

# Migration and Remittance Trends 2009-11

A better-than-expected outcome so far, but  
significant risks ahead

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# Messages

- Crisis has impacted new migration flows, but existing migrants are not returning; global migration stock is still rising
- Remittances estimated to have declined by only 6.1% in 2009, but a shallower recovery is expected during 2010-2011
- Risks to this outlook include uncertainty regarding duration of the crisis, jobless recovery, currency movements, and rising protectionism

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# Stock-flow equation for migration

Migrant stock today =

Existing migrant stock

– Return migration

+ New migration

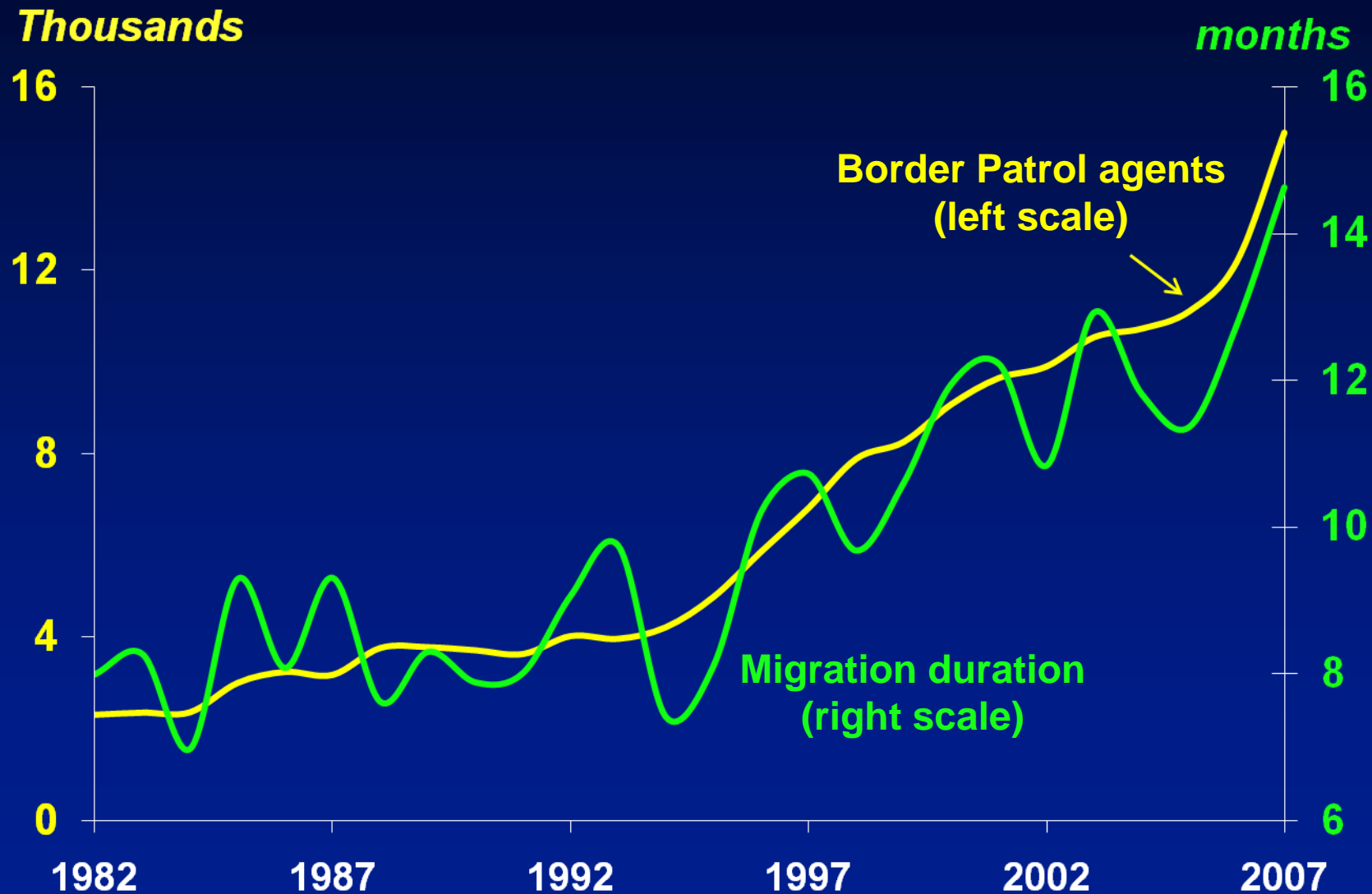
Or 
$$M_t = M_{t-1} - R_t + N_t$$

$$\Delta M_t = N_t - R_t$$

# Return migration ( $R_t$ )

- Little evidence of return migration
- Incomes and opportunities back home not that high
- Migrants are unwilling to return fearing that they may not be able to re-enter

# Duration of Mexican migration has increased – return rate has declined – as controls have been tightened at the US-Mexico border



Source: US Department of Homeland Security, Mexico Migration Project

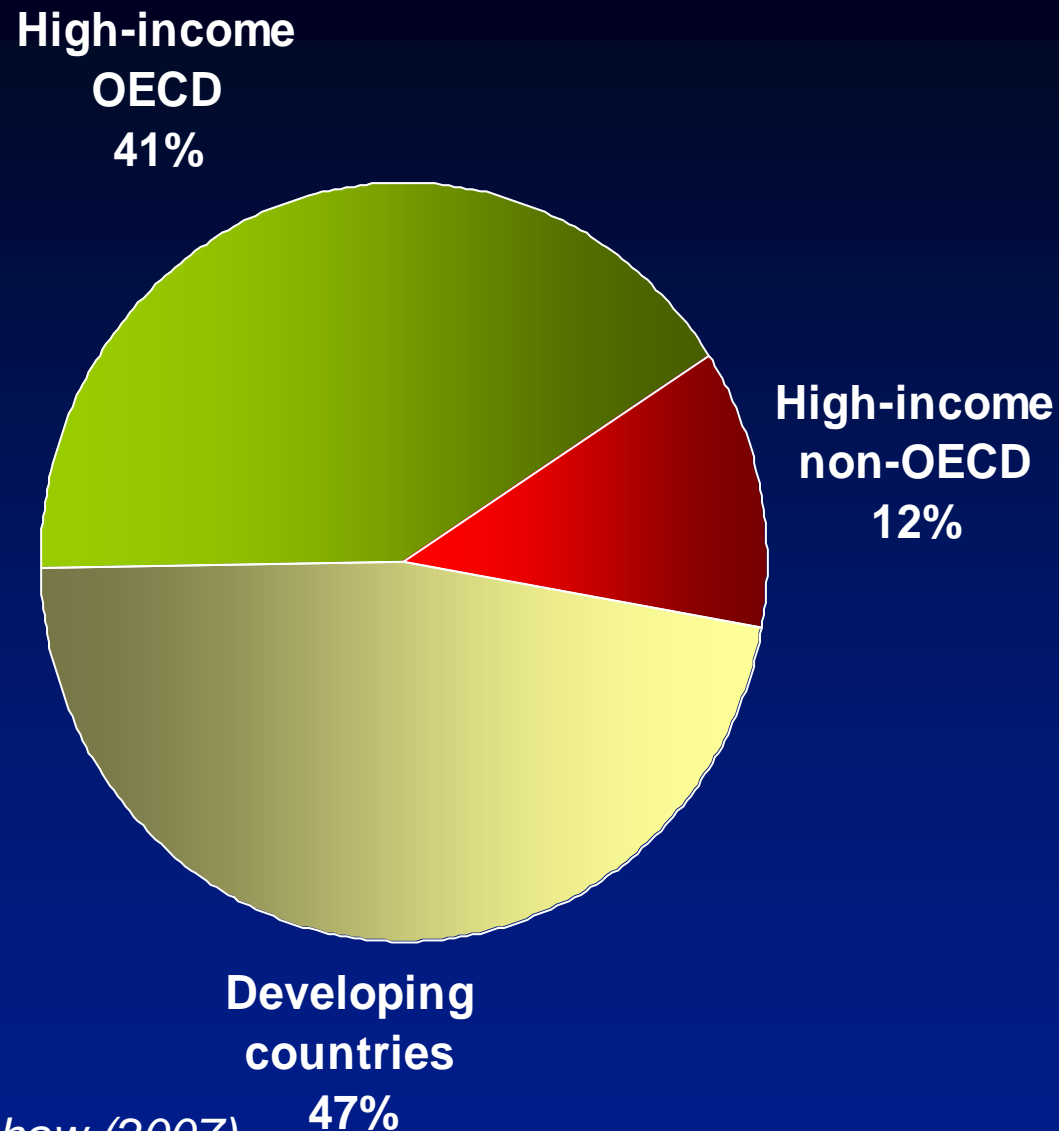
# Financial incentives for return migration not working

- Few availing of financial packages for voluntary return in Spain, Japan, Czech Republic
- Gulf employers also offering unpaid leave to encourage return until recovery; but few takers
- Migrants are losing legal status and likely going underground

# New migration ( $N_t$ )

- Large fall in new deployments (e.g Bangladesh, Nepal, Tajikistan)
- Number of applications for H-1 B visas in the US has fallen sharply in 2009
- Despite fall, new flows are still positive; migrant stocks still rising

# Destination of migrants from developing countries



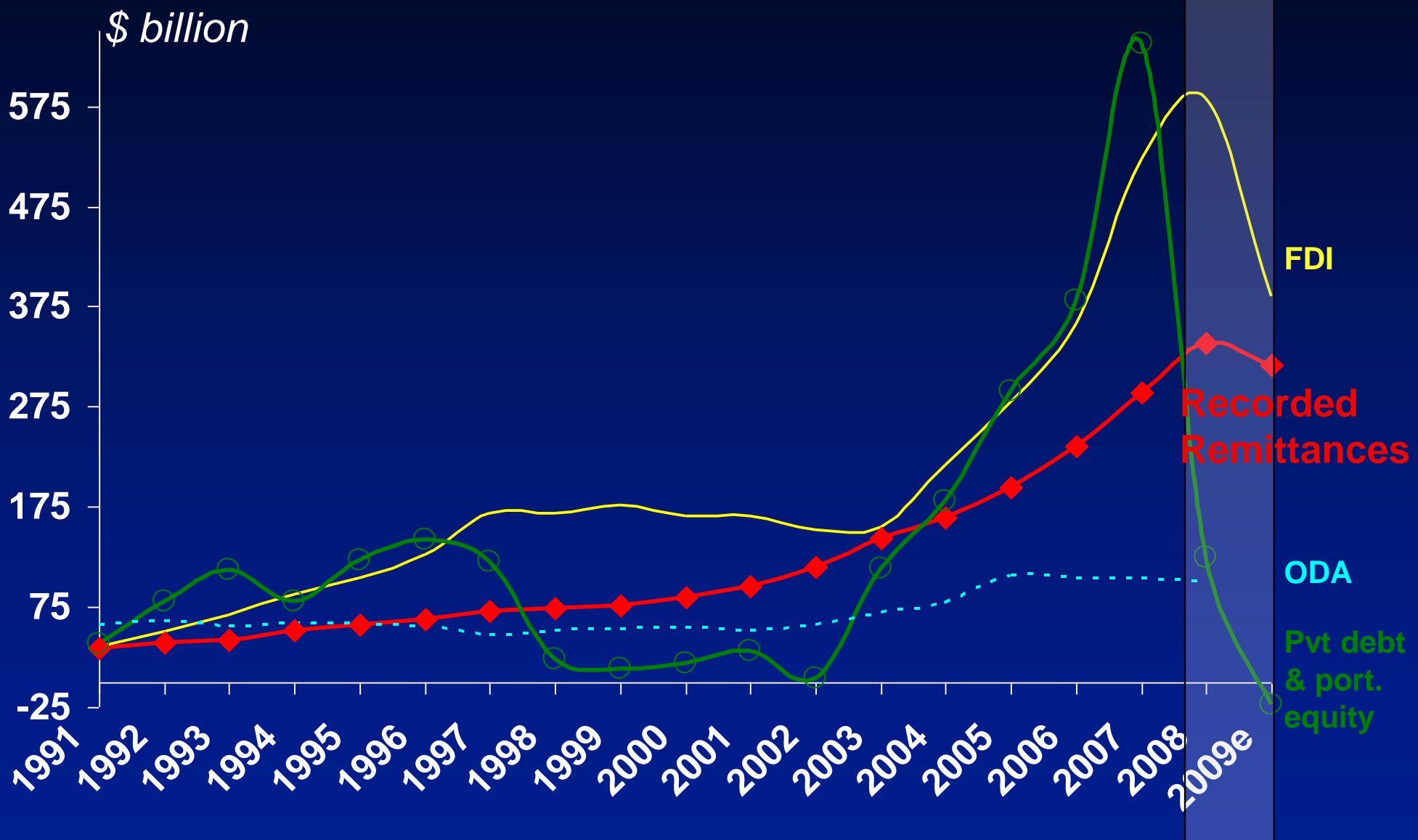
Source: Ratha and Shaw (2007)

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

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# Global remittances exceeded \$338 billion in 2008, fell to \$317 billion in 2009



# Remittance flows to developing countries

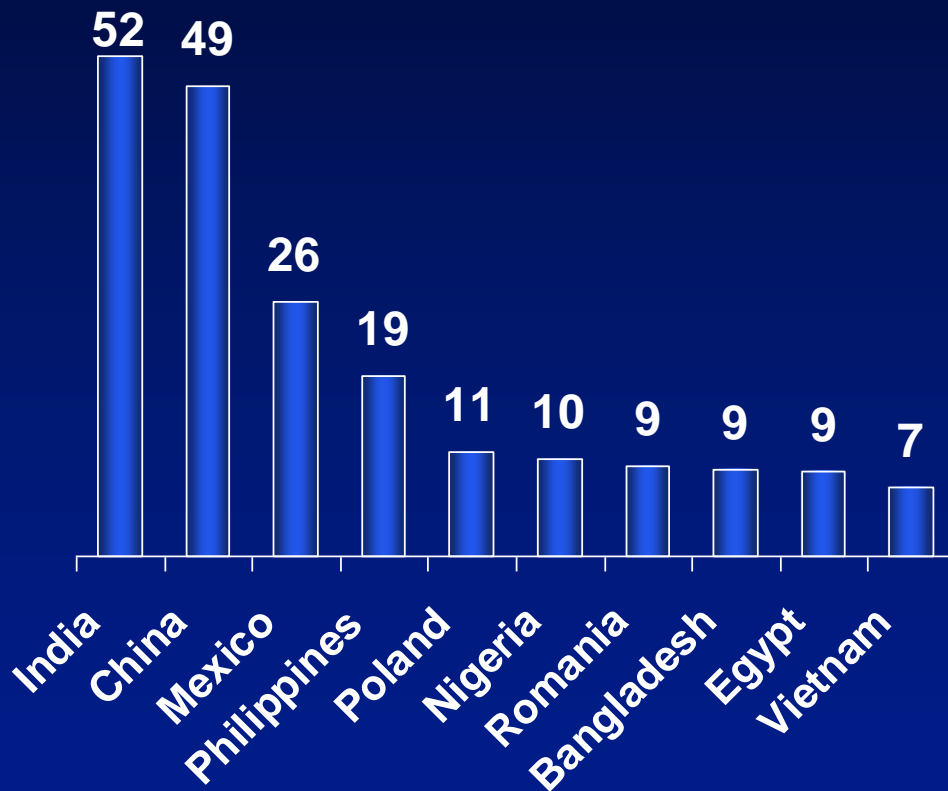
<i>\$ billion</i>	2007	2008	2009e
<b>Developing countries</b>	<b>289.4</b>	<b>337.8</b>	<b>317.2</b>
East Asia and Pacific	71.3	86.1	84.8
Europe and Central Asia	50.8	57.8	49.3
Latin America and Caribbean	63.2	64.7	58.5
Middle-East and North Africa	31.4	34.7	32.2
South Asia	54.0	73.3	72.0
Sub-Saharan Africa	18.6	21.1	20.5
<b><u>Growth rates</u></b>			
<b>Developing countries</b>	<b>22.9%</b>	<b>16.7%</b>	<b>-6.1%</b>
<i>East Asia and Pacific</i>	<i>23.8%</i>	<i>20.8%</i>	<i>-1.5%</i>
<i>Europe and Central Asia</i>	<i>36.0%</i>	<i>13.8%</i>	<i>-14.7%</i>
<i>Latin America and Caribbean</i>	<i>6.8%</i>	<i>2.3%</i>	<i>-9.6%</i>
<i>Middle-East and North Africa</i>	<i>20.1%</i>	<i>10.6%</i>	<i>-7.2%</i>
<i>South Asia</i>	<i>27.1%</i>	<i>35.6%</i>	<i>-1.8%</i>
<i>Sub-Saharan Africa</i>	<i>47.6%</i>	<i>13.4%</i>	<i>-2.9%</i>

## **A smaller-than-expected decline in 2009 overall, but differences across regions**

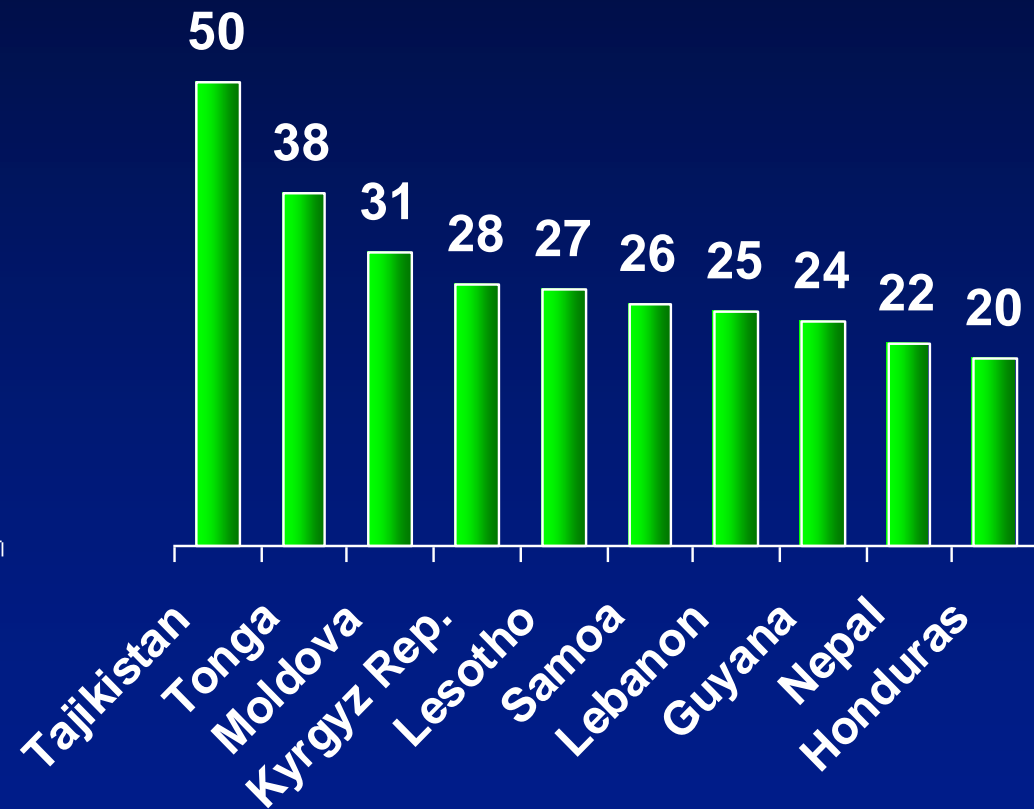
- Larger-than-expected decline in remittances to Latin America and the Caribbean, but emerging signs of a bottoming out
- Better outcome in South Asia and East Asia, but emerging signs of a peaking
- Flows declining in Europe & Central Asia, and Middle East & North Africa
- Sub-Saharan Africa doing better

# Top recipients of remittances

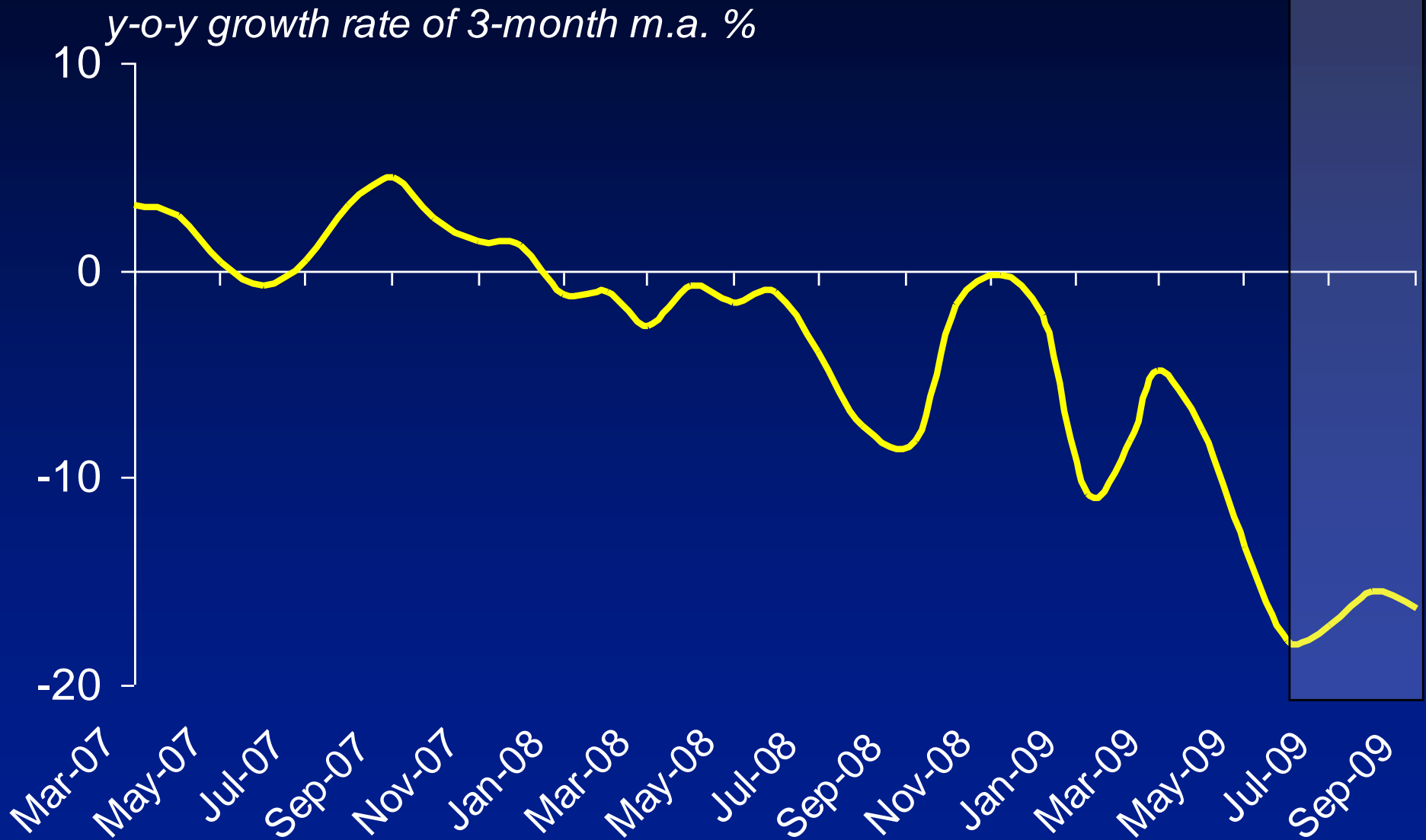
*\$ billion, 2008*



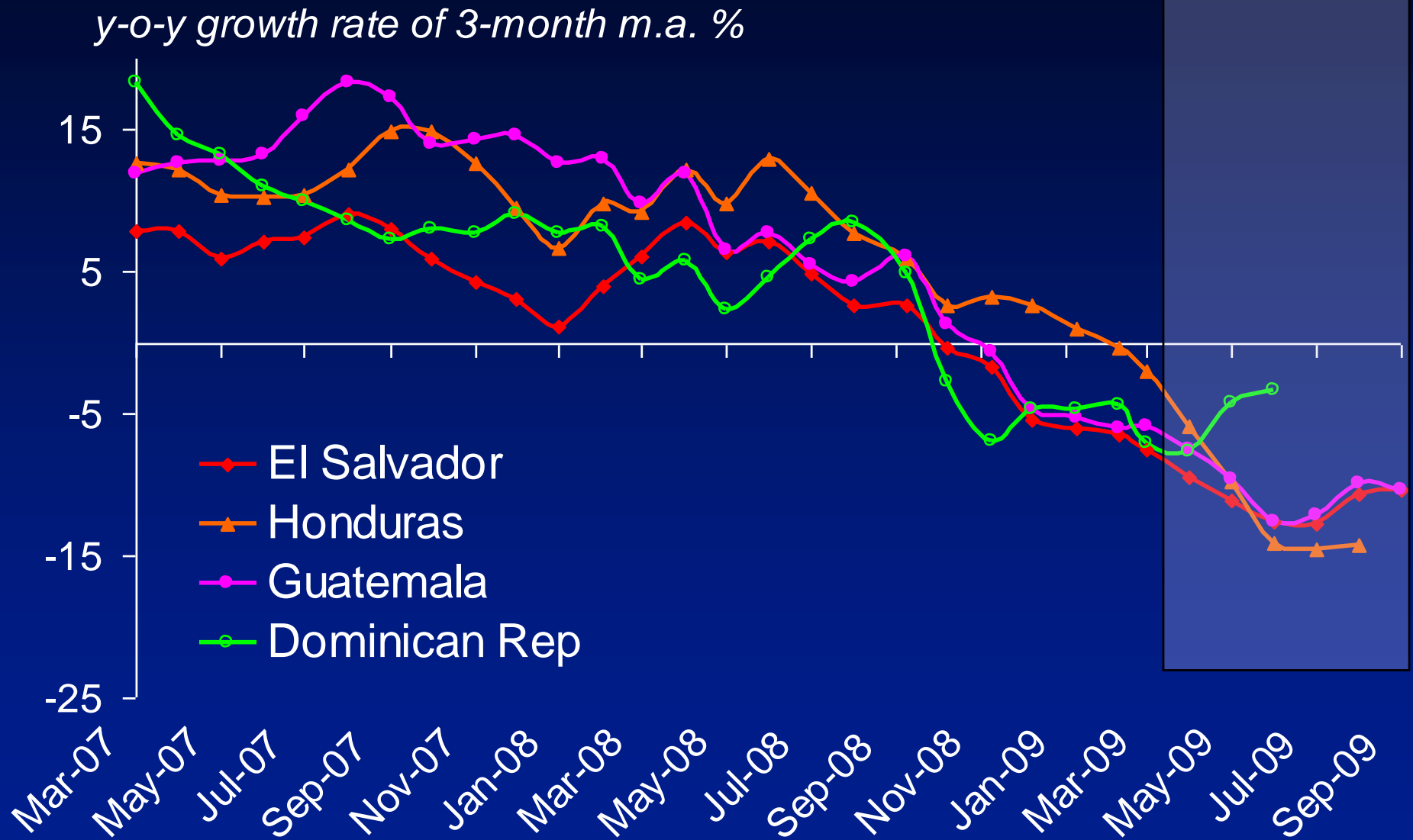
*% of GDP, 2008*



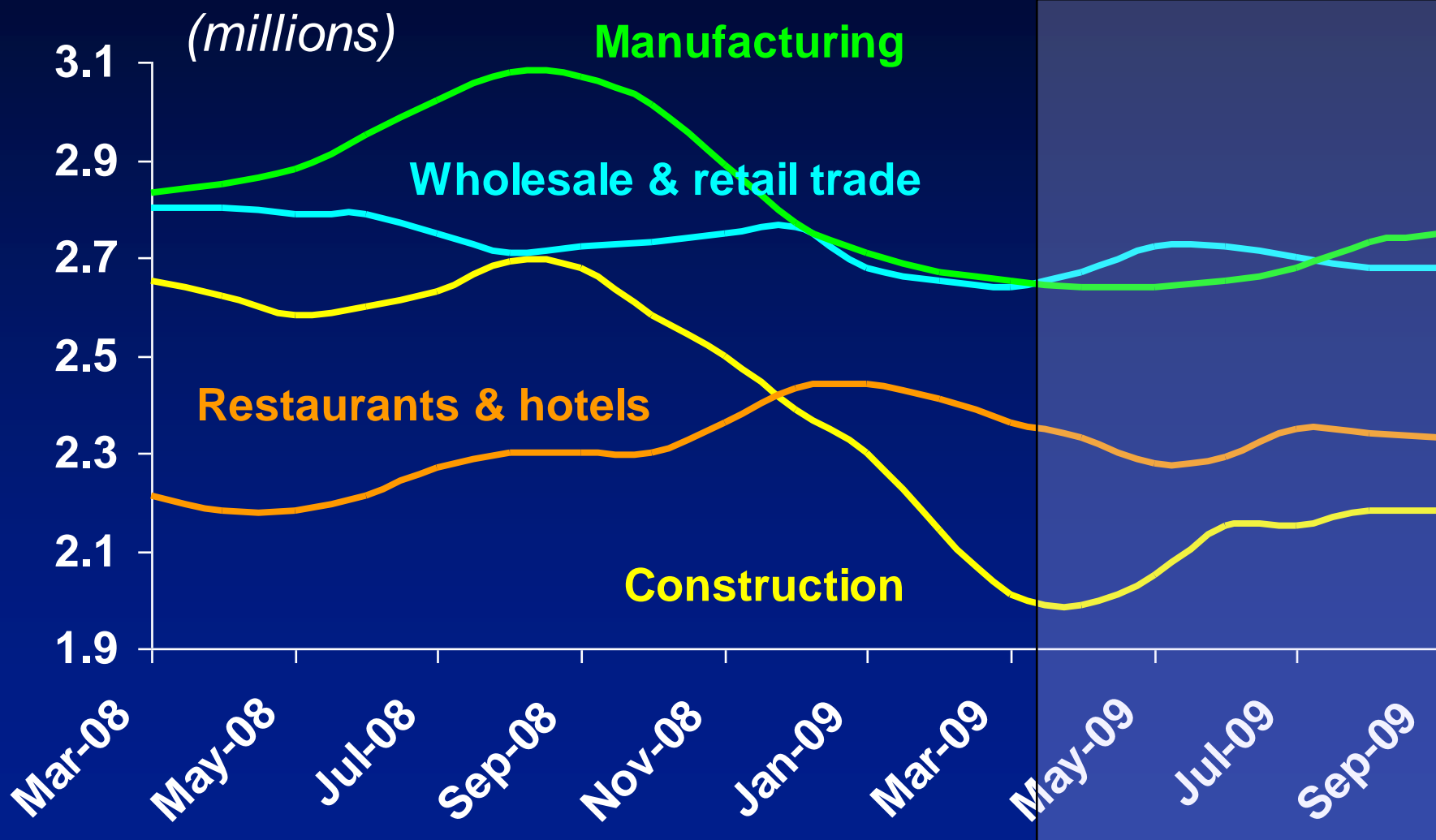
# Remittances to Mexico started declining in early 2008, but there are emerging signs of a bottoming out



# Remittances to Latin America and Caribbean appear to be bottoming out



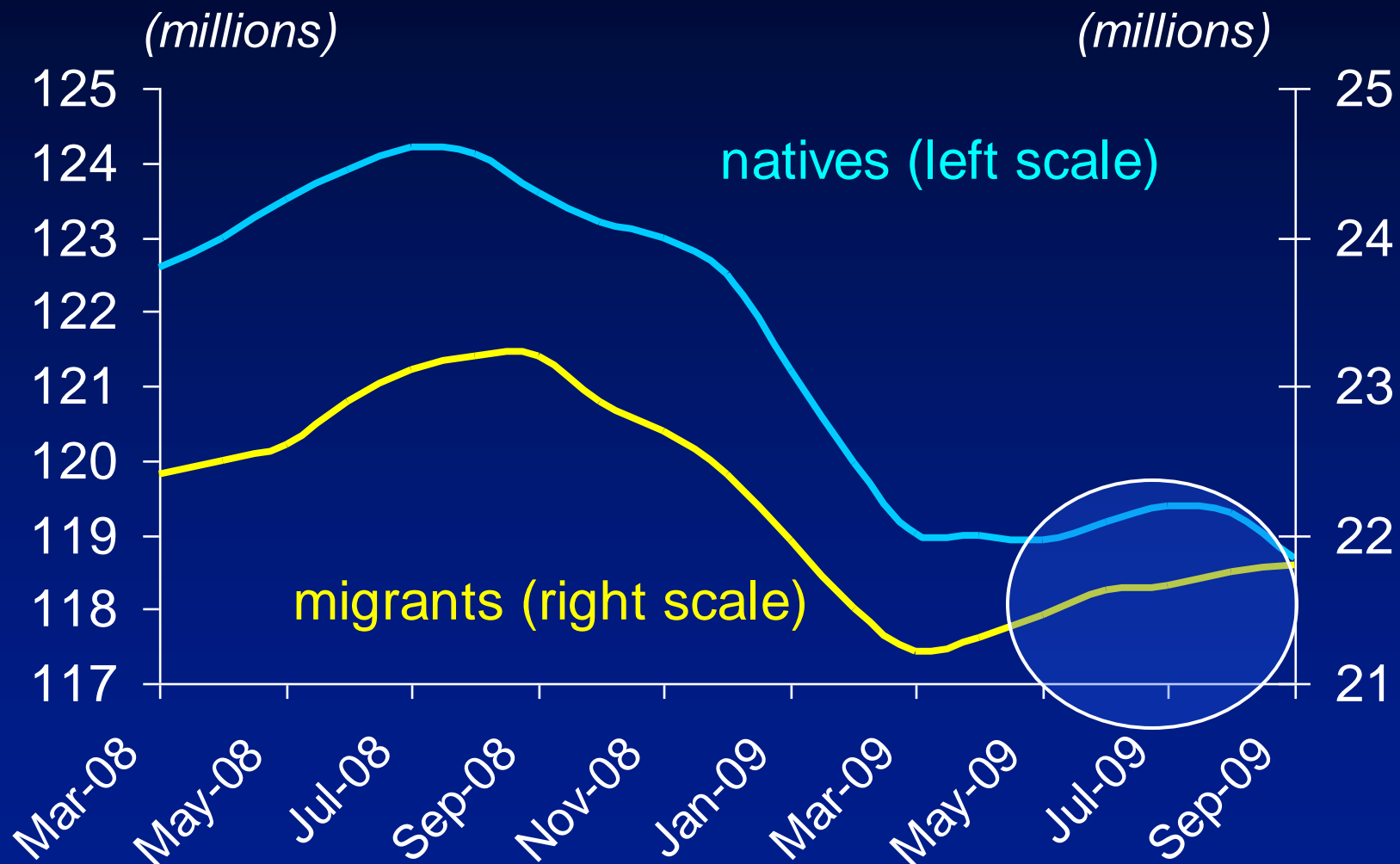
# Migrant employment in the US is stabilizing



3-month moving average

Source: Current Population Survey

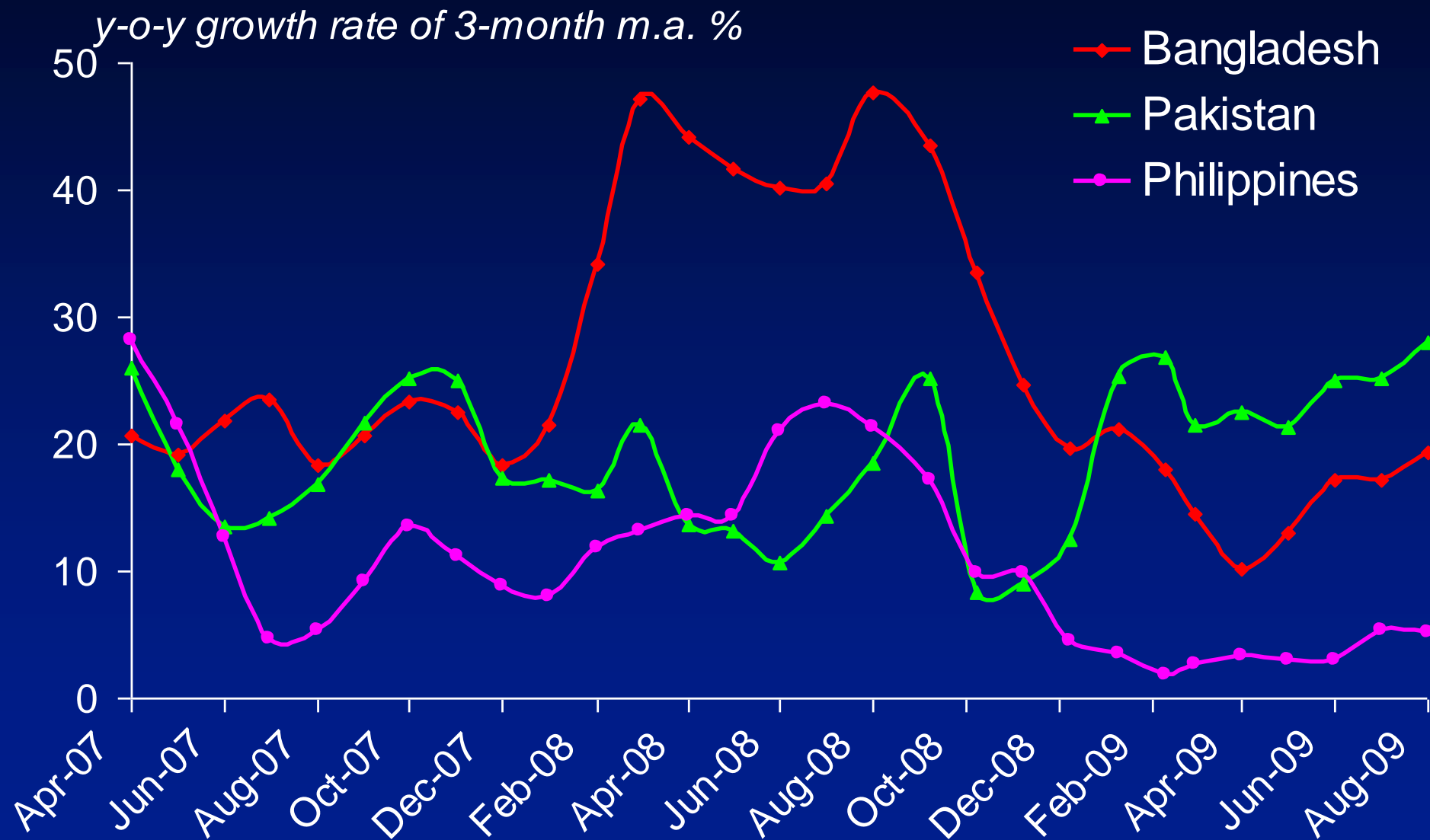
# US employment levels – signs of recovery for migrant workers



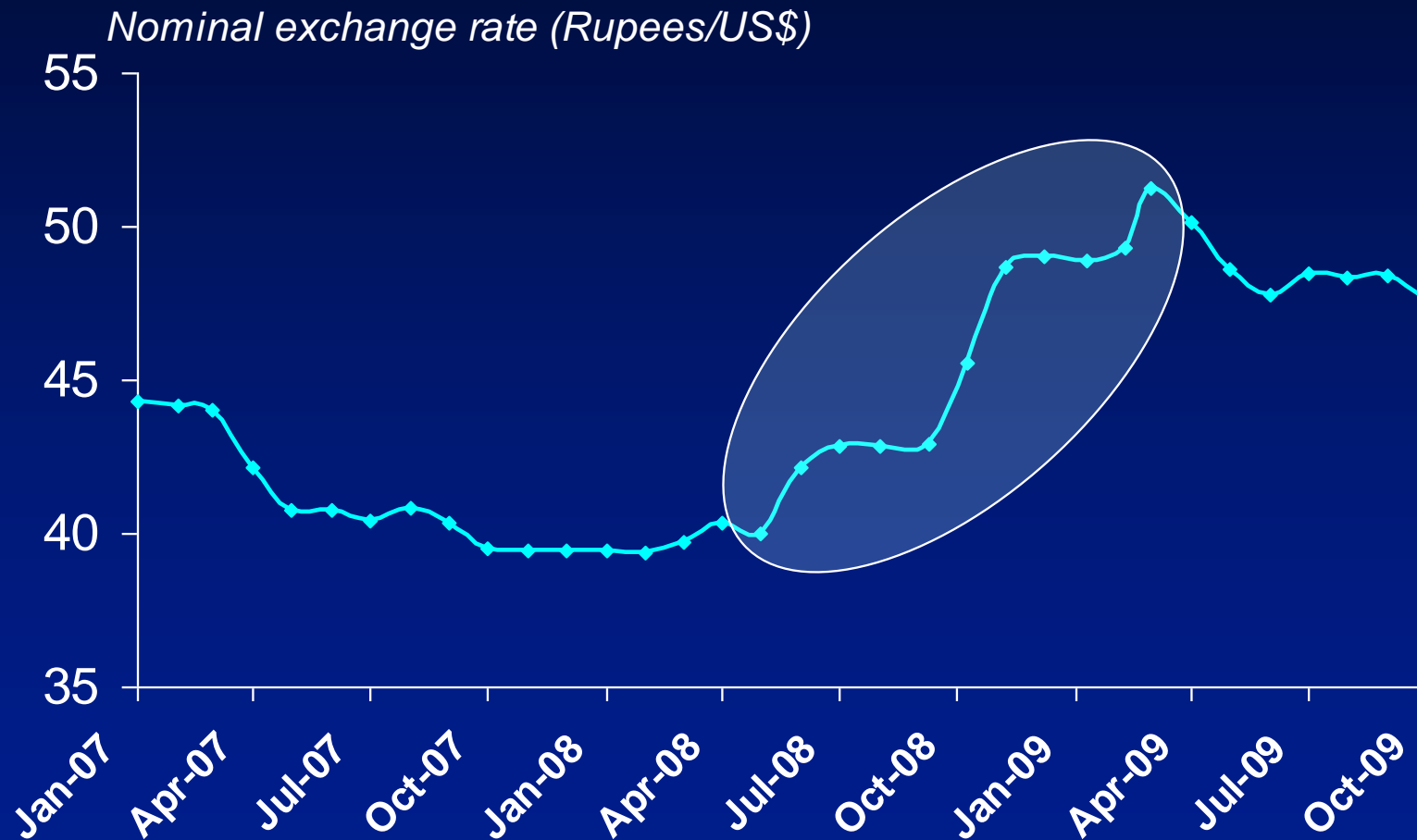
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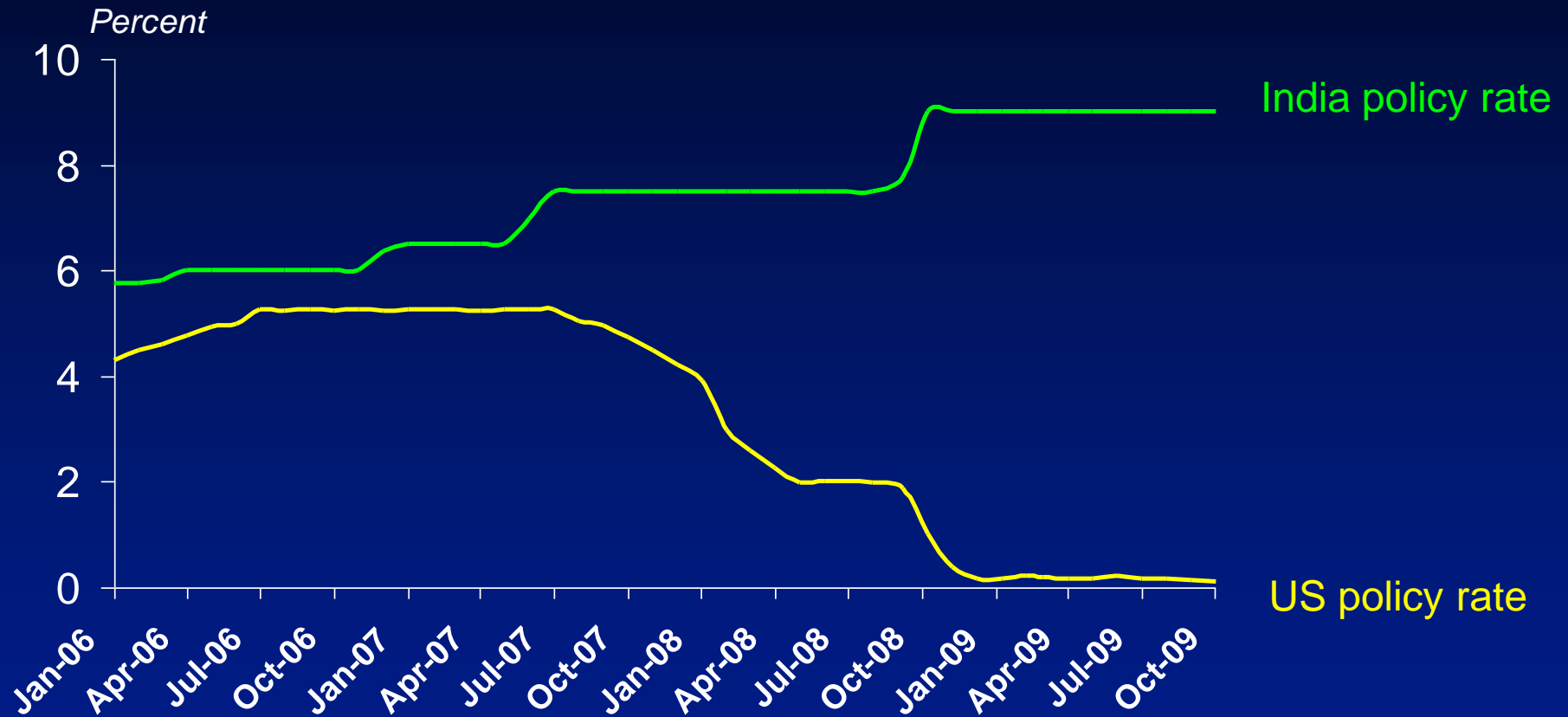
# Remittances to Bangladesh, Pakistan and the Philippines are still growing, mainly from the GCC



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



# Widening interest rate differentials sustained incentives to send remittances to India



# Currency effects

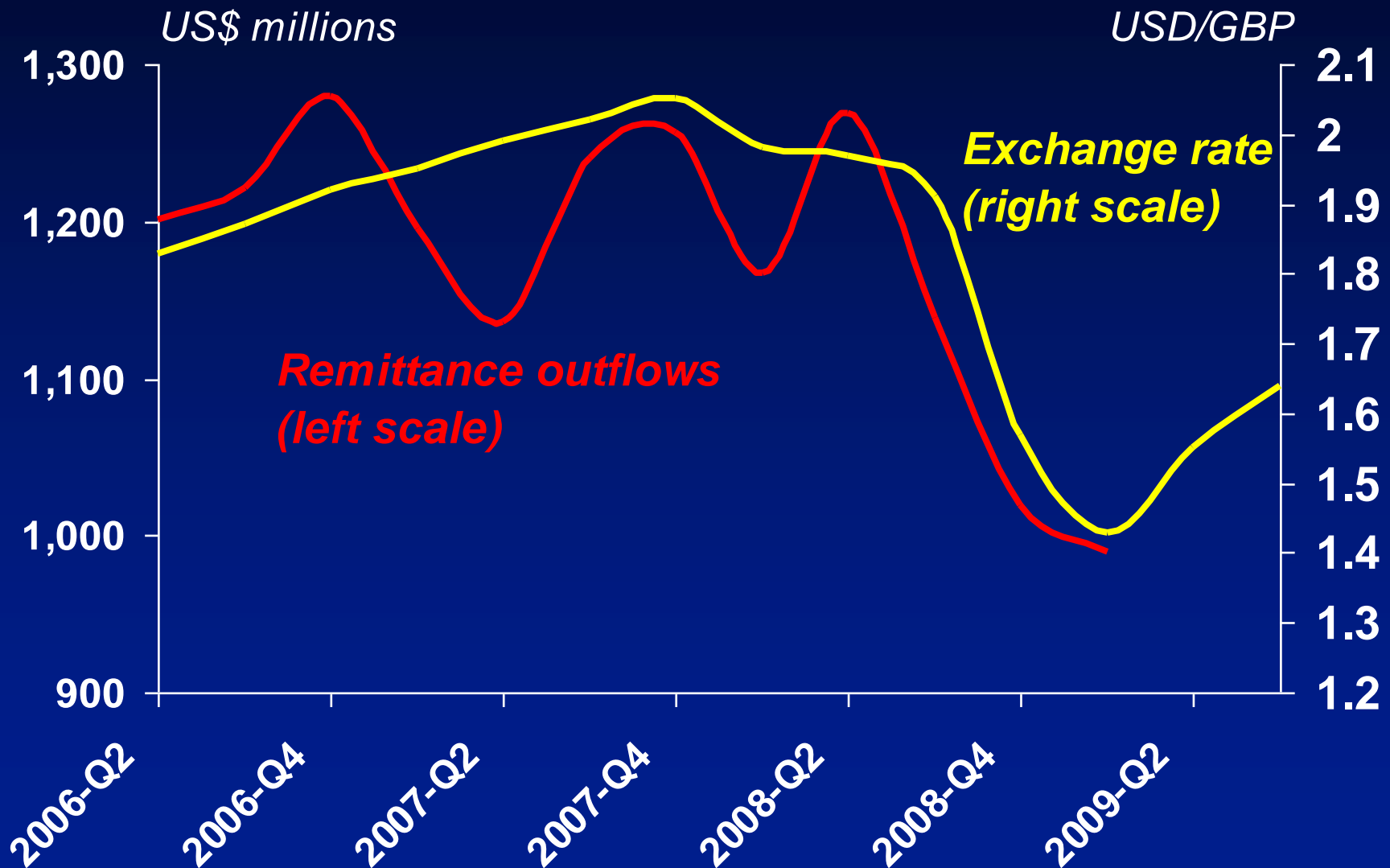
- Effects on consumption/investment motivation
- Valuation effects

# Depreciation of the ruble has reduced remittance flows to Central Asian countries in US dollar terms (Tajikistan)

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

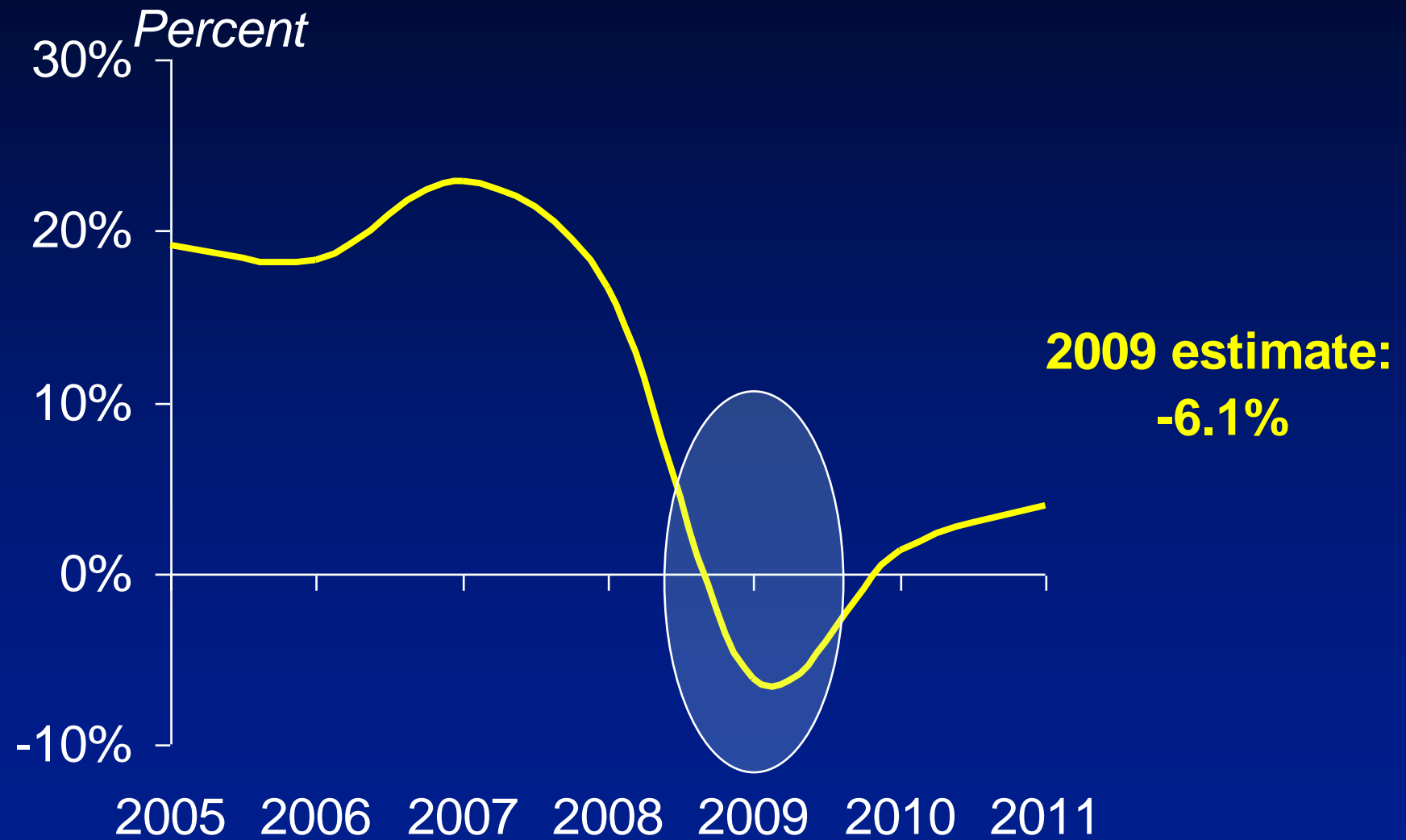


# Weakness of the British pound may be related to a larger decline in remittances in US dollar terms



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

# Remittances to developing countries shrank in 2009



# Outlook for remittance flows for 2009-11

<i>\$ billion</i>	2008	2009e	2010f	2011f
<b>Developing countries</b>	337.8	317.2	<b>321.6</b>	<b>334.2</b>
East Asia and Pacific	86.1	84.8	85.4	88.6
Europe and Central Asia	57.8	49.3	50.6	53.2
Latin America and Caribbean	64.7	58.5	58.7	60.8
Middle-East and North Africa	34.7	32.2	32.7	33.8
South Asia	73.3	72.0	73.2	76.2
Sub-Saharan Africa	21.1	20.5	20.9	21.7
<b><u>Growth rate (%)</u></b>				
<b>Developing countries</b>	16.7%	-6.1%	1.4%	3.9%
<i>East Asia and Pacific</i>	20.8%	-1.5%	0.8%	3.7%
<i>Europe and Central Asia</i>	13.8%	-14.7%	2.7%	5.0%
<i>Latin America and Caribbean</i>	2.3%	-9.6%	0.5%	3.5%
<i>Middle-East and North Africa</i>	10.6%	-7.2%	1.5%	3.3%
<i>South Asia</i>	35.6%	-1.8%	1.7%	4.1%
<i>Sub-Saharan Africa</i>	13.4%	-2.9%	1.8%	3.9%

# 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 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

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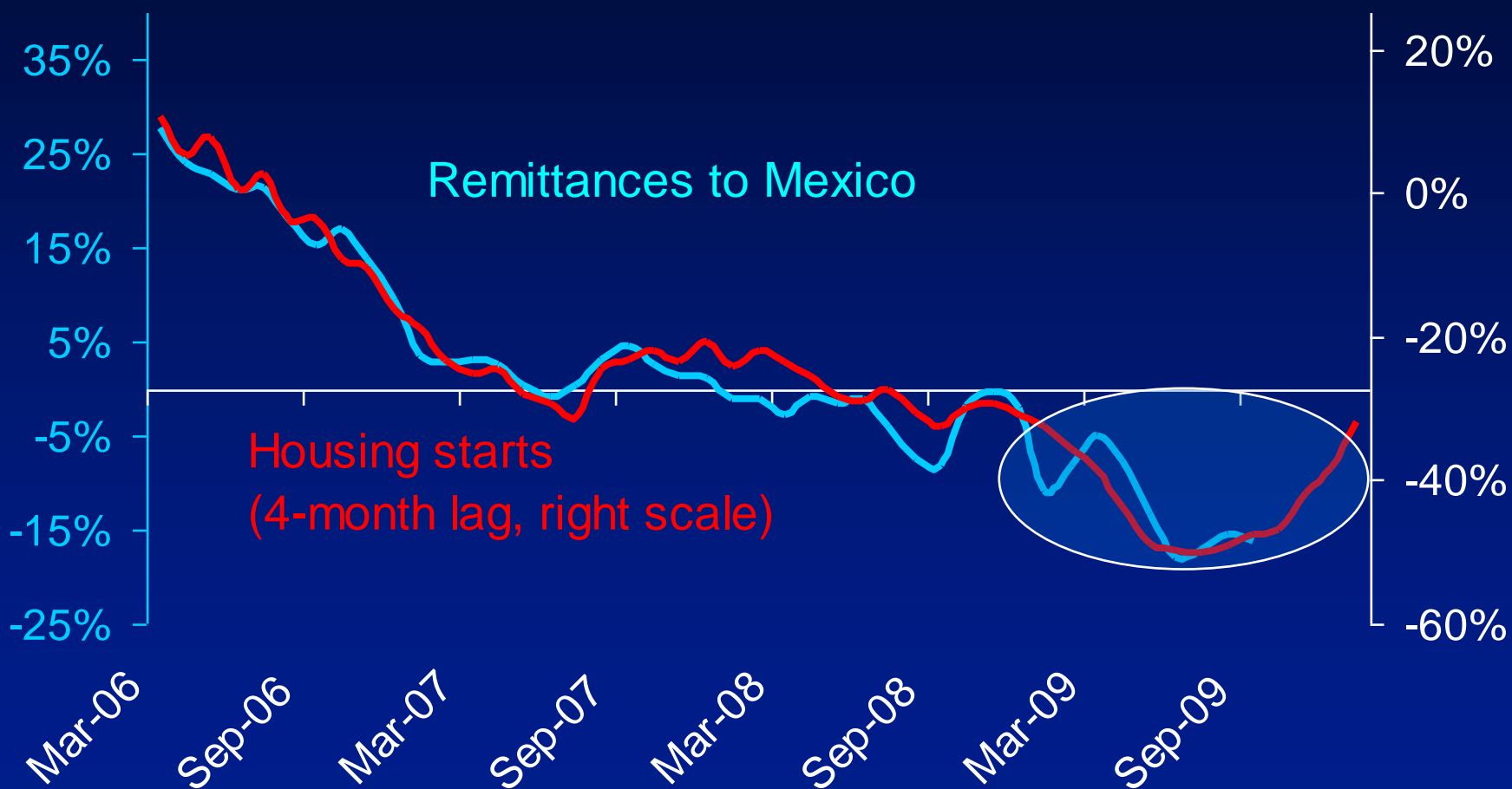
# Risks to the outlook

- Crisis could last longer (and be deeper) than expected
- Weak job markets in the destination countries may lead to further tightening of immigration controls.
- Currency movements are highly unpredictable

# US housing starts affect remittance flows to Mexico with a 4-6 months lag

*Year-on-year growth*

*Year-on-year growth*



# Policy Implications

- Anti-immigration sentiment may rise, but protectionism related to hiring of immigrant workers will hurt the recovery of firms
- Origin countries should provide business facilitation services to returnees
- International and intra-regional remittance flows should be facilitated

## 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)

**For more, please visit**

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

<http://peoplemove.worldbank.org>