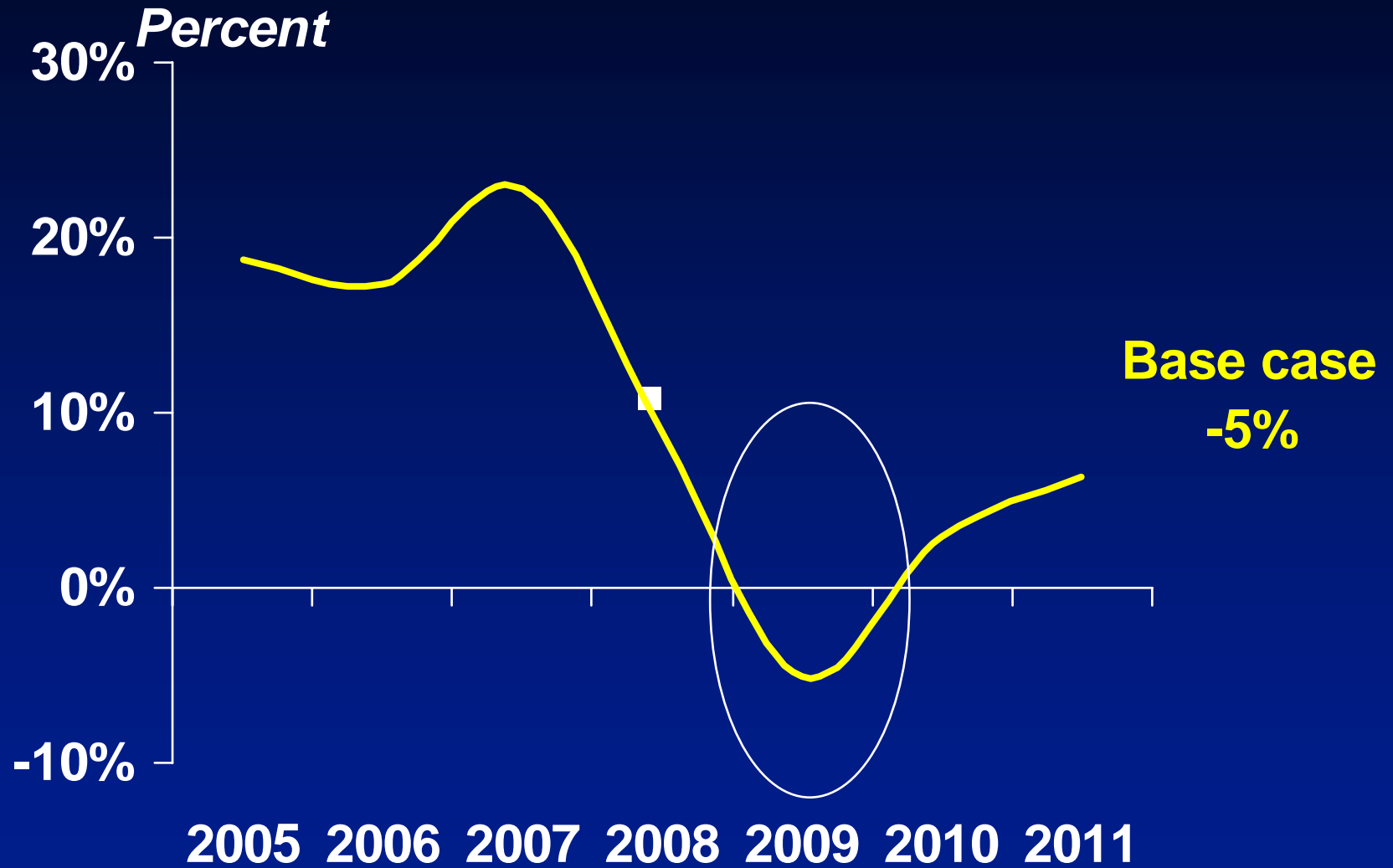
Medium-term outlook for remittance flows to developing countries

- Magnitude of the growth moderation or decline difficult to predict
- Remittances as a share of GDP are expected to fall, although not to the same extent as private flows or official aid. ■
- Migration flows from developing countries may slow as a result of the global growth slowdown, but the stock of international migrants is unlikely to decrease.

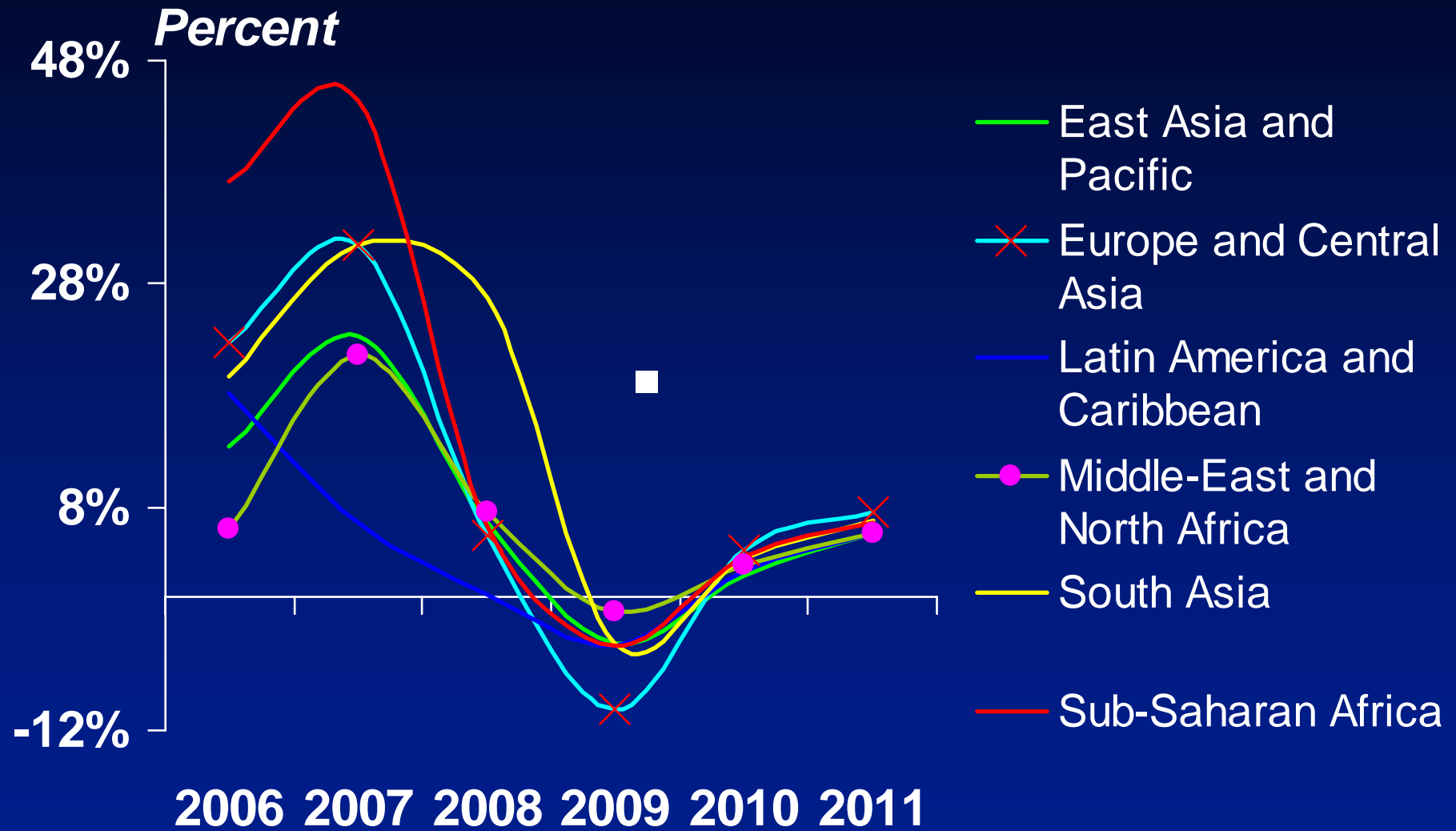
Remittances will be resilient w r to downturns in host countries

- Remittances are sent by the stock (cumulated flows) of migrants
- Remittances are a small part of migrants' incomes that can be cushioned against income shocks by migrants
- Duration of migration may increase in response to tighter border controls ■
- “Safe haven” factor or “home-bias” -- returnees will take back accumulated savings
- Sectoral shifts – and fiscal stimulus packages – may help some migrants
- Documented migrants are likely to try to make up for a fall in remittances by undocumented migrants

Growth of remittance flows to developing countries will moderate significantly in 2009



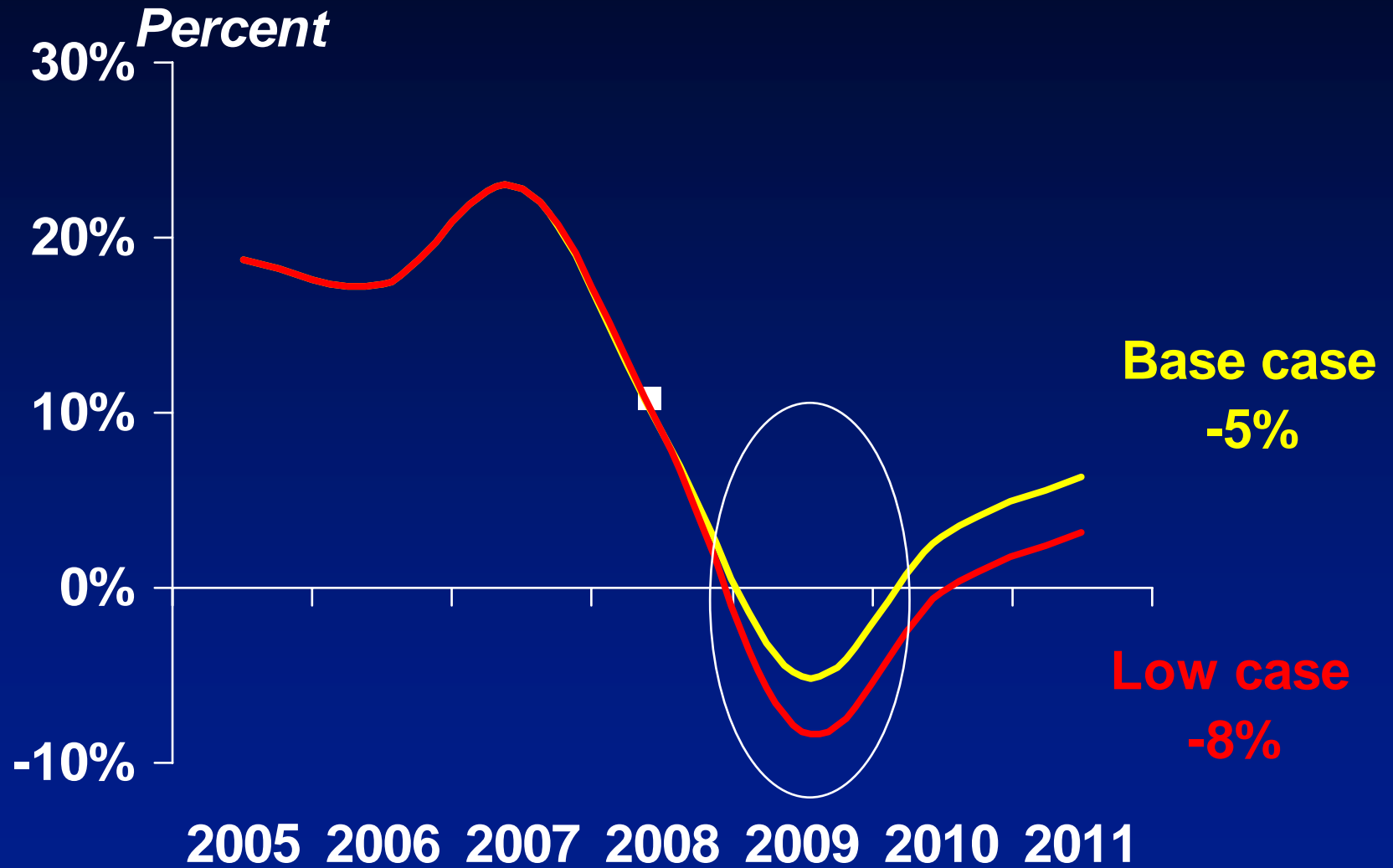
Growth of remittance flows to regions



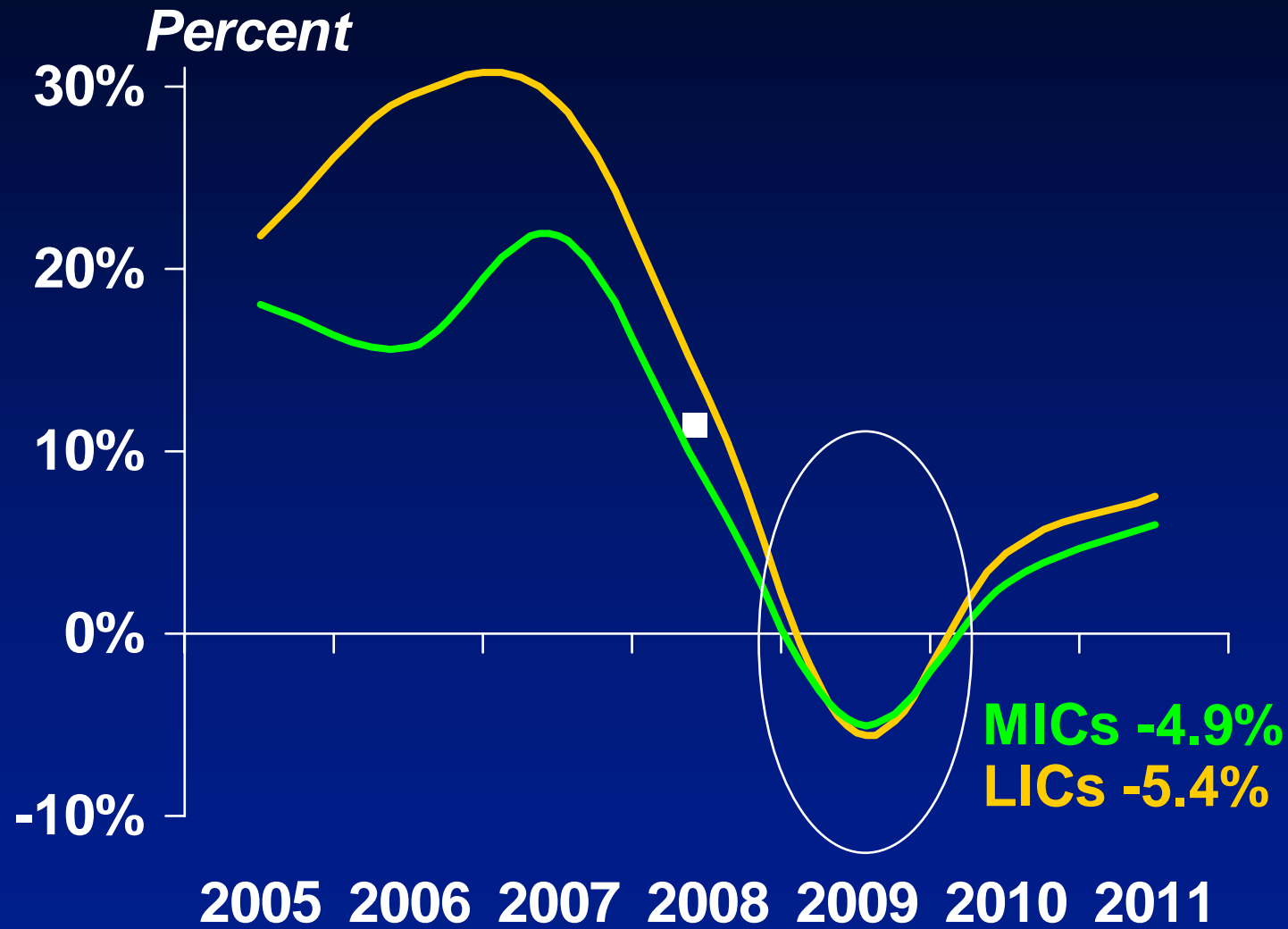
Remittance flows to developing countries

	2008e	Base case 2009 forecast	Low case 2009 forecast
\$ billion			
Developing countries	305	290	280
East Asia and Pacific	70	67	64
Europe and Central Asia	53	48	46
Latin America and Caribbean	63	60	58
Middle-East and North Africa	34	33	32
South Asia	66	63	61
Sub-Saharan Africa	20	19	18
 <u>Growth rate (%)</u>			
Developing countries	8.8%	-5.0%	-8.2%
East Asia and Pacific	6.6%	-4.2%	-7.5%
Europe and Central Asia	5.4%	-10.1%	-12.7%
Latin America and Caribbean	0.2%	-4.4%	-7.7%
Middle-East and North Africa	7.6%	-1.4%	-5.2%
South Asia	26.7%	-4.2%	-7.3%
Sub-Saharan Africa	6.3%	-4.4%	-7.9%

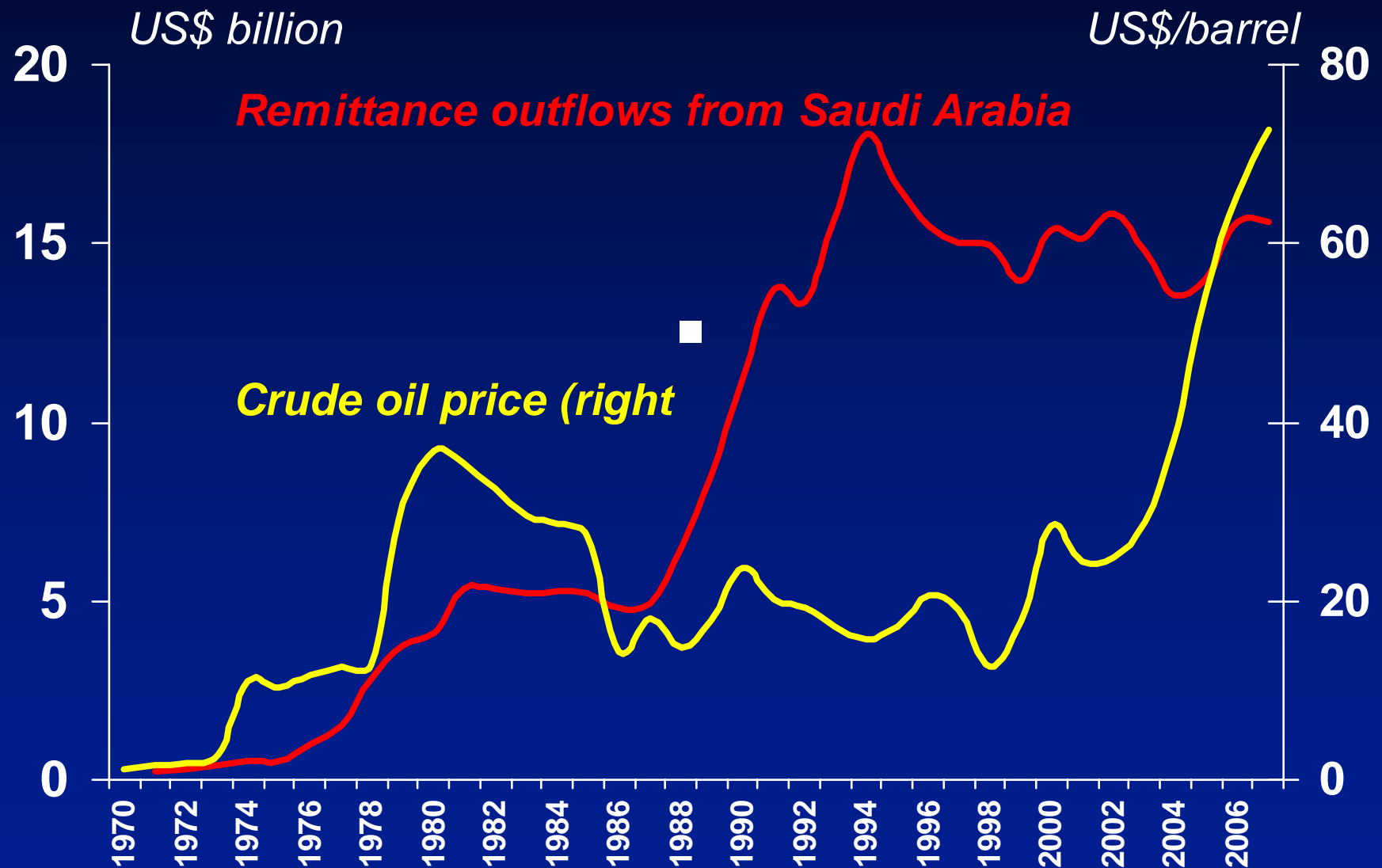
Growth of remittance flows to developing countries will moderate significantly in 2009



Slowdown sharper in low-income countries



Remittance outflows from Saudi Arabia appear to be uncorrelated with oil price since early 1990s



Policy options

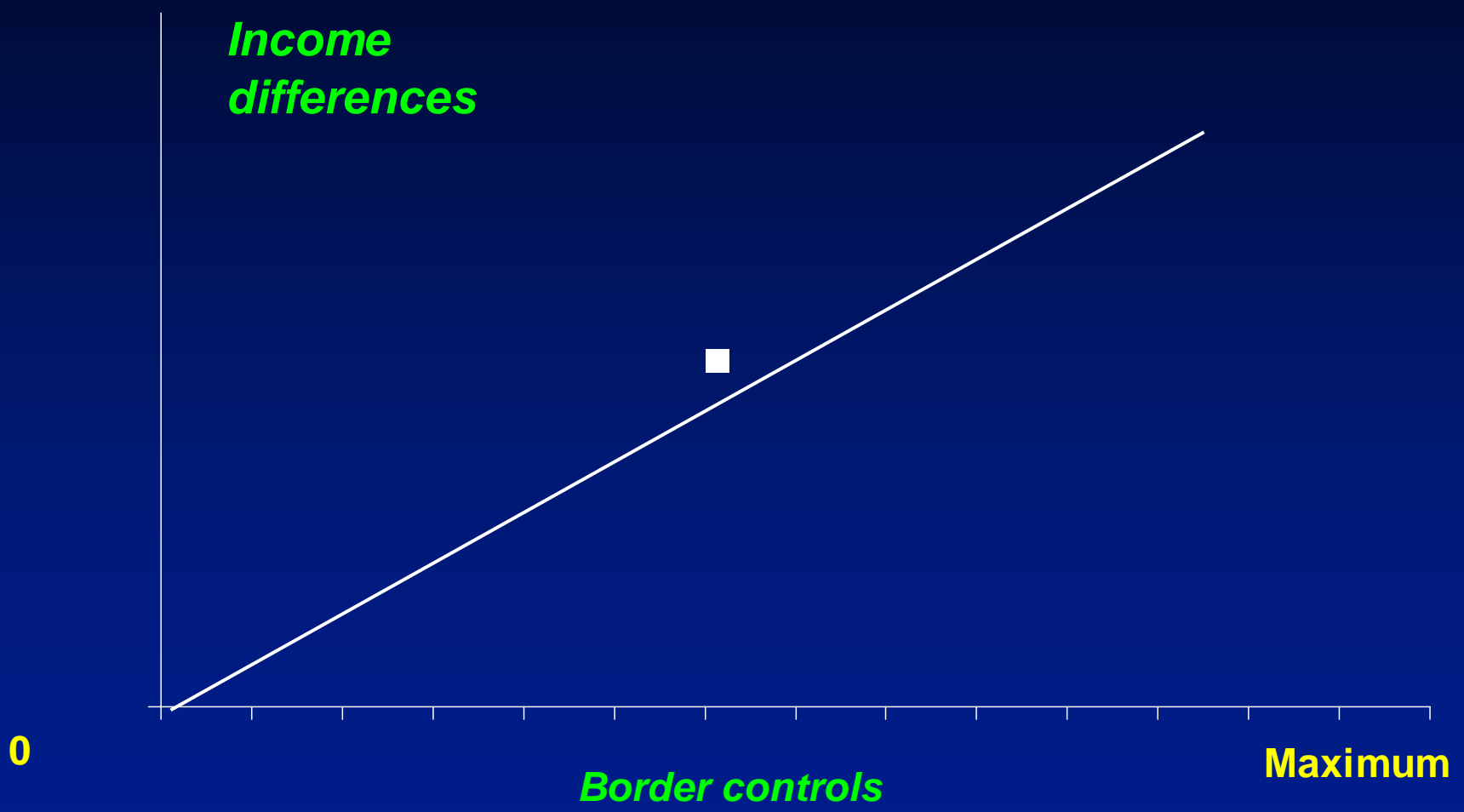
- Facilitate remittance flows
- Avoid protectionism in the labor market



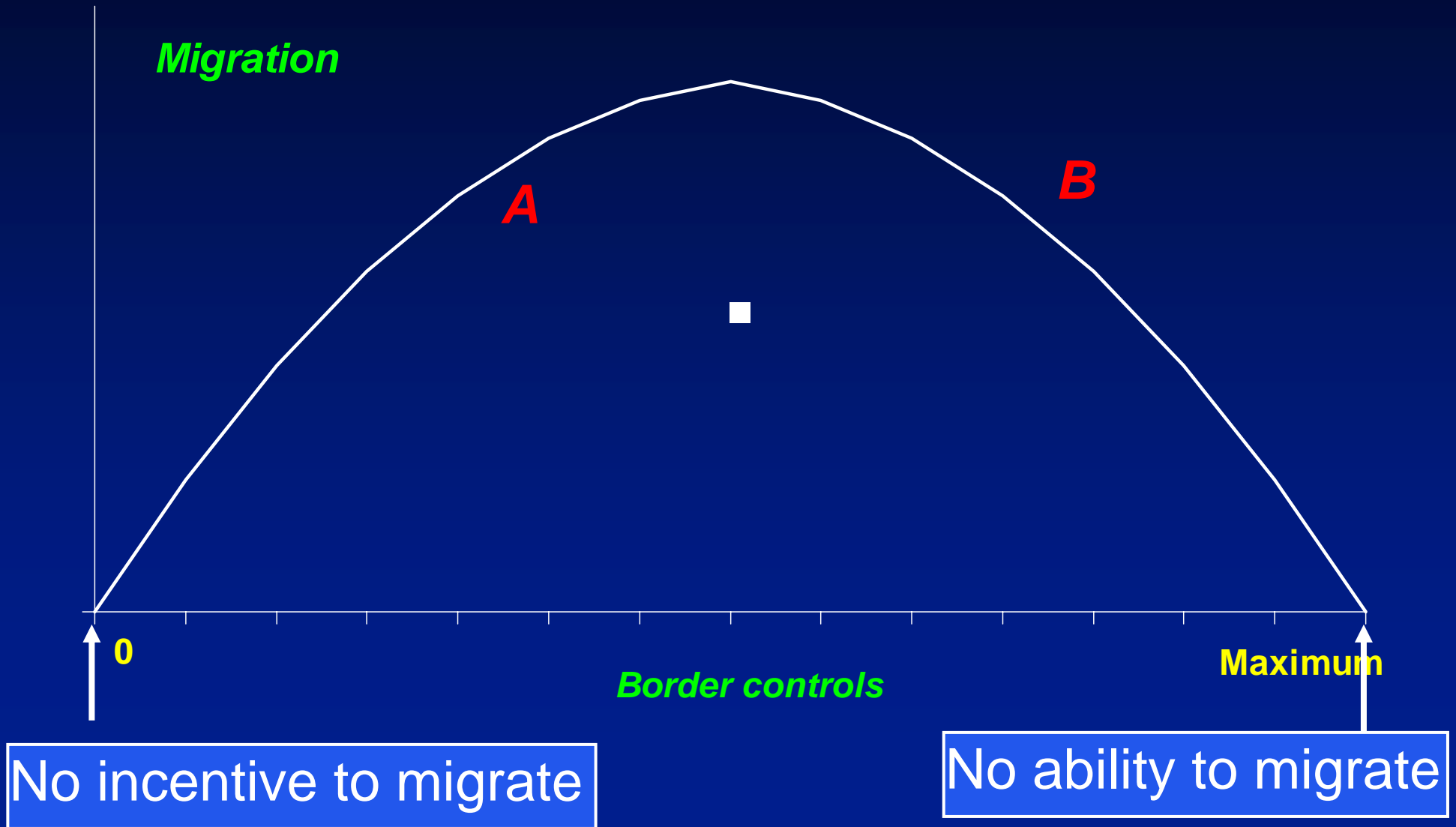
Some thoughts on border controls and migration

- Migration depends on two factors:
 - Willingness to migrate (income difference)
 - Ability to migrate (border control)
-
- Border controls increase the segmentation of labor markets and increase wage gaps...
- ...leading to even greater pressures for migration

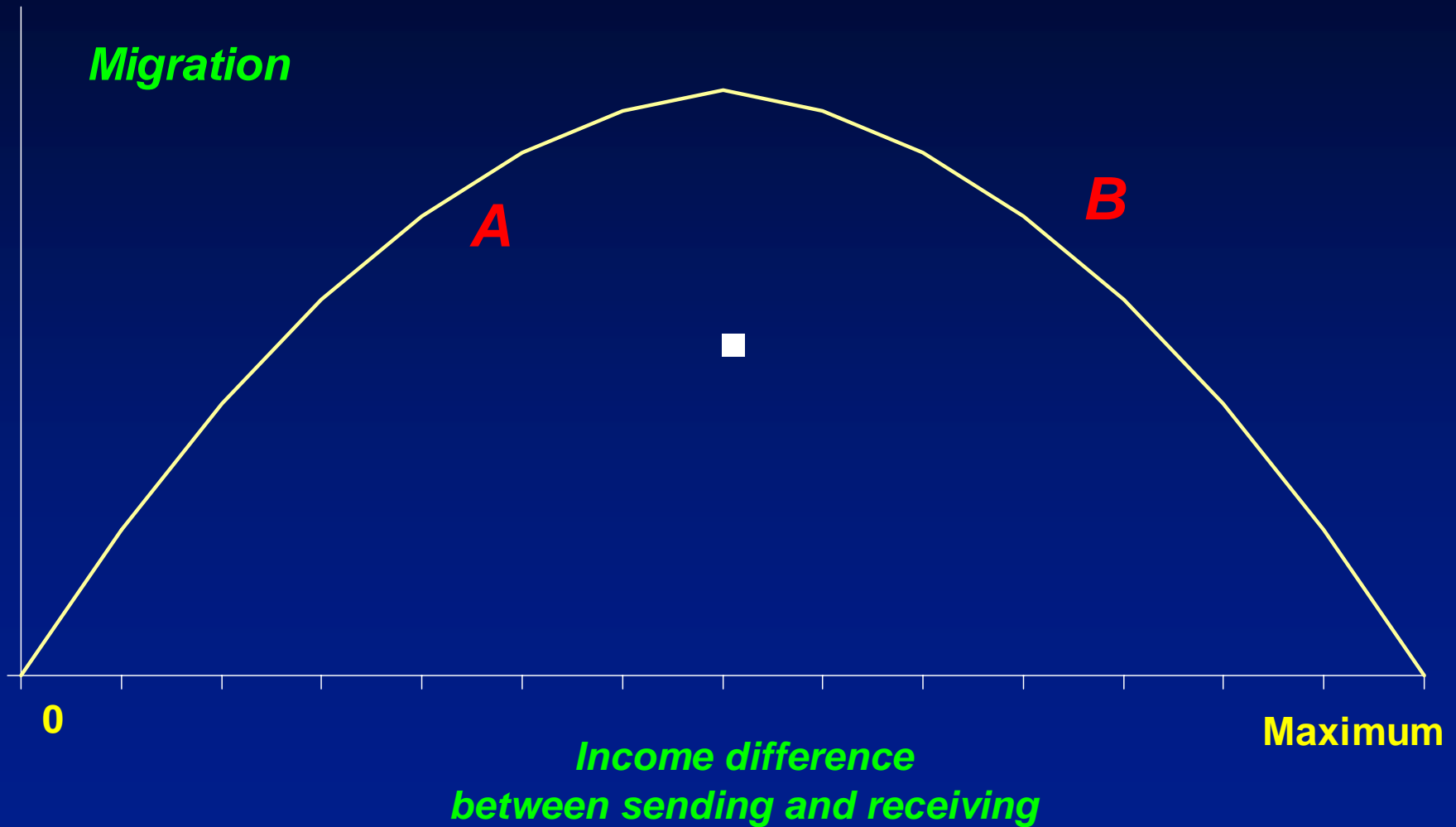
Income differences are zero when border controls are absent, and maximum when border controls are fully effective



The migration curve



Migration peaks long before income differences become zero



1. Monitoring,
analysis, projection

3. Financial
access for
households

International
Remittances
Agenda

4. Capital
market access
for institutions

2. Retail payment
systems



1. Monitoring, analysis, projection

- Size, corridors, channels
- Counter-cyclicality
- Effects on poverty, education, health, investment
- Policy (costs, competition, exchange controls)

3. Financial access

- Deposit and saving products
- Loan products (mortgages, consumer loans, microfinance)
- Credit history for MFI clients
- Insurance products

International Remittances Agenda

4. Capital market access

- Private banks and corporations (securitization)
- Governments (diaspora bonds)
- Sovereign credit rating

2. Retail payment systems

- Payment platforms/instruments
- Regulation (clearing and settlement, capital adequacy, exchange controls, disclosure, cross-border arbitration)
- Anti-money laundering/Countering financing of terrorism (AML/CFT)

Summary

- Remittances will moderate significantly, causing hardships to the poor and macroeconomic challenges to governments
- Slowdown in migration flows will exacerbate the need for more jobs at home
- This is a wrong time for tightening immigration

For more, please visit

<http://www.worldbank.org/prospects/migrationandremittances>

<http://peoplemove.worldbank.org> (blog)