

# Migration and Remittance Trends 2010

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Webinar

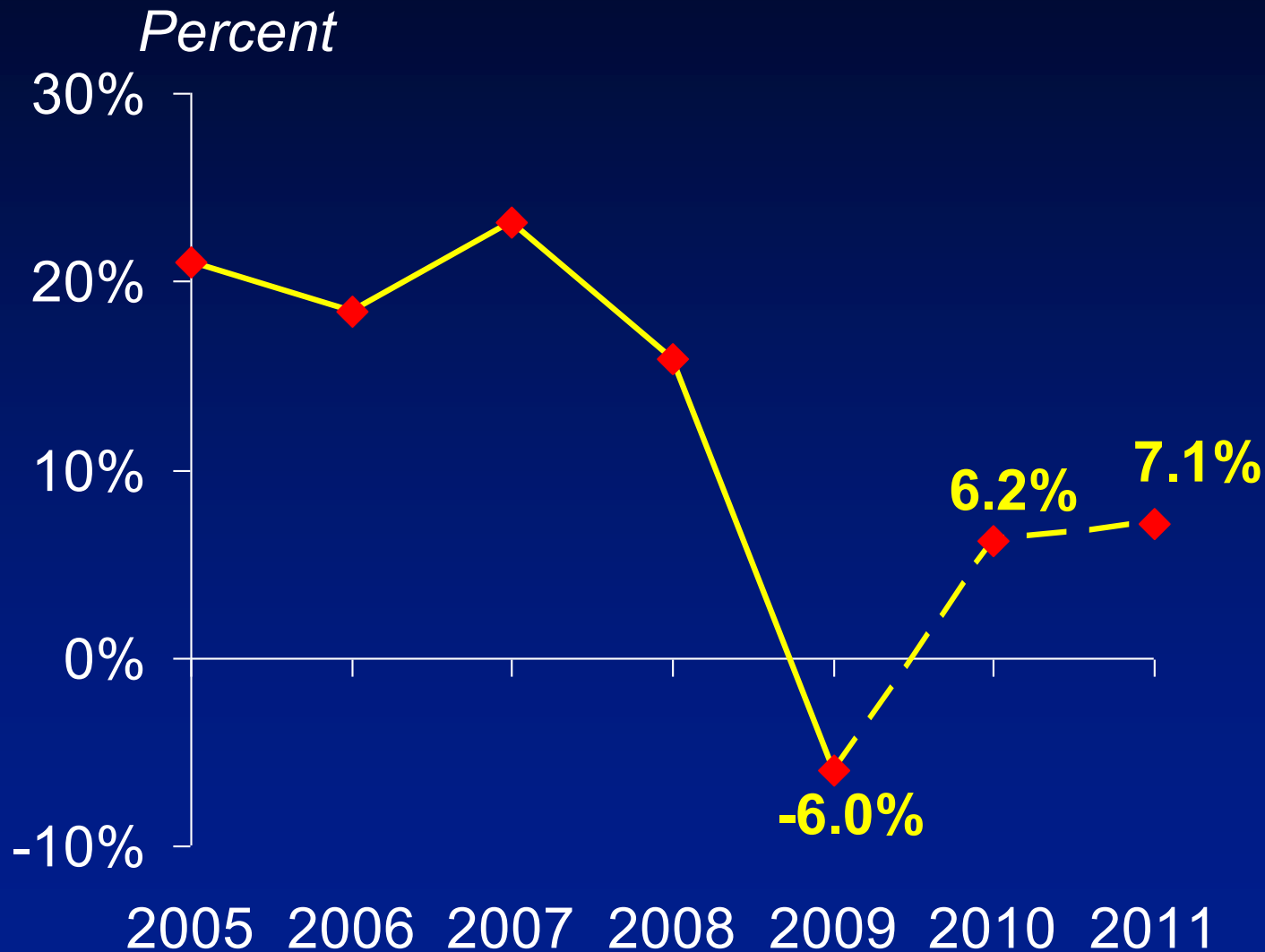
World Bank, Washington D.C.

April 28, 2010

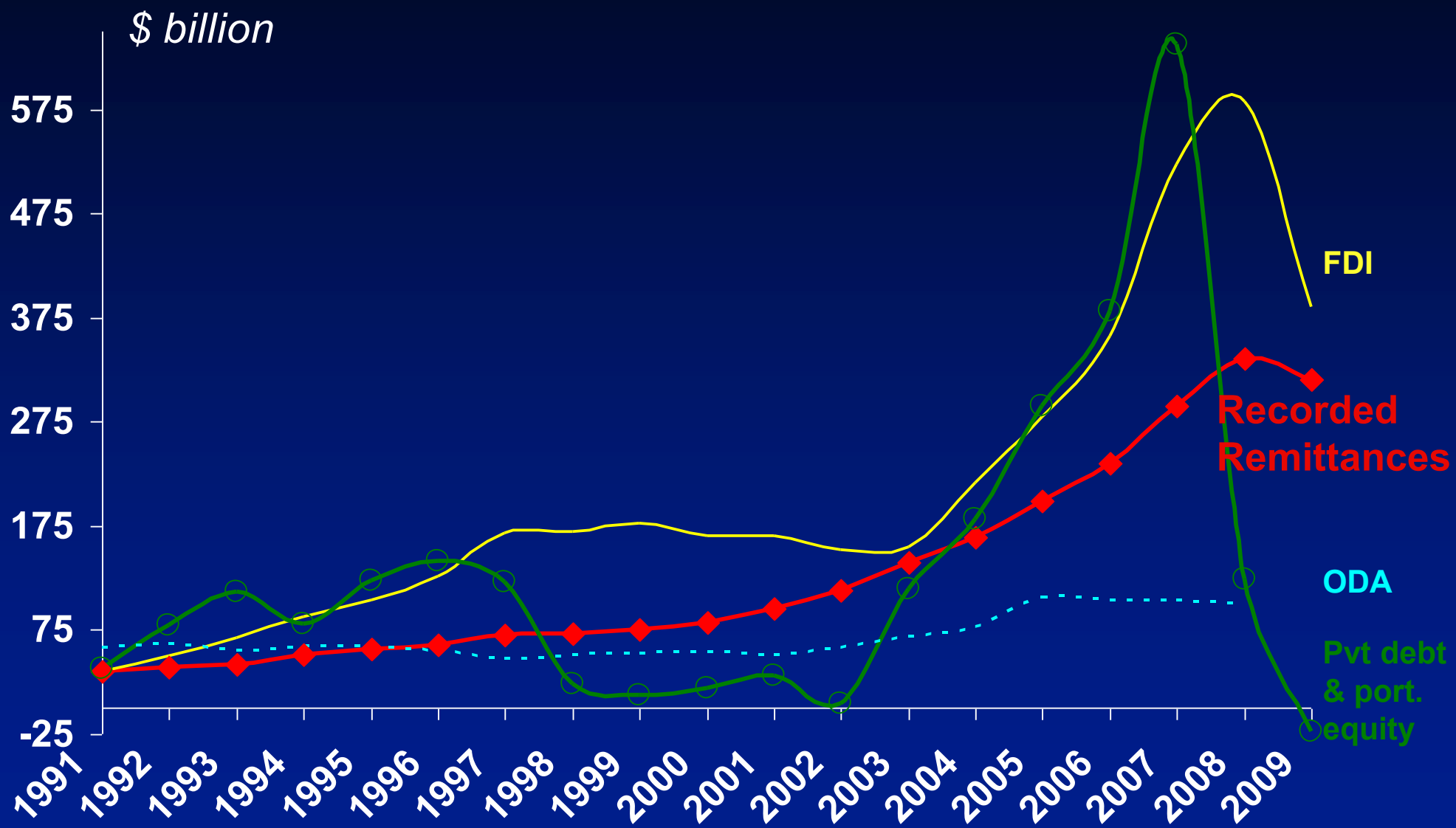
# Messages

- Remittances estimated to have declined by only 6% in 2009, but expected to grow by 6.2% in 2010 and 7.1% in 2011
- Remittances are now factored into sovereign ratings in middle-income countries and debt sustainability analysis in low-income countries
- Risks to the outlook include jobless recovery, currency movements, and rising protectionism

## Remittance flows to developing countries declined in 2009, to recover at a modest pace in 2010 and 2011



# Remittances proved to be resilient compared to other flows



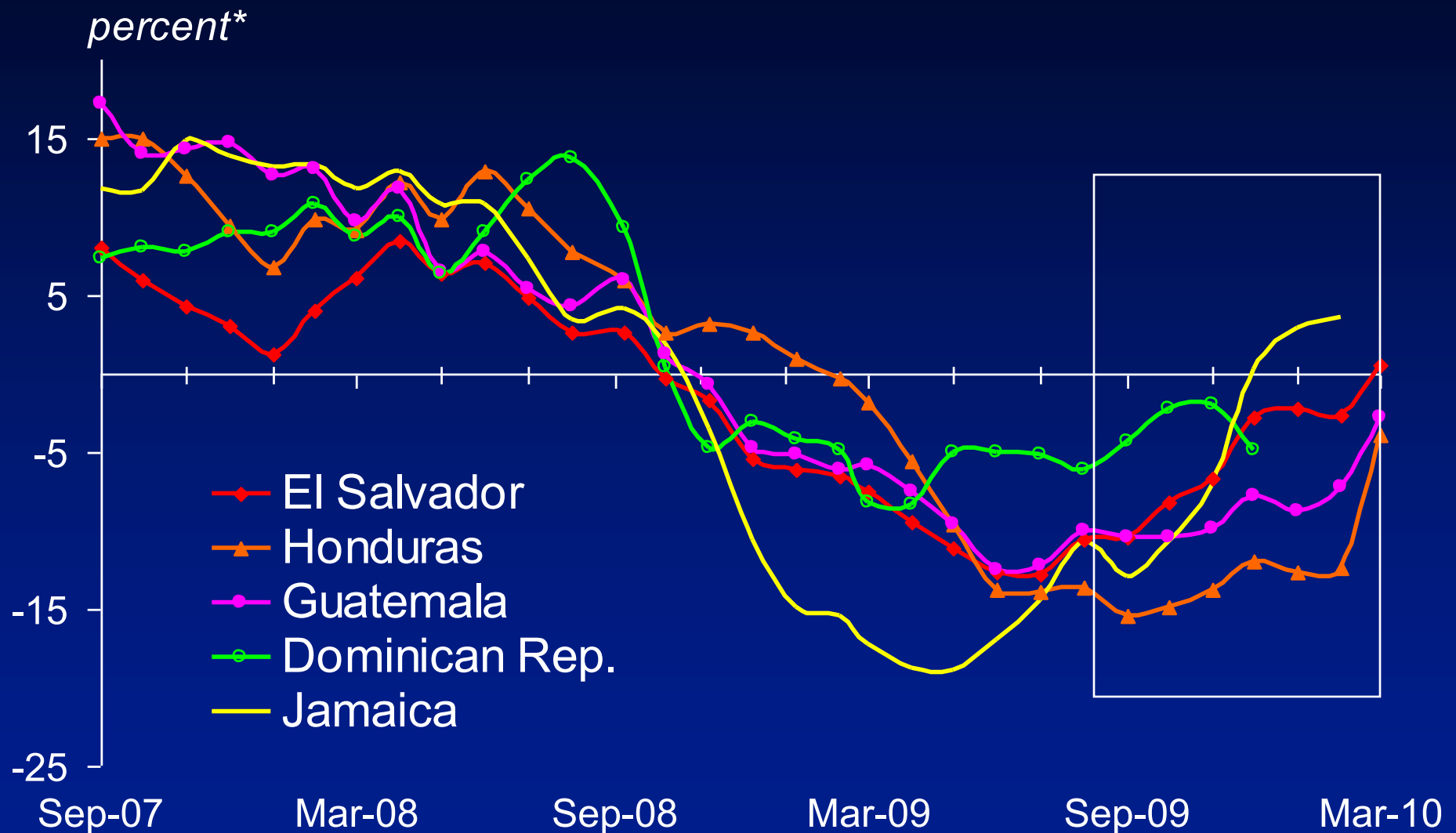
# Remittances remain resilient during downturns in host countries

- 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 increased in response to tighter border controls and increased difficulty of re-entry
- “Safe haven” factor or “home-bias” -- returnees will take back accumulated savings
- Sectoral shifts – and fiscal stimulus packages –helped some migrants

# Regional trends

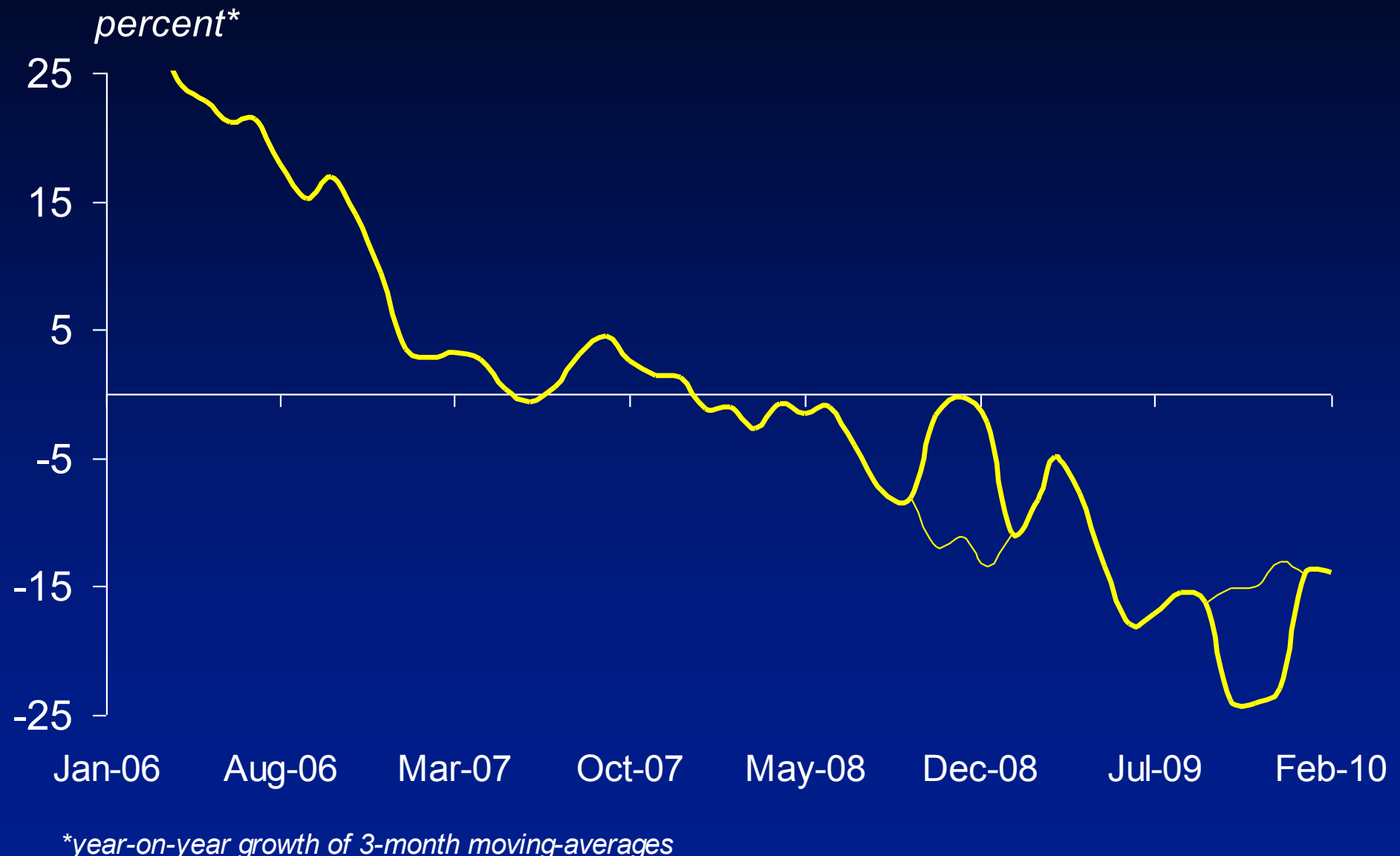
- Remittances to Latin America and Caribbean have bottomed out since 4Q 2009
- Flows to South Asia and East Asia have continued to grow, but at a markedly lower pace
- Flows to Europe & Central Asia and Middle-East and North Africa fell more than expected
- Flows to Sub-Saharan Africa remained flat, judging from sparse data

# Remittances to Latin America and Caribbean have bottomed out



*\*year-on-year growth of 3-month moving-averages*

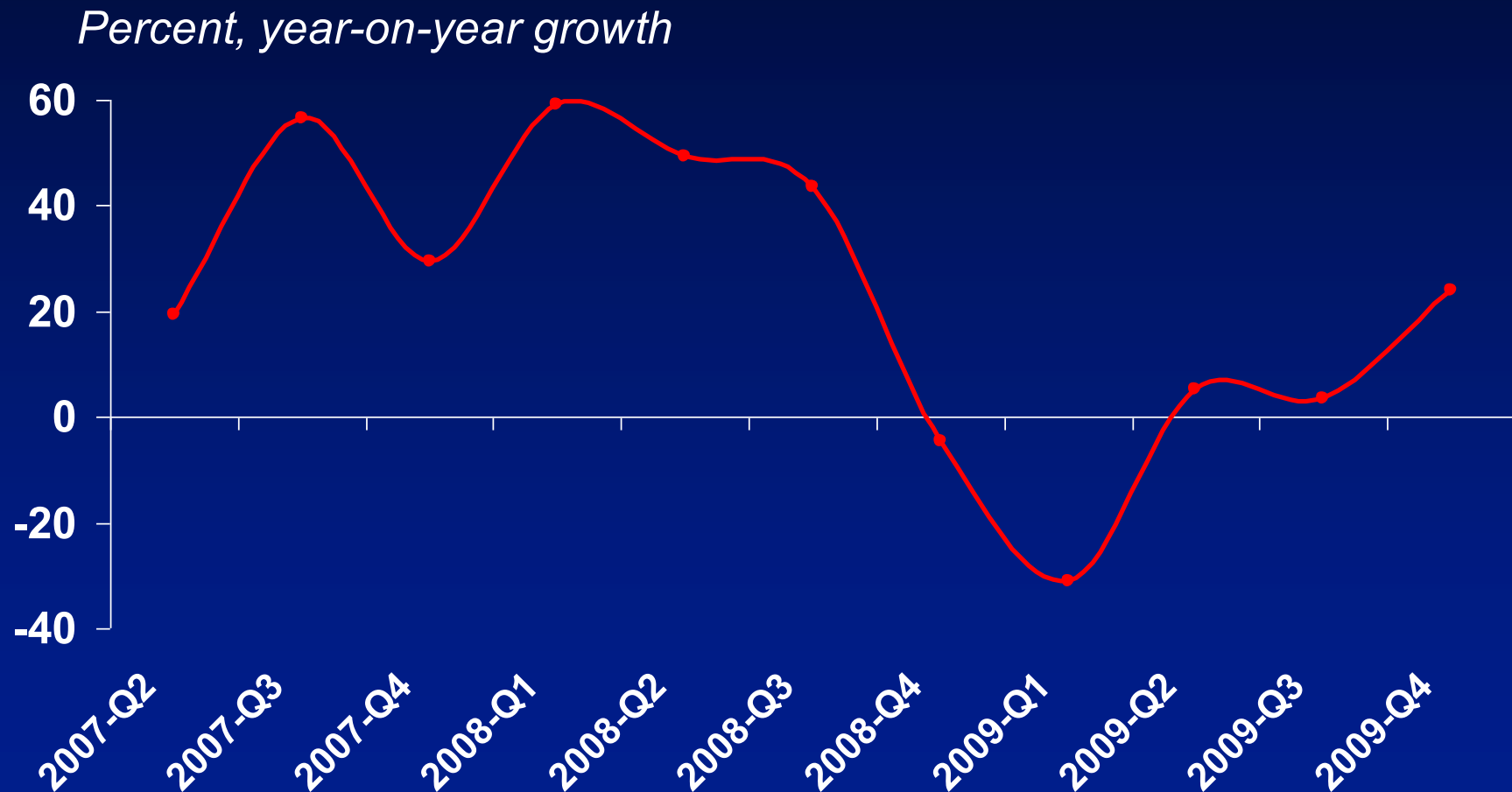
# Remittances to Mexico started declining in early 2008, but the pace of decline is slowing



Note: Mexico saw an unusual increase in remittances in October 2008 due to a sudden peso depreciation; this resulted in a 36 percent decline in remittances in October 2009. The dotted line in the chart corrects for this anomaly by smoothing the remittance flow in October 2008.

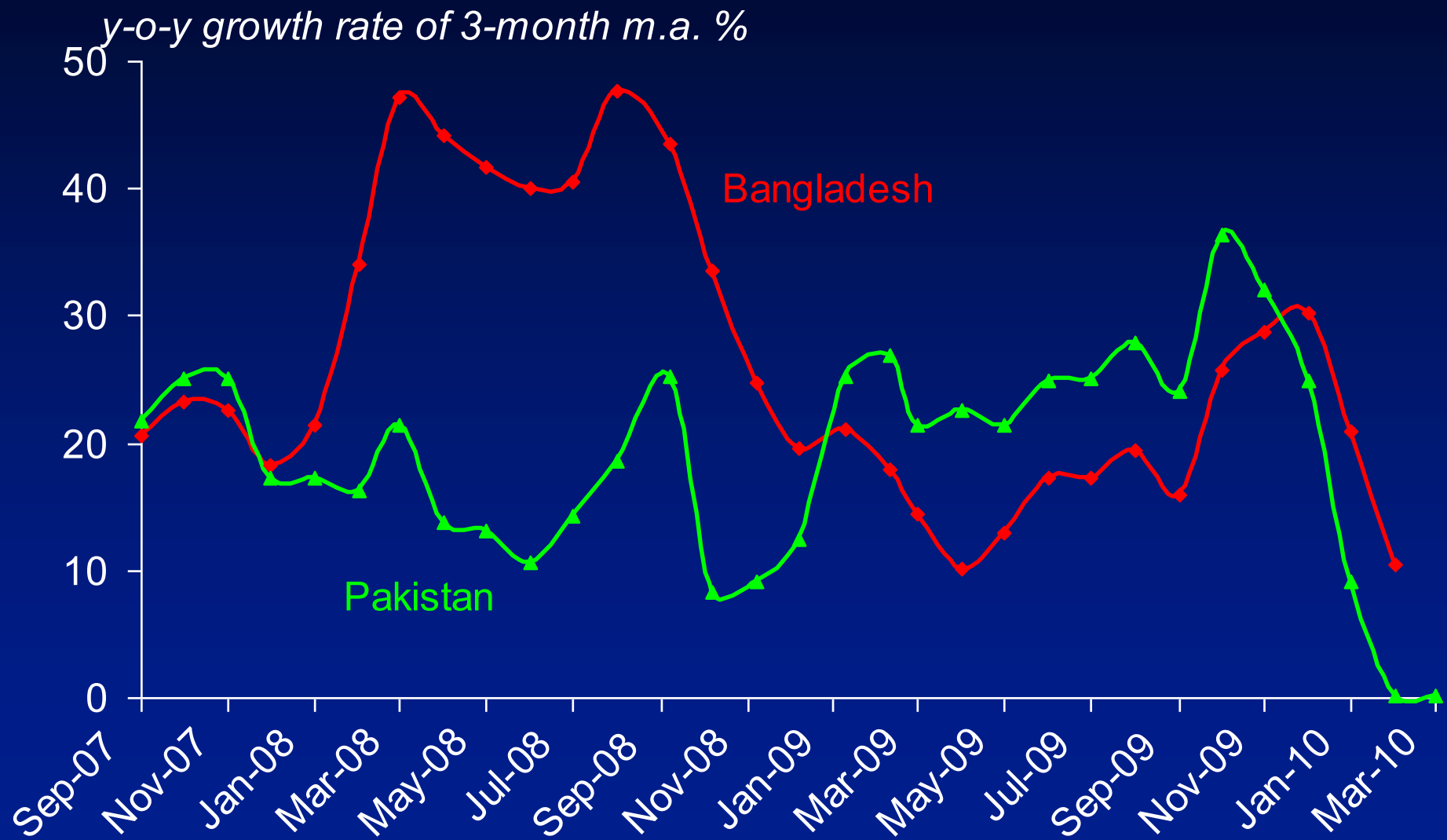


# Remittances to India grew through the crisis except in Q1 2009



Note: Private transfers comprise mostly remittances from Indian migrants, but also include other transfers.

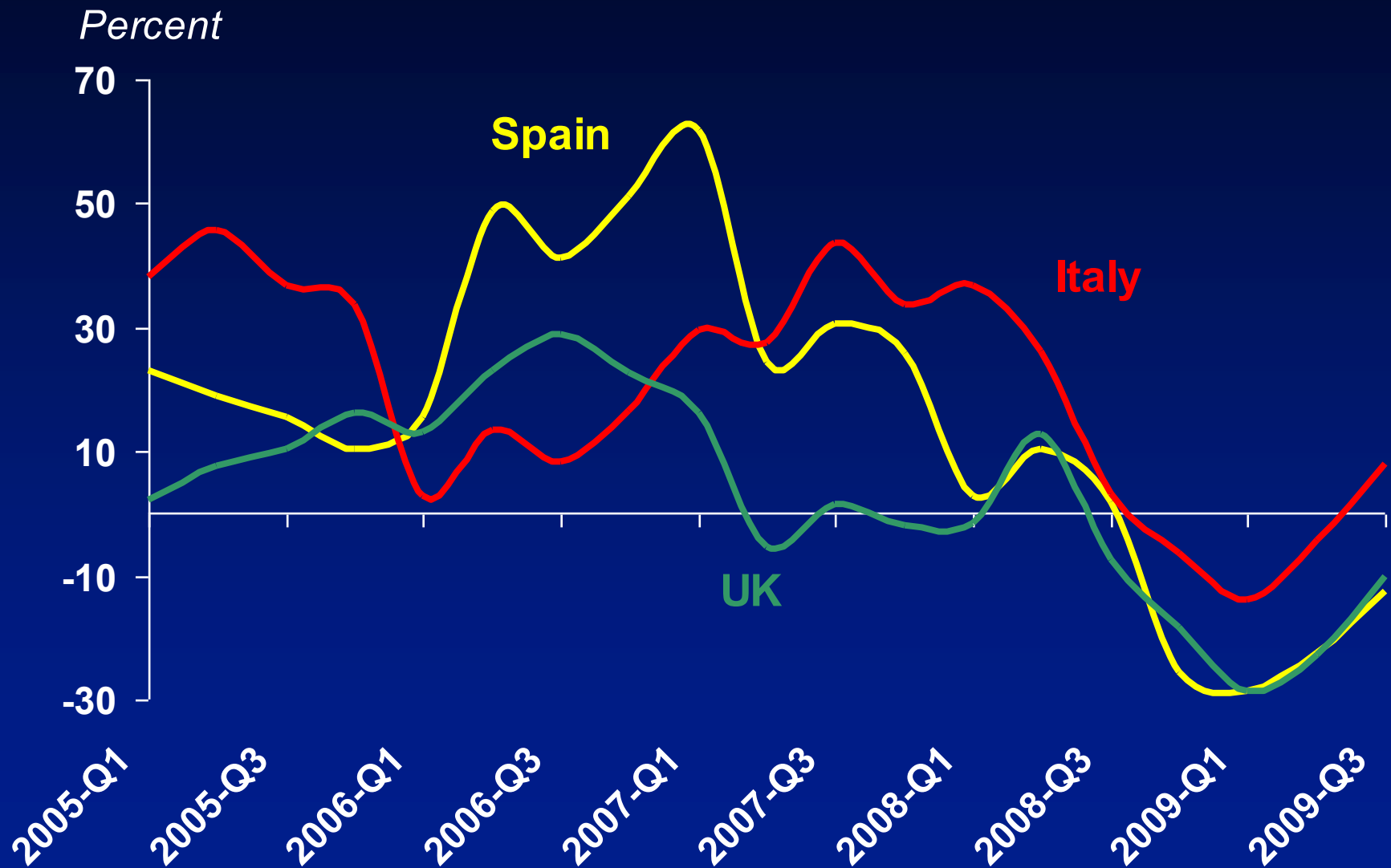
# Remittances to Bangladesh and Pakistan are decelerating, in a lagged response to crisis (especially in GCC countries)



# Three observations

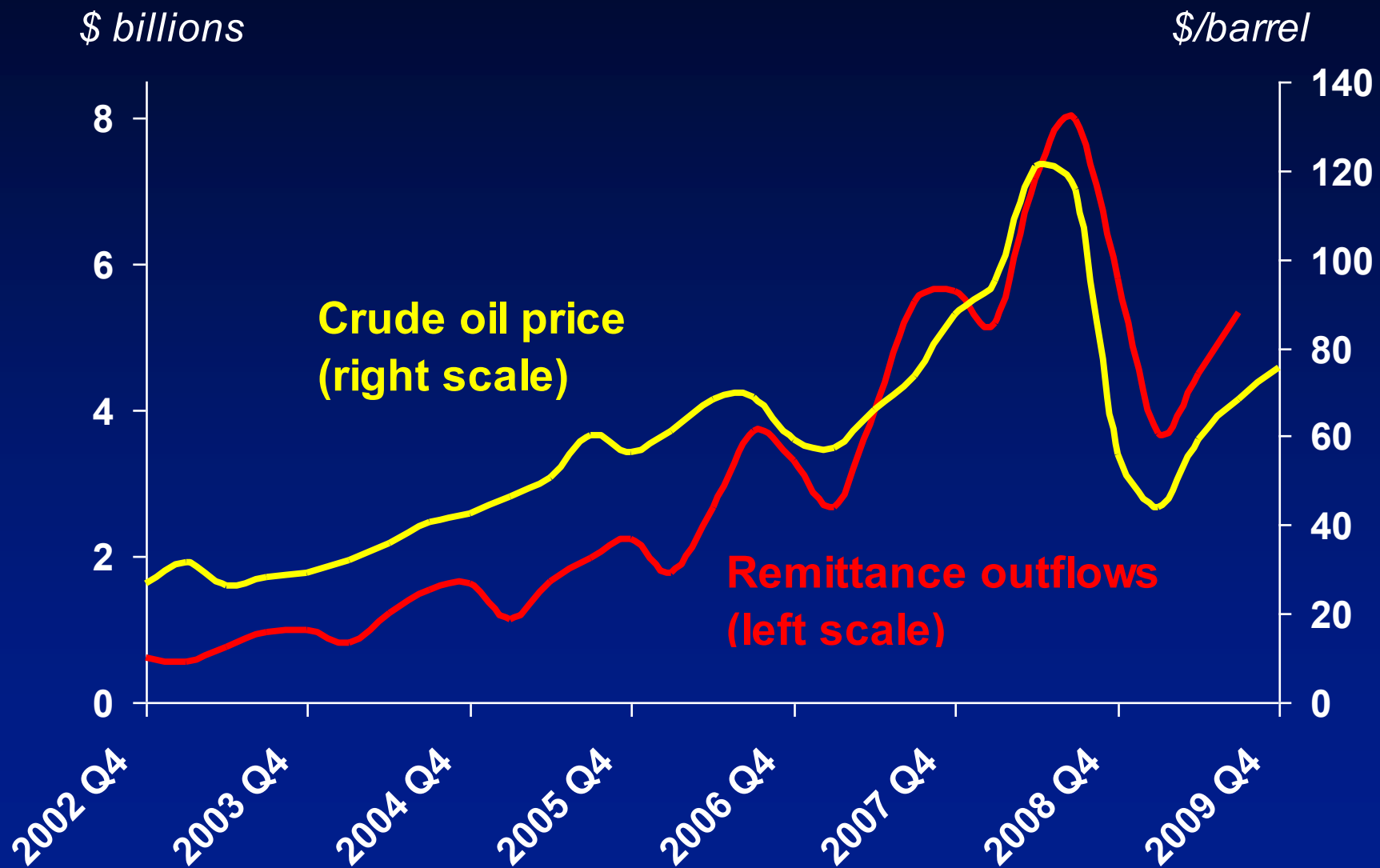
- The more diverse the migration destinations, the more resilient are remittances
- The lower the barriers to labor mobility, the stronger the link between remittances and economic cycles in that corridor

# Remittance outflows from UK, Spain, and Italy fell but are recovering



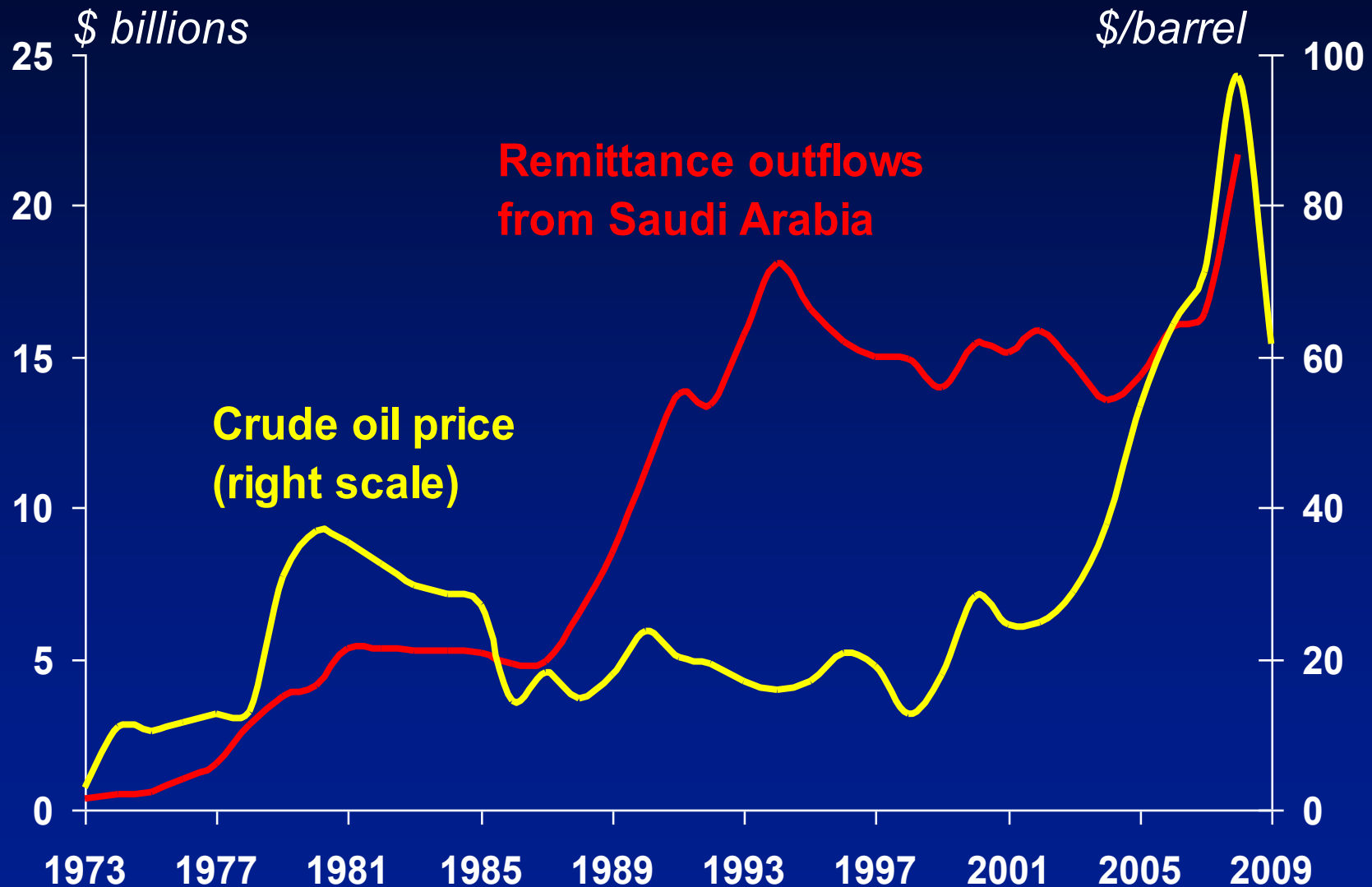
Source: IMF Balance of Payments and Development Prospects Group, World Bank.

# Remittances outflows from Russia are correlated with oil prices



Source: IMF Balance of Payments and Development Prospects Group, World Bank.

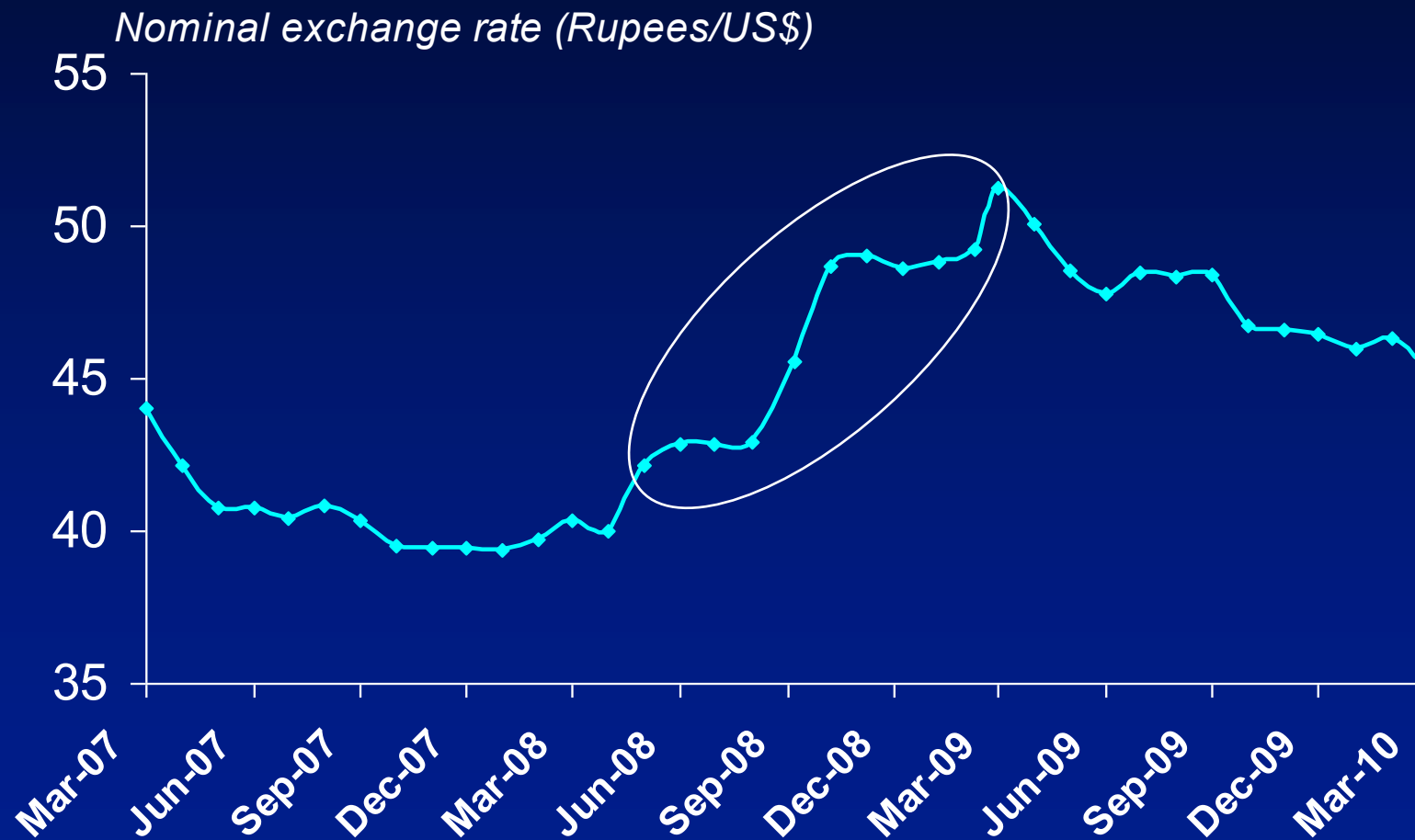
# Remittance outflows from Saudi Arabia have been uncorrelated with oil price since early 1990s



# Three observations

- The more diverse the migration destinations, the more resilient are remittances
- The lower the barriers to labor mobility, the stronger the link between remittances and economic cycles in that corridor
- Exchange rate movements produce valuation effects, but they also influence the consumption-investment motive for remittances

# “Sale effect” - Exchange rate changes encouraged investment-related remittances to India

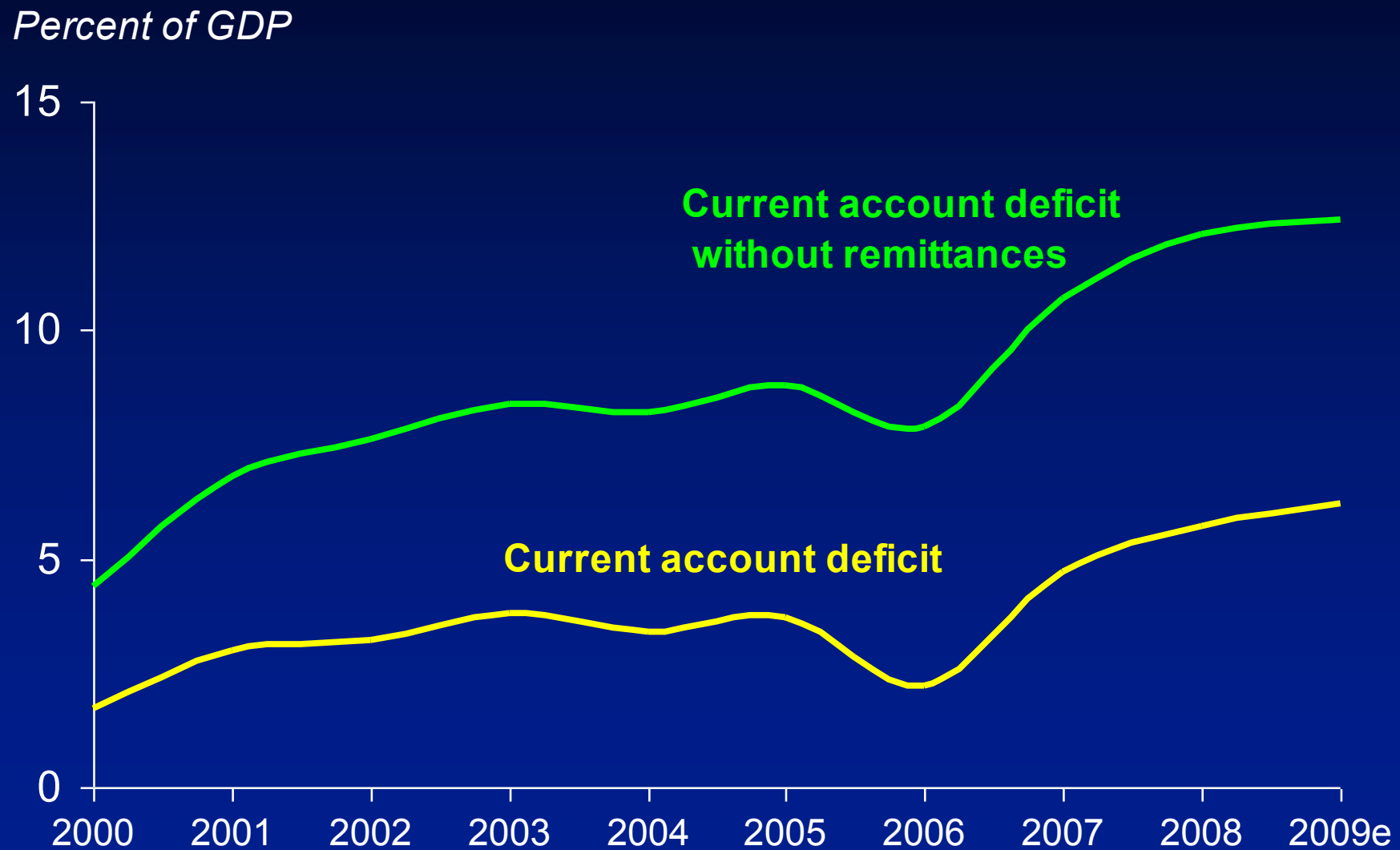




# Increasing interest in remittances and the wealth of the diaspora

- Some are considering securitization of future remittances and payment rights
- Many countries are issuing diaspora bonds
- Remittances are becoming a factor in the analysis of country risk ratings and debt sustainability

# Remittances have contributed to reducing current account deficits of low-income countries

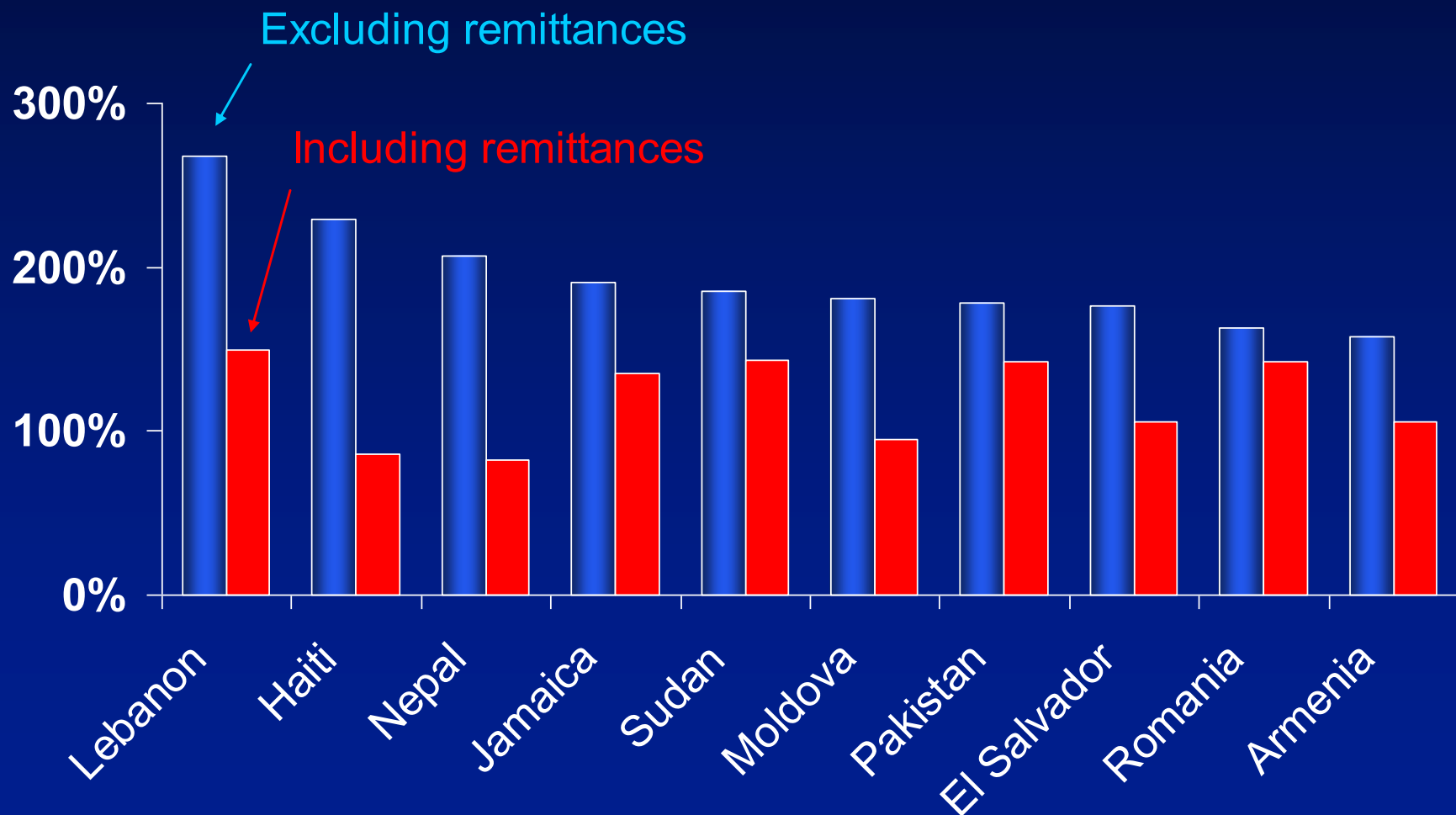


# Remittances have partially or fully offset trade deficits in some large recipients



# Remittances contribute to sovereign creditworthiness

Debt as a percent of exports



# Structural and policy issues

- Mobile phone technology – progress has been painfully slow
- AML/CFT and telecom/banking regulations continue to pose road blocks
- Remittances and microfinance links remain somewhat tenuous

# Outlook for remittance flows for 2009-11

<i>\$ billion</i>	2008	2009	2010 <sup>f</sup>	2011 <sup>f</sup>
<b>Developing countries</b>	335.8	315.7	335.4	359.1
East Asia and Pacific	86.1	85.7	94.1	102.7
Europe and Central Asia	57.5	45.6	48.1	51.7
Latin America and Caribbean	64.4	56.5	59.8	64.5
Middle-East and North Africa	34.8	32.0	33.1	34.4
South Asia	71.7	75.2	78.7	82.8
Sub-Saharan Africa	21.3	20.7	21.6	22.9
<b><u>Growth rate (%)</u></b>				
<b>Developing countries</b>	15.9%	-6.0%	6.2%	7.1%
East Asia and Pacific	20.7%	-0.4%	9.8%	9.2%
Europe and Central Asia	13.3%	-20.7%	5.4%	7.6%
Latin America and Caribbean	2.1%	-12.3%	5.7%	7.9%
Middle-East and North Africa	9.8%	-8.1%	3.6%	4.0%
South Asia	32.6%	4.9%	4.7%	5.2%
Sub-Saharan Africa	14.1%	-2.7%	4.4%	5.8%

# Risks to the outlook

- Weak job markets in the destination countries may lead to further tightening of immigration controls
- Currency movements are highly unpredictable

# Changes to our forecast methodology

- Income-elasticity of remittances is allowed to be different from 1
- Inflows-outflows migration matrix has been updated



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access

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International  
Remittances  
Agenda

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)