

The Impact of the Financial Crisis on Workers' Remittances

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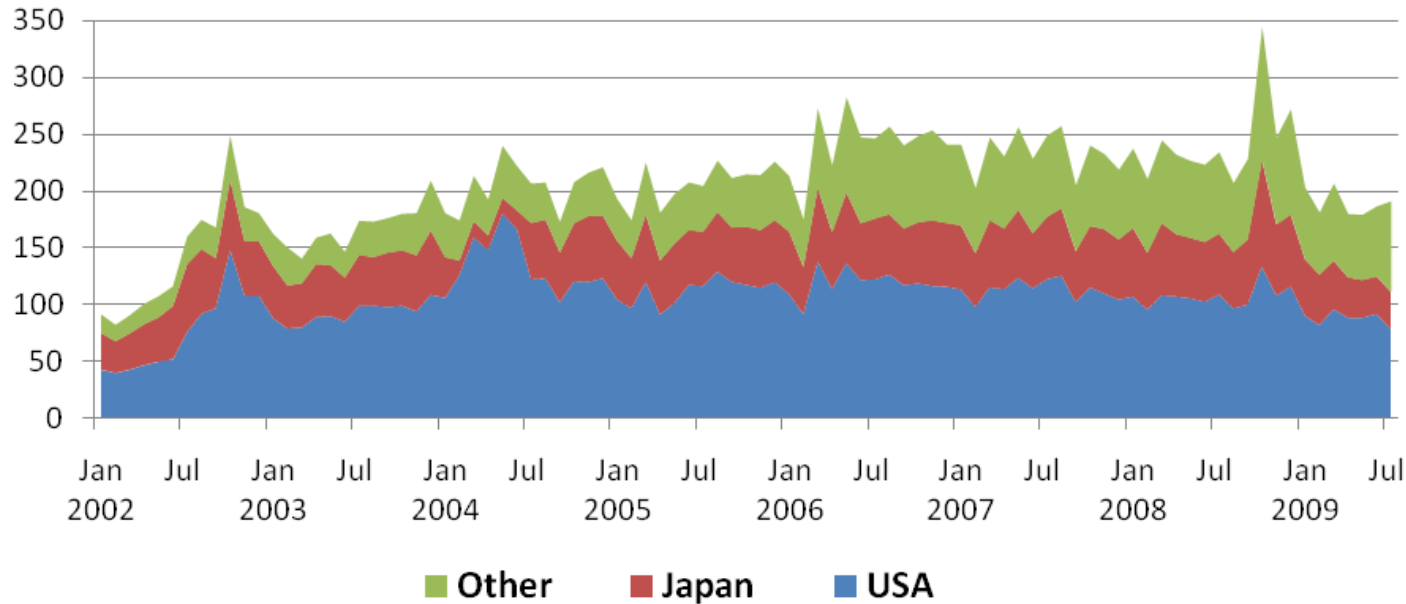
V Seminario Anual: Programa de Mejoramiento de la Información
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Ciudad de Guatemala, 8 al 10 de septiembre de 2009

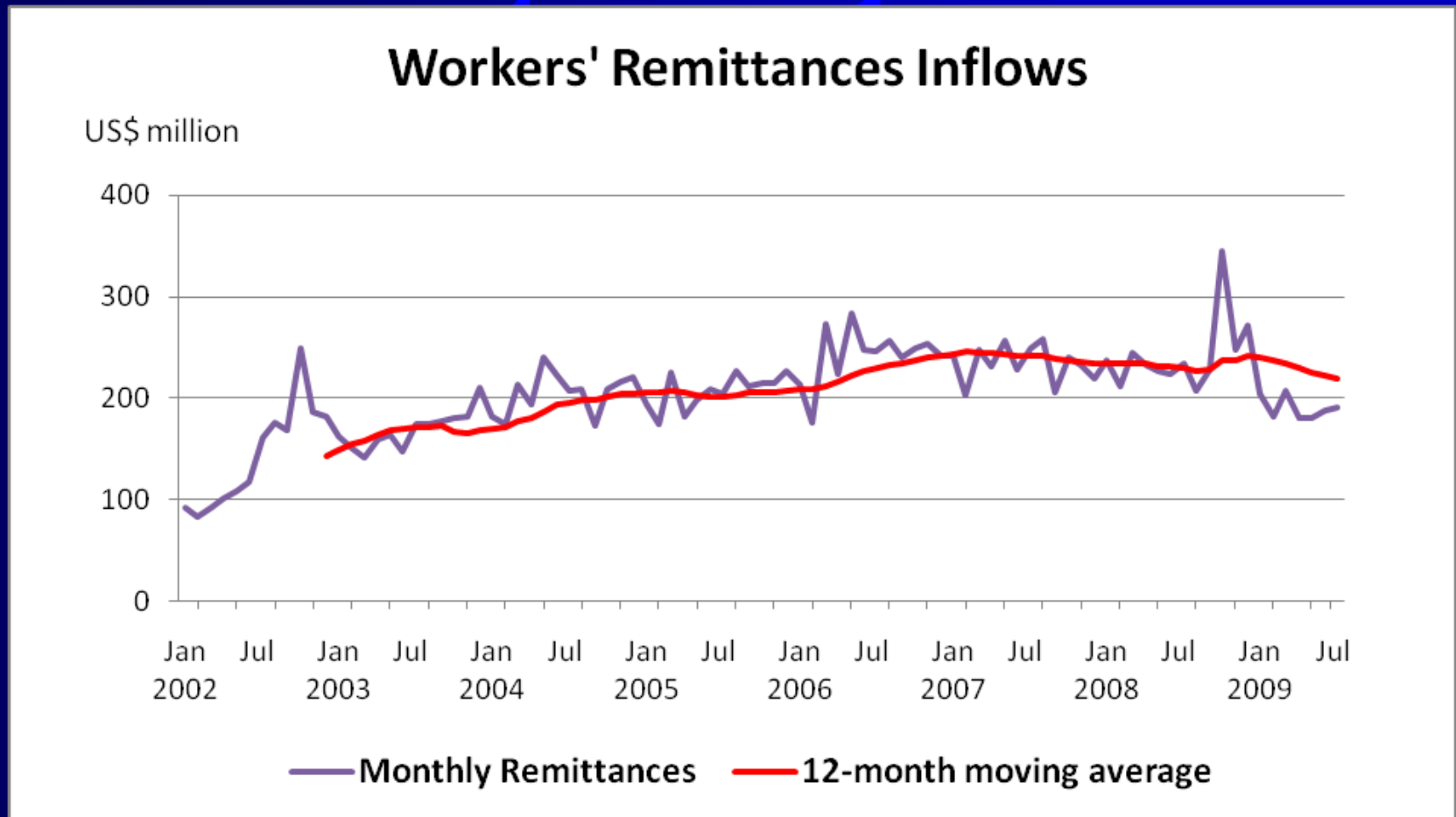
The inflows of remittances in terms of geographic allocation by the United States, Japan and Other countries have not changed significantly over the last years.

Workers' Remittances Inflows - Geographic Allocation

US\$ million

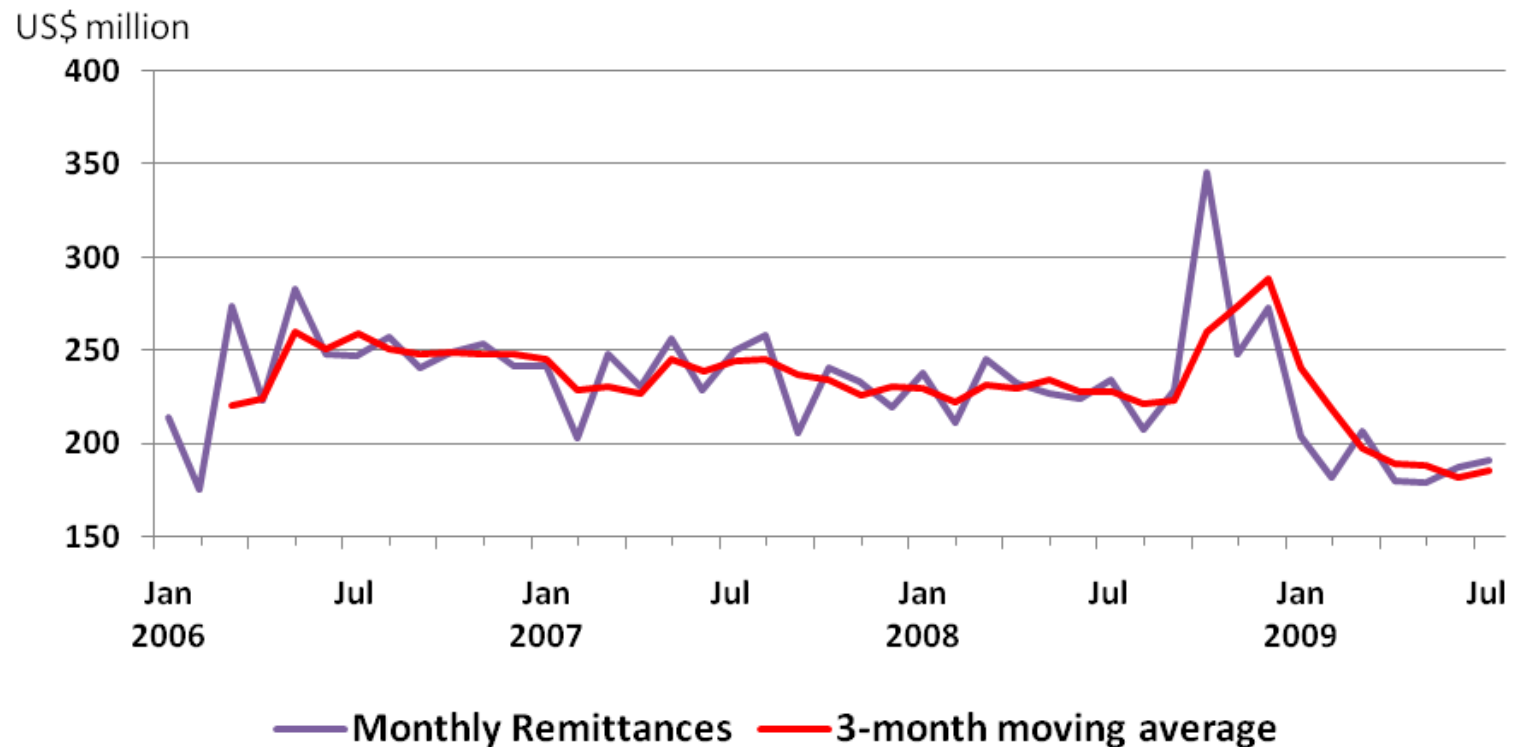


Statistics for the last eight years seem to show that inflows of remittances have not deviated significantly from its upward trend.



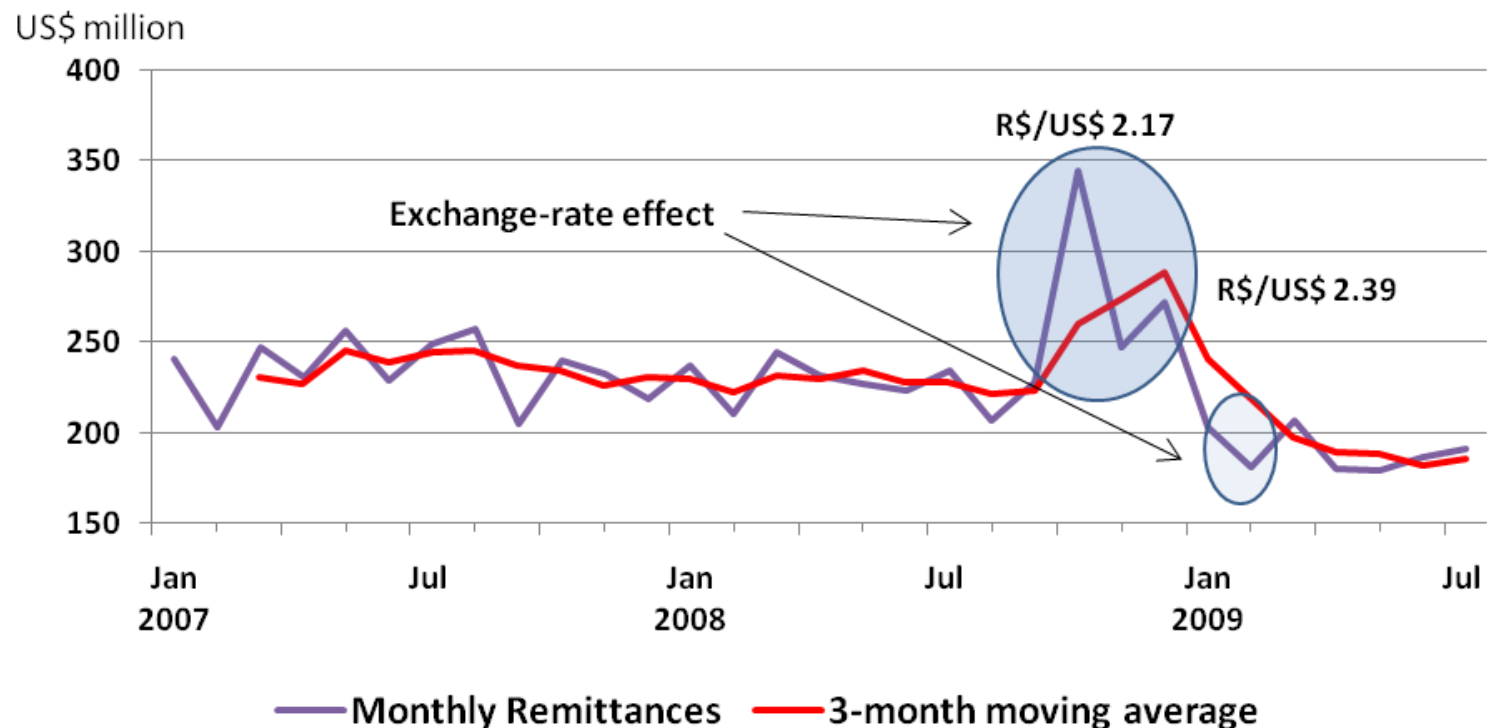
But a closer look at more recent periods shows inflows below the US\$ 200 million mark for the first time since early 2006.

Workers' Remittances Inflows



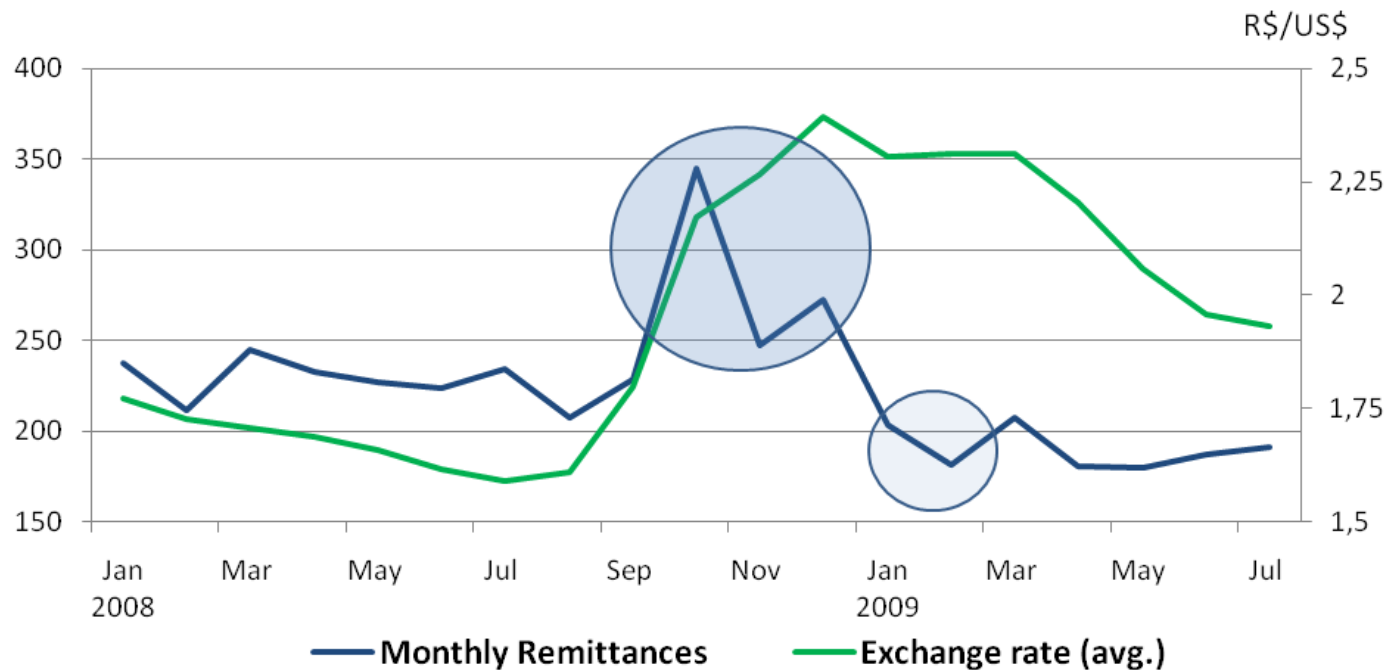
It must be acknowledged that a strong and sudden depreciation of the Real in US\$ terms had a significant impact on remittances. A surge was followed by a steep descent.

Workers' Remittances Inflows



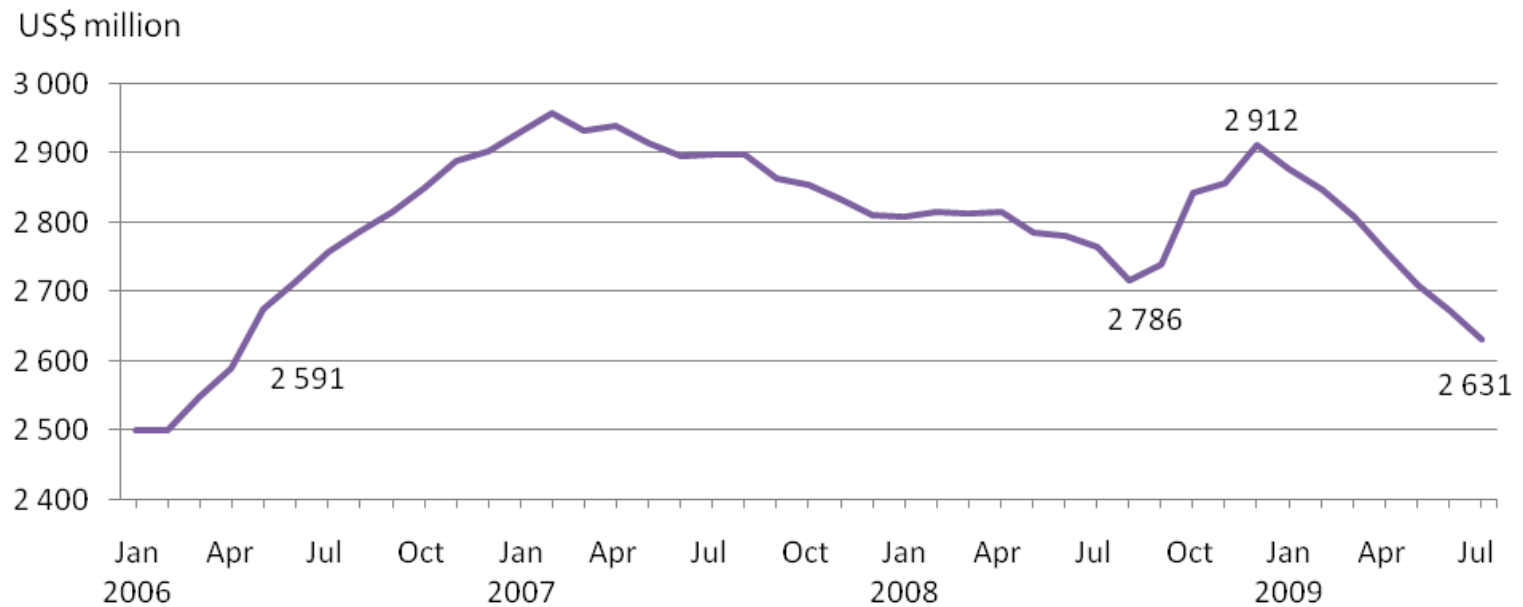
The surge and descent are likely connected, the surge being an anticipation of remittances saved (which could in fact be transfers other than workers' remittances) and the descent being a result of the complete depletion of savings that serve as reserves in previous periods. Note that there is no evidence that the descent is a consequence of an appreciation of the Real.

Workers' Remittances Inflows and Exchange Rate



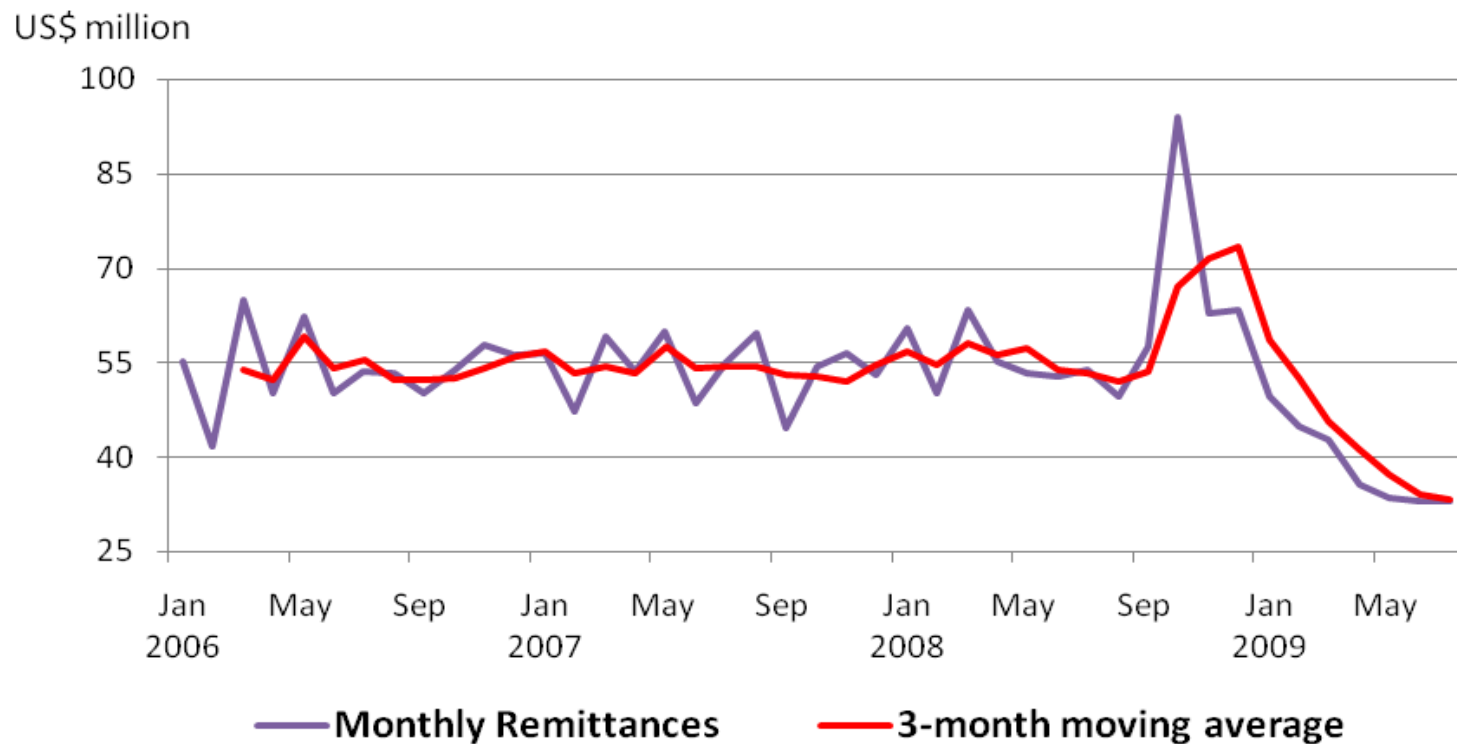
This could lead to the conclusion that the inflows of workers' remittances will soon return to the US\$ 200 million to US\$ 250 million range, but the annual accumulated inflows, having reached in July 2009 the lowest level since April 2006, seem to support the perception of a downward trend.

Workers' Remittances Inflows Accumulated in 12 months



Bilateral data reinforce the idea that a recovery in the short run is unlikely. Workers' remittances from Japan, which fell at a steeper rate than those from other regions, are the best example.

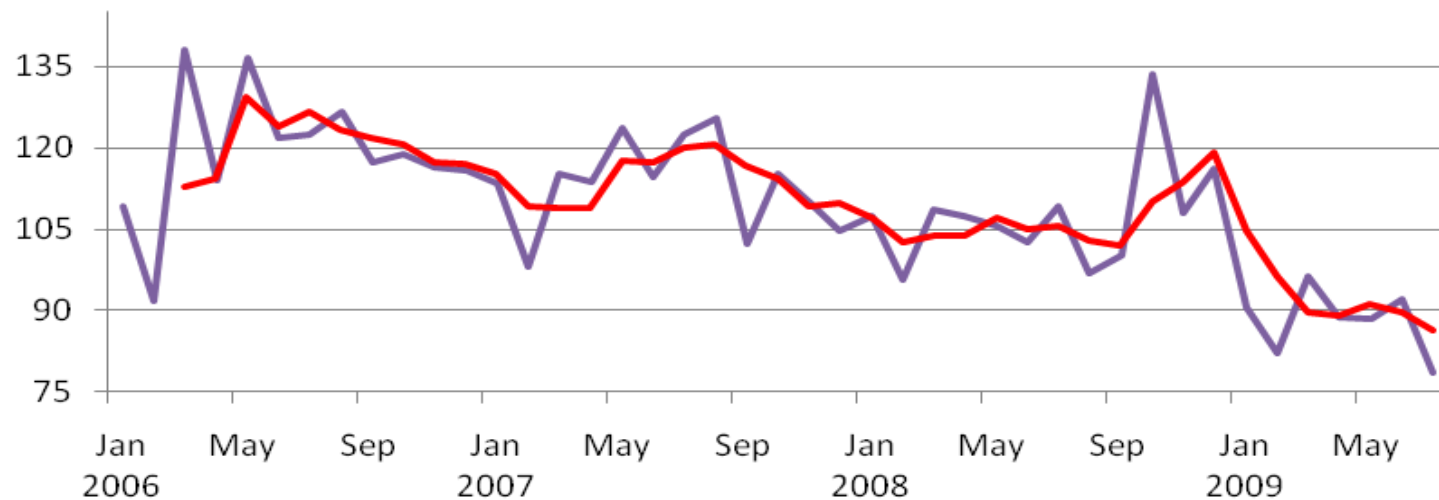
Workers' Remittances Inflows from Japan



Although less intensely, workers' remittances from the US have also fallen sharply. Data for the first half of the year are, on average, below the level seen in the beginning of 2006.

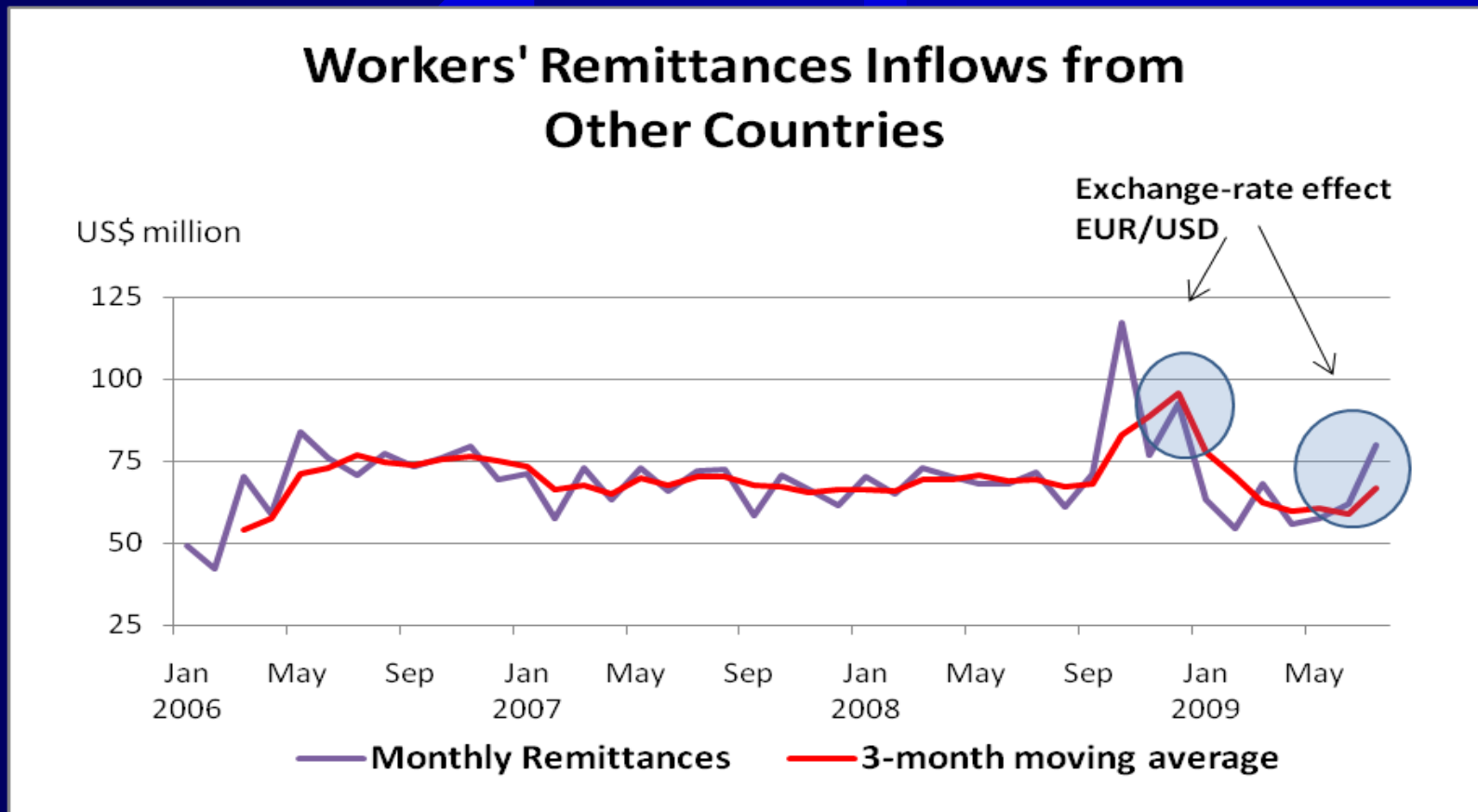
Workers' Remittances Inflows from the United States

US\$ million



— Monthly Remittances — 3-month moving average

Workers' remittances from countries other than the US and Japan have fallen as well, although not as sharply. Inflows are at a level close to the average since 2006. The 12-month moving average has picked up slightly, largely due to the exchange rate effect of the appreciation of the Euro versus the US dollar.



Thank you for you attention.