

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

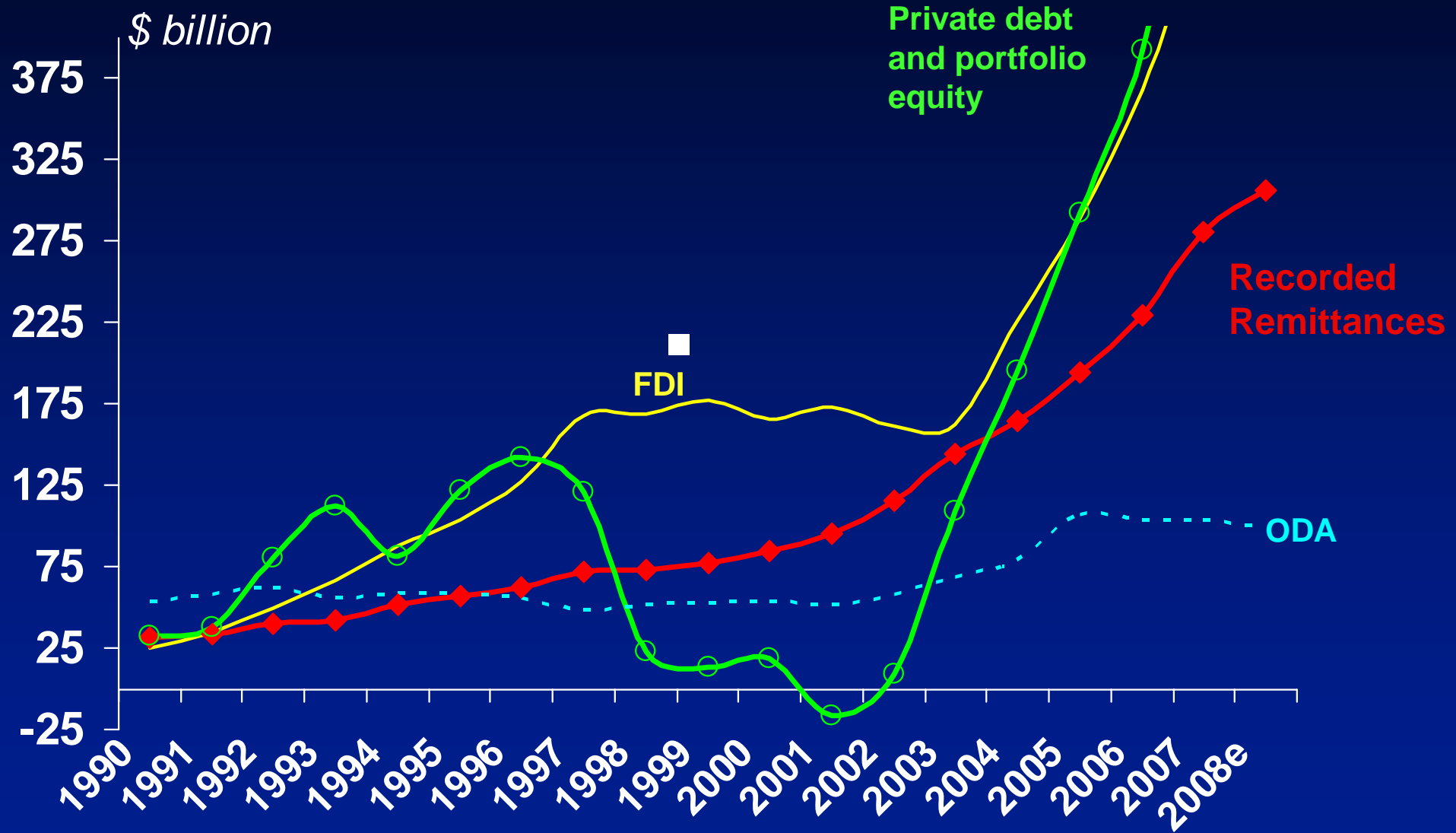
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World Bank

**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
<b>Developing countries</b>	<b>229</b>	<b>281</b>	<b>305</b>
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
<b><u>Growth rate (%)</u></b>	■		
<b><i>Developing countries</i></b>	<b>17%</b>	<b>23%*</b>	<b>9%</b>
<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%

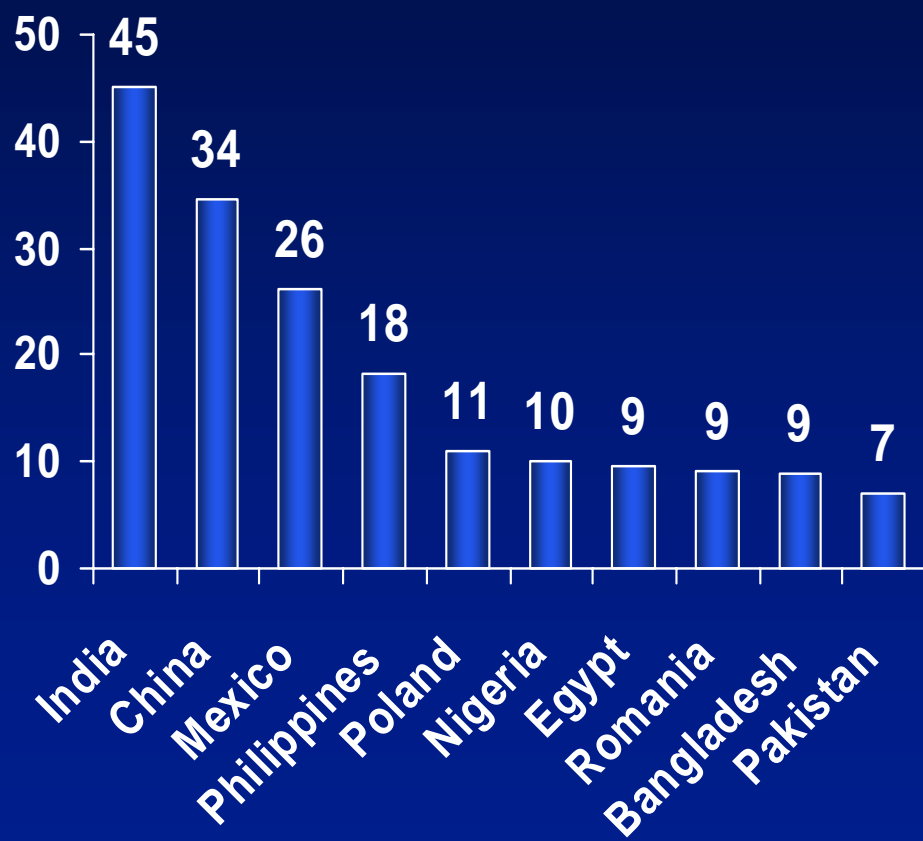
# Remittance flows to developing countries

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

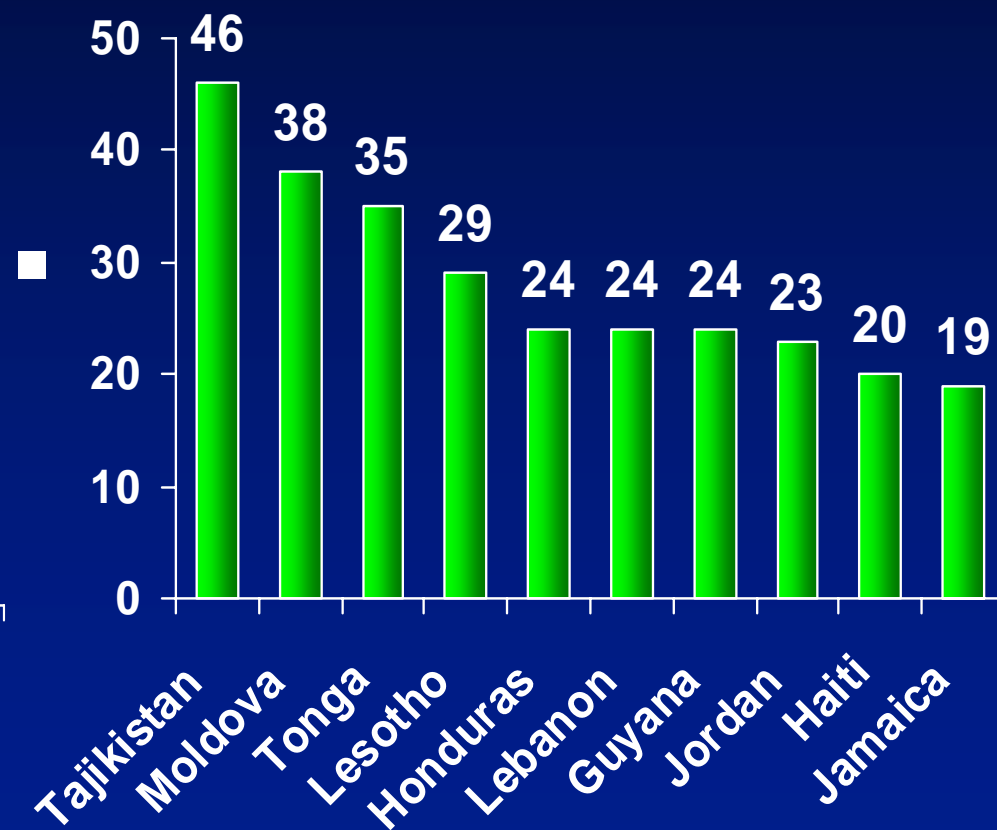
\*Only countries with estimates and forecasts of remittances and nominal GDP for 2008-11

# Top recipients of remittances

*\$ billion, 2008e*



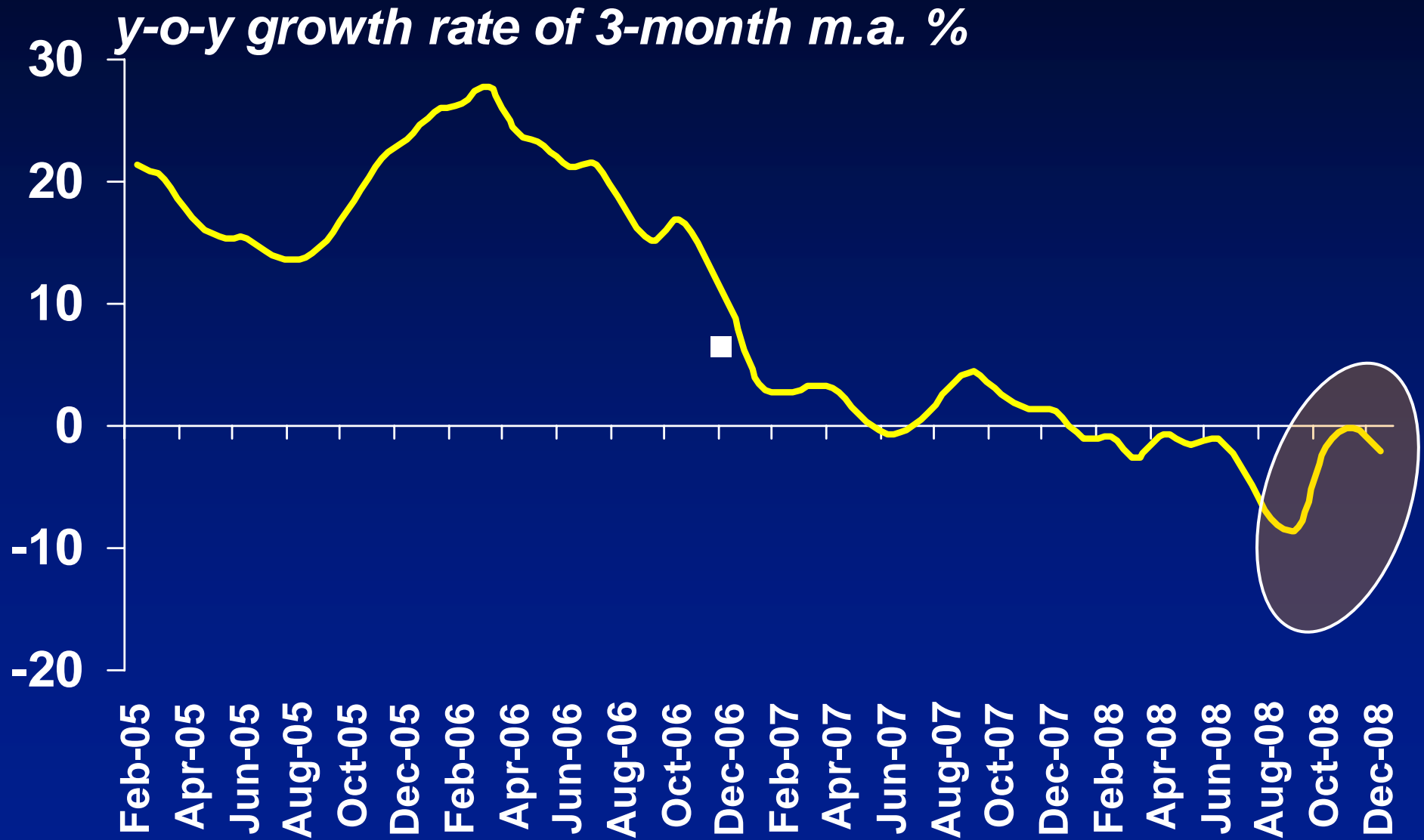
*% of GDP, 2007*



# Near-term outlook

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

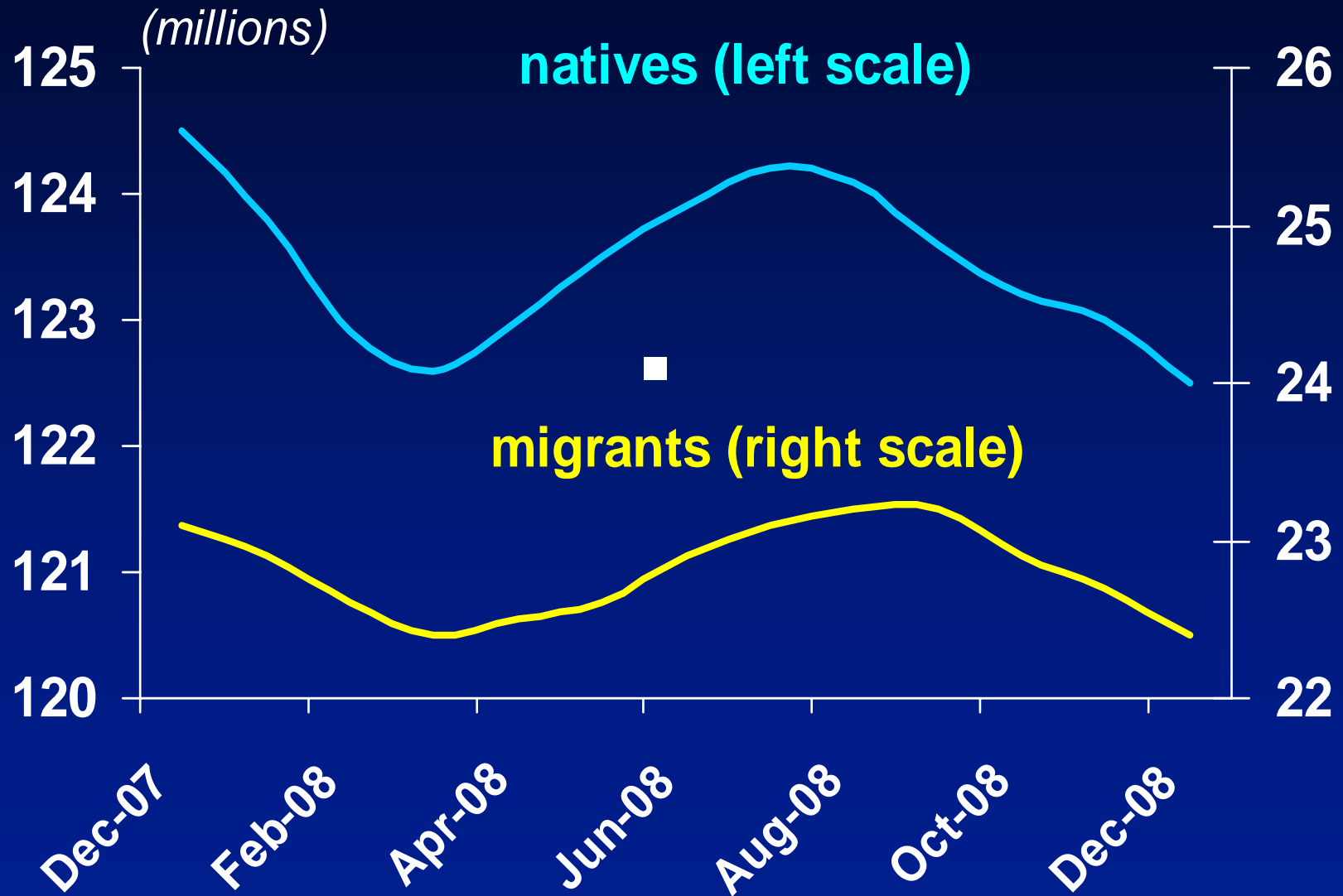
# Remittance flows to Mexico have slowed



# Mexican peso/US \$ exchange rate



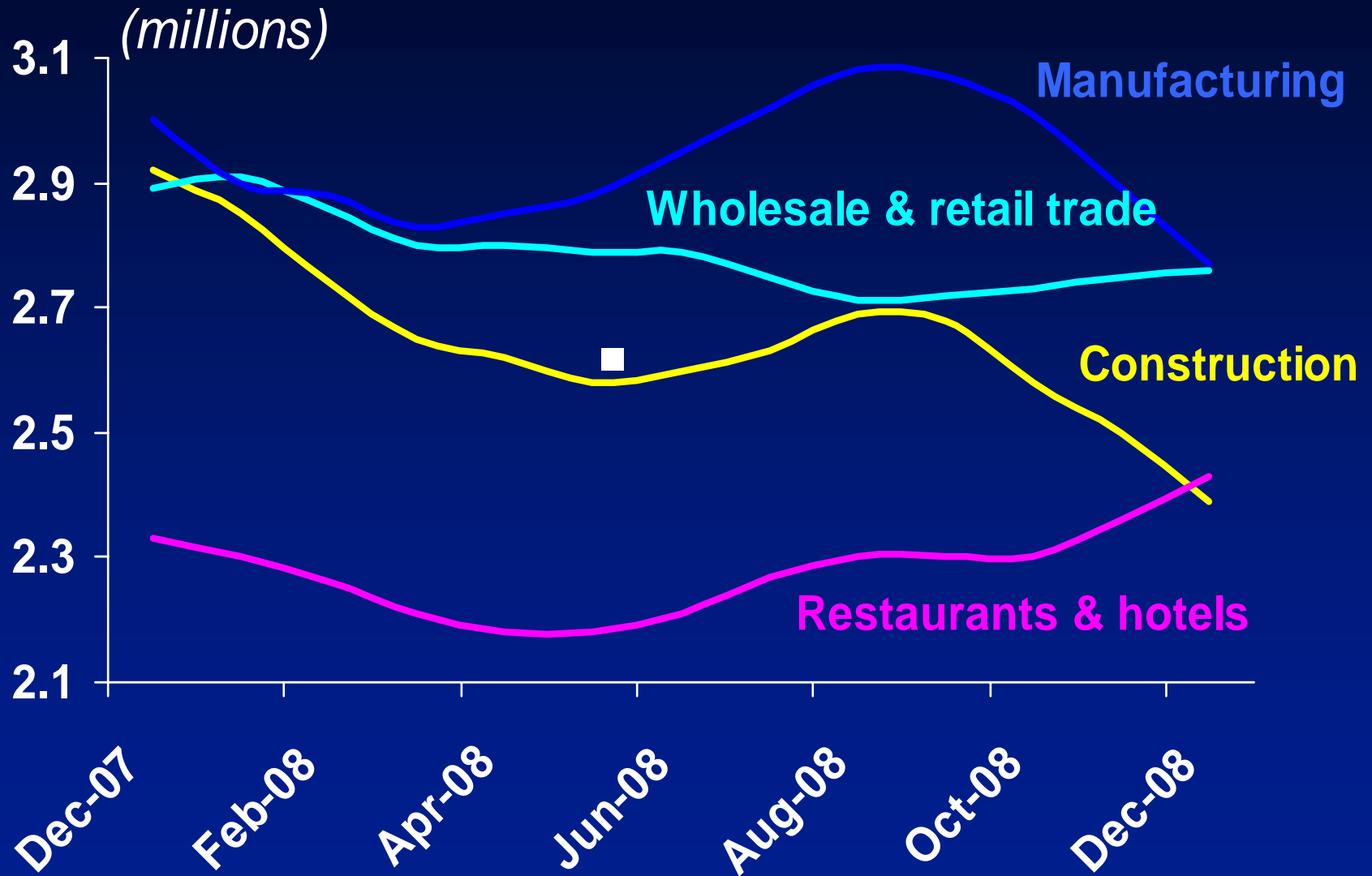
# US employment: job losses are not different between natives and migrants



3-month moving average

Source: Current population survey.

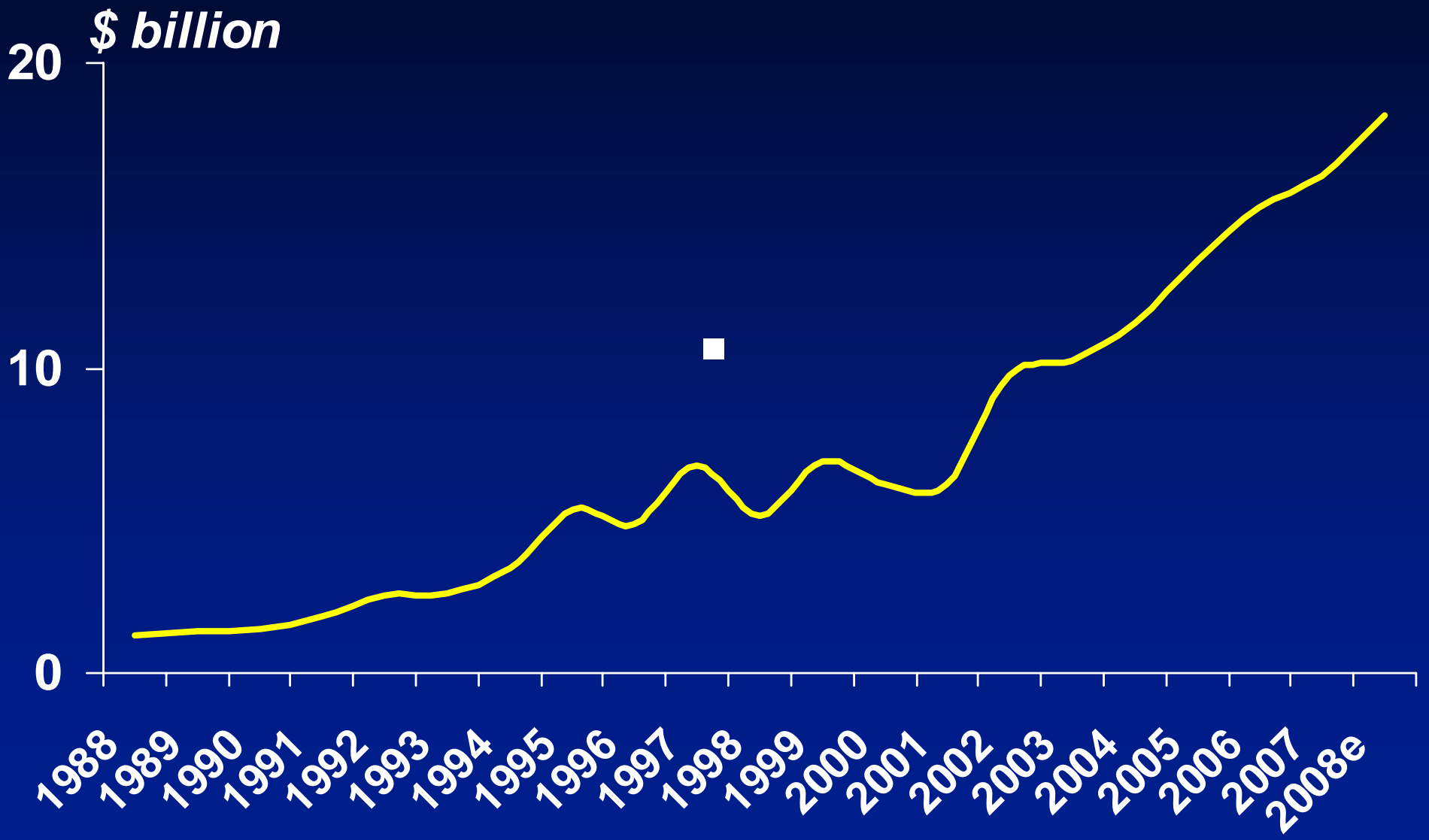
# Sharp decline US migrant employment in construction and manufacturing; switch to wholesale and retail and restaurants



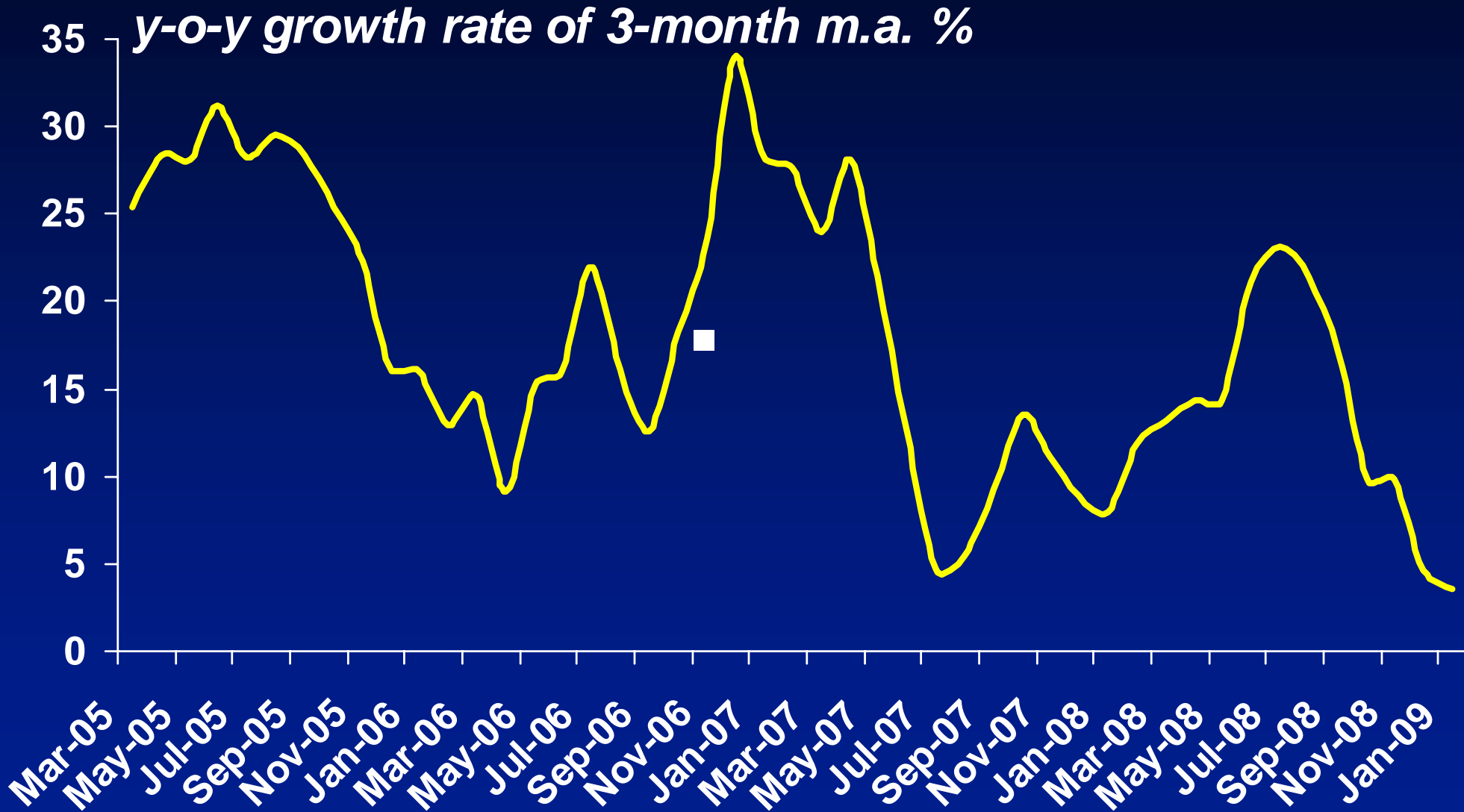
3-month moving average

Source: Current population survey.

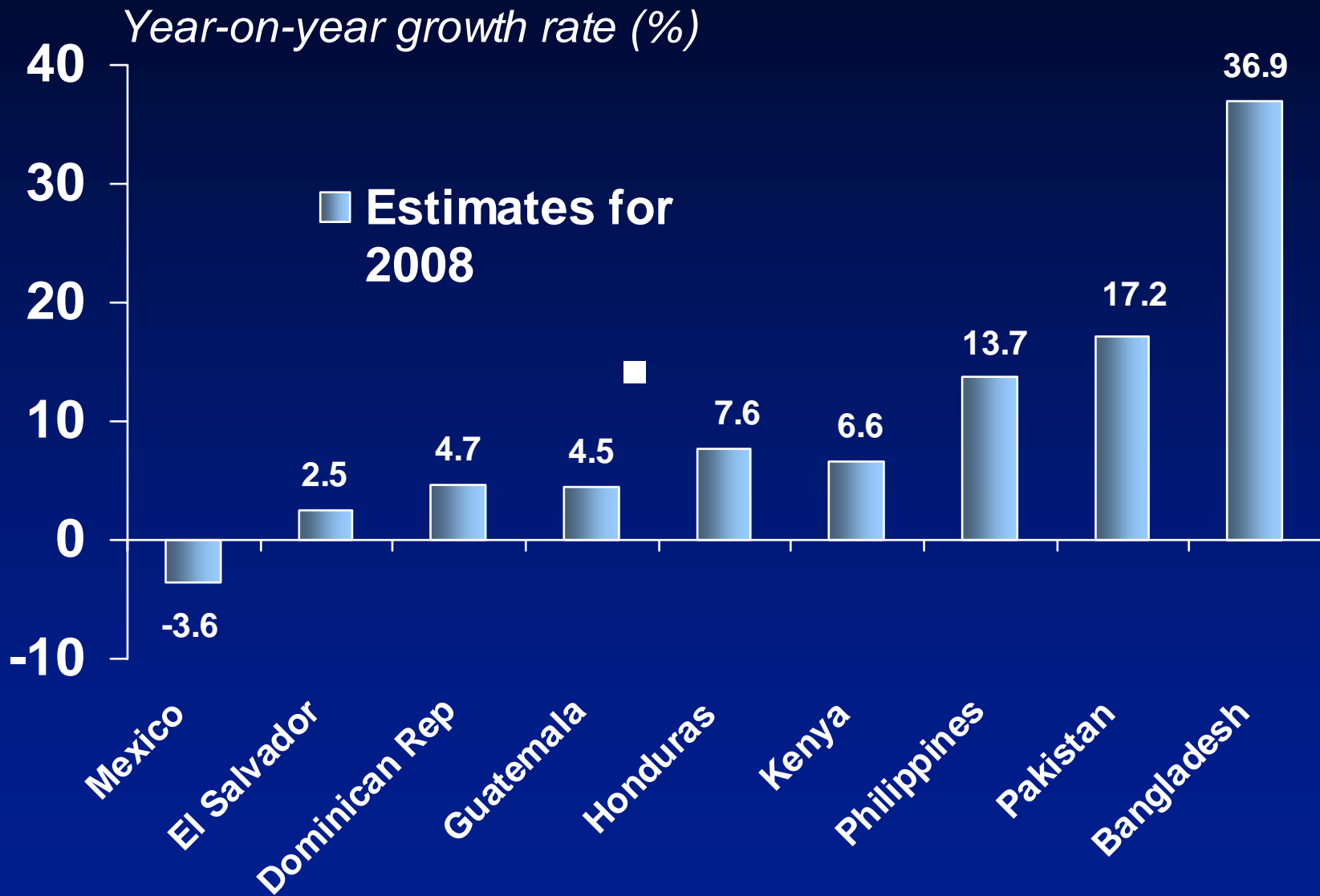
# Remittance flows to the Philippines have surged in recent years to about \$18 billion in in 2008



# 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



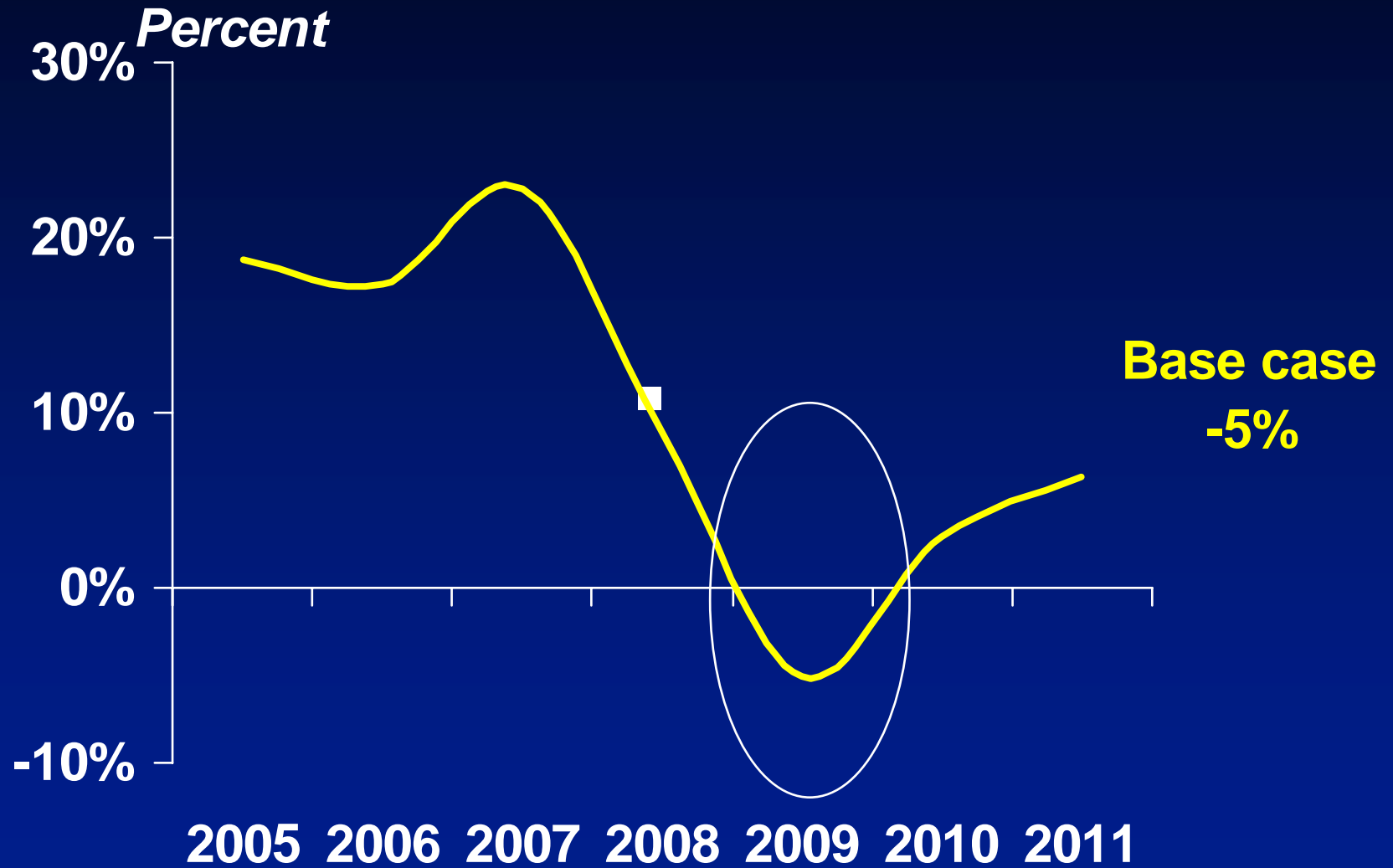
# Medium-term outlook for remittance flows to developing countries

- 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.

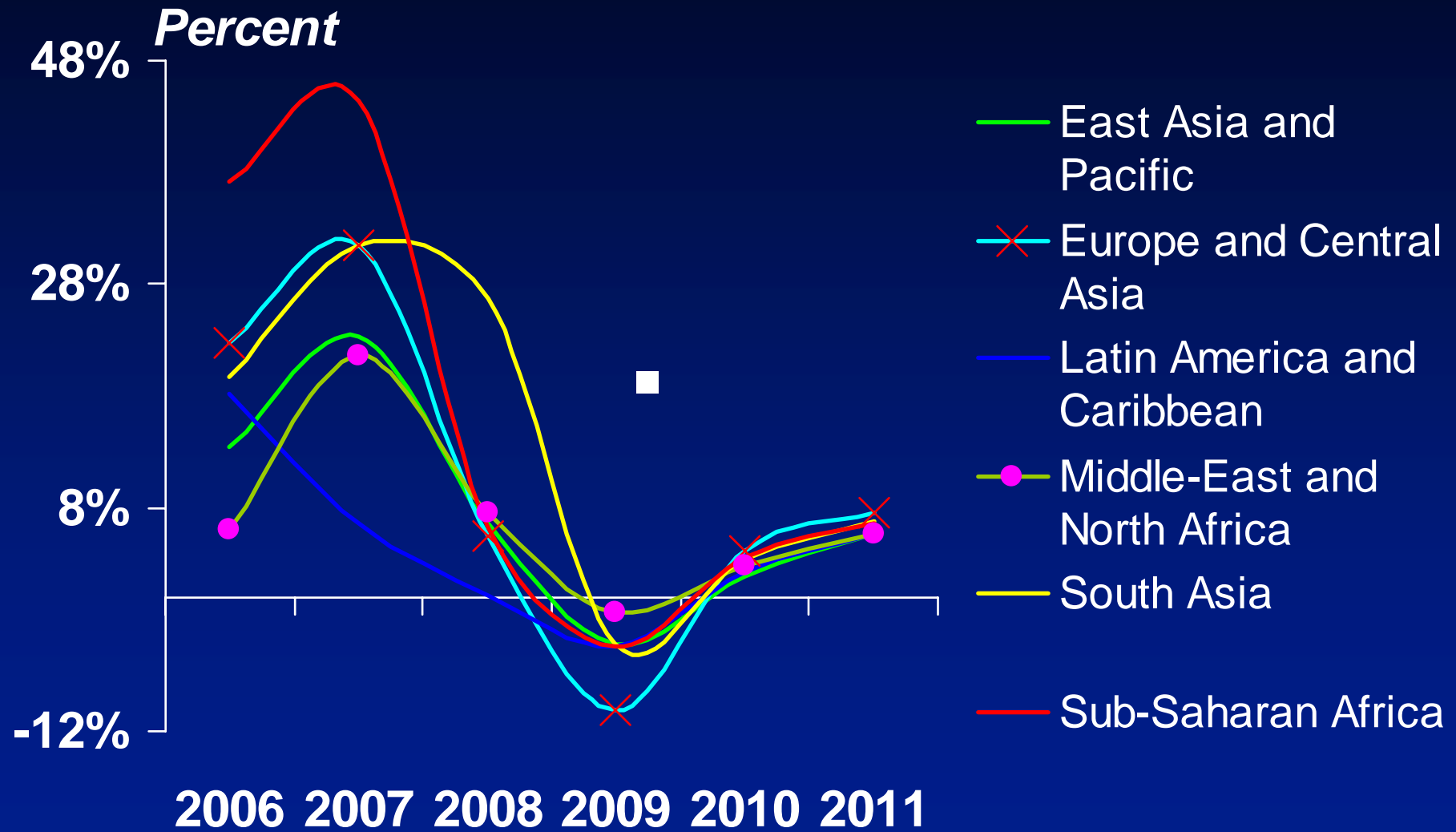
# Remittances will be resilient w r to downturns in host countries

- 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



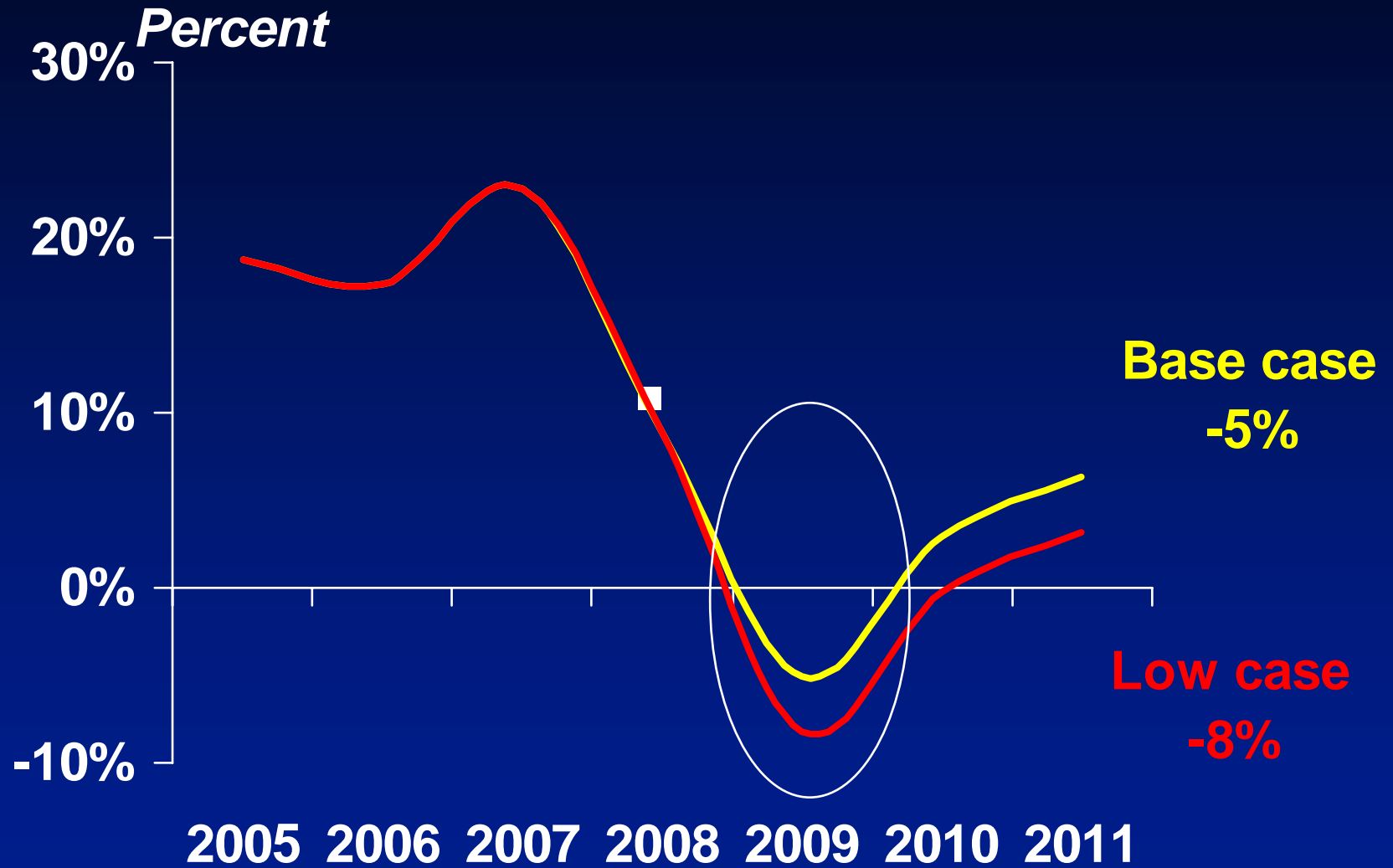
# Growth of remittance flows to regions



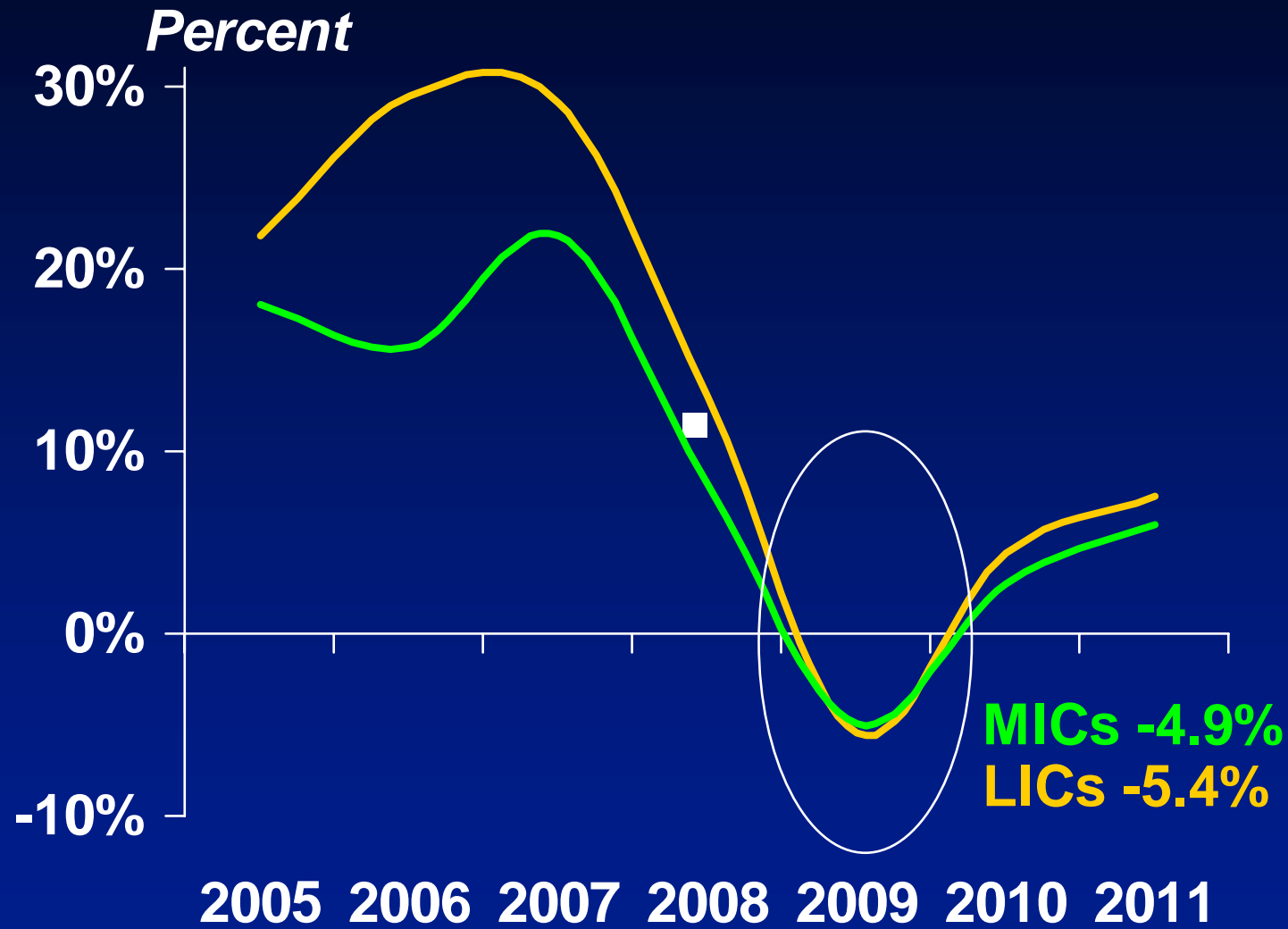
# Remittance flows to developing countries

	2008e	Base case 2009 forecast	Low case 2009 forecast
<b>\$ billion</b>			
<b>Developing countries</b>	<b>305</b>	<b>290</b>	<b>280</b>
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
<b><u>Growth rate (%)</u></b>			
<b>Developing countries</b>	<b>8.8%</b>	<b>-5.0%</b>	<b>-8.2%</b>
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%

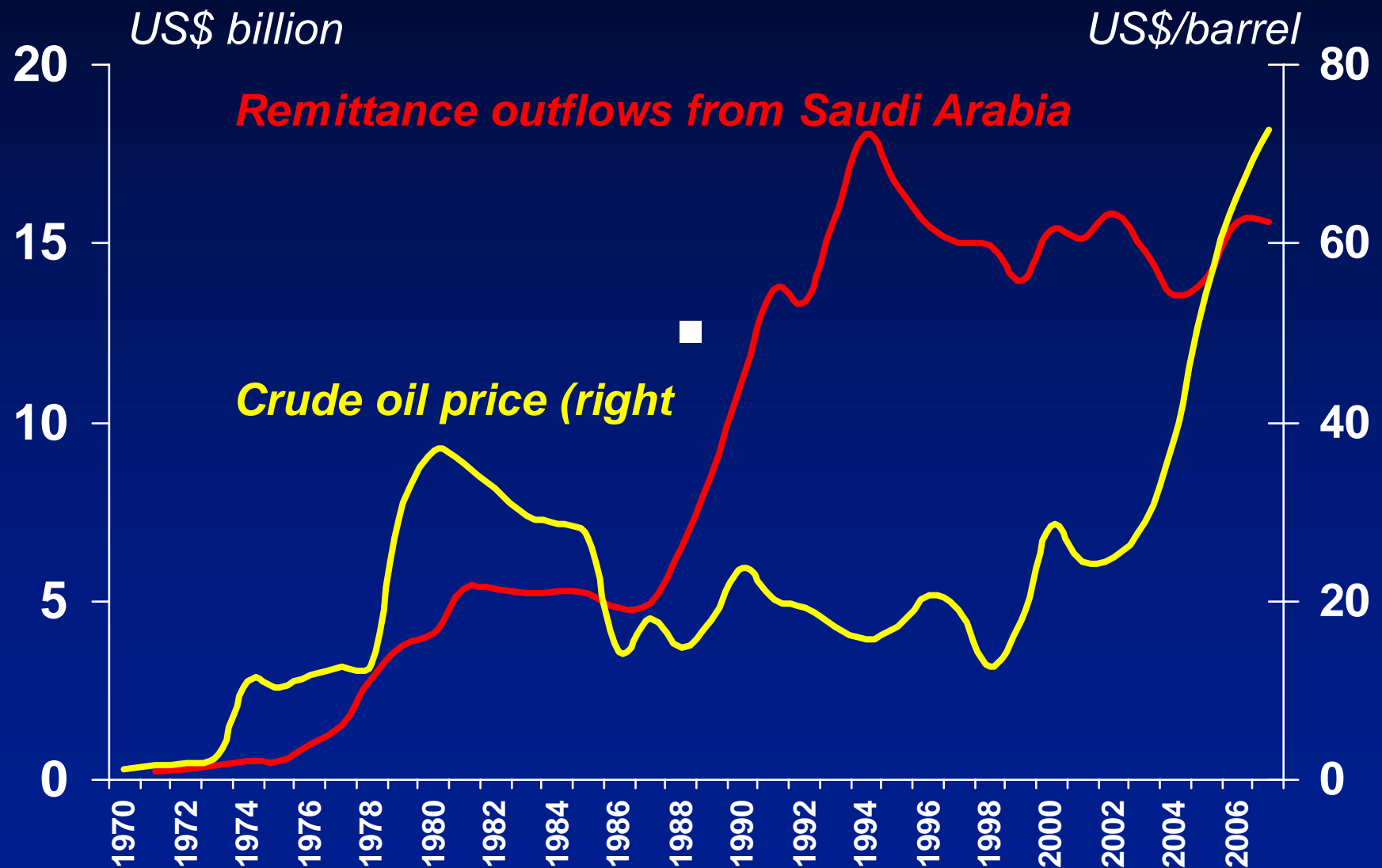
# Growth of remittance flows to developing countries will moderate significantly in 2009



# Slowdown sharper in low-income countries



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



# Policy options

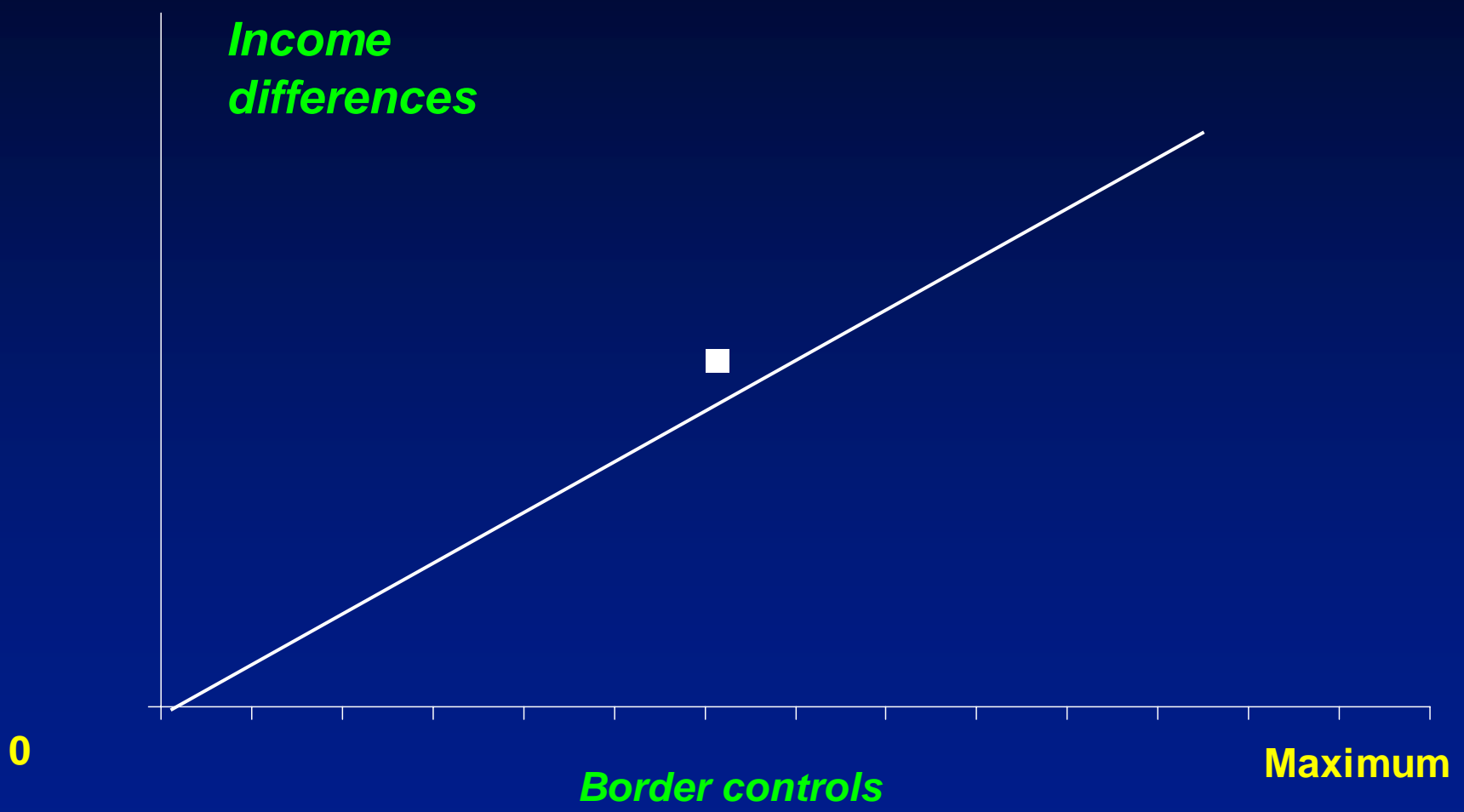
- Facilitate remittance flows
- Avoid protectionism in the labor market



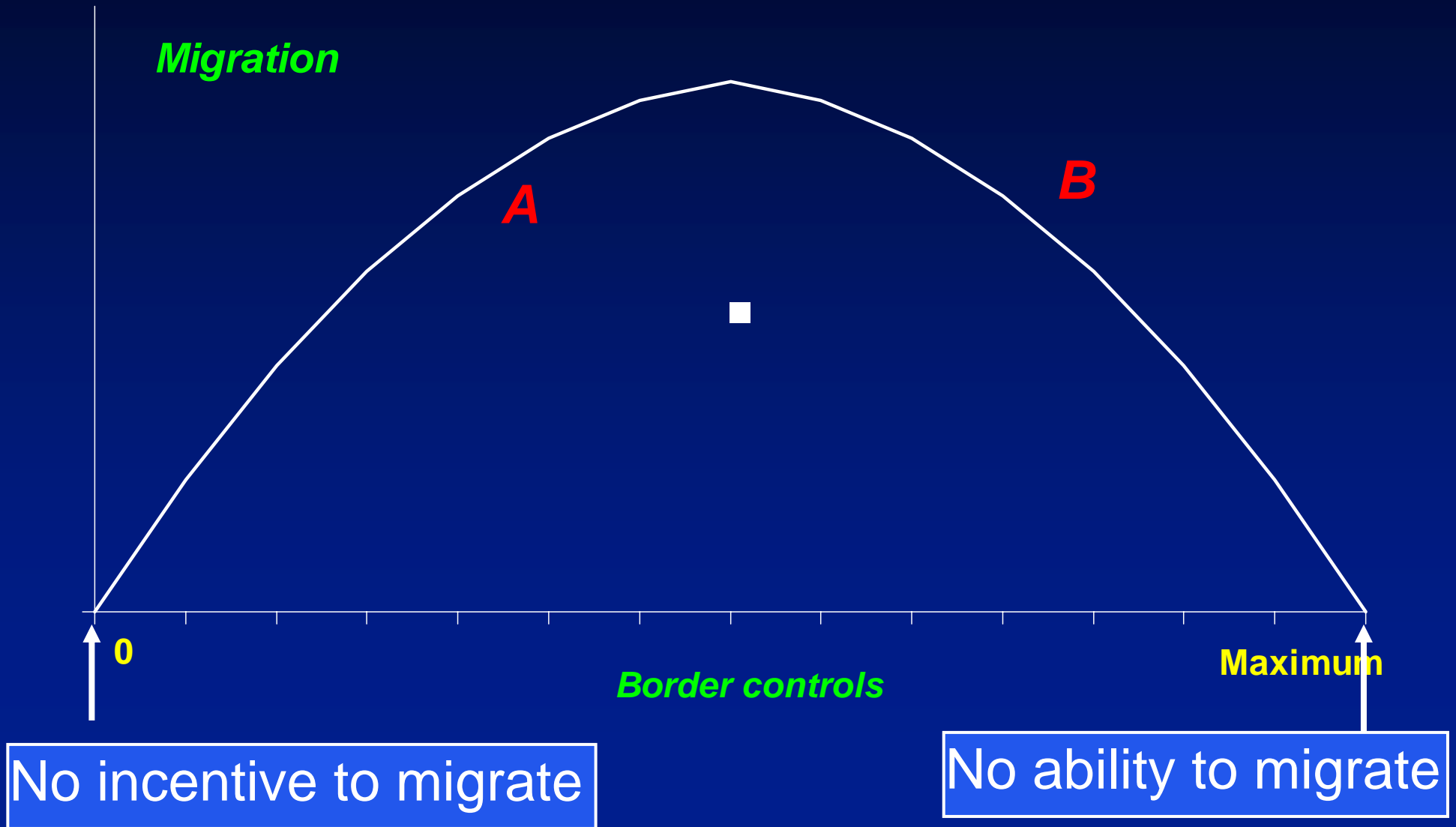
# Some thoughts on border controls and migration

- 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

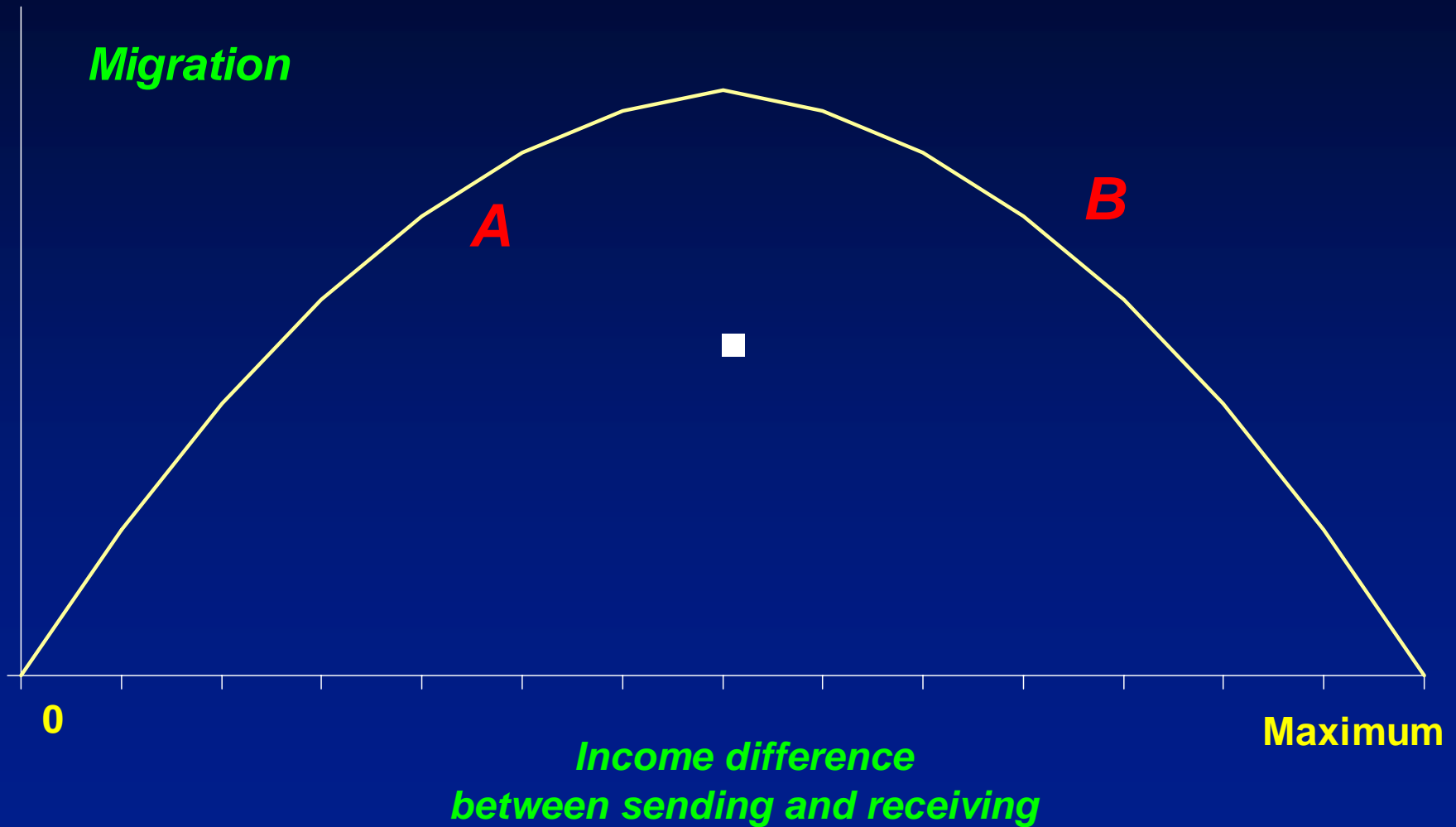
**Income differences are zero when border controls are absent, and maximum when border controls are fully effective**



# 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-cyclical
- 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)