

Remittances: Outlook for 2008-2010

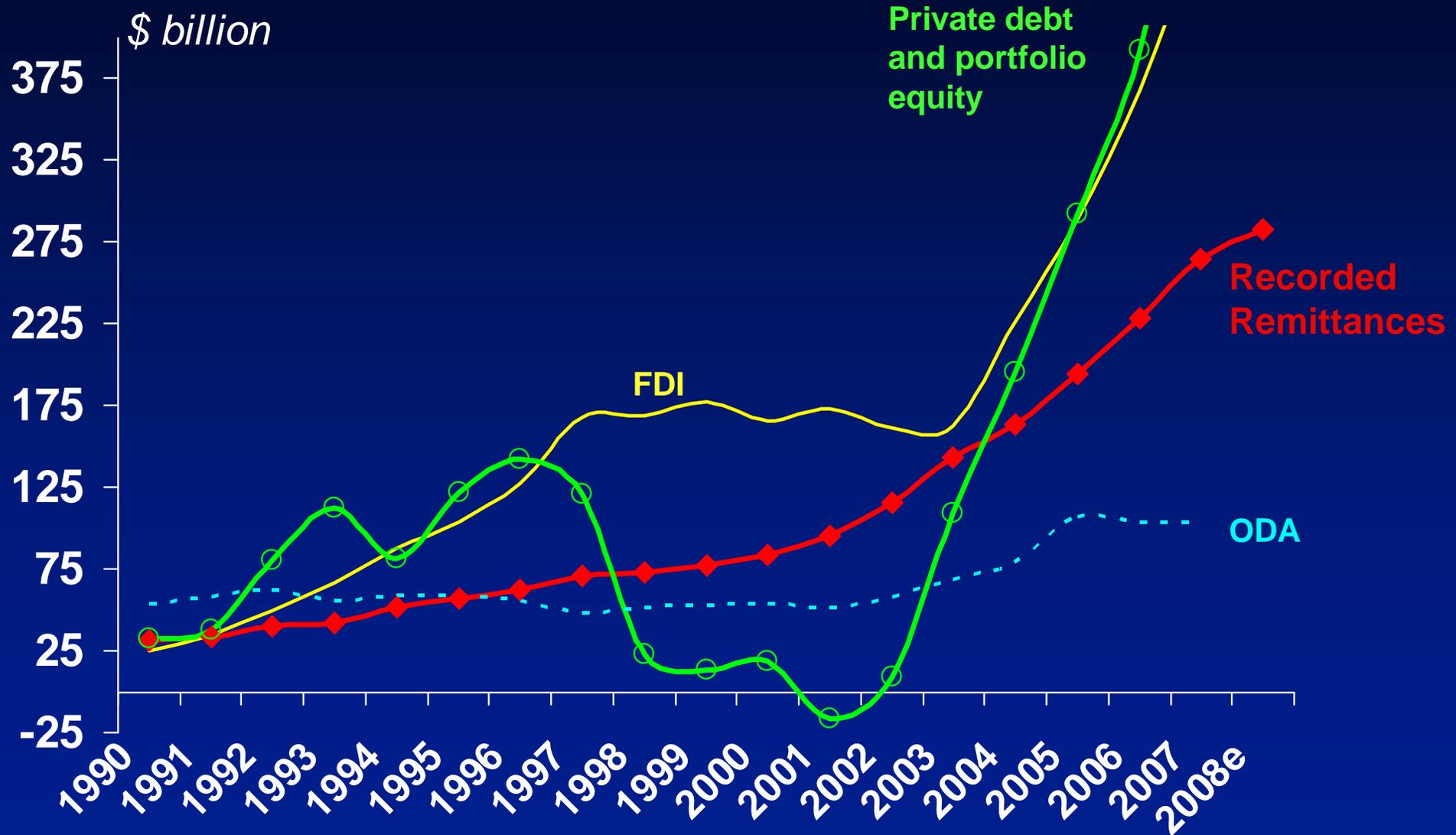
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(with Sanket Mohapatra)
World Bank

IPD Task Force on Migration, Second Meeting
Mexico City
January 15, 2009

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

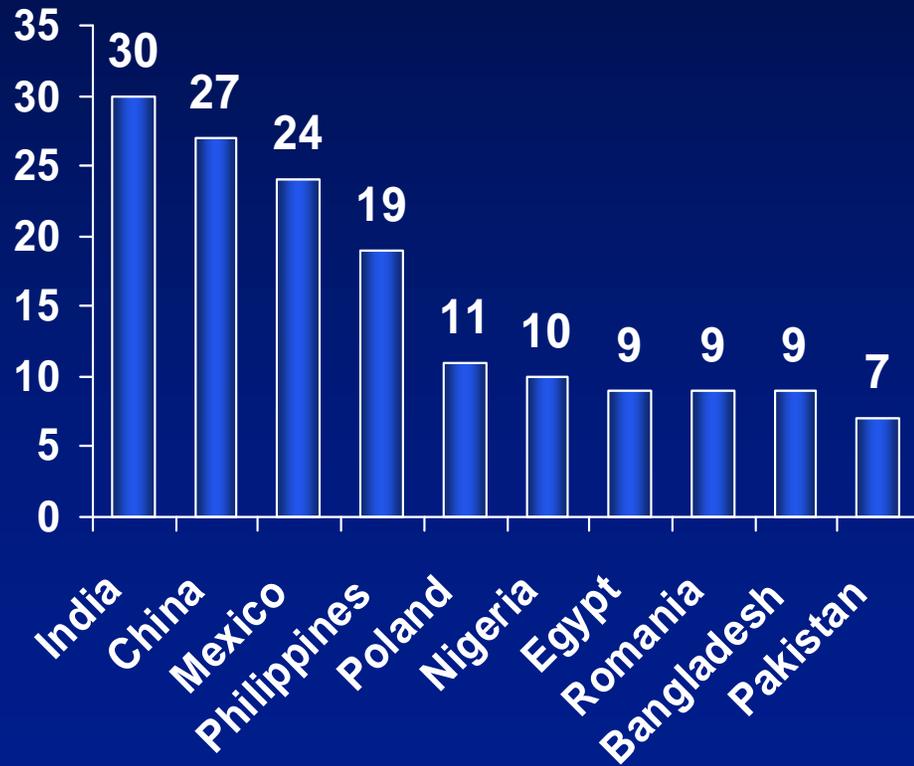


Remittance flows to developing countries

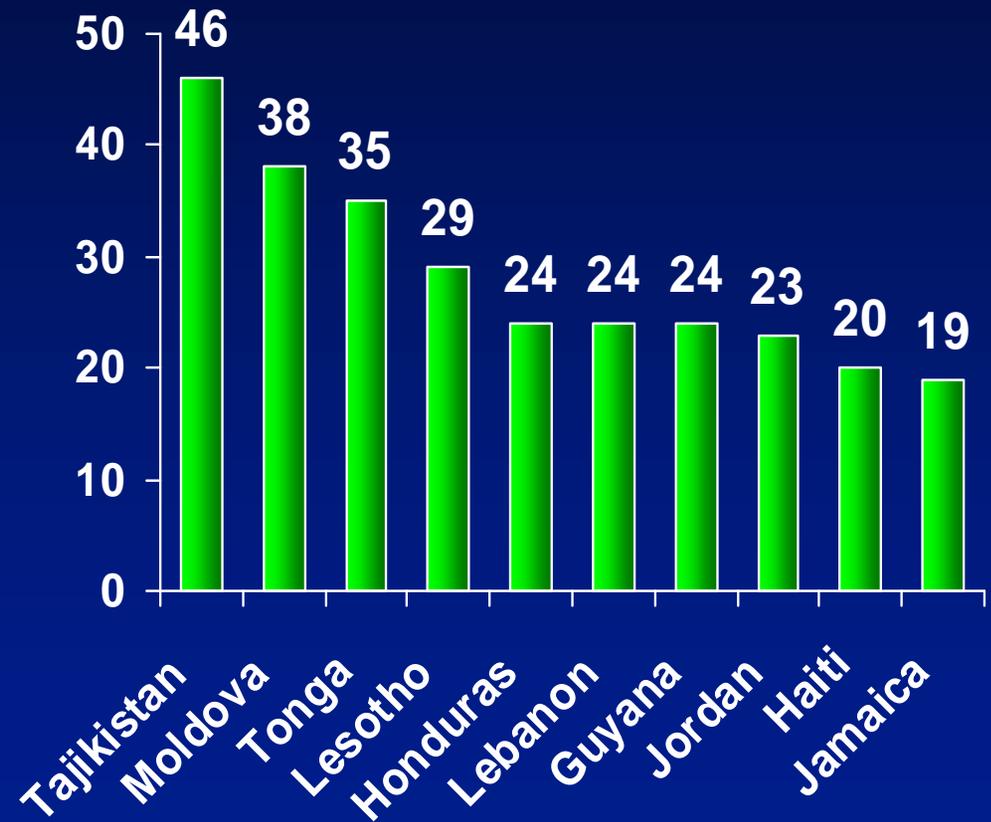
<i>US\$ billion</i>	2006	2007	2008e
Developing countries	229	265	283
East Asia and Pacific	53	58	62
Europe and Central Asia	39	51	54
Latin America and Caribbean	57	61	61
Middle-East and North Africa	27	32	35
South Asia	40	44	51
Sub-Saharan Africa	13	19	20
<u>Growth rate (%)</u>			
<i>Developing countries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

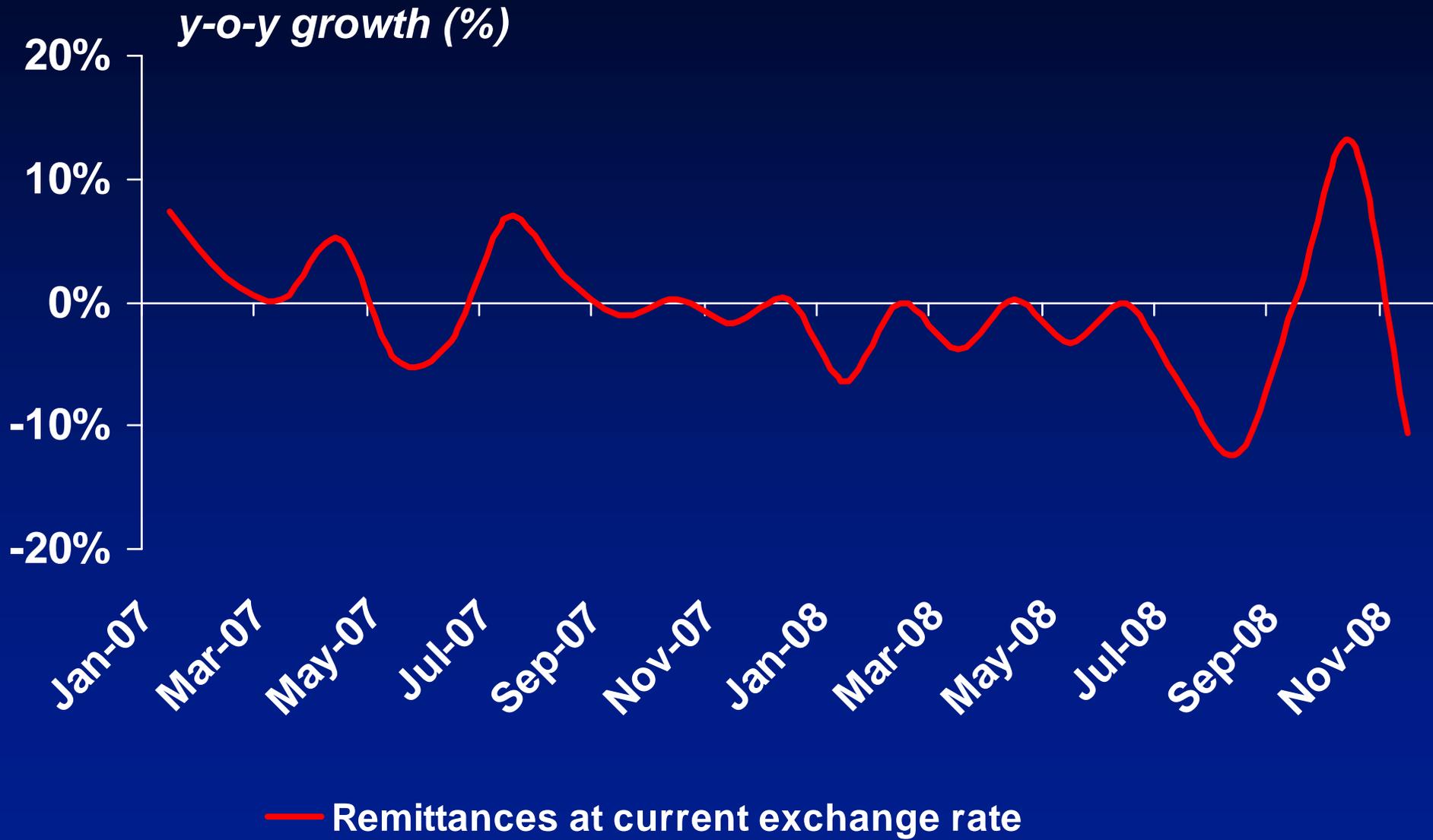


% of GDP, 2007



Recent trends and near-term outlook

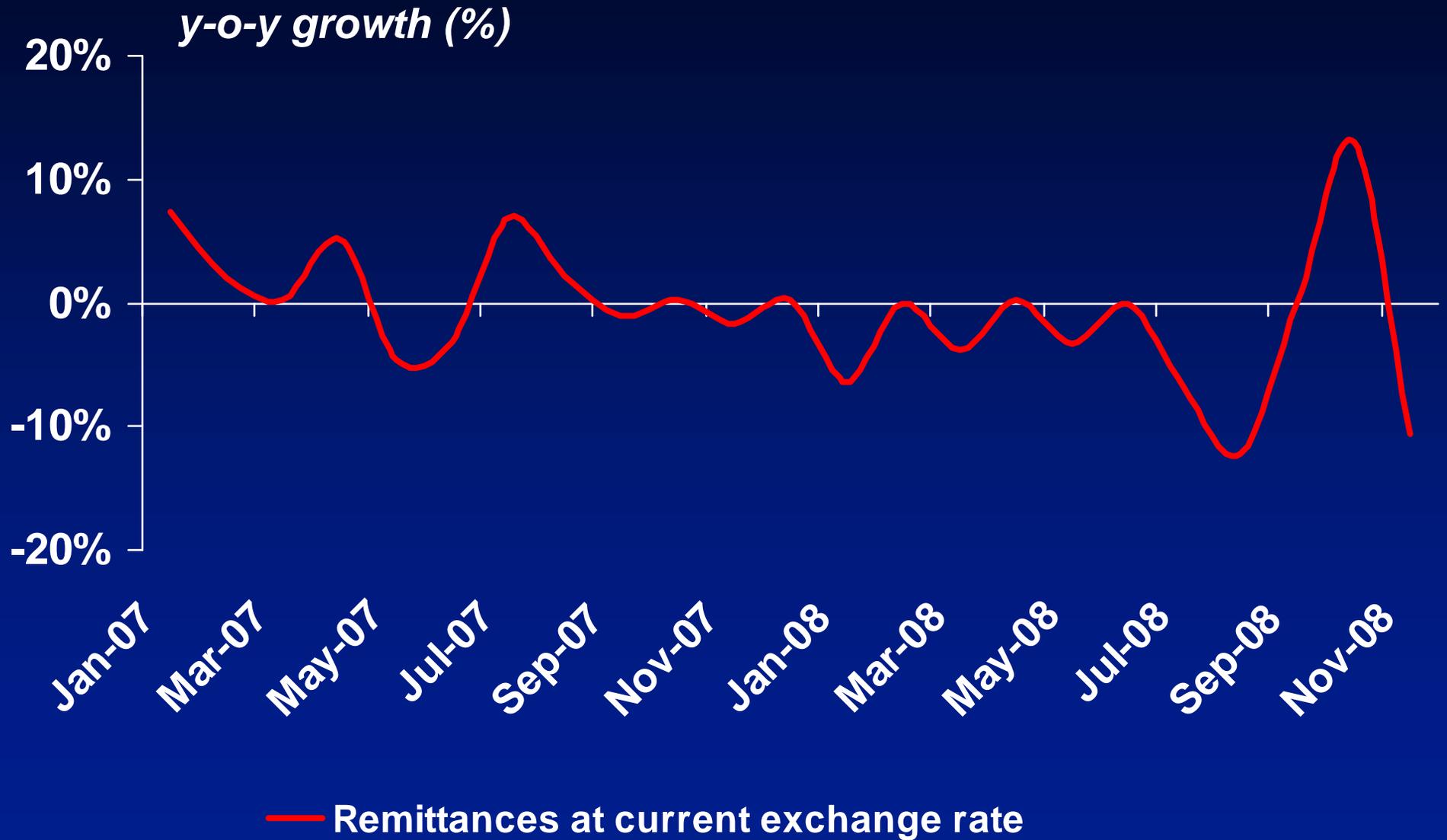
Growth of remittances to Mexico have slowed



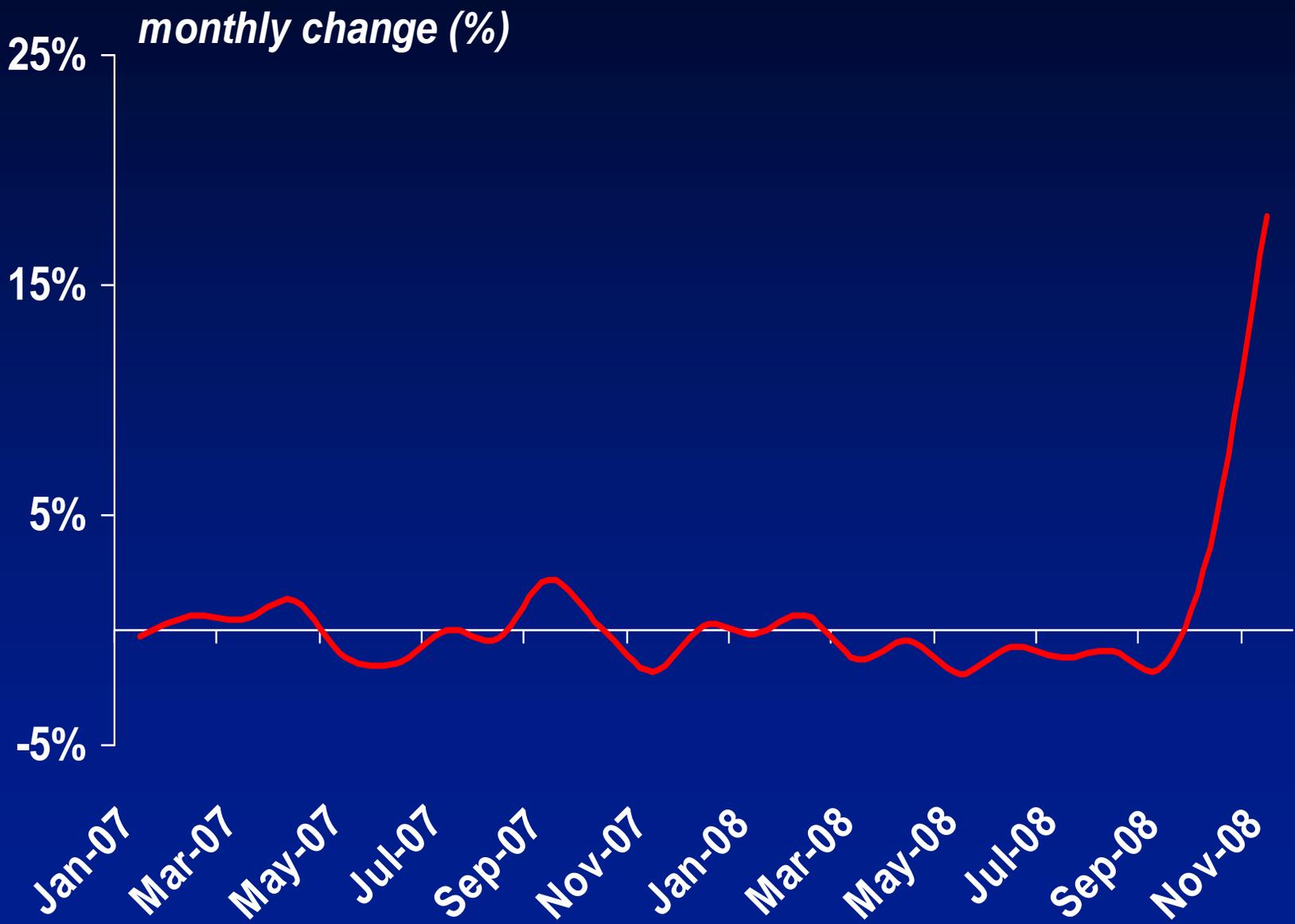
Remittance flows to Mexico have slowed



Exchange rate depreciation had major effect on Mexican remittances



Mexican peso/US \$ exchange rate



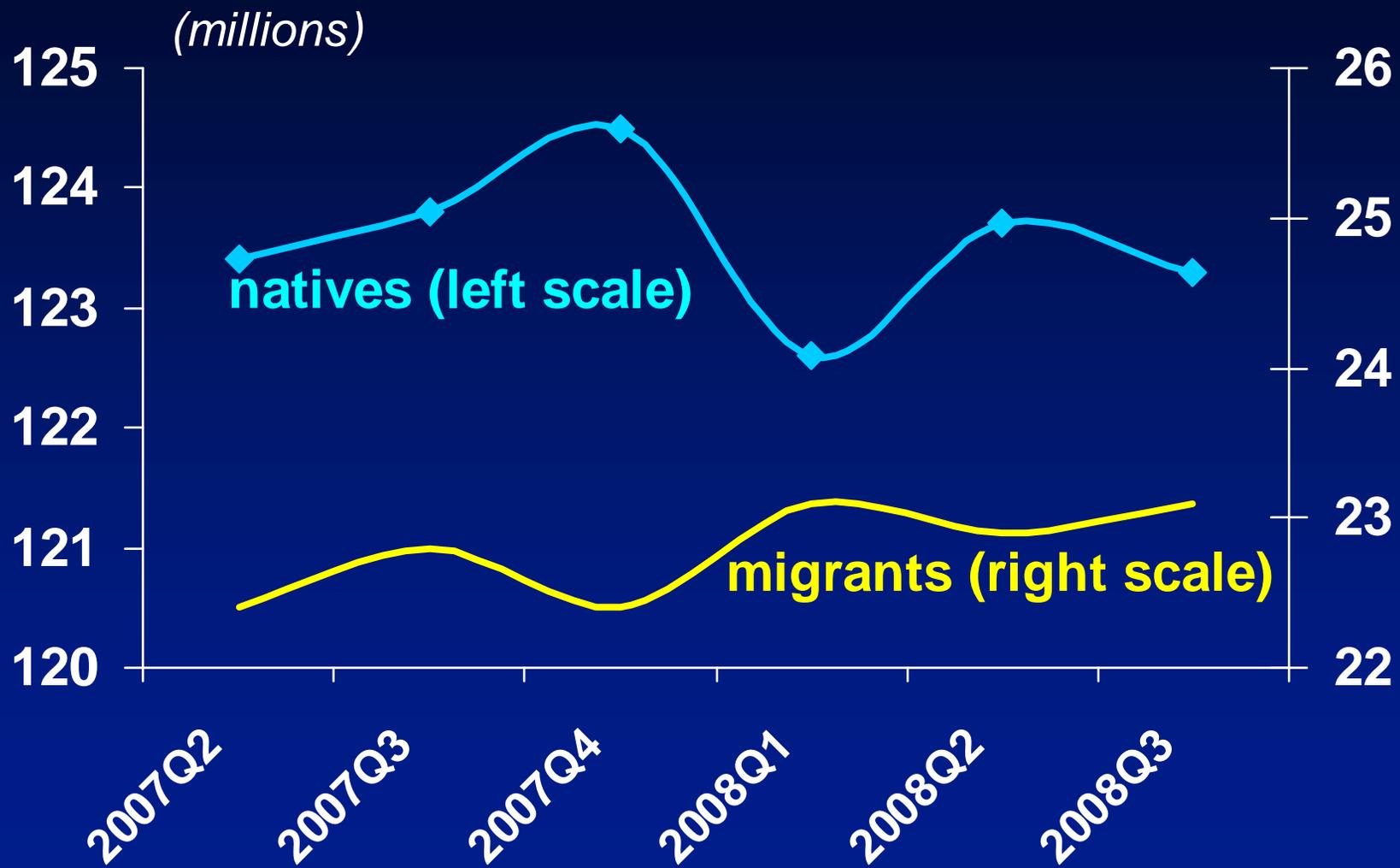
Job growth in US construction employment reversed in the first quarter of 2008 – affected non-Hispanic workers more than Hispanic workers

Thousands of workers

	Q2- 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

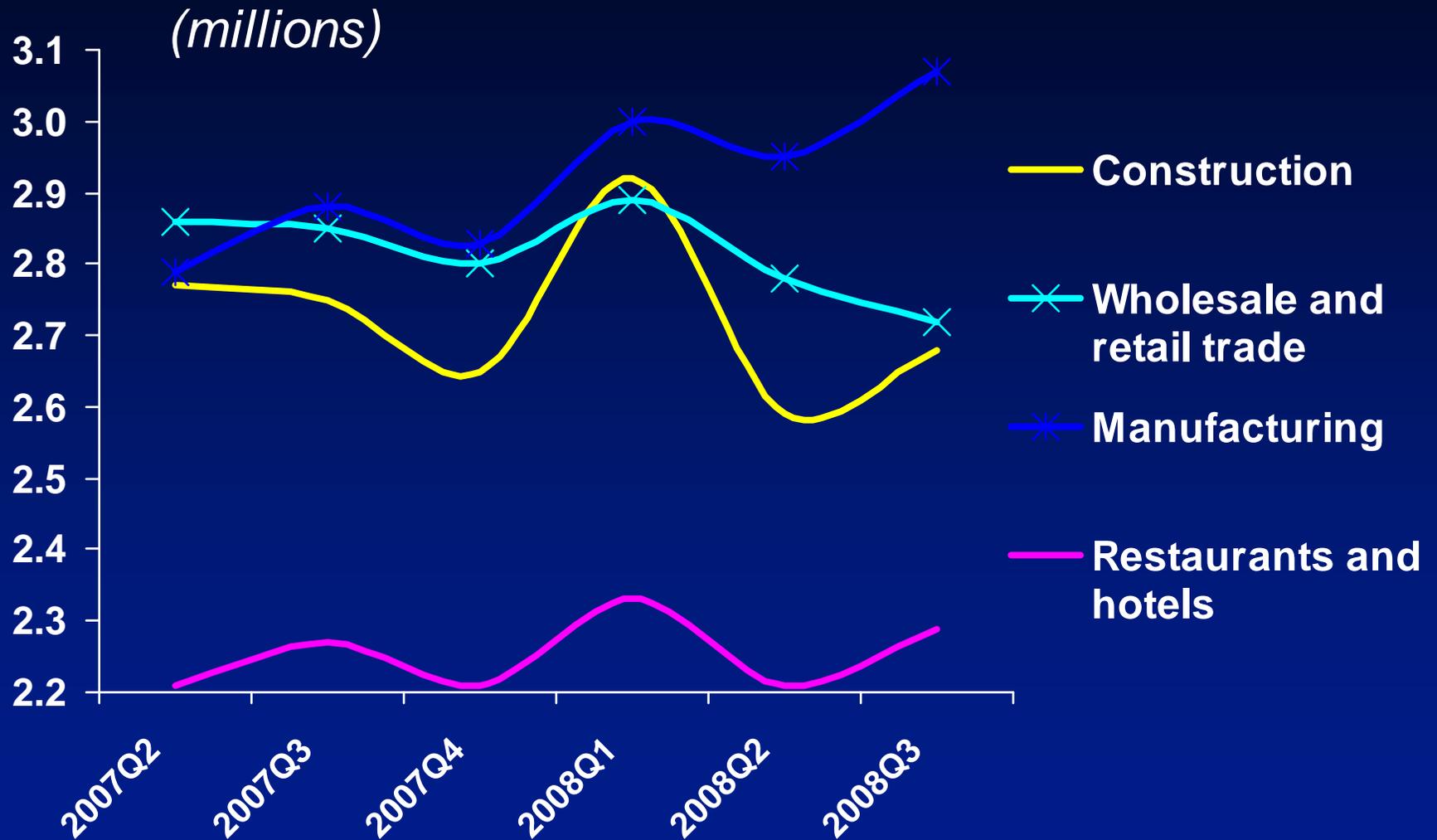
Source: Pew Hispanic Center tabulations of Current Population Survey data

US employment – migrants show job gains since Q1 2008



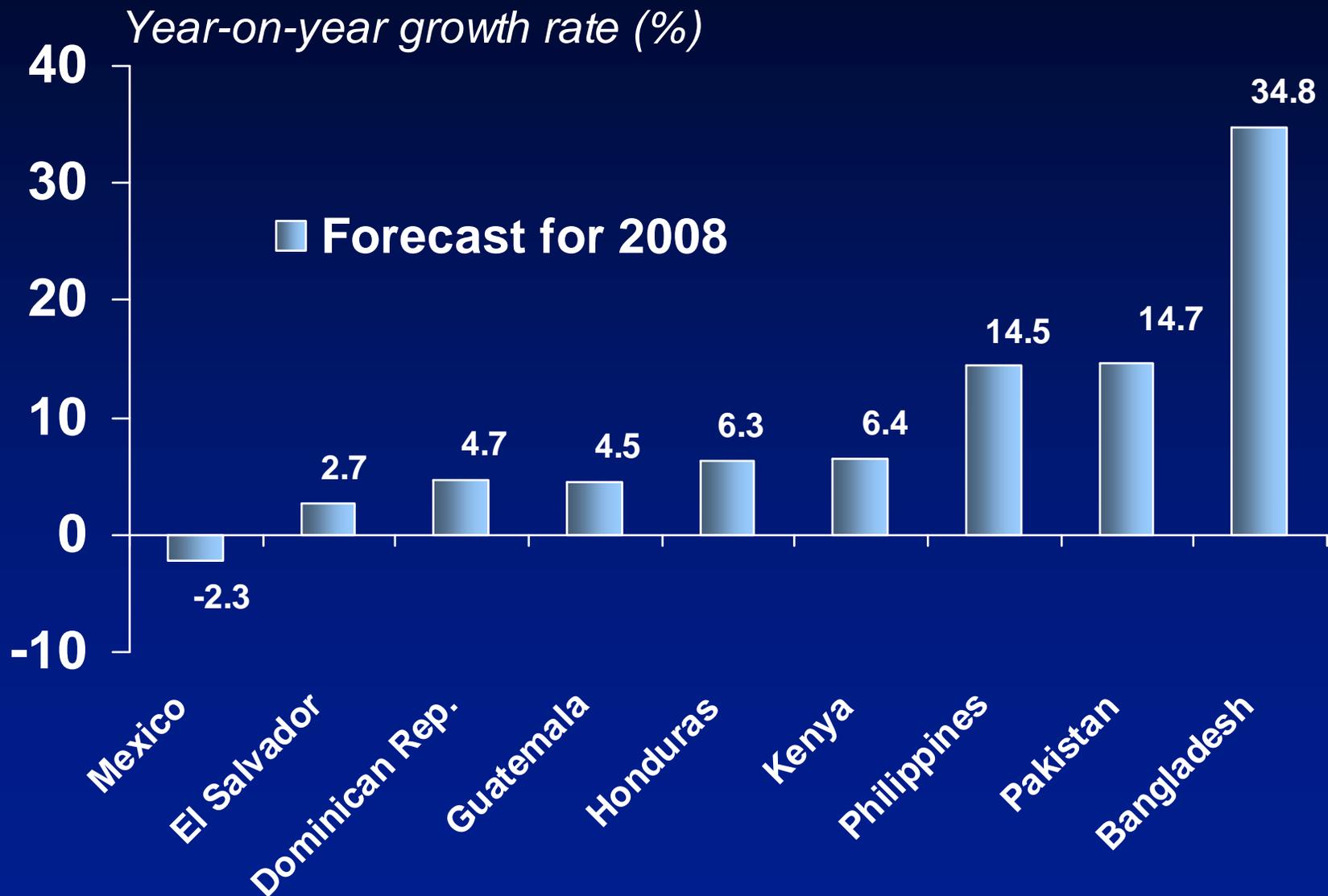
Source: Pew Hispanic Center tabulations of Current population survey.

US migrant employment by sector



Source: Pew Hispanic Center tabulations of Current population survey.

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

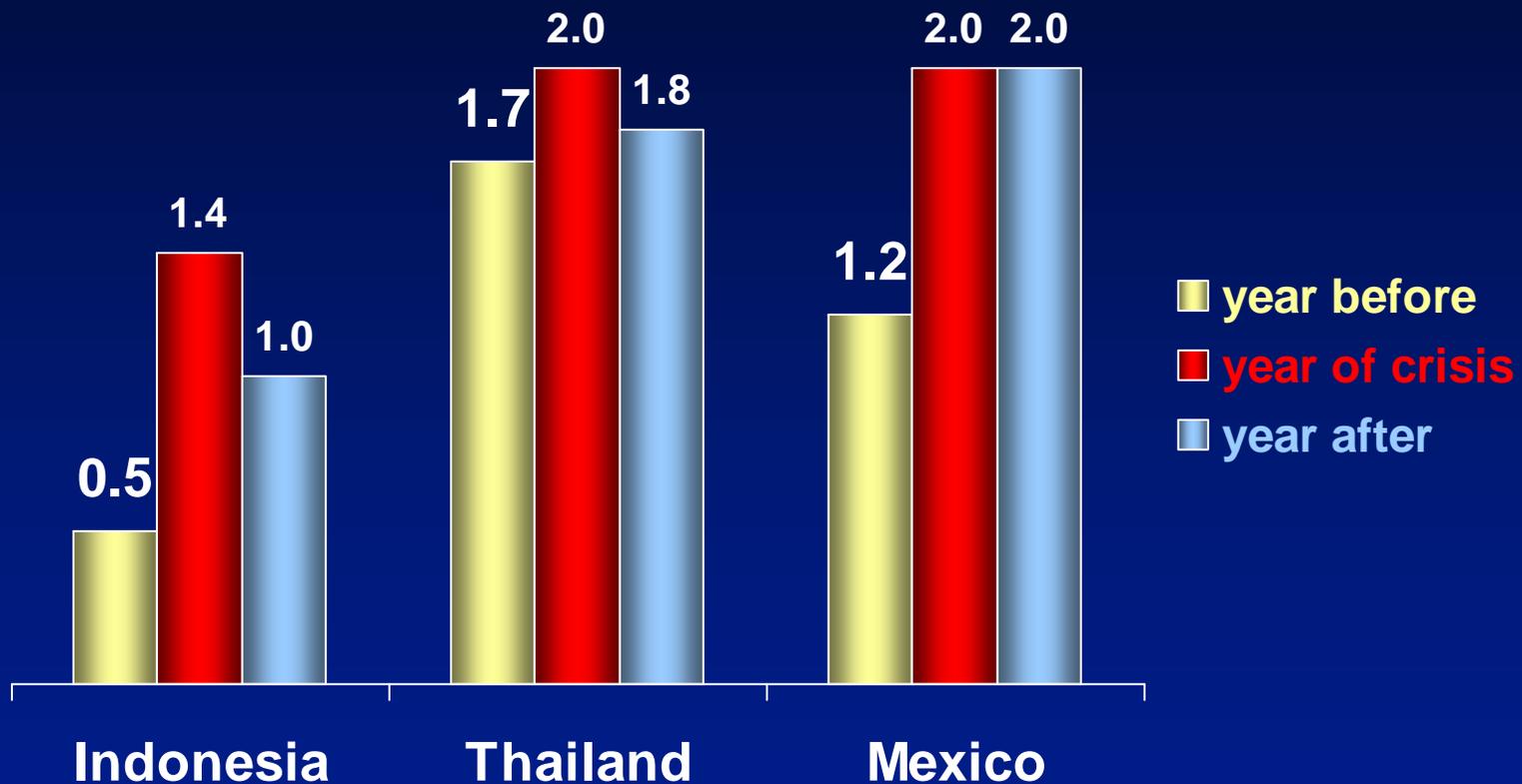


Growth relative to same period last year. Jan-Dec for Bangladesh and Guatemala, Jan-Nov for Mexico, El Salvador, Honduras and Pakistan; Jan-Oct for Philippines; Jan-Sep for Dominican Republic

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...

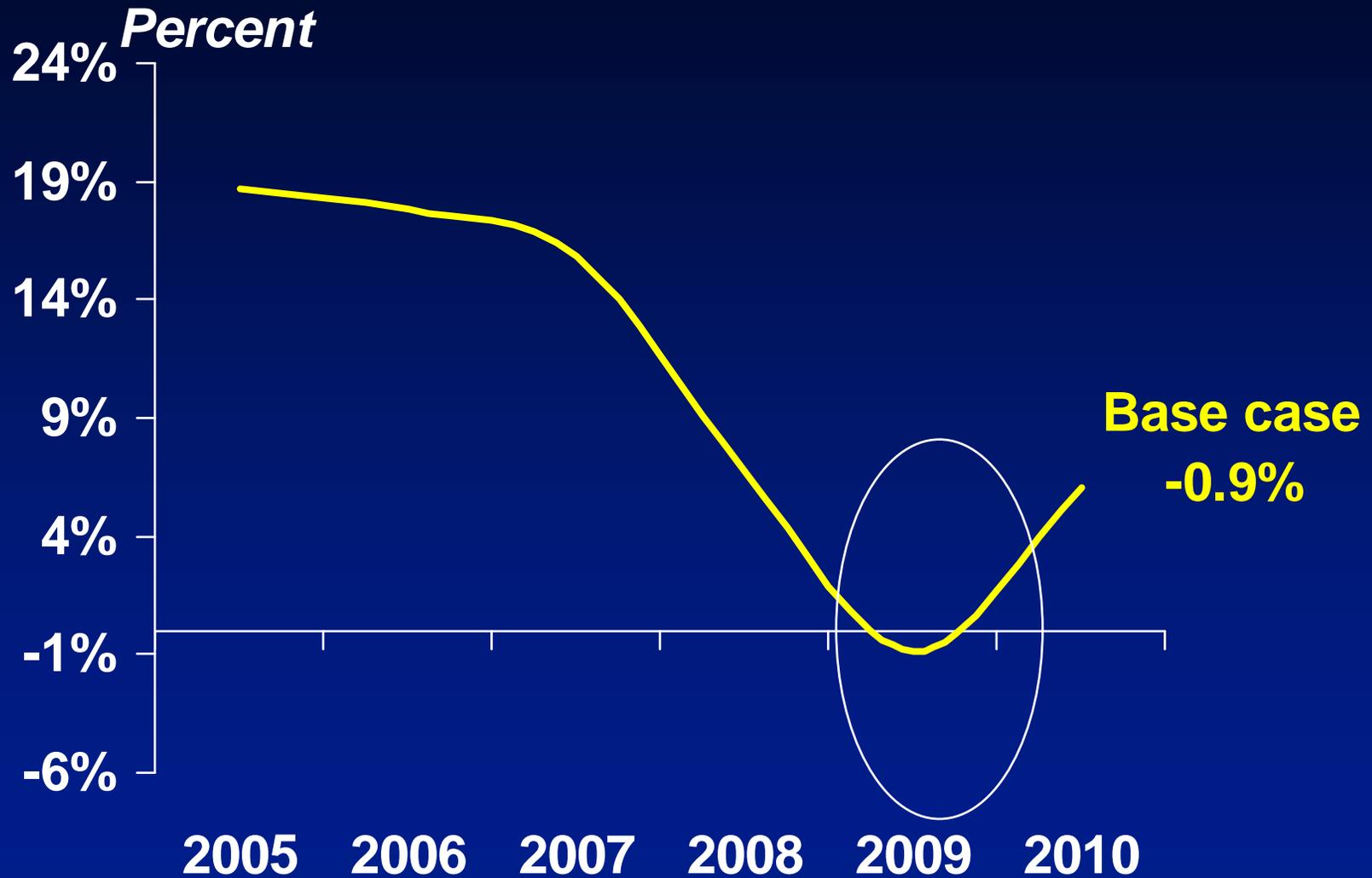
Medium-term outlook for remittance flows to developing countries

- 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.

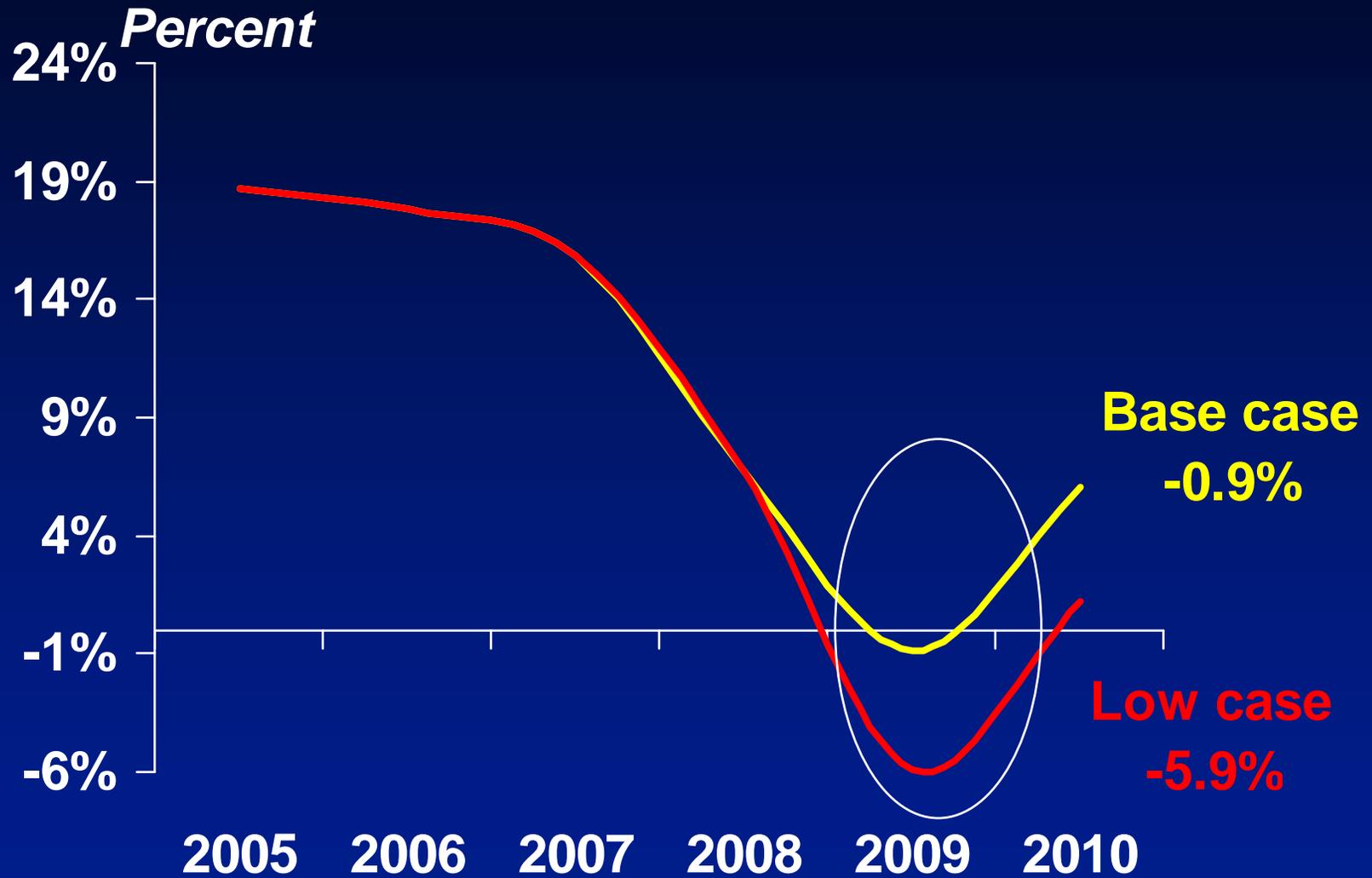
Remittances will be resilient w r to downturns in host countries

- 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

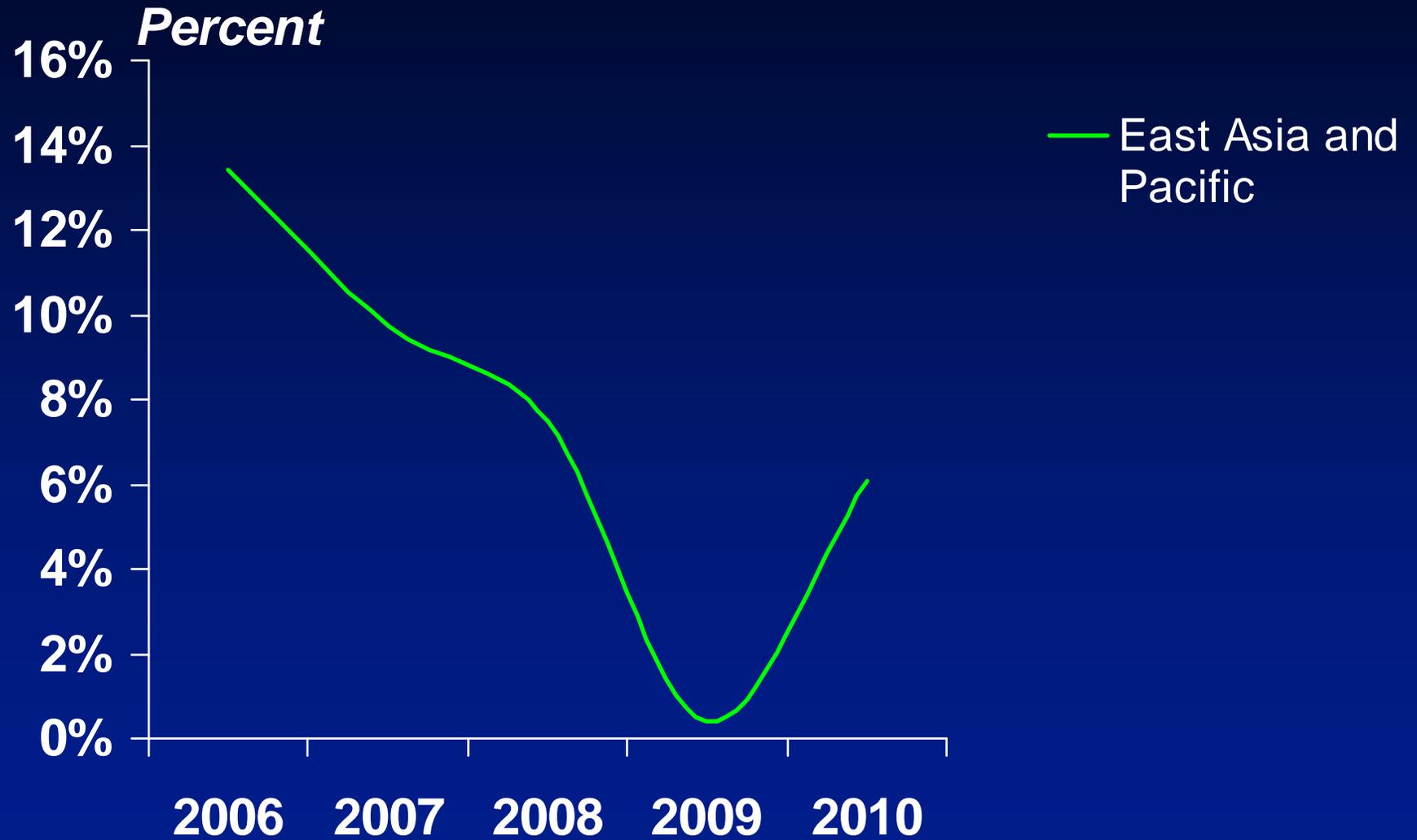
Growth of remittance flows to developing countries will moderate significantly in 2009



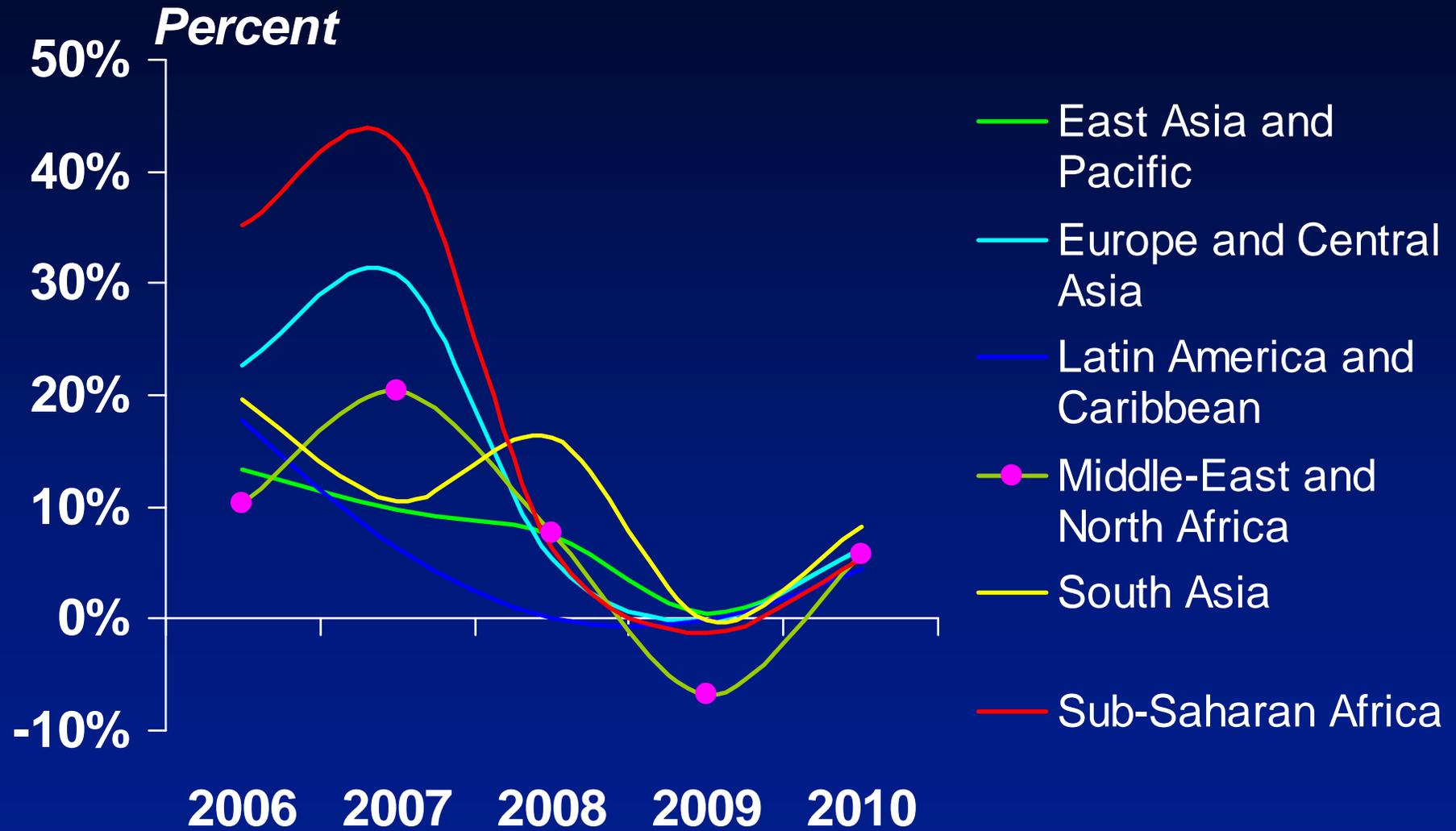
A low-case scenario



Growth of remittance flows to regions



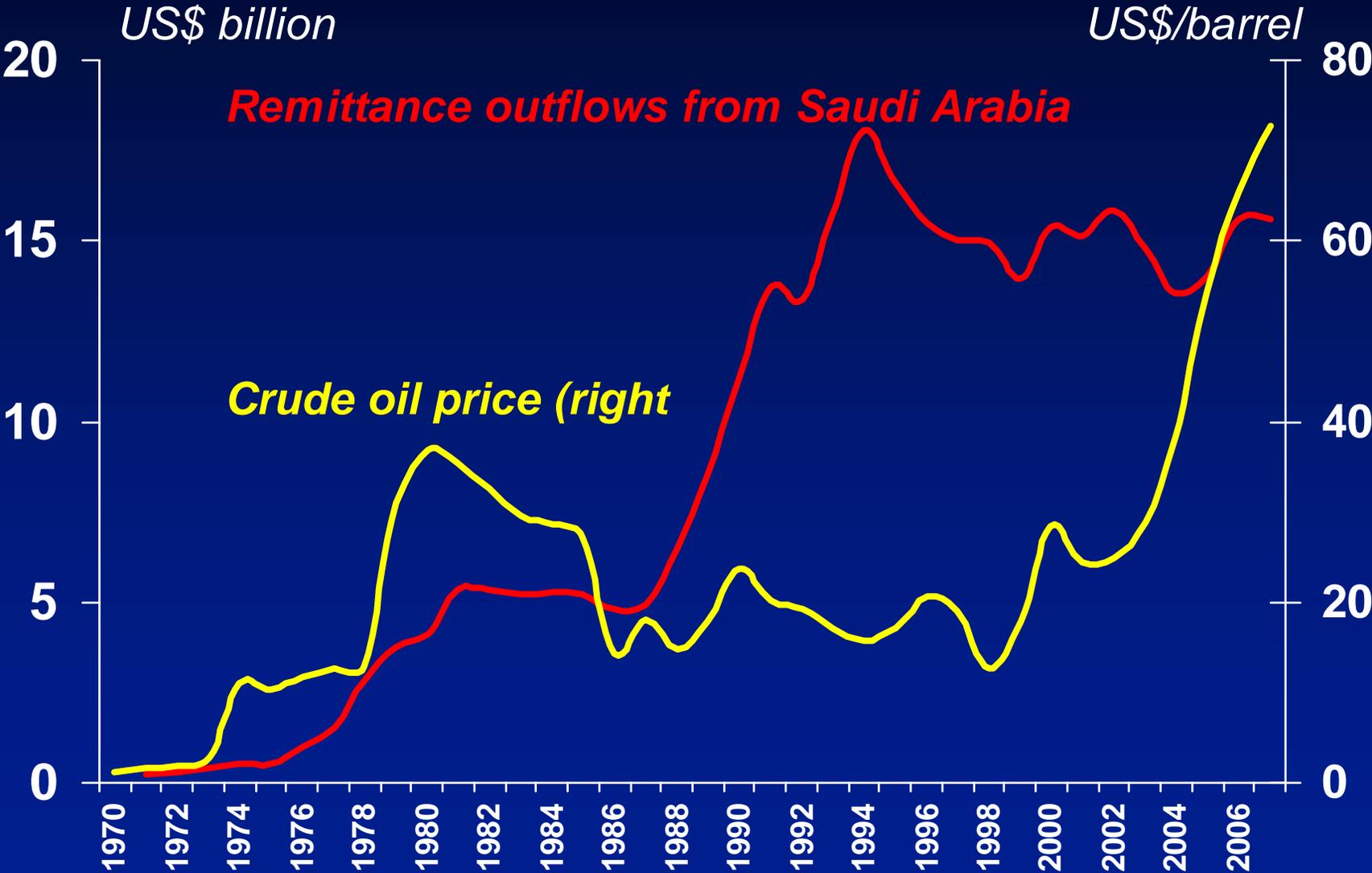
Growth of remittance flows to regions



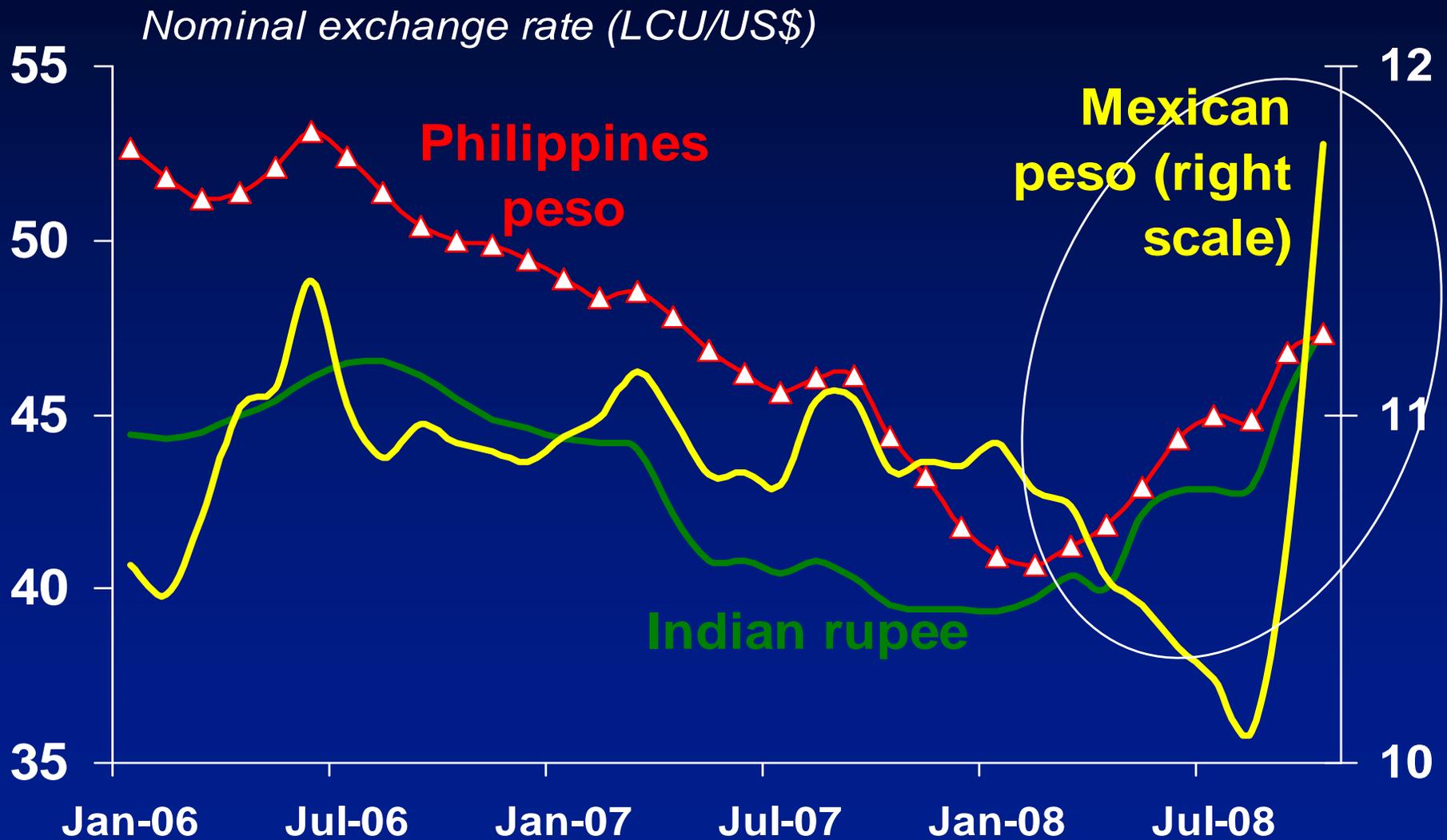
Remittance flows to developing countries

		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%

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



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