

# Outlook for Remittance Flows

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World Bank

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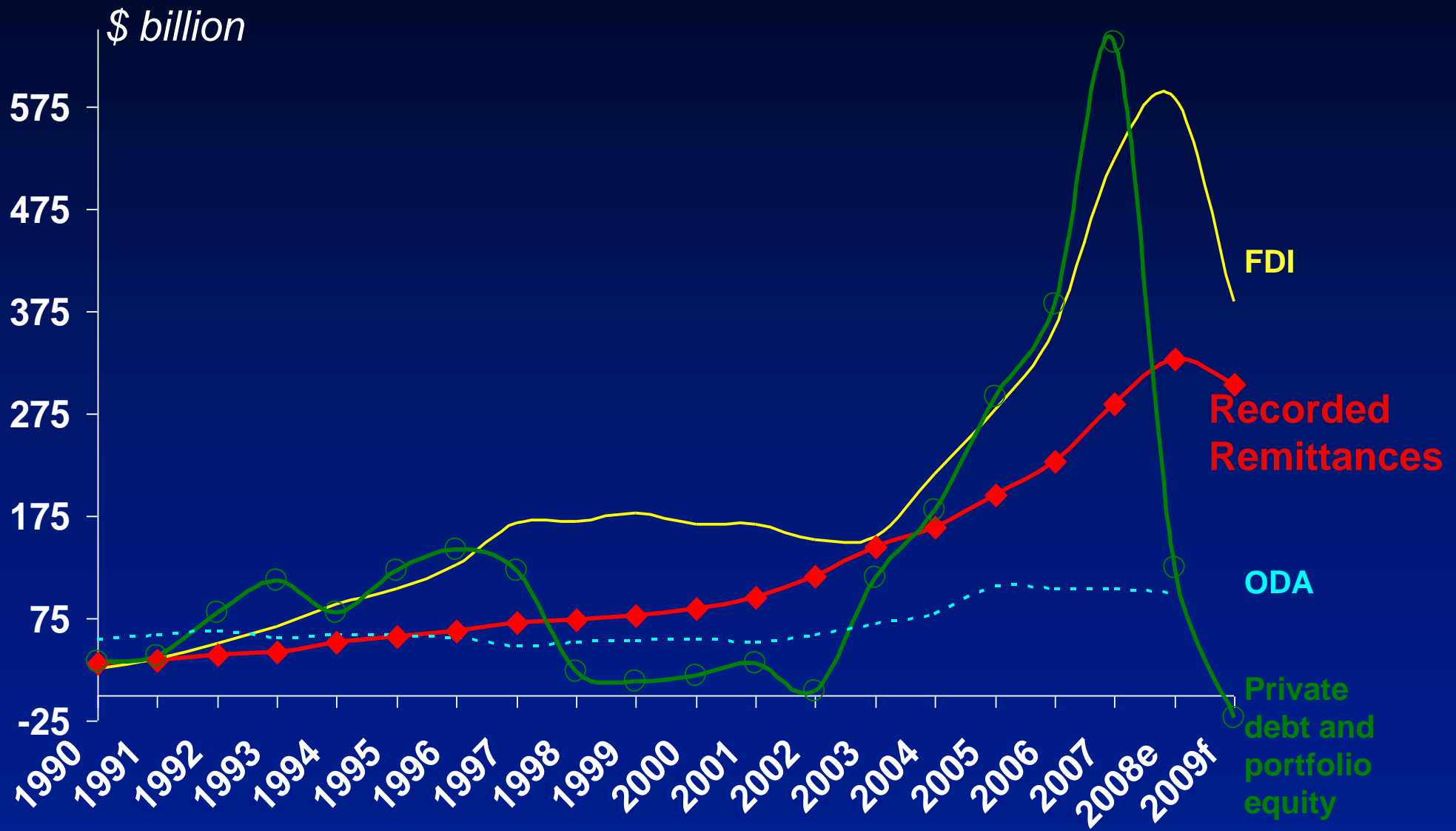
# Outline

- Revisions to 2008 data
- Year-to-date trends in 2009
- Outlook for 2009-11

# Messages

- Flows were robust in 2007 and 2008 until Q4 when they started slowing down
- Remittances expected to decline by 7-10% in 2009, but remittances will become more important as a source of external financing in many countries
- Rising protectionism poses a risk to the outlook

# Global remittances exceeded \$320 billion in 2008



# Remittance flows to developing countries

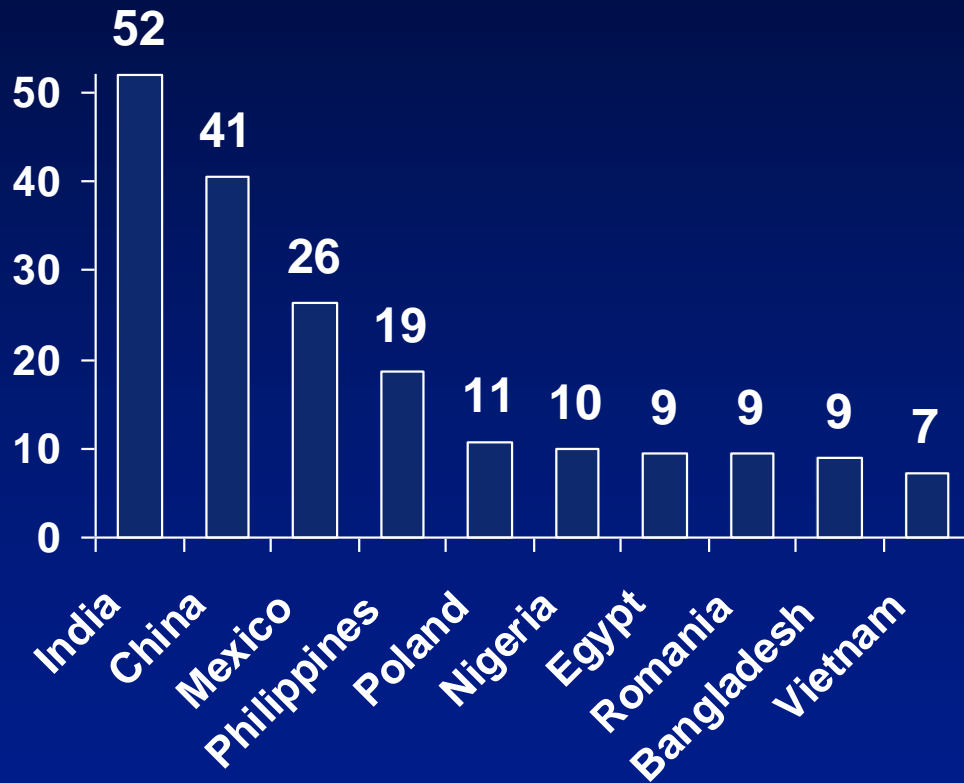
<i>\$ billion</i>	2006	2007	2008e
<b>Developing countries</b>	<b>228</b>	<b>285</b>	<b>328</b>
East Asia and Pacific	53	65	78
Europe and Central Asia	37	51	57
Latin America and Caribbean	59	63	64
Middle-East and North Africa	26	32	34
South Asia	40	55	74
Sub-Saharan Africa	13	19	20
<b><u>Growth rate (%)</u></b>			
<b>Developing countries</b>	<b>17%</b>	<b>25%</b>	<b>15%</b>
<i>East Asia and Pacific</i>	13%	23%	20%
<i>Europe and Central Asia</i>	24%	37%	12%
<i>Latin America and Caribbean</i>	18%	7%	2%
<i>Middle-East and North Africa</i>	5%	21%	9%
<i>South Asia</i>	20%	40%	33%
<i>Sub-Saharan Africa</i>	35%	47%	7%

## Remittances are larger as a share of GDP – and growth has been faster – in low-income countries

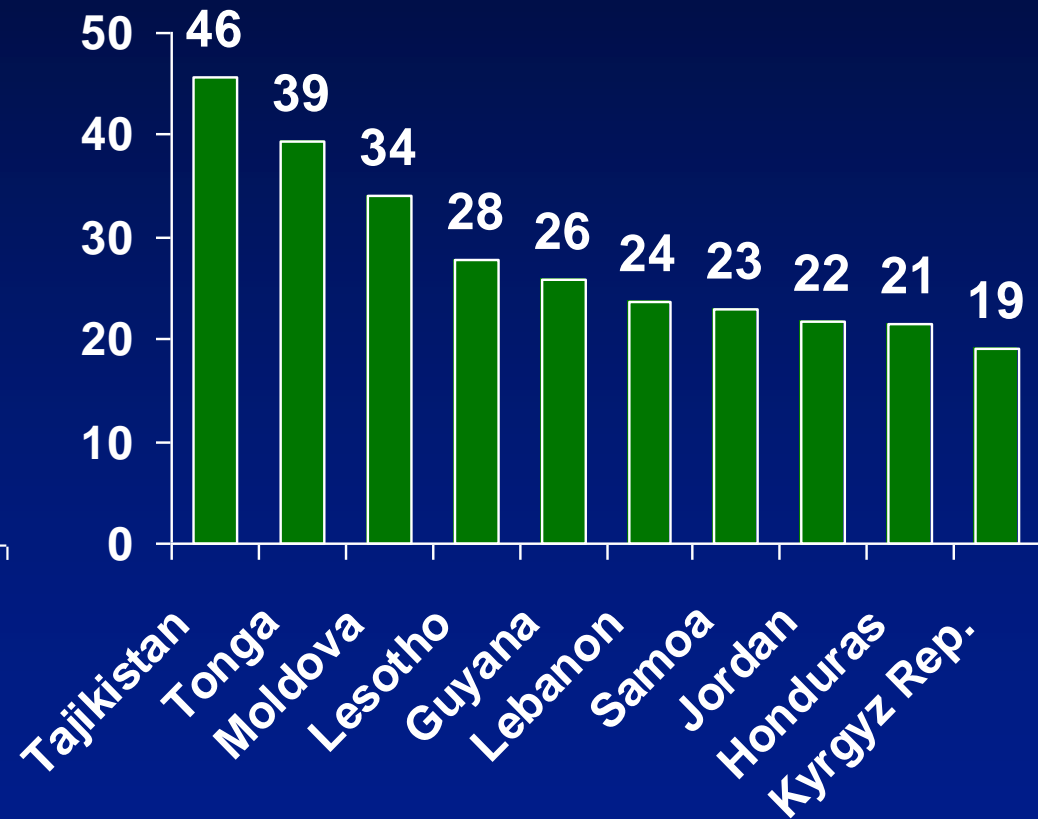
	2006	2007	2008e
Low-income (\$ bn)	\$20	\$25	\$31
<i>% of GDP</i>	<i>6.0%</i>	<i>6.1%</i>	<i>5.5%</i>
<i>Growth %</i>	<i>24%</i>	<i>23%</i>	<i>25%</i>
Middle-income (\$ bn)	\$208	\$261	\$297
<i>% of GDP</i>	<i>1.9%</i>	<i>1.9%</i>	<i>1.9%</i>
<i>Growth %</i>	<i>17%</i>	<i>25%</i>	<i>14%</i>

# Top recipients of remittances

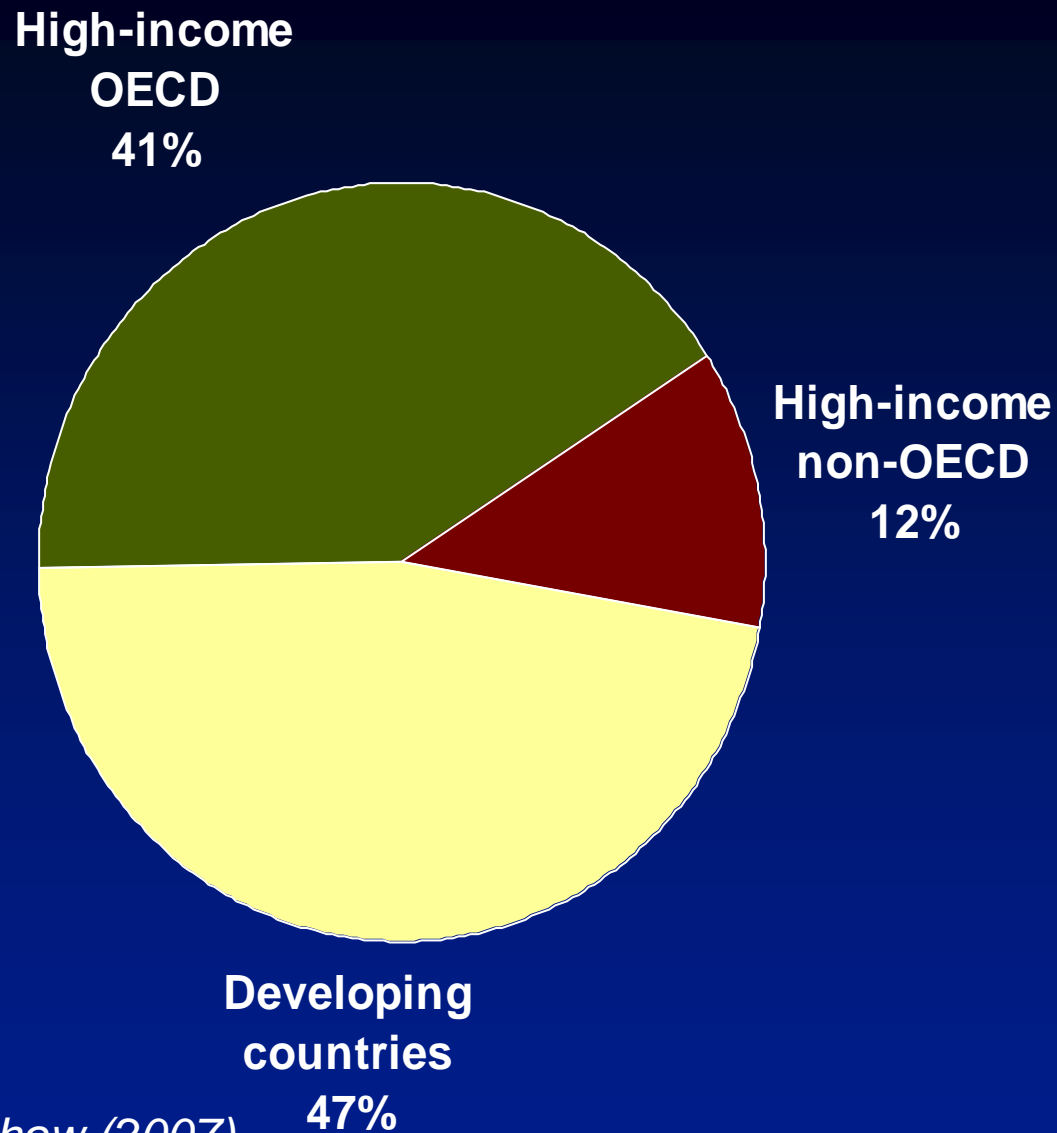
*\$ billion, 2008e*



*% of GDP, 2007*



# Destination of migrants from developing countries



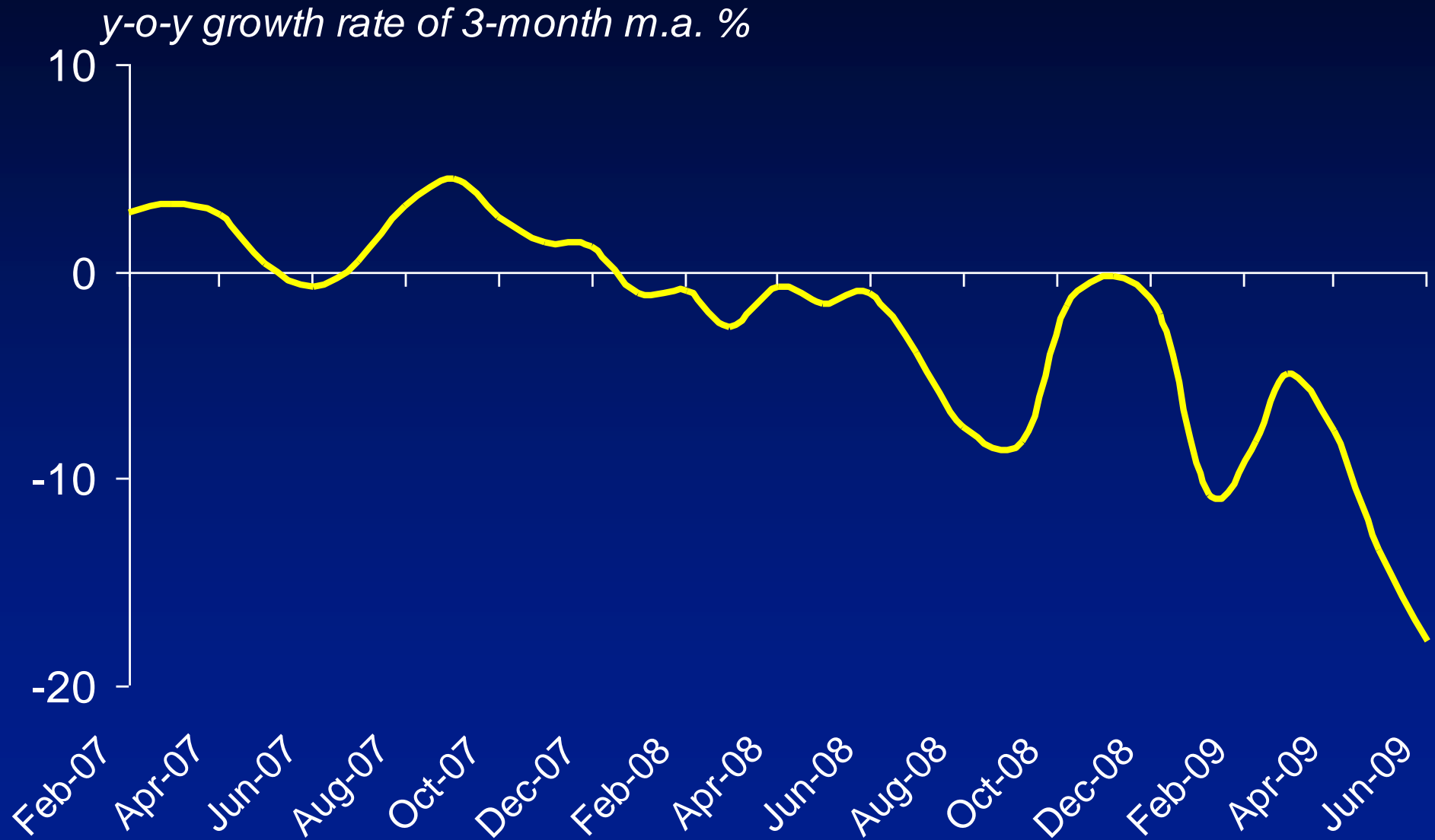
Source: Ratha and Shaw (2007)

South-South migration is larger than migration to high-income OECD countries

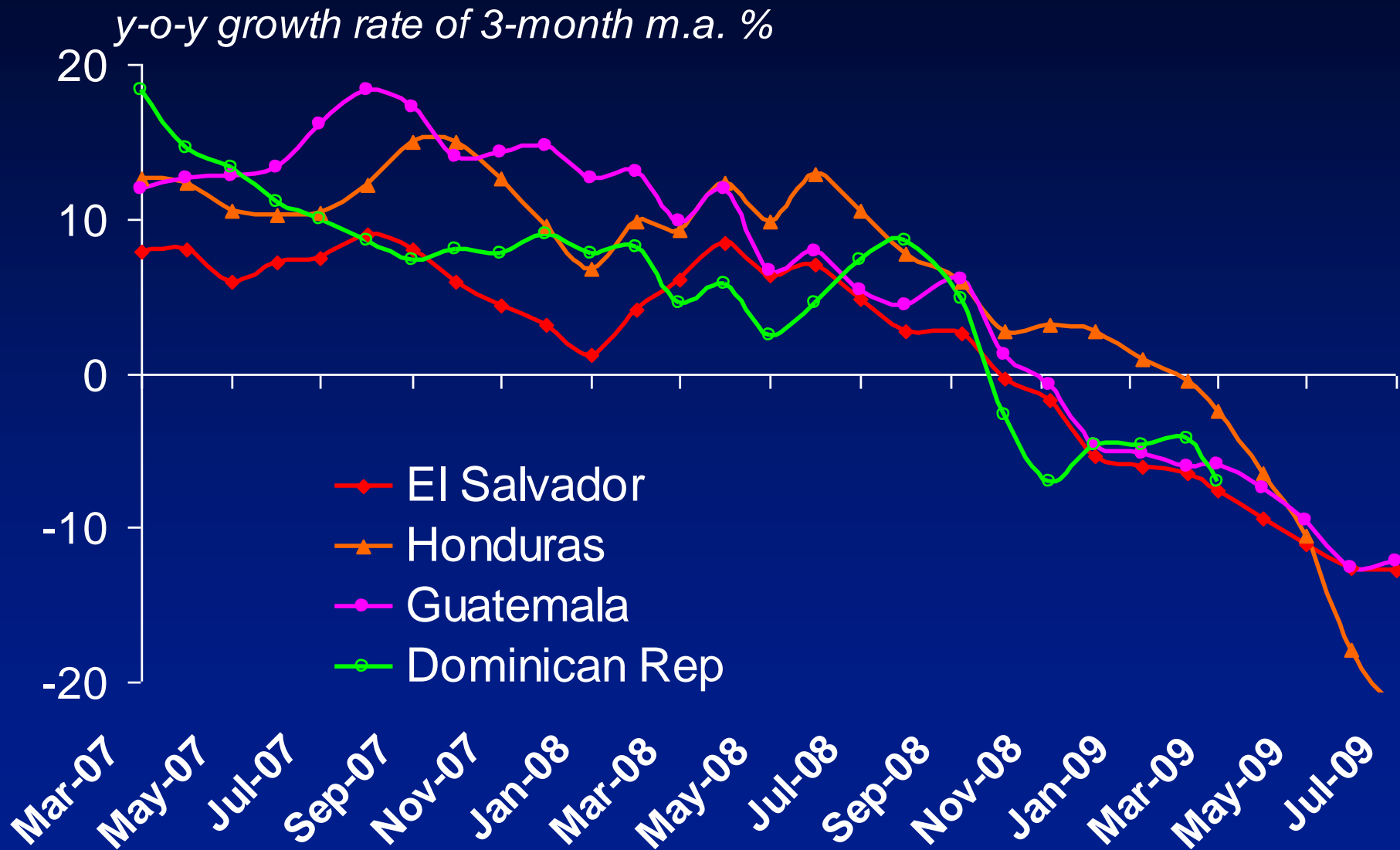


# Recent trends

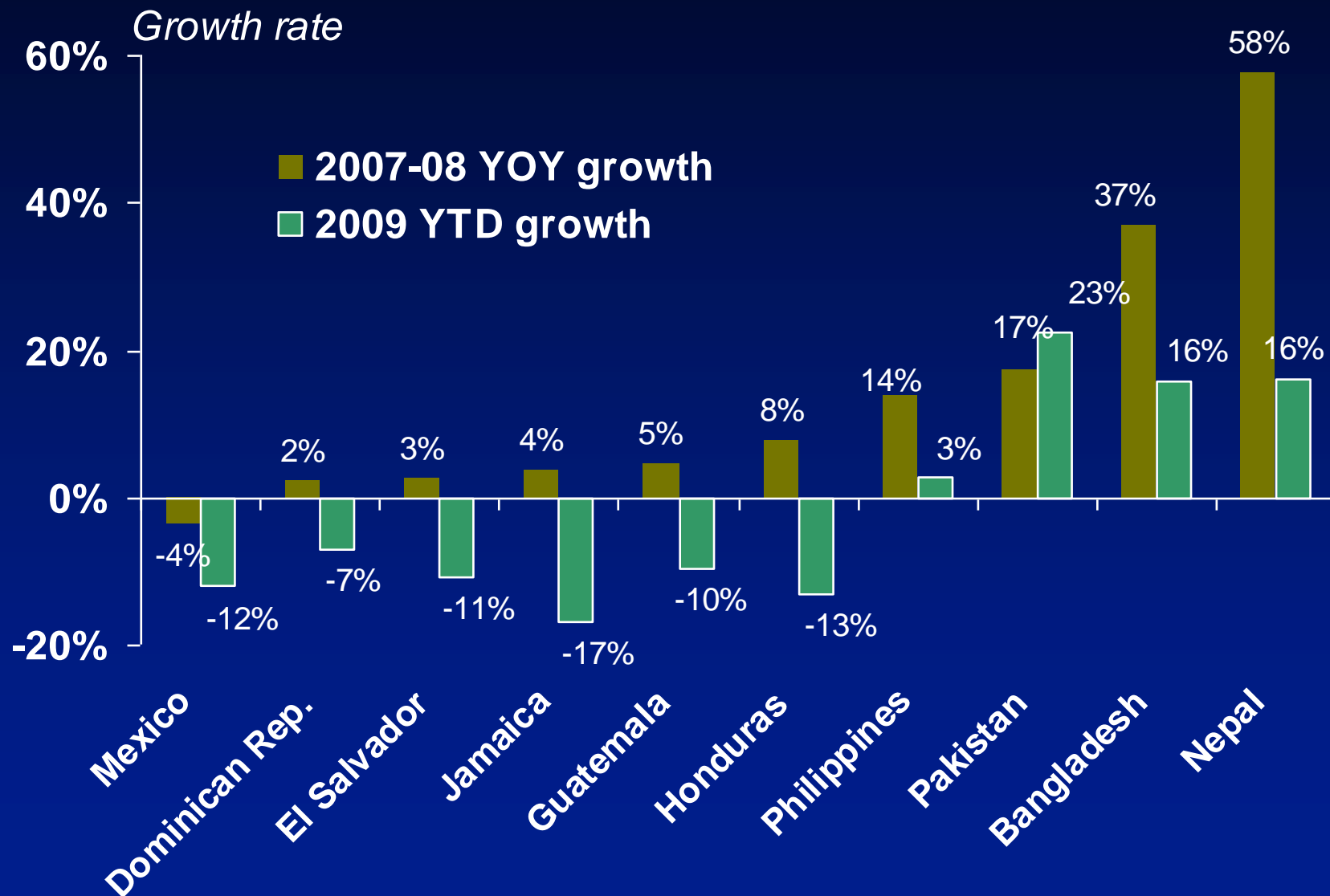
# Remittances to Mexico started declining in early 2008



# Remittance to other Latin American countries started declining in the first half of 2009

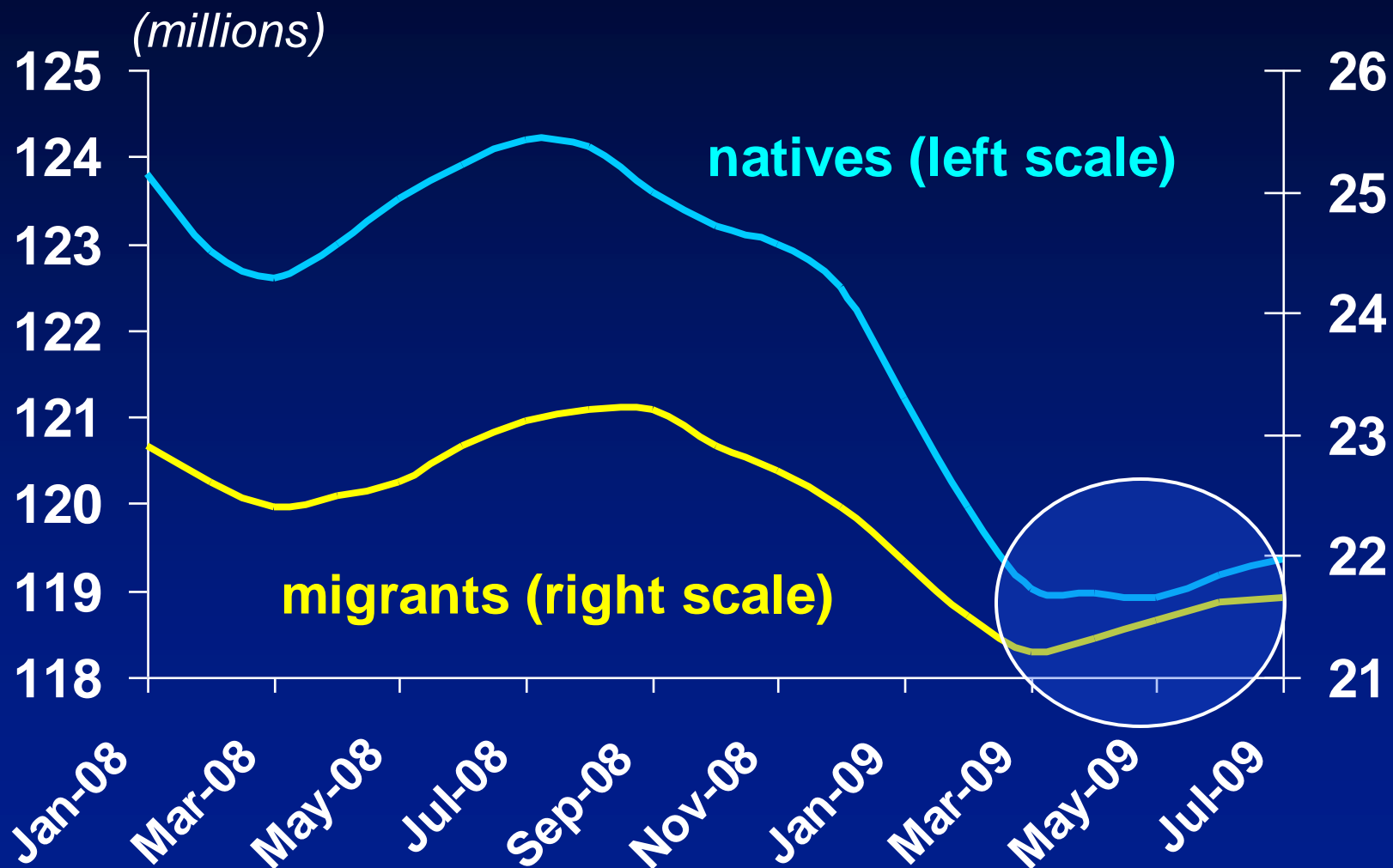


# Remittances are falling in Latin America, but are still growing in South and East Asia



Note: 2009 remittance figures are for January–July for El Salvador, Honduras, Guatemala, and Pakistan; January–June for Mexico, Jamaica, Philippines, and Nepal; and January – March for Dominican Republic.

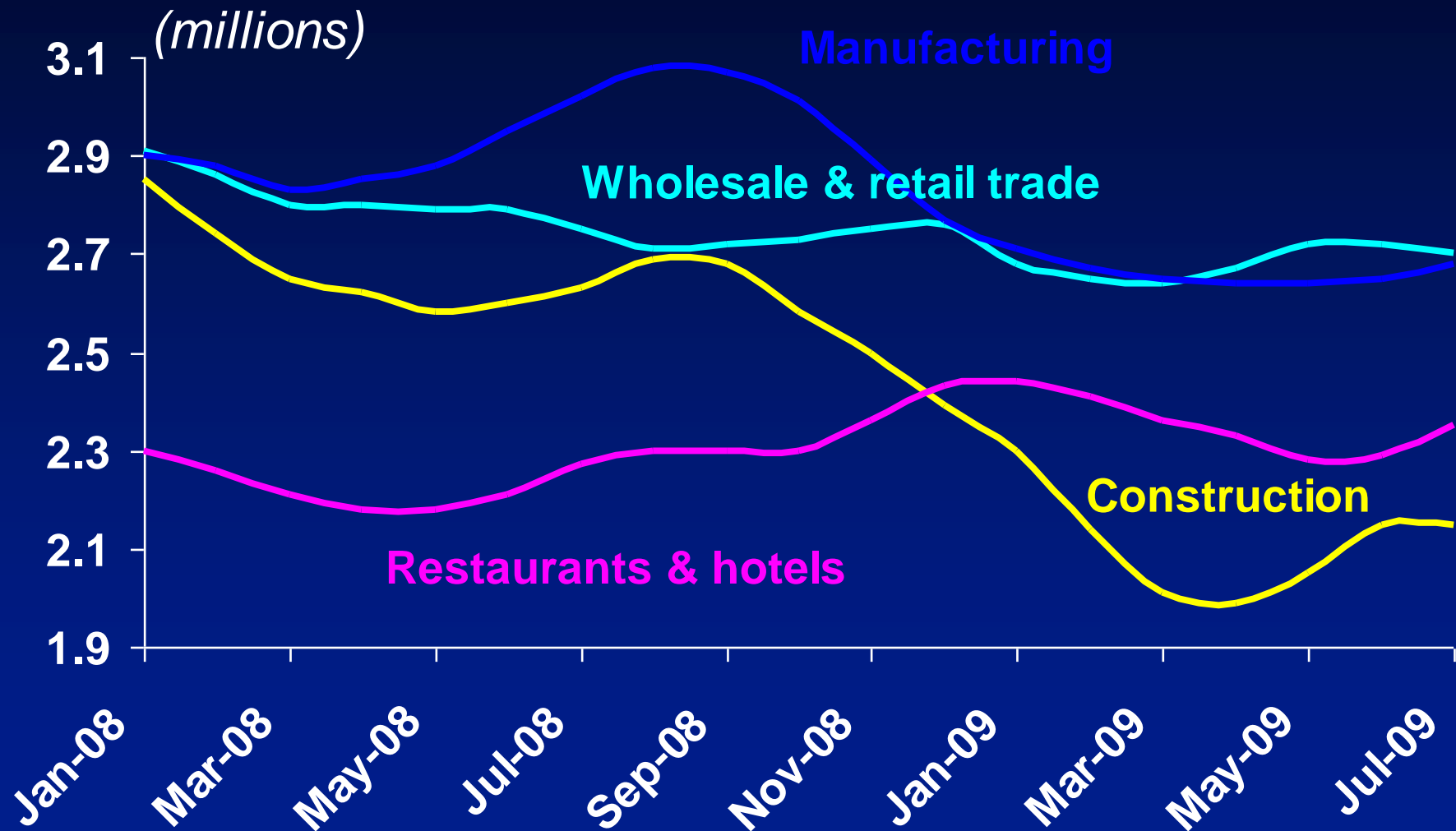
# US employment levels – signs of recovery for migrant workers?



3-month moving average

Source: Current Population Survey

# Migrant employment in various sectors in the US appears to be stabilizing

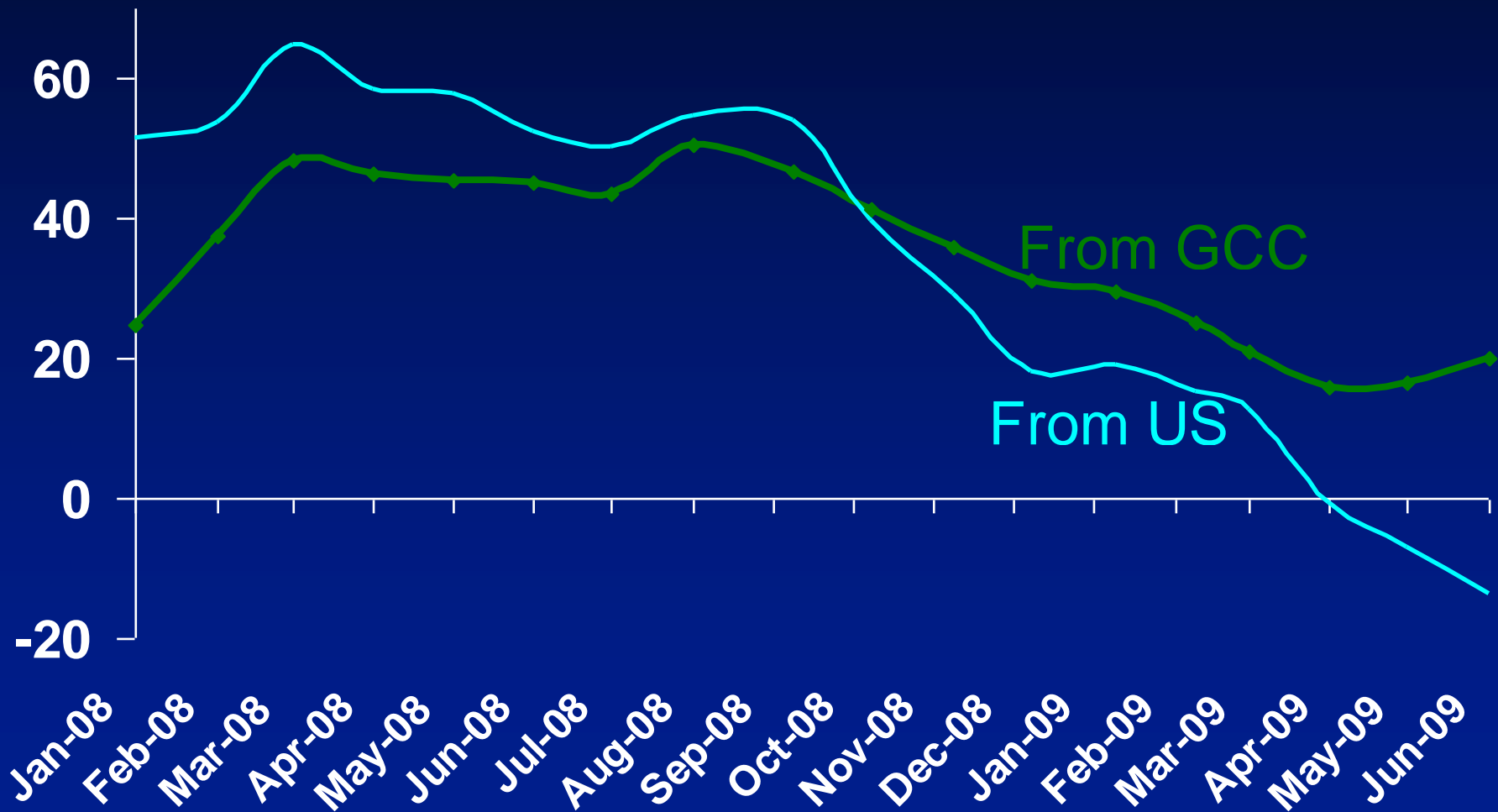


3-month moving average

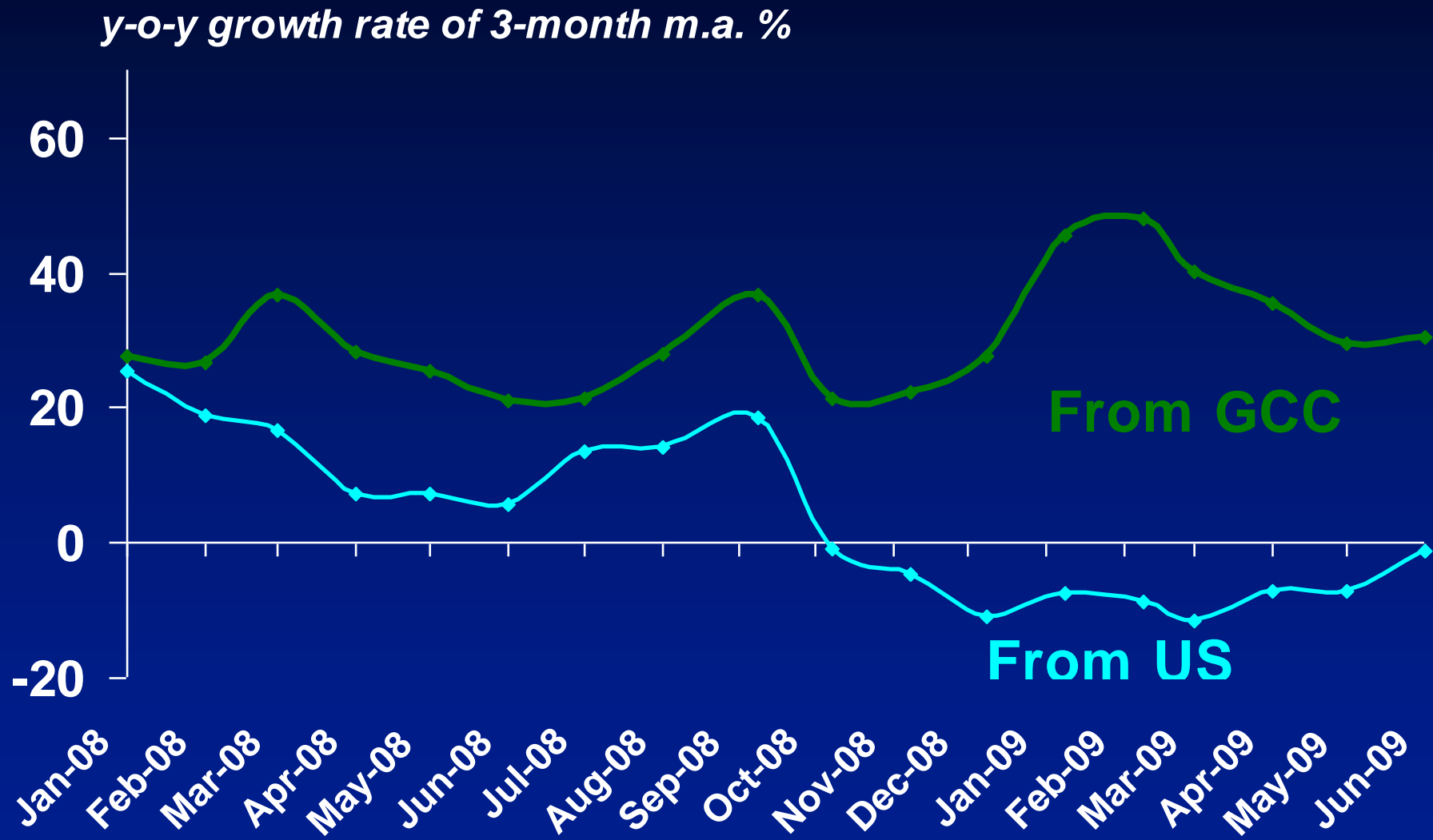
Source: Current Population Survey

# Remittances from the Gulf appear more resilient - Bangladesh

*y-o-y growth rate of 3-month m.a. %*

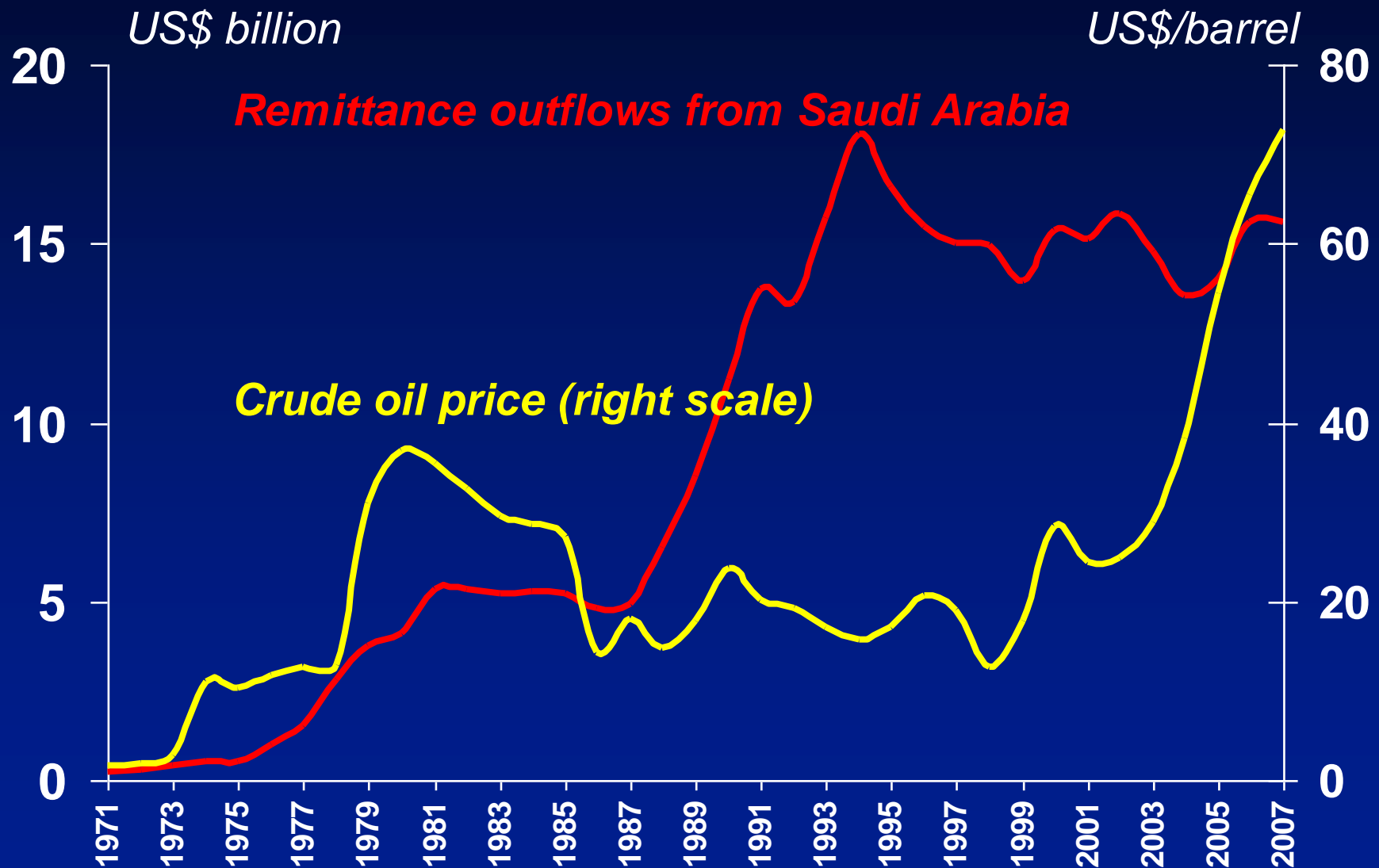


# Remittances from the Gulf appear more resilient - Pakistan





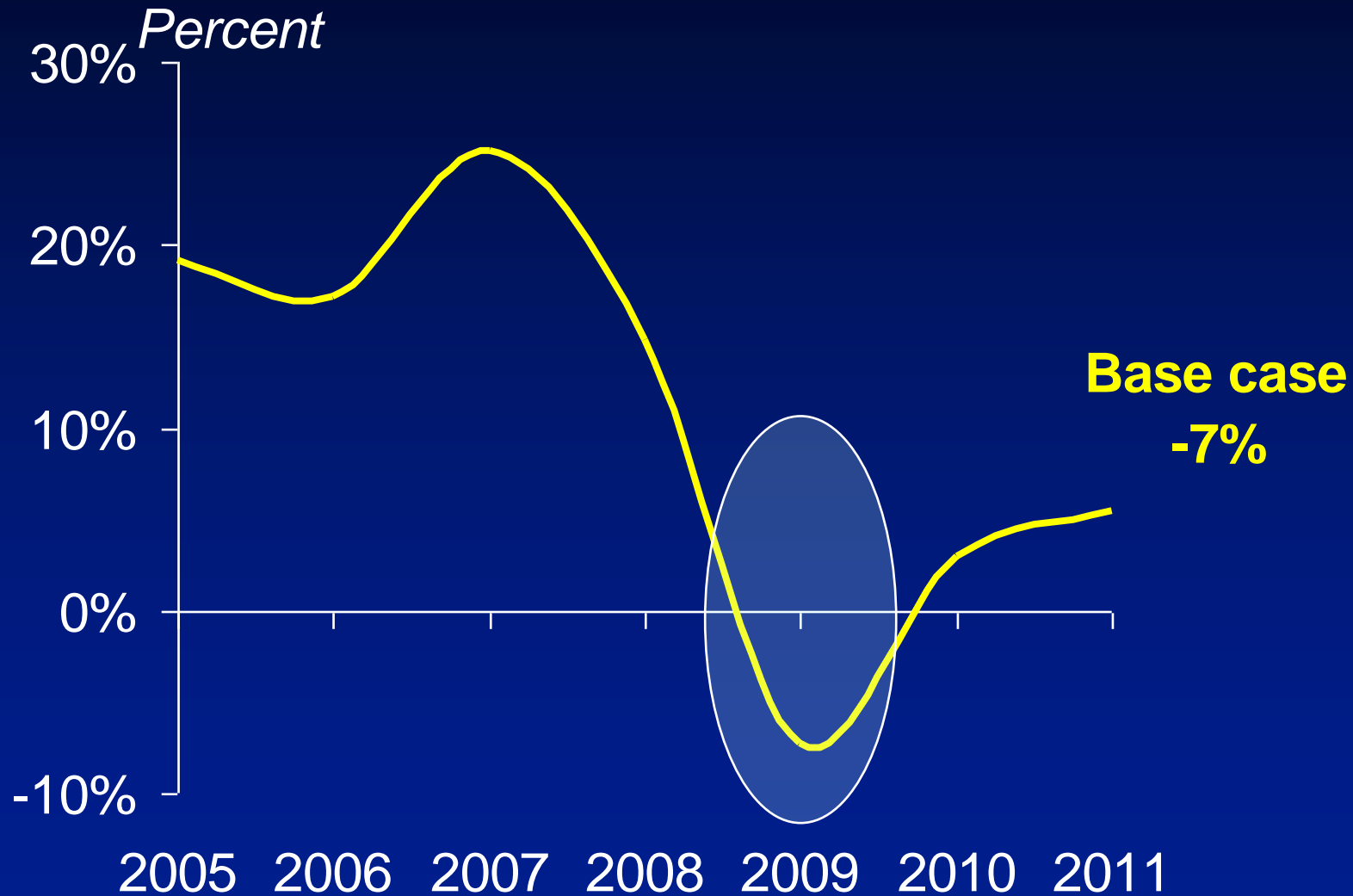
# Remittance outflows from Saudi Arabia appear to be uncorrelated with oil price since early 1990s



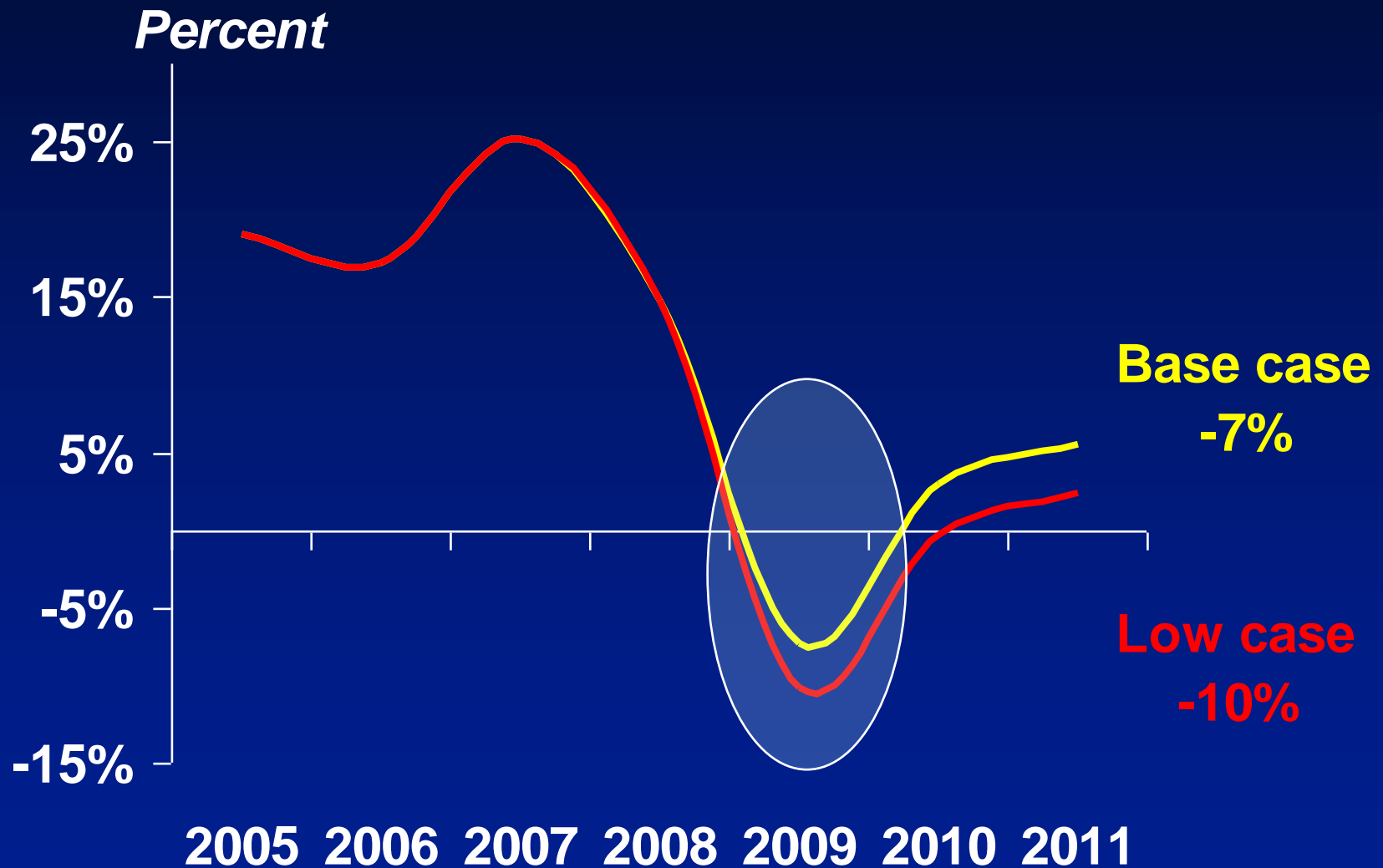
# US housing starts and remittance flows to Mexico



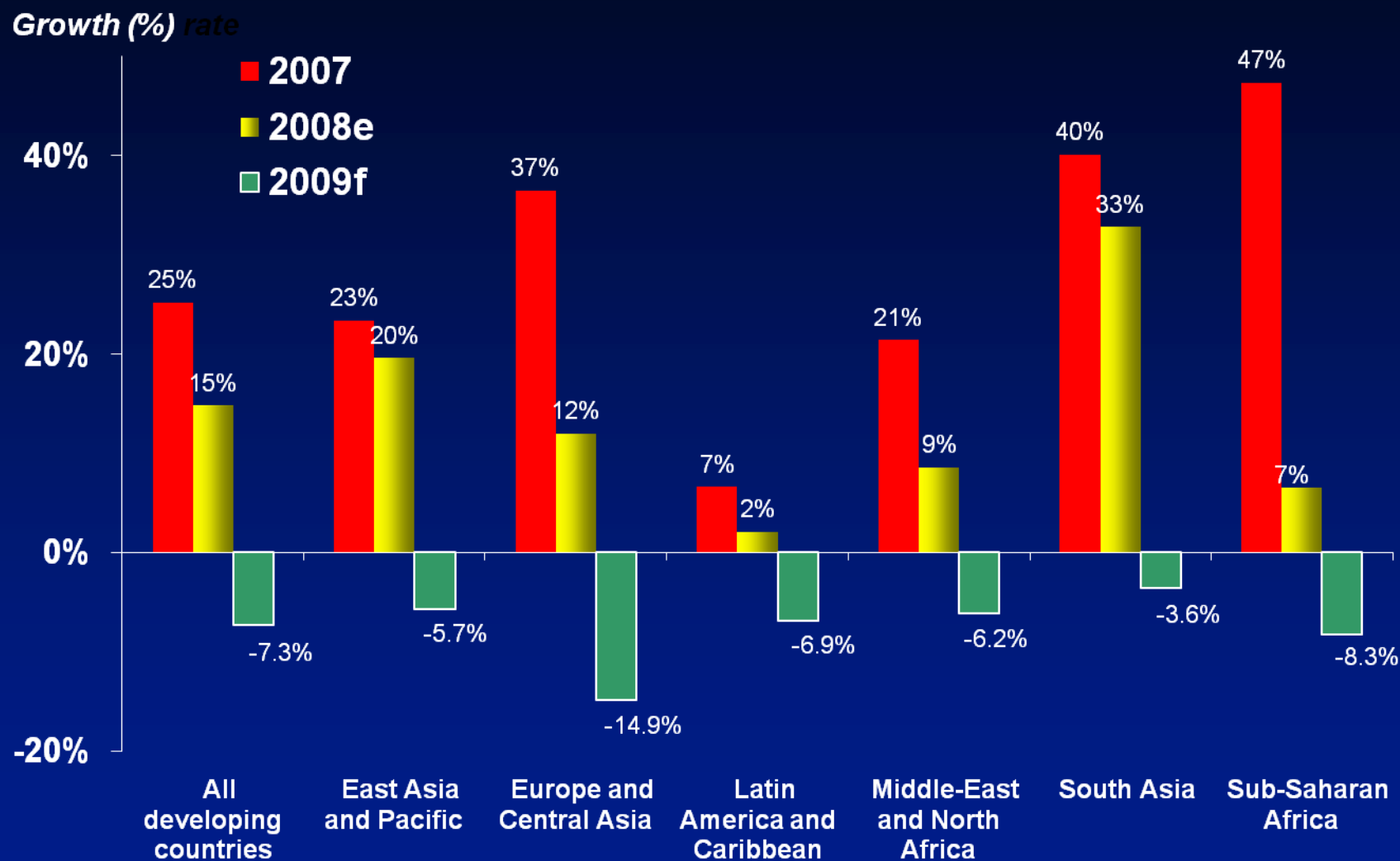
# Growth of remittance flows to developing countries will moderate significantly in 2009



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



# Remittance flows to developing countries decelerated in 2008 and are expected to fall by 7.3 percent in 2009



**Source:** "Outlook for Remittance Flows 2009-2011: Remittances expected to fall by 7-10 percent in 2009" By Dilip Ratha et. al., *Migration and Development Brief 10*, Development Prospects Group, World Bank

# Outlook for remittance flows for 2009

<i>\$ billion</i>	2006	2007	2008e	2009f Base case	2009f Low case
<b>Developing countries</b>	<b>228</b>	<b>285</b>	<b>328</b>	<b>304</b>	<b>295</b>
East Asia and Pacific	53	65	78	74	71
Europe and Central Asia	37	51	57	49	47
Latin America and Caribbean	59	63	64	60	58
Middle-East and North Africa	26	32	34	32	31
South Asia	40	55	74	71	69
Sub-Saharan Africa	13	19	20	18	18
<b><u>Growth rate (%)</u></b>					
<b>Developing countries</b>	<b>17%</b>	<b>25%</b>	<b>15%</b>	<b>-7.3%</b>	<b>-10.1%</b>
<i>East Asia and Pacific</i>	13%	23%	20%	-5.7%	-8.8%
<i>Europe and Central Asia</i>	24%	37%	12%	-14.9%	-17.2%
<i>Latin America and Caribbean</i>	18%	7%	2%	-6.9%	-9.4%
<i>Middle-East and North Africa</i>	5%	21%	9%	-6.2%	-9.8%
<i>South Asia</i>	20%	40%	33%	-3.6%	-6.4%
<i>Sub-Saharan Africa</i>	35%	47%	7%	-8.3%	-11.6%

# Remittances will remain resilient during 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

# Risks to the outlook

- Crisis may be deeper and last longer
- Exchange rate movements highly unpredictable
- Rising protectionism may lead to tighter immigration controls



# 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

[www.worldbank.org/prospects/migrationandremittances](http://www.worldbank.org/prospects/migrationandremittances)

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