

Remittances: Outlook for 2008-2010

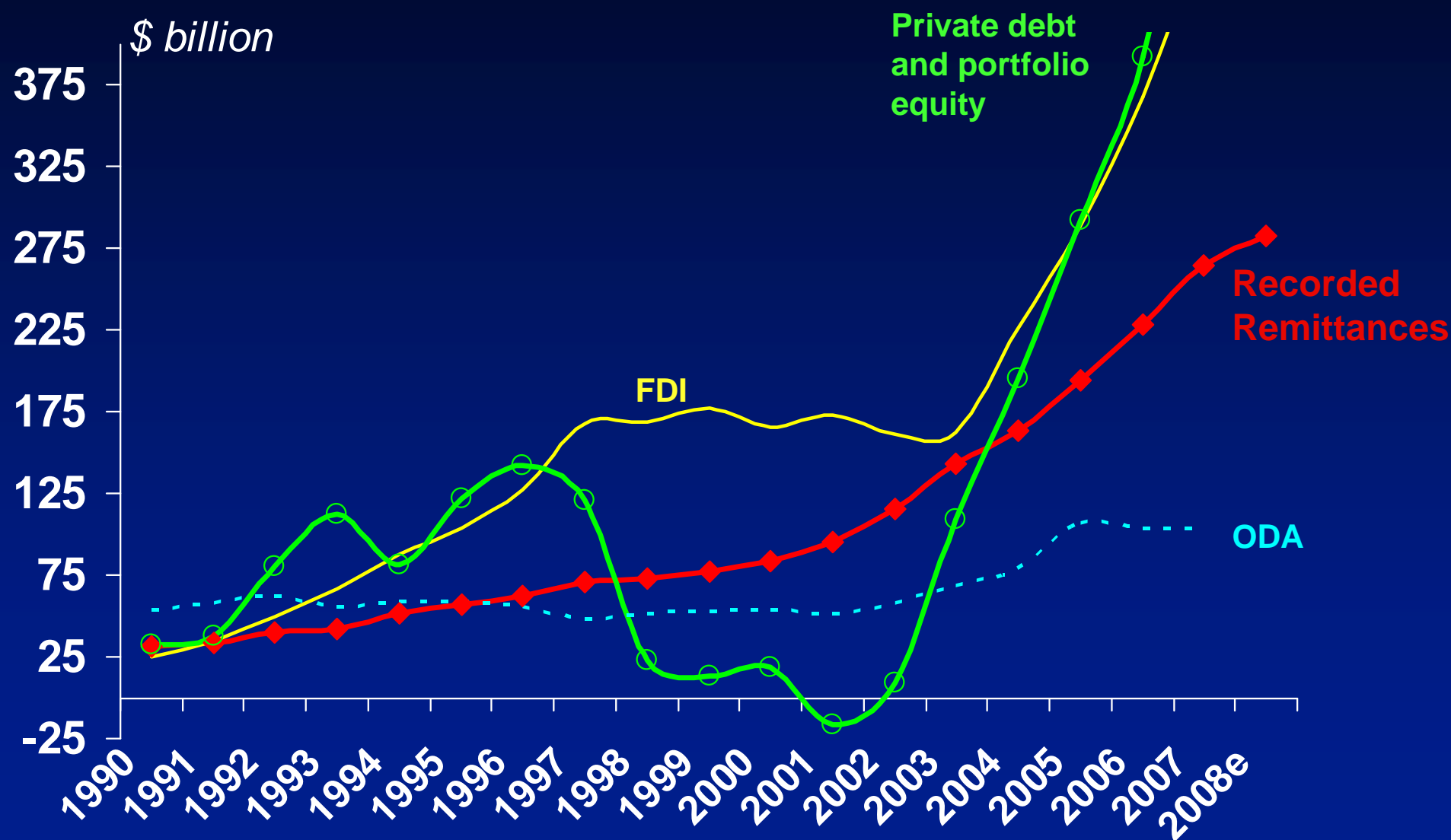
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(with Sanket Mohapatra and Zhimei Xu)
World Bank

UN
November 20, 2008

Main messages

- 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

Remittances expected to remain resilient in 2008

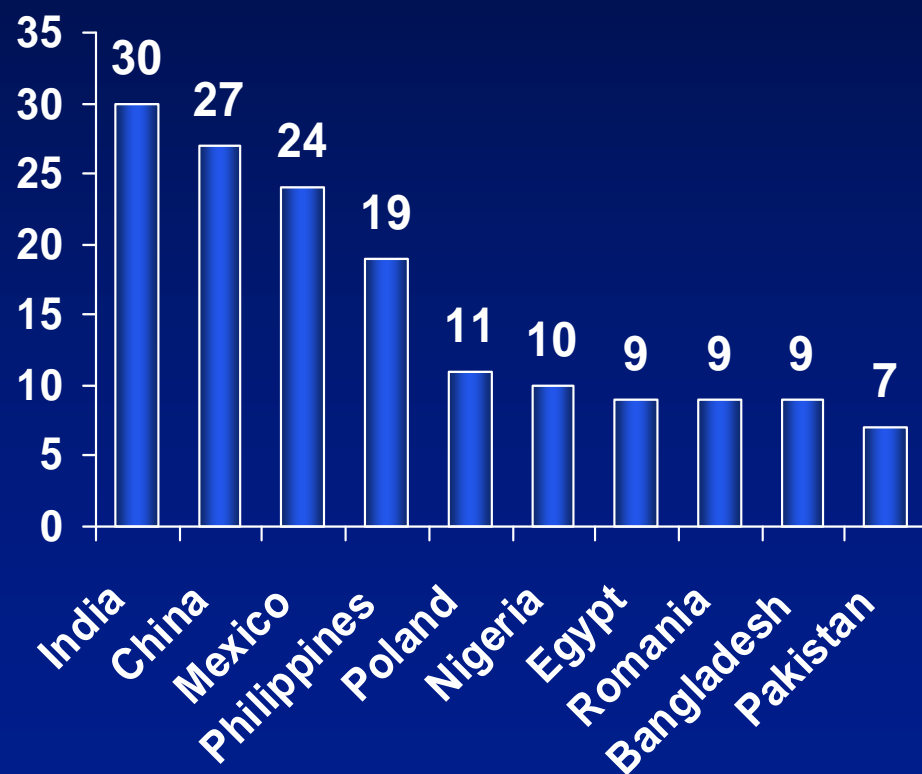


Remittance flows to developing countries

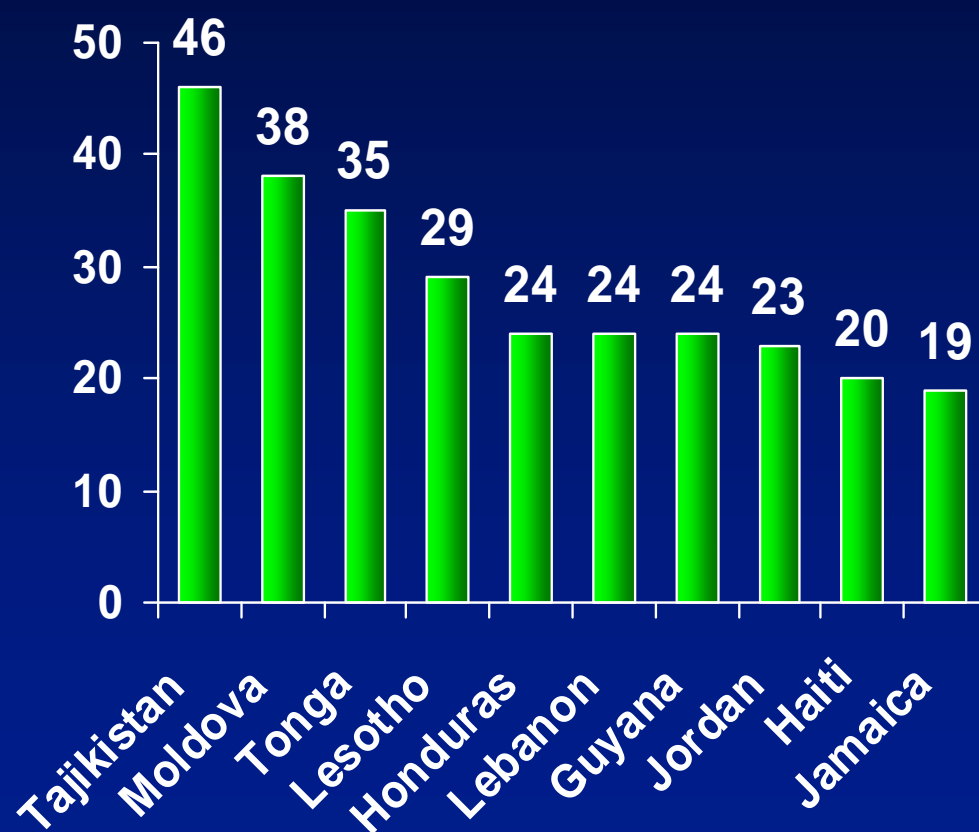
<i>US\$ billion</i>	2006	2007	2008e
Developing countries	229	265	283
East Asia and Pacific	53	58	62
Europe and Central Asia	39	51	54
Latin America and Caribbean	57	61	61
Middle-East and North Africa	27	32	35
South Asia	40	44	51
Sub-Saharan Africa	13	19	20
<u>Growth rate (%)</u>			
<i>Developing countries</i>	18%	16%	7%
<i>East Asia and Pacific</i>	13%	10%	8%
<i>Europe and Central Asia</i>	23%	31%	5%
<i>Latin America and Caribbean</i>	18%	6%	0%
<i>Middle-East and North Africa</i>	10%	20%	8%
<i>South Asia</i>	20%	11%	16%
<i>Sub-Saharan Africa</i>	35%	42%	6%

Top recipients of remittances

\$ billion, 2008e



% of GDP, 2007



Recent trends and near-term outlook

Remittance flows to Mexico have slowed



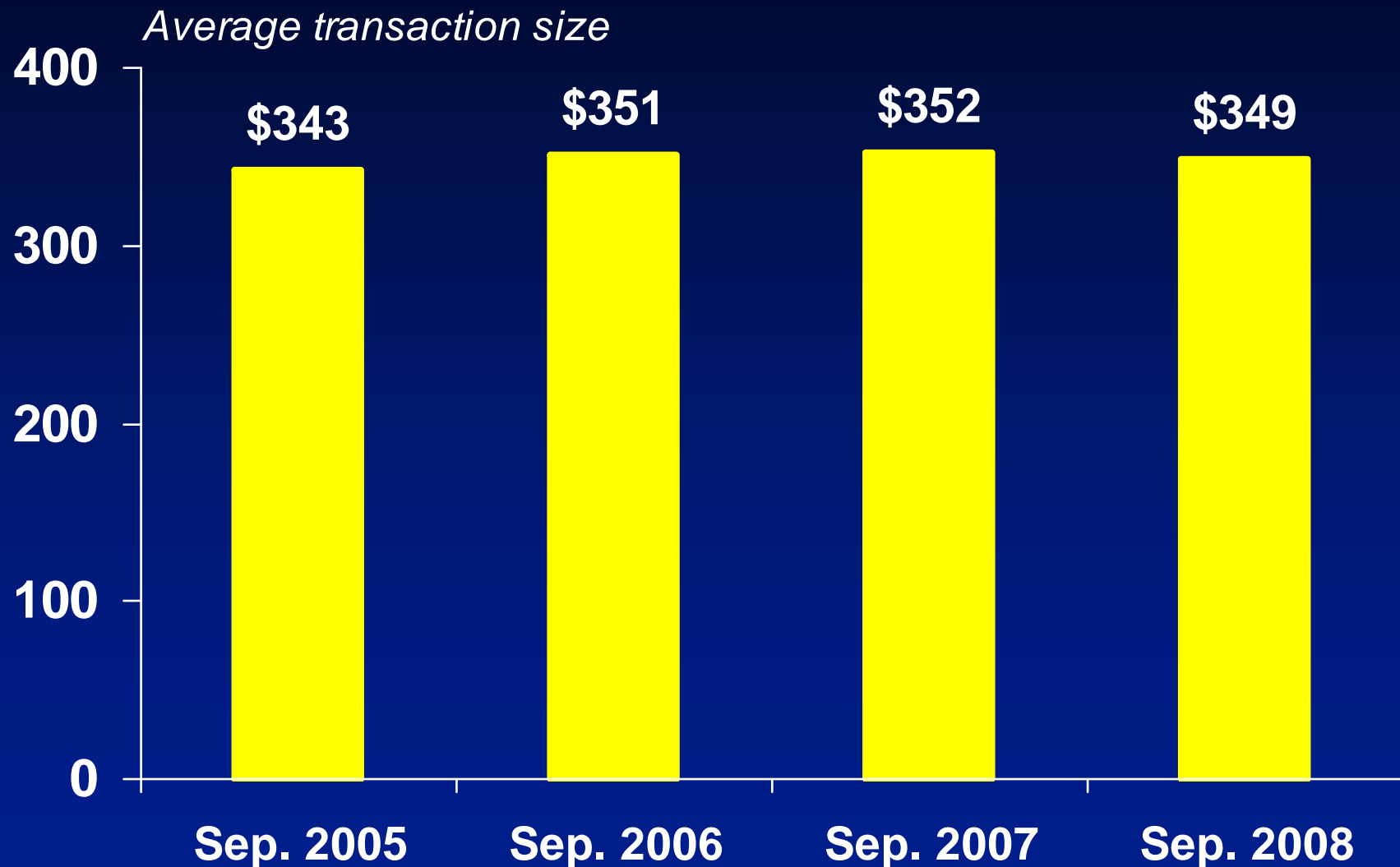
Job growth in US construction employment reversed in the first quarter of 2008 – affected non-Hispanic workers more than Hispanic workers

Thousands of workers

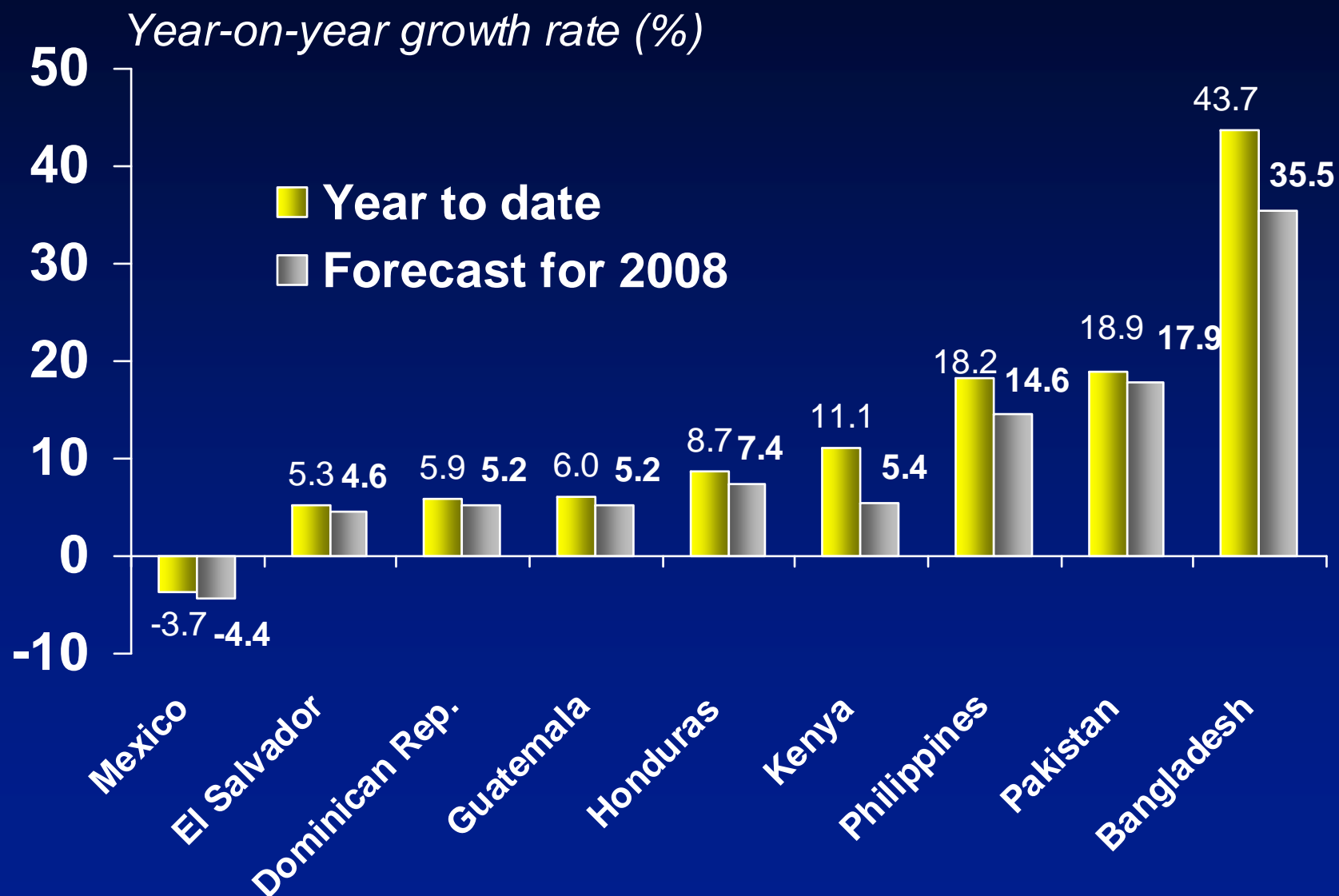
	Q1- 2008	Change 2006-07	Change 2007-08
All workers	10,910	510	-700
Non-Hispanic	8,180	210	-460
Native born Hispanics	690	90	-30
Foreign born Hispanics	2,040	200	-220
Mexican born	1,490	210	-150

Source: Pew Hispanic Center tabulations of Current Population Survey data

Average amounts of remittances sent to Mexico have remained flat



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

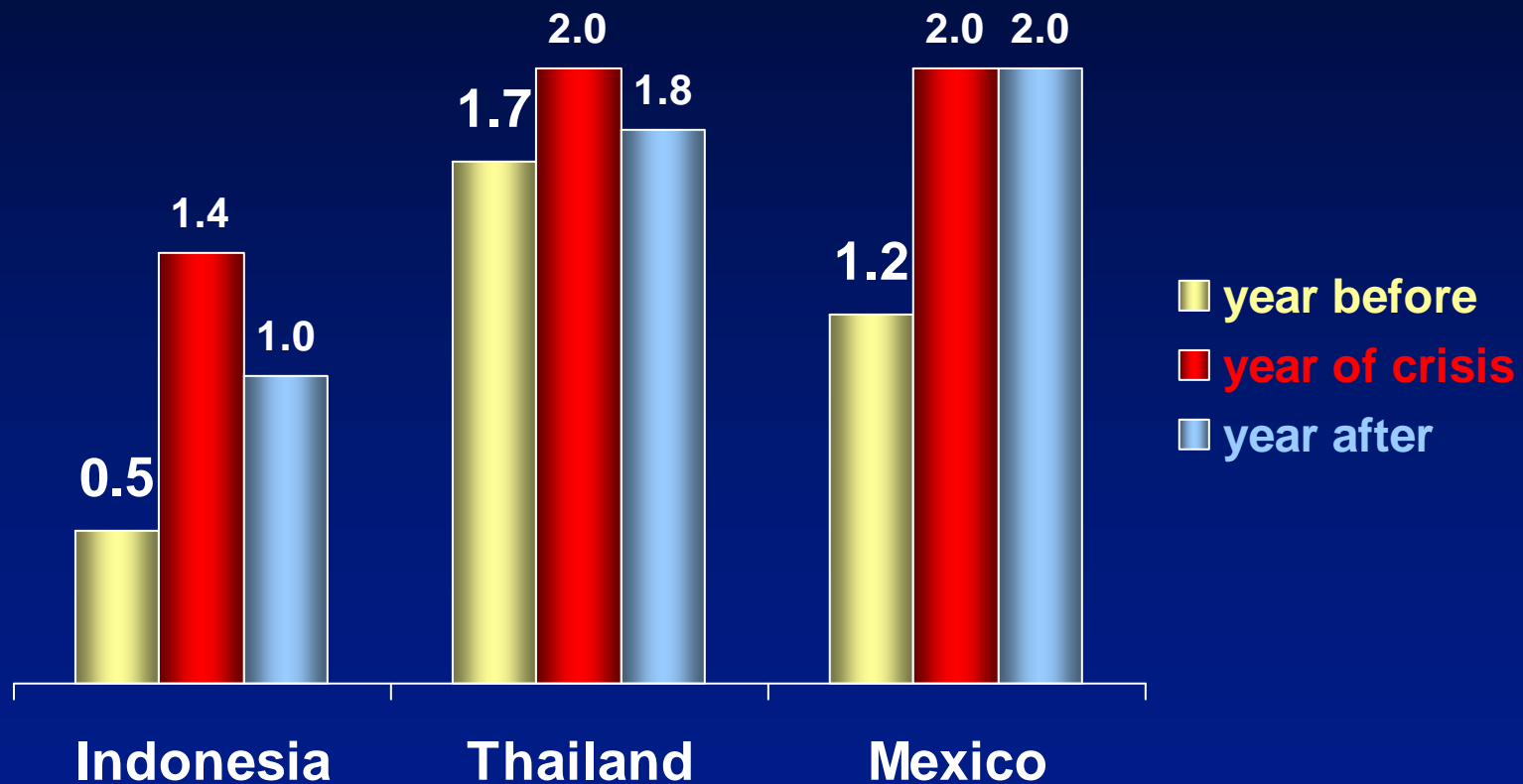


Growth relative to same period last year. Jan-Oct for Guatemala, Jan-Sept for Mexico, Jan-Aug for El Salvador, Honduras, and Philippines; Jan-Jun for Dominican Republic; Jan-July for Bangladesh and Pakistan

Outlook for 2009-2010

Remittances tend to rise following crisis, natural disaster, or conflict

Remittances as % of private consumption

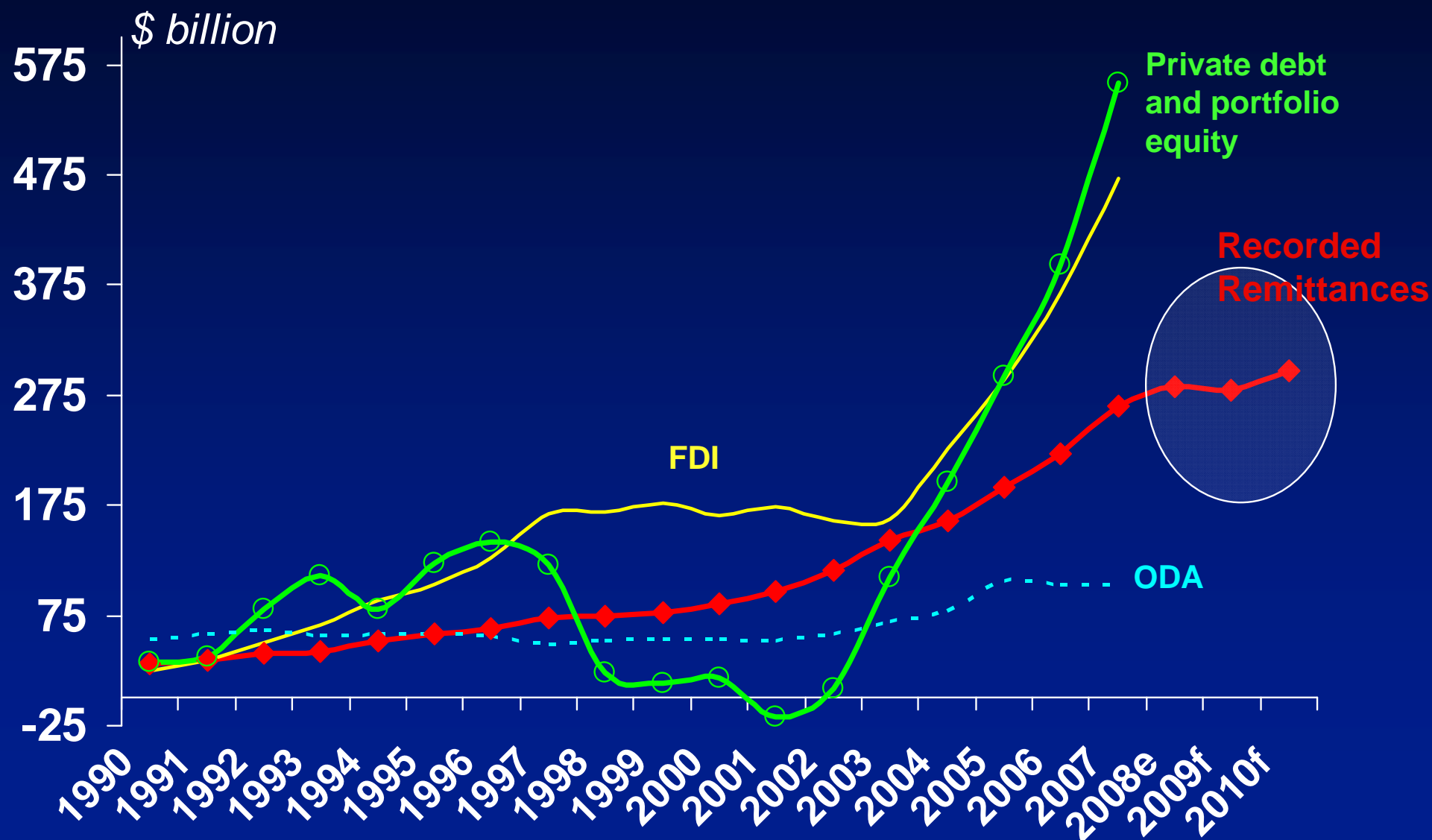


But this time, the crisis is spreading from the rich countries...

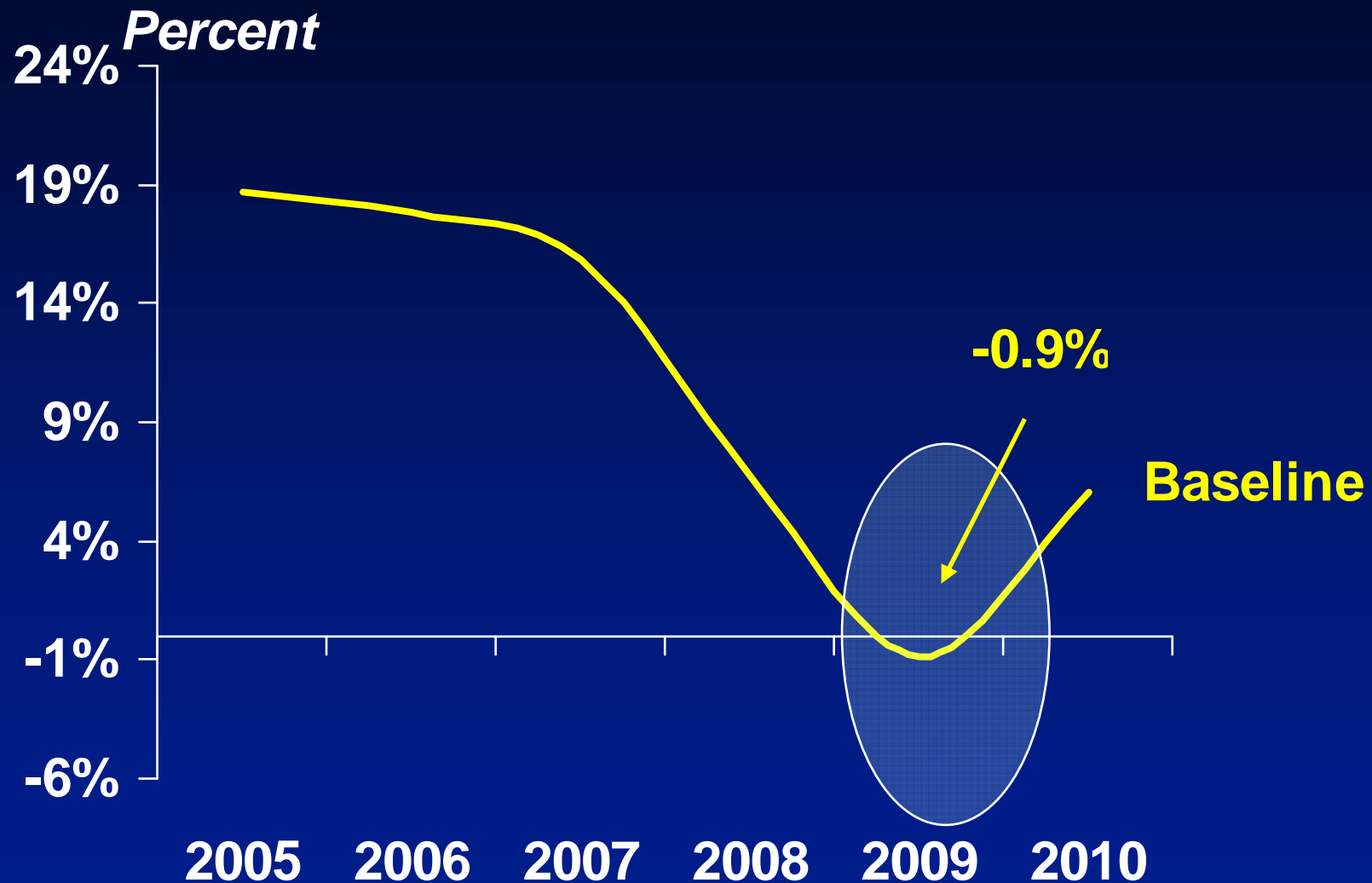
Medium-term outlook for remittance flows to developing countries

- 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.

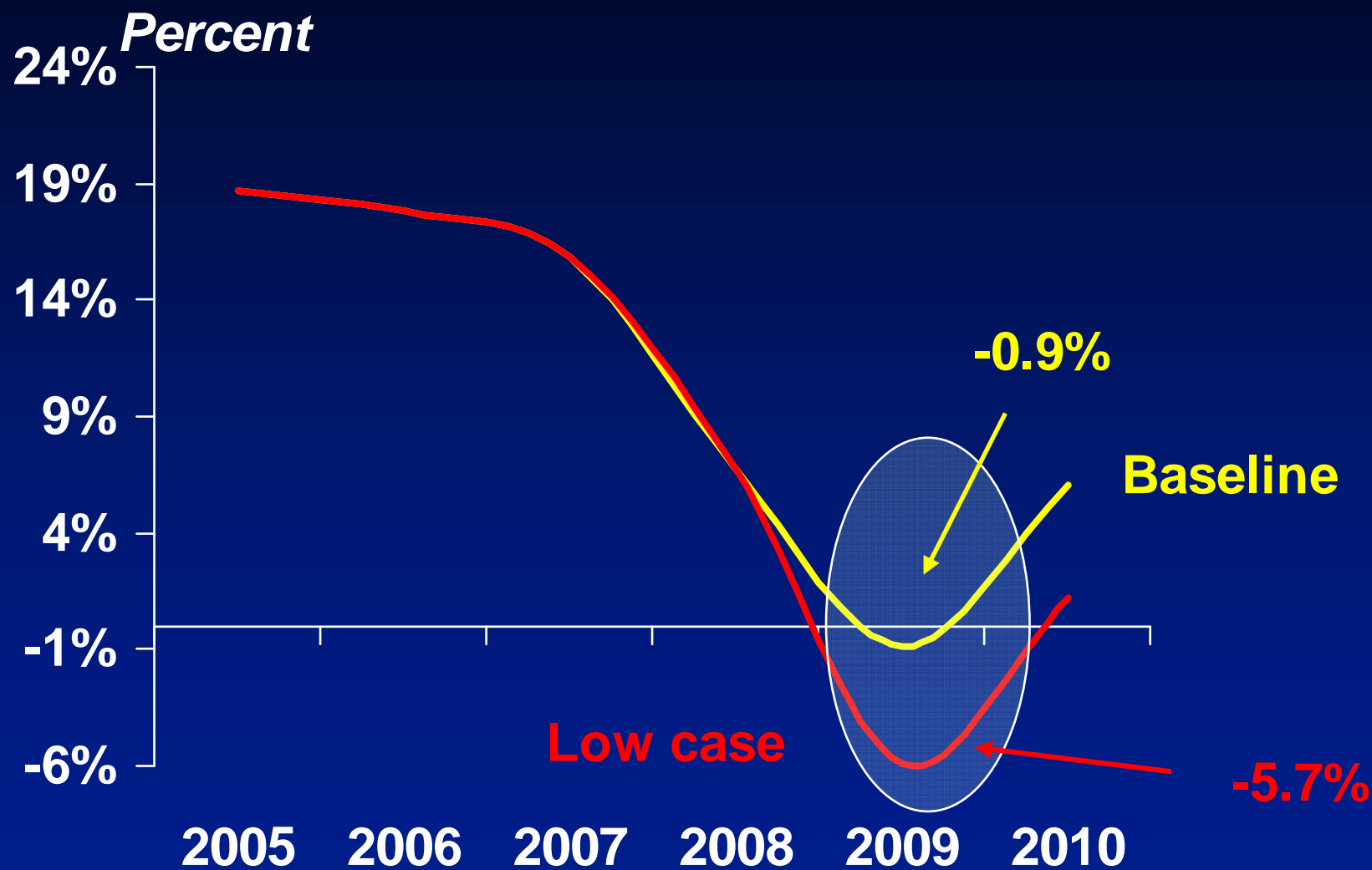
Slowdown of remittances will deepen in 2009, but remain resilient compared to other resource flows



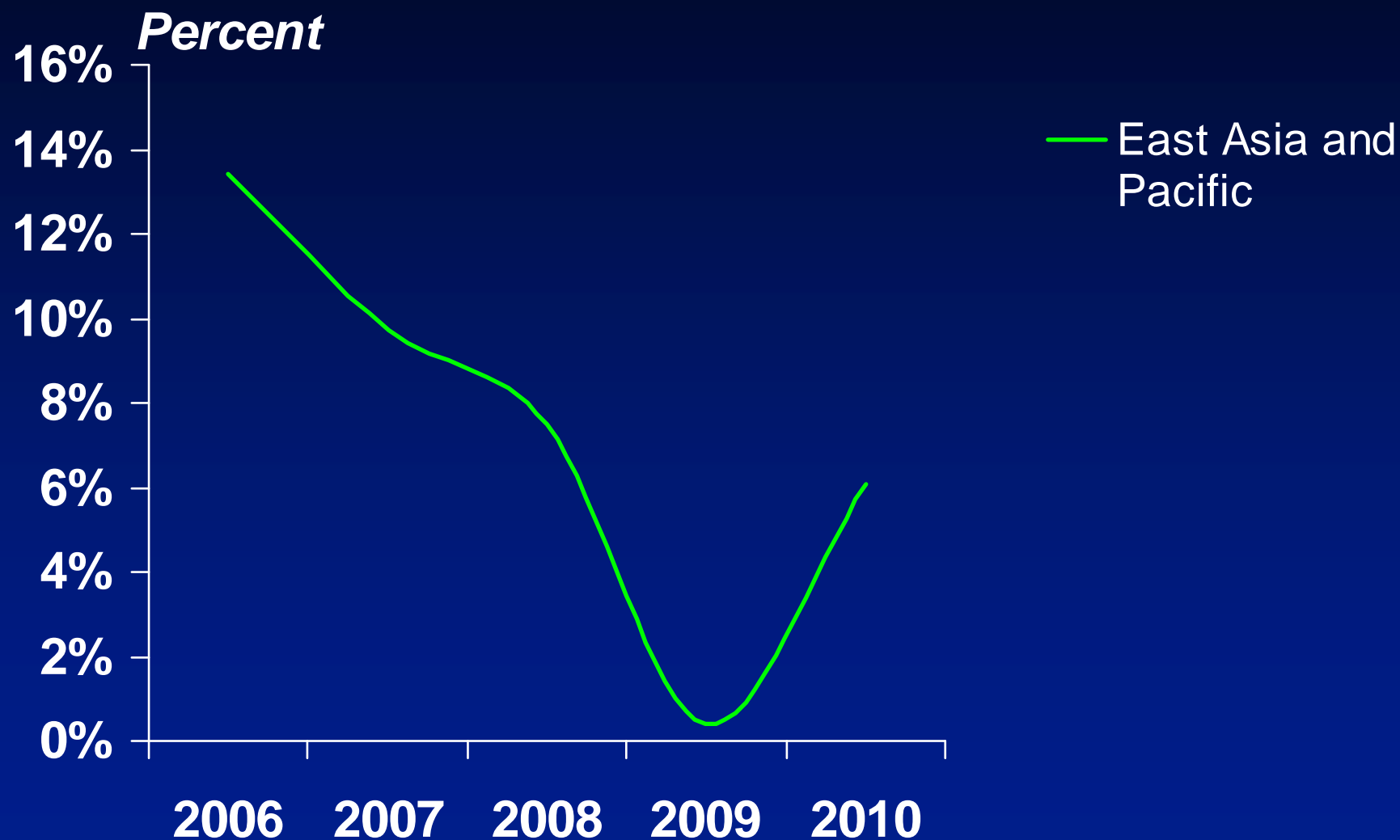
Growth of remittance flows to developing countries will moderate significantly in 2009



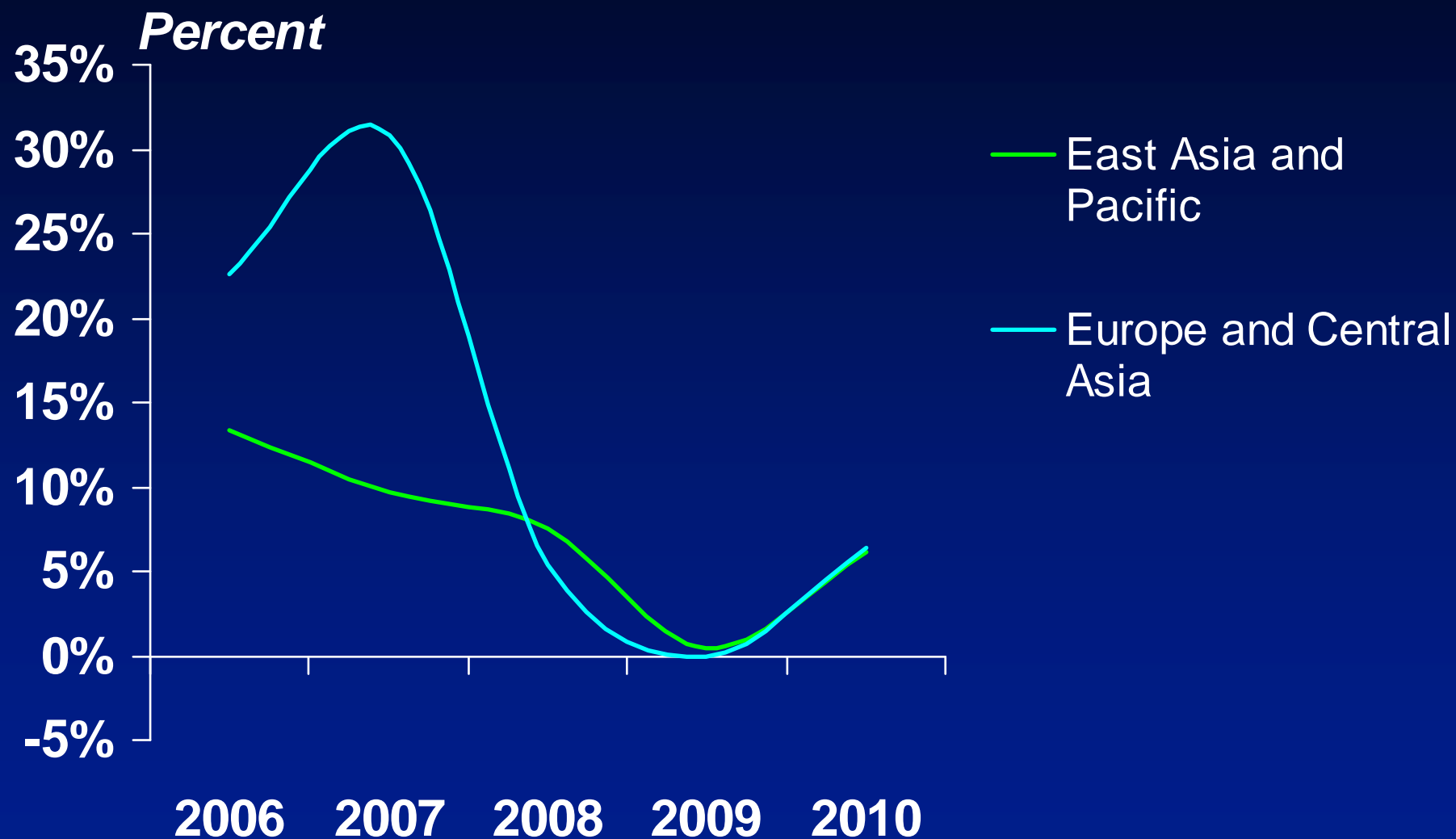
A low-case scenario



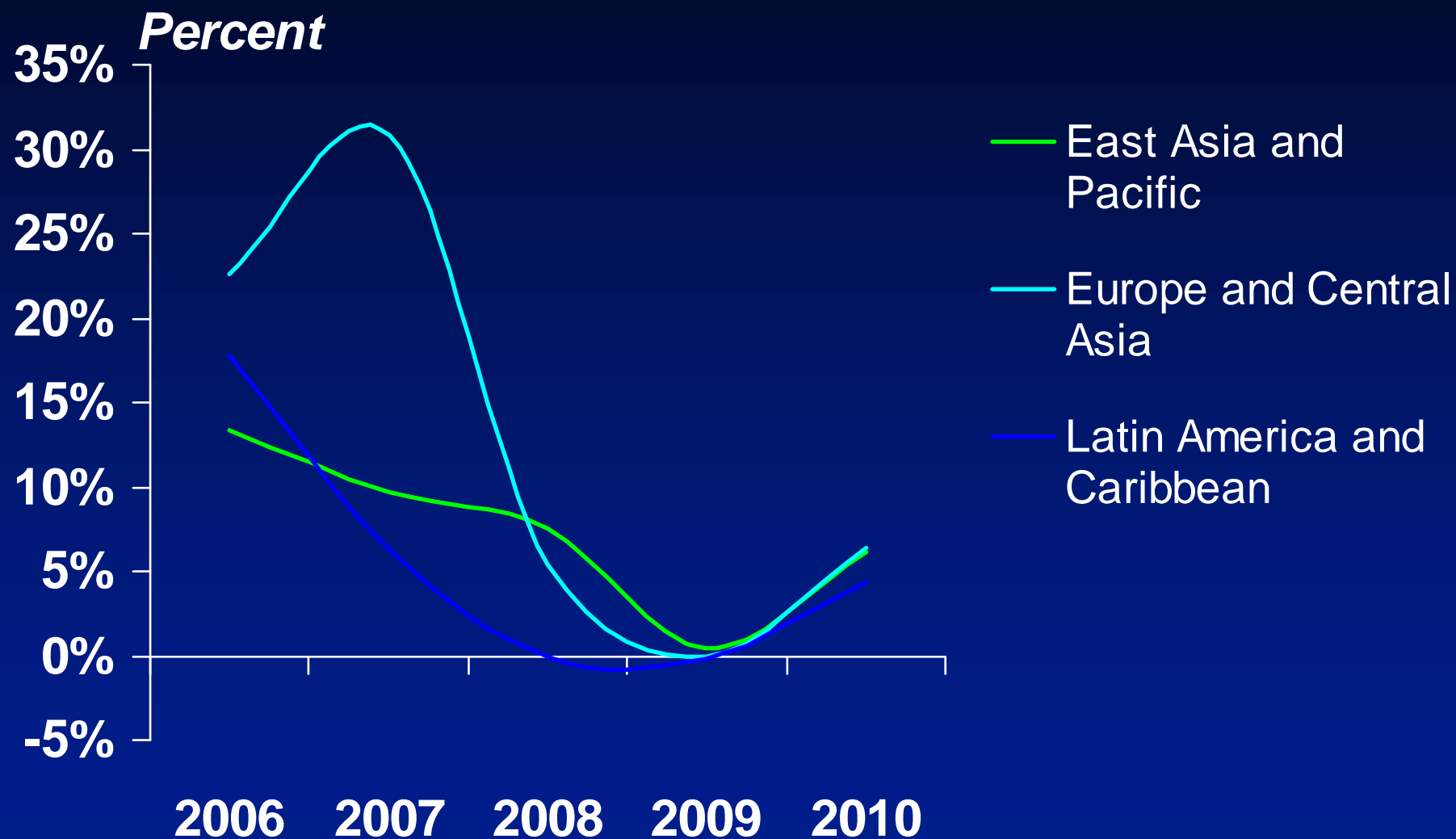
Growth of remittance flows to regions



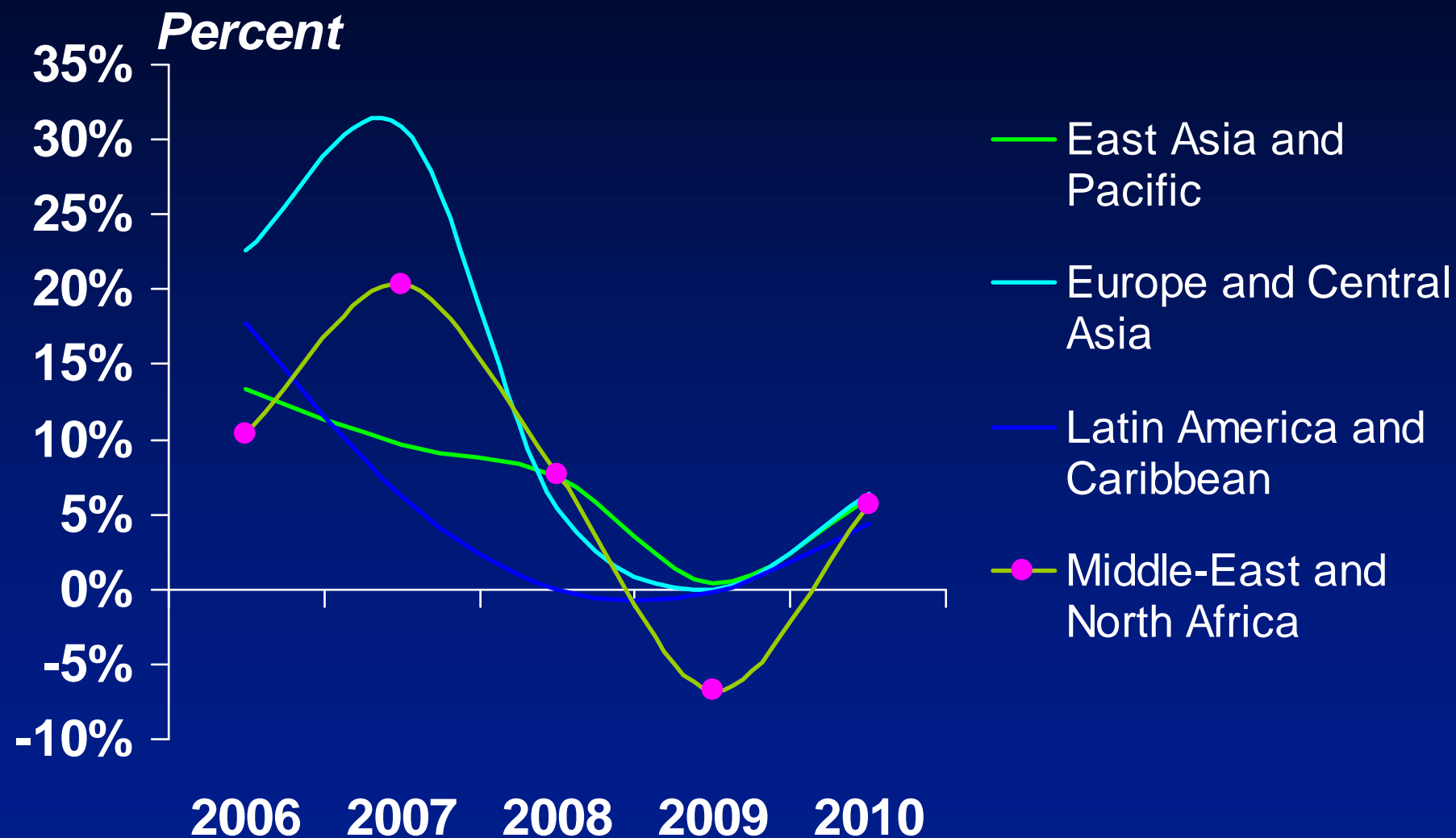
Growth of remittance flows to regions



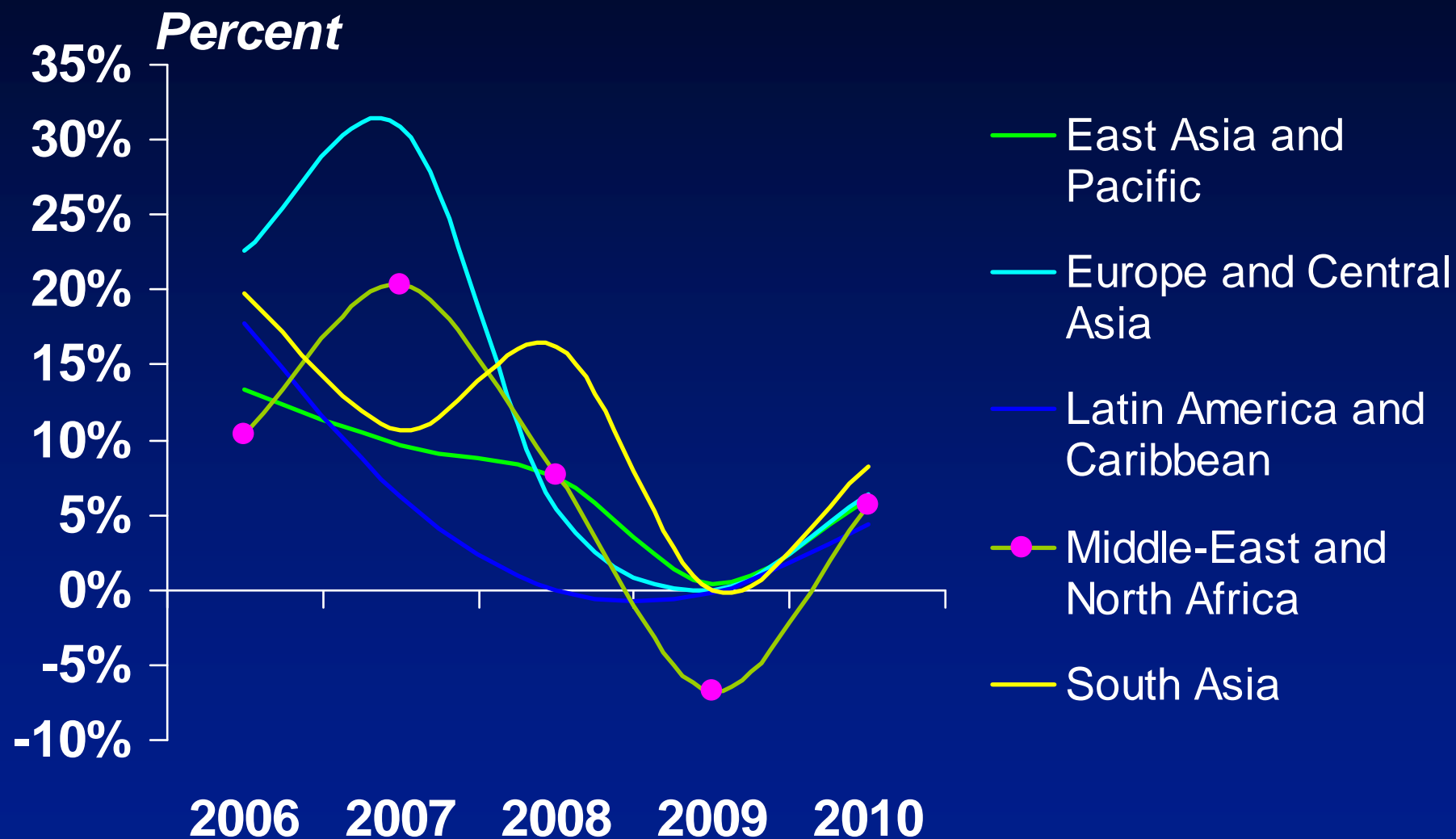
Growth of remittance flows to regions



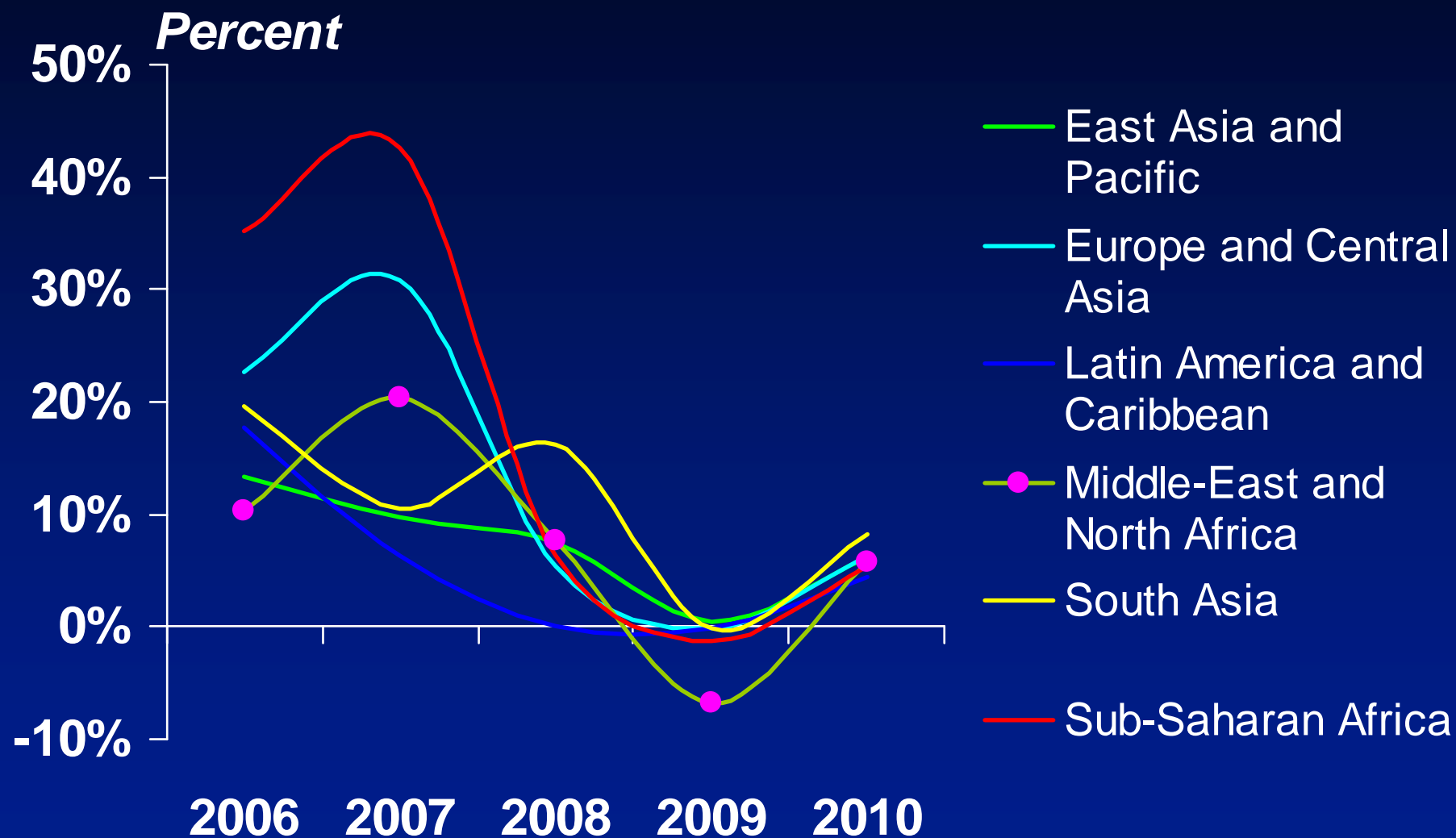
Growth of remittance flows to regions



Growth of remittance flows to regions



Growth of remittance flows to regions



Remittance flows to developing countries

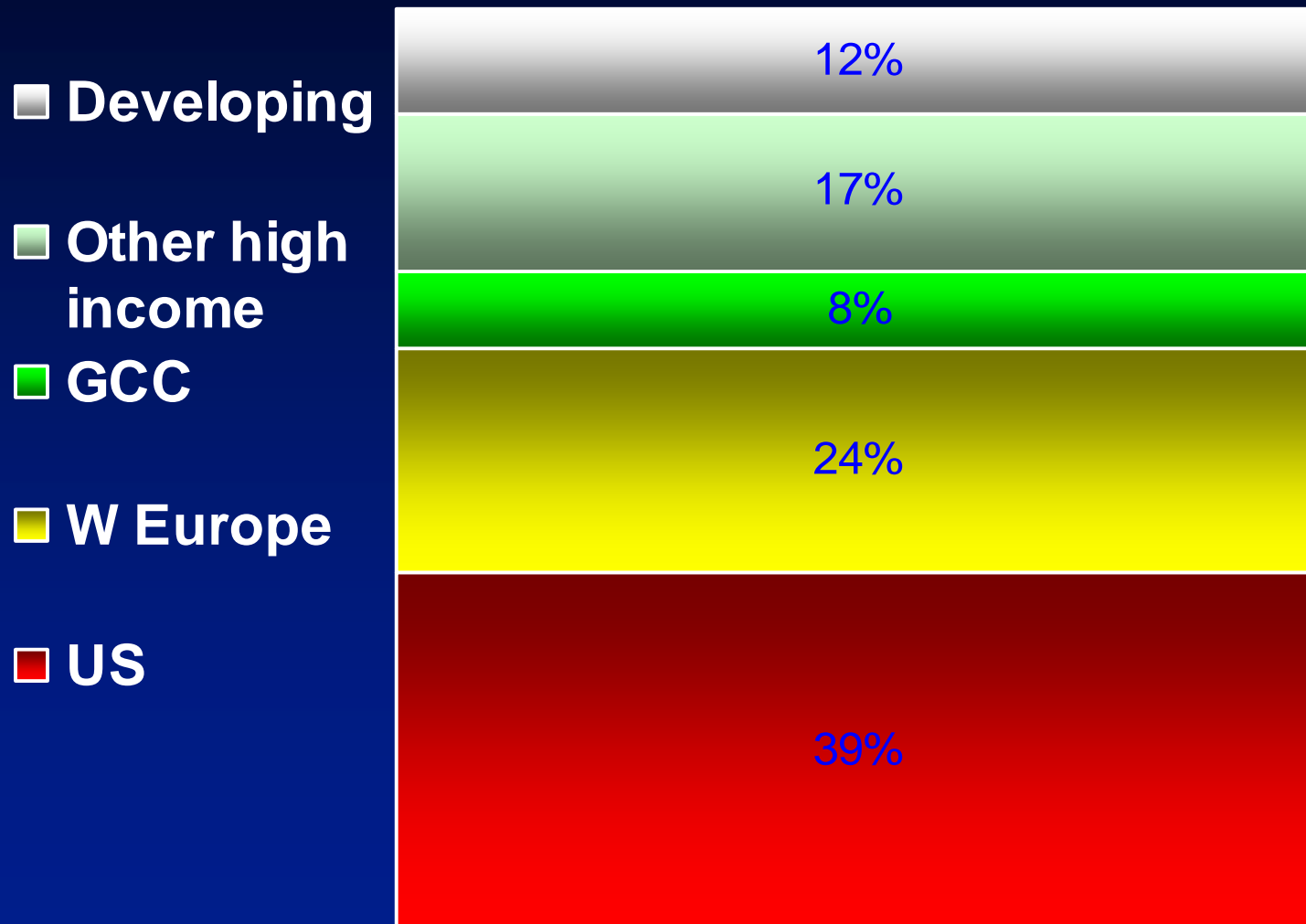
		Base case		Low case	
	2008e	2009f	2010f	2009f	2010f
\$ billion					
Developing countries	283	280	297	267	270
East Asia and Pacific	62	63	66	60	61
Europe and Central Asia	54	53	57	51	53
Latin America and Caribbean	61	61	64	58	58
Middle-East and North Africa	35	32	34	30	29
South Asia	51	51	55	48	49
Sub-Saharan Africa	20	20	21	19	19
<u>Growth rate (%)</u>					
Developing countries	6.7%	-0.9%	6.1%	-5.7%	1.2%
East Asia and Pacific	7.5%	0.4%	6.1%	-4.2%	1.6%
Europe and Central Asia	5.4%	-0.1%	6.4%	-4.0%	2.7%
Latin America and Caribbean	0.0%	-0.2%	4.4%	-4.4%	0.2%
Middle-East and North Africa	7.6%	-6.7%	5.7%	-13.2%	-1.5%
South Asia	16.2%	-0.1%	8.2%	-5.5%	2.7%
Sub-Saharan Africa	6.3%	-1.3%	5.3%	-6.8%	-0.2%

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

Impact on origin countries will vary by sources of remittances

Remittance sources (2008e)

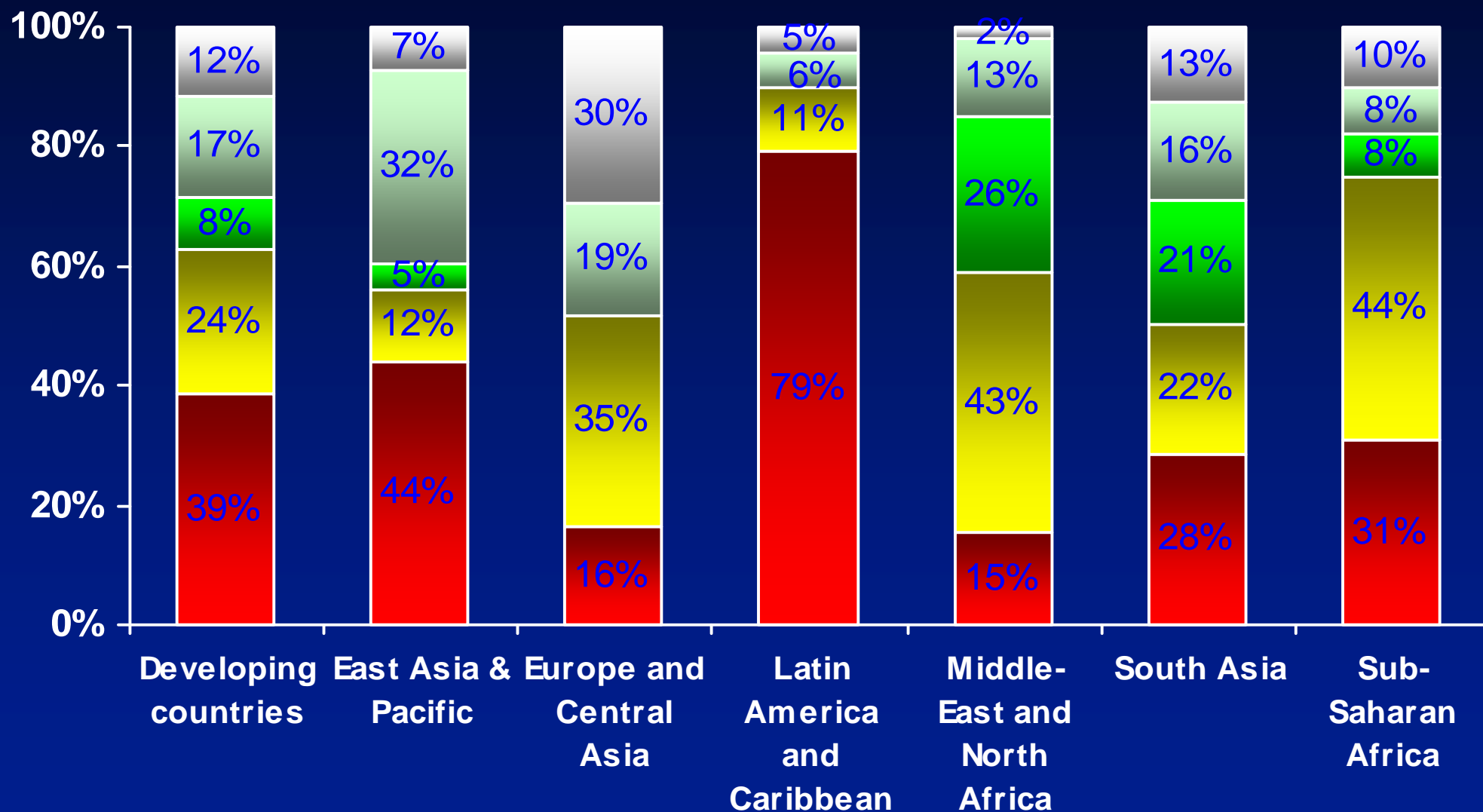


Developing countries

Impact on origin countries will vary by sources of remittances

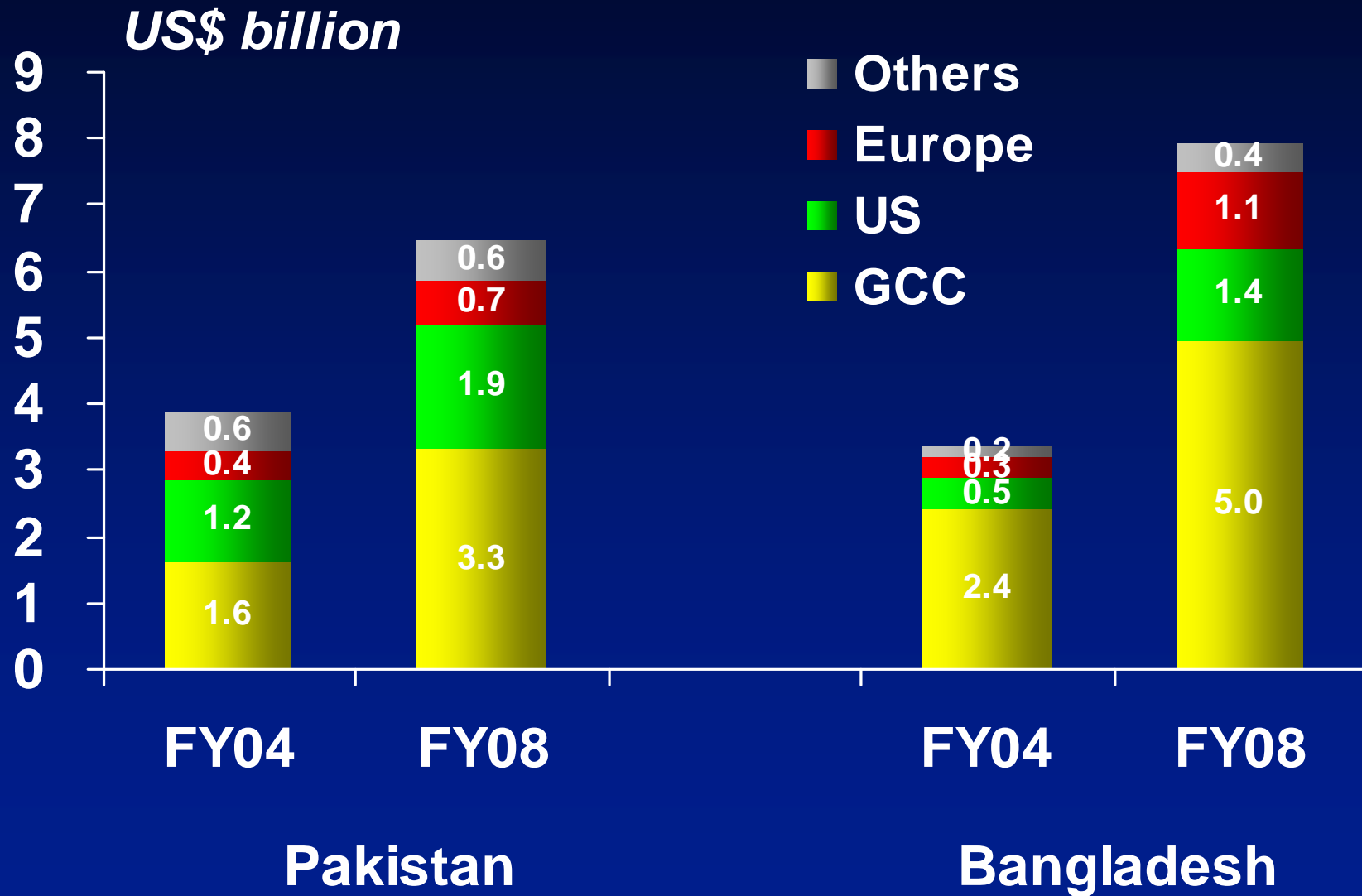
Percent

Remittance sources (2008e)



■ US
 ■ Western Europe
 ■ GCC
 ■ Other high income
 ■ Developing

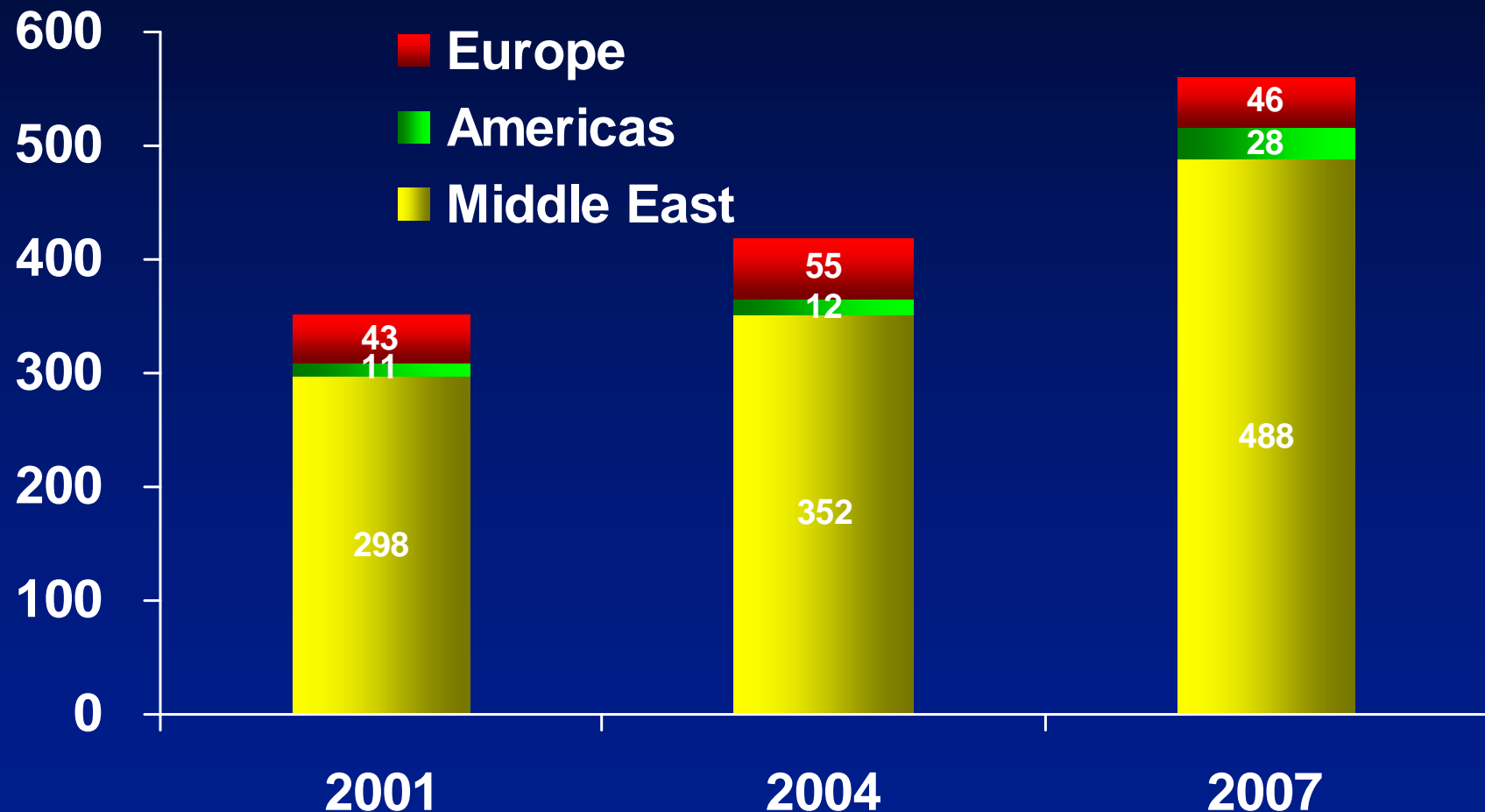
GCC countries are an important source of remittance flows for Pakistan and Bangladesh



Source: Central banks of Bangladesh and Pakistan

Large share of OFW deployments to Middle East

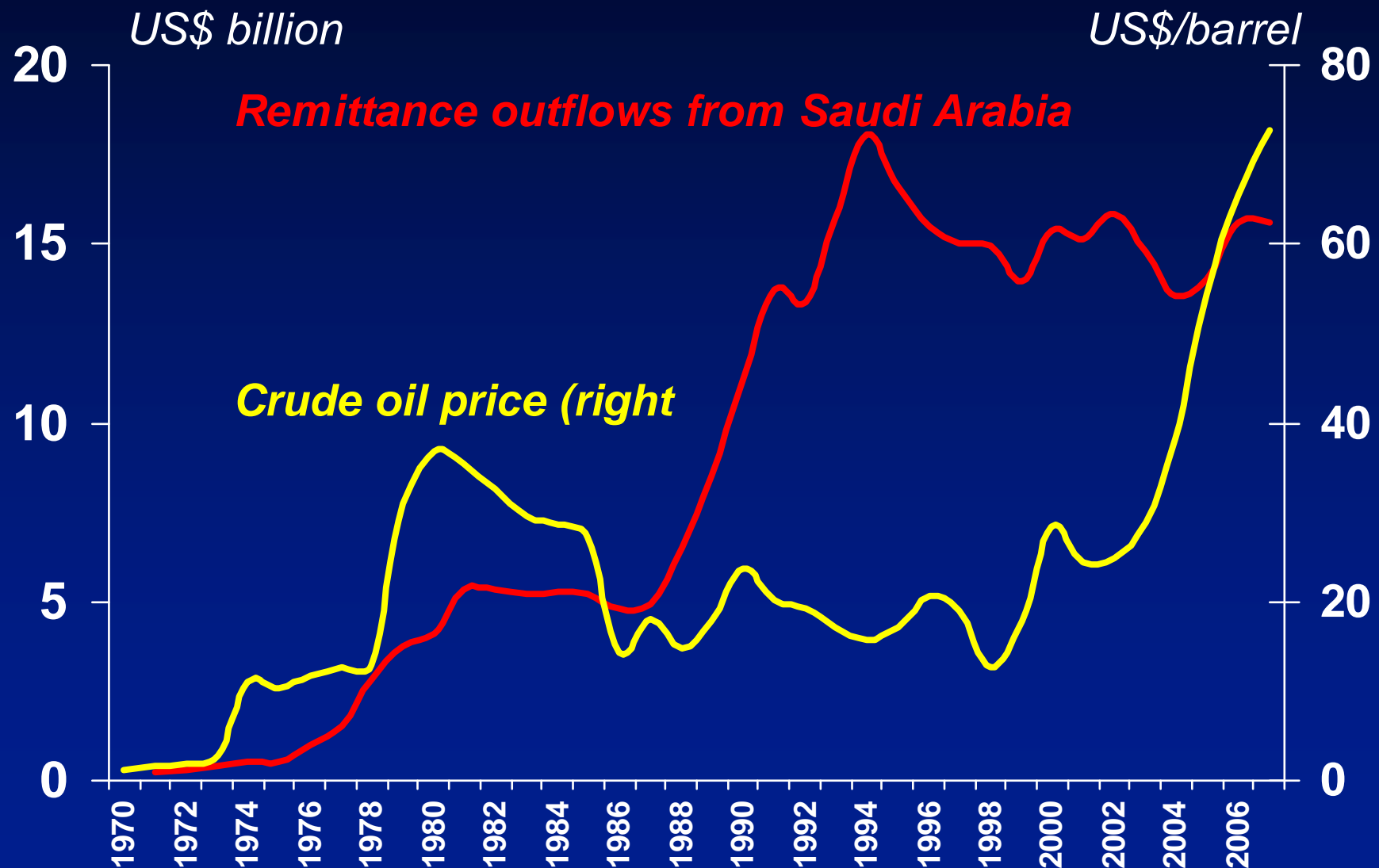
Annual deployment of Overseas Filipino Workers ('000)



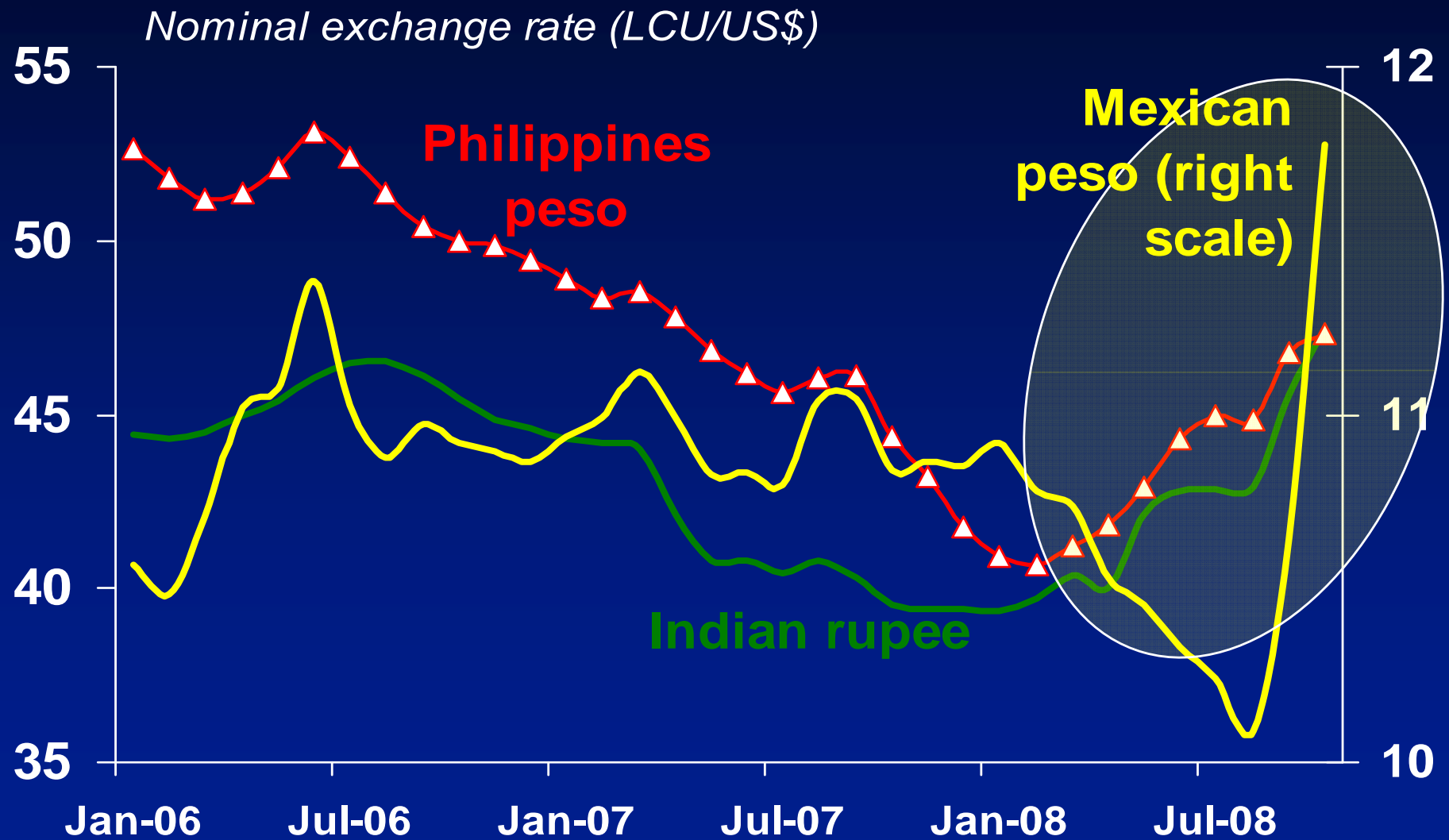
Annual deployments include new hires and rehires of OFWs.

Source: Philippines Overseas Employment Administration

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



Depreciation of currencies may reverse the decline in local currency value of remittances

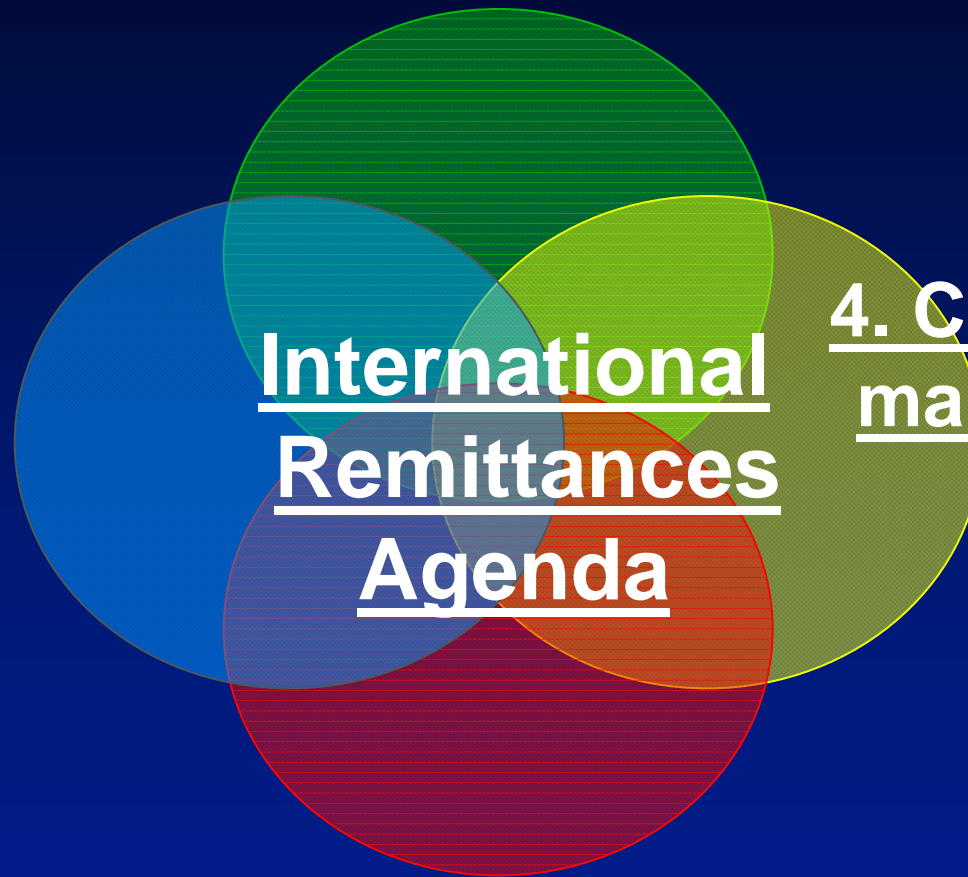


- Remittances will moderate significantly, causing hardships to the poor and macroeconomic challenges to governments
- Slowdown in migration flows will exacerbate the need for more jobs at home
- This is a wrong time for tightening immigration

1. Monitoring,
analysis, projection

3. Financial
access

4. Capital
market access



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)