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Global Prospects for Migration and Remittances in 2012: Implications for Asia

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ADBI-OECD Roundtable on Labor Migration in Asia

Tokyo, Japan

January 18-20, 2012

Outline

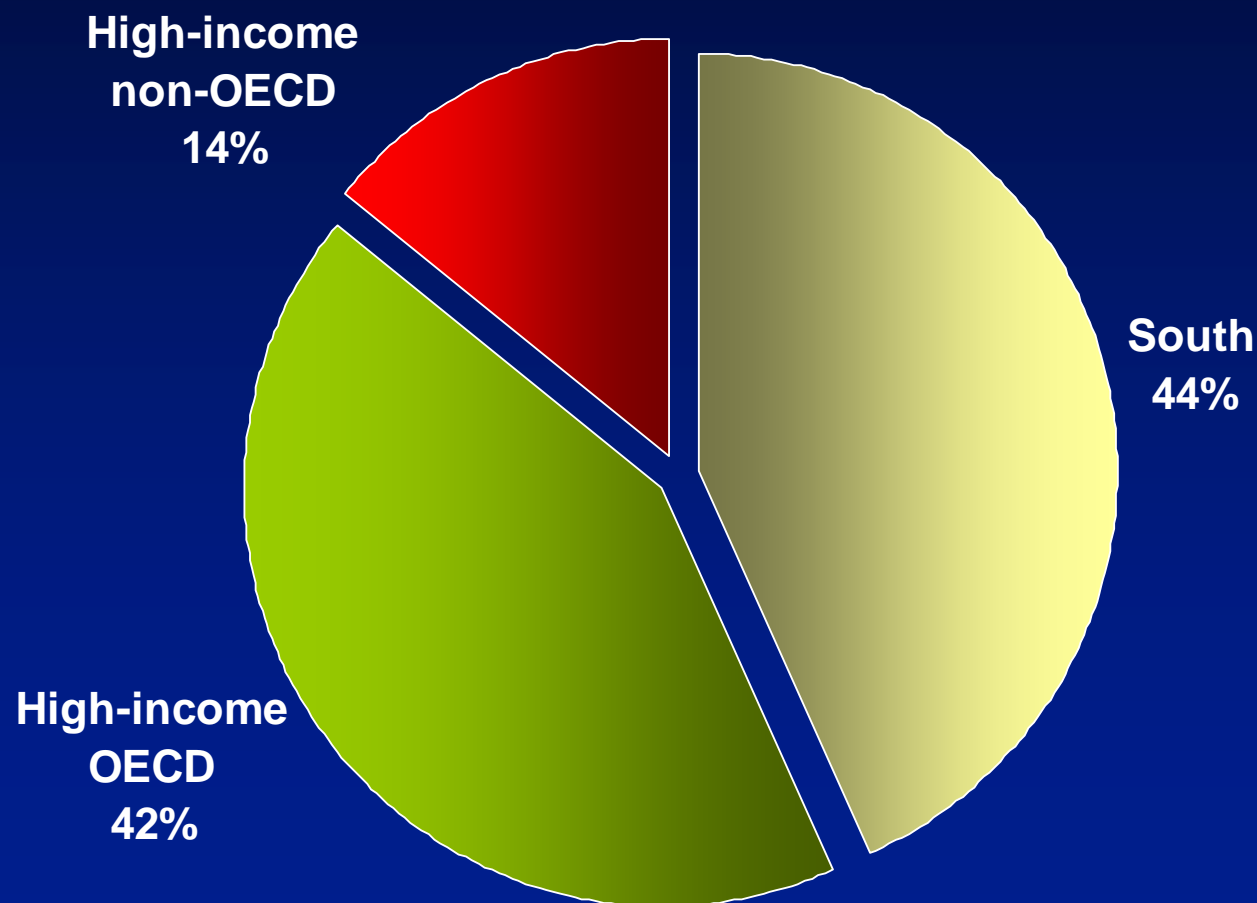
- A. Stylized facts on migration and remittances
- B. Development implications of remittances
- C. Global prospects for remittance flows
- D. Policy implications/Innovative financing mechanisms leveraging on migration and remittances

A. Stylized Facts on global migration

- Only 3% of world population or 215 million people are international migrants (97% are not)
- Economic migrants account for 93% of global migrant stock. Economic migration is set to increase in future
- South-South migration is larger than South-North migration

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

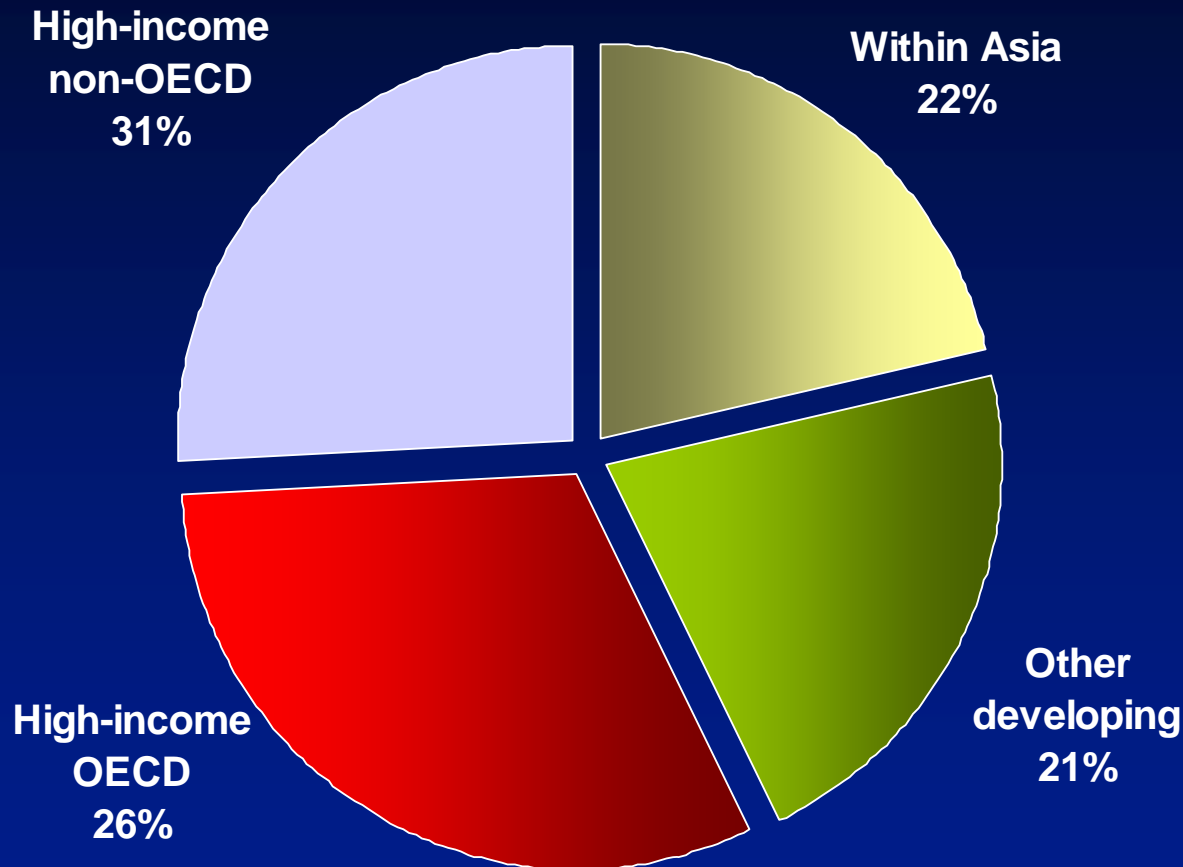
Destination of migrants from the South



Source: Migration and Remittances Factbook 2011

More than half of migrants from Asia are in high-income countries, but many are within the region

Destination of migrants from Asian countries



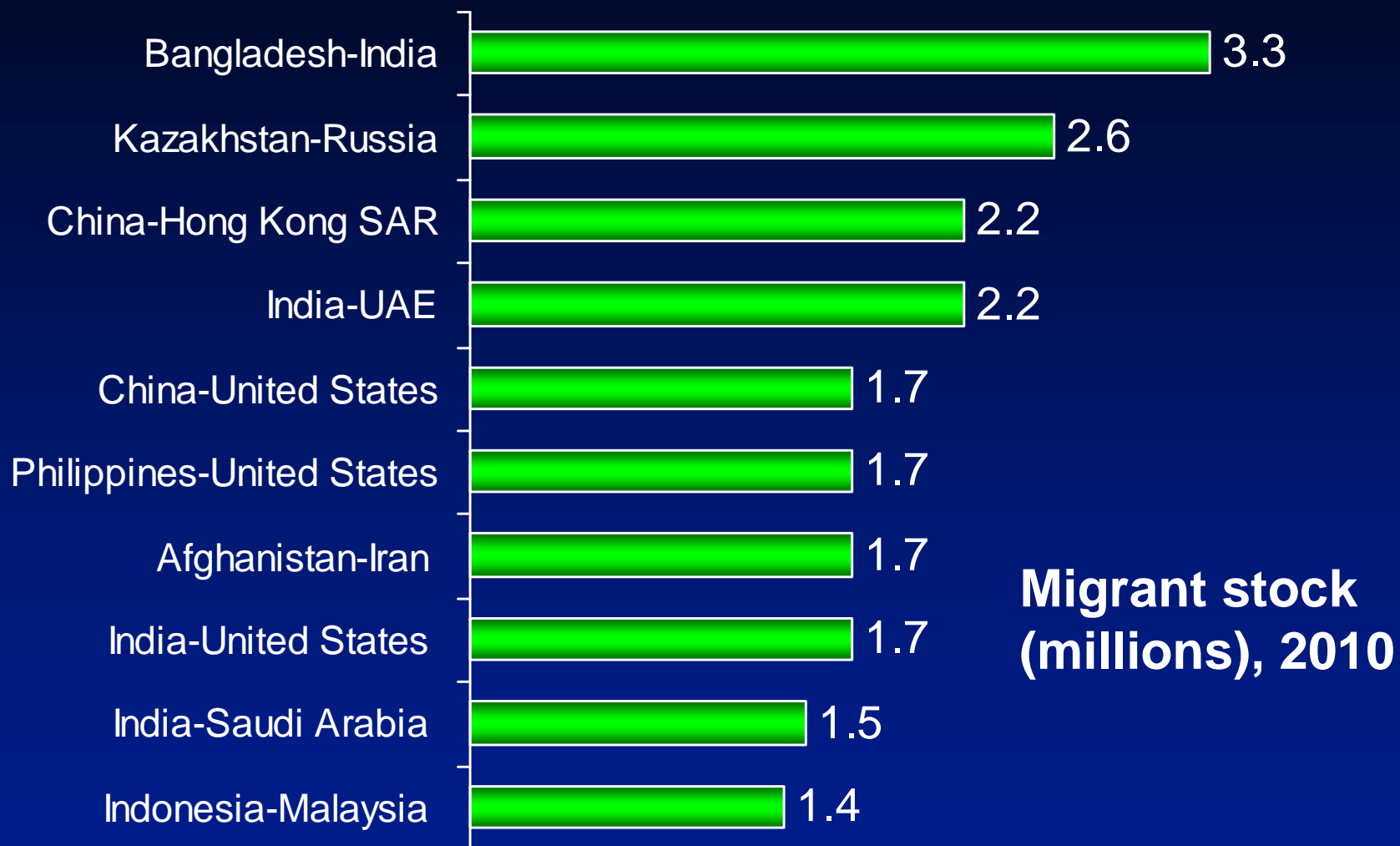
Stock of emigrants: 59 million or 1.6% of Asia's population in 2010

Source: Migration and Remittances Factbook 2011

Migration and remittances in Asia

- Asian countries have 59 million international emigrants or 1/3rd of all emigrants from developing countries
- Officially recorded remittance flows to Asia are estimated to have reached \$200 billion in 2011
- Asia accounts for 62% of all remittance flows to developing countries in 2011

Top migration corridors within and from Asia

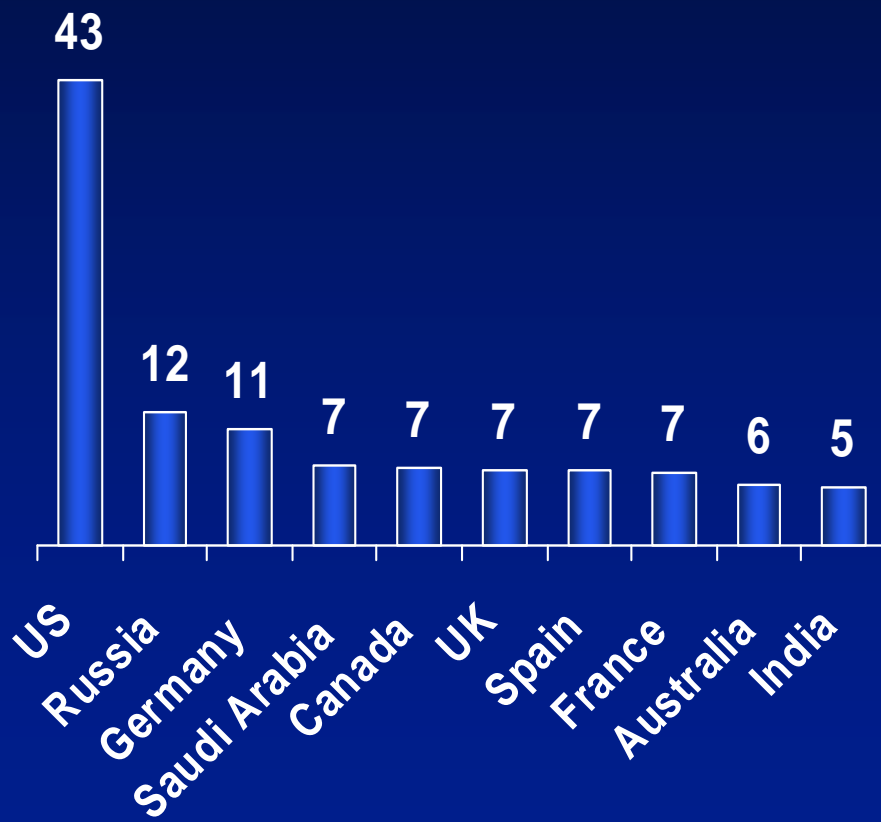


Note: Migration corridor with at least one Asian country

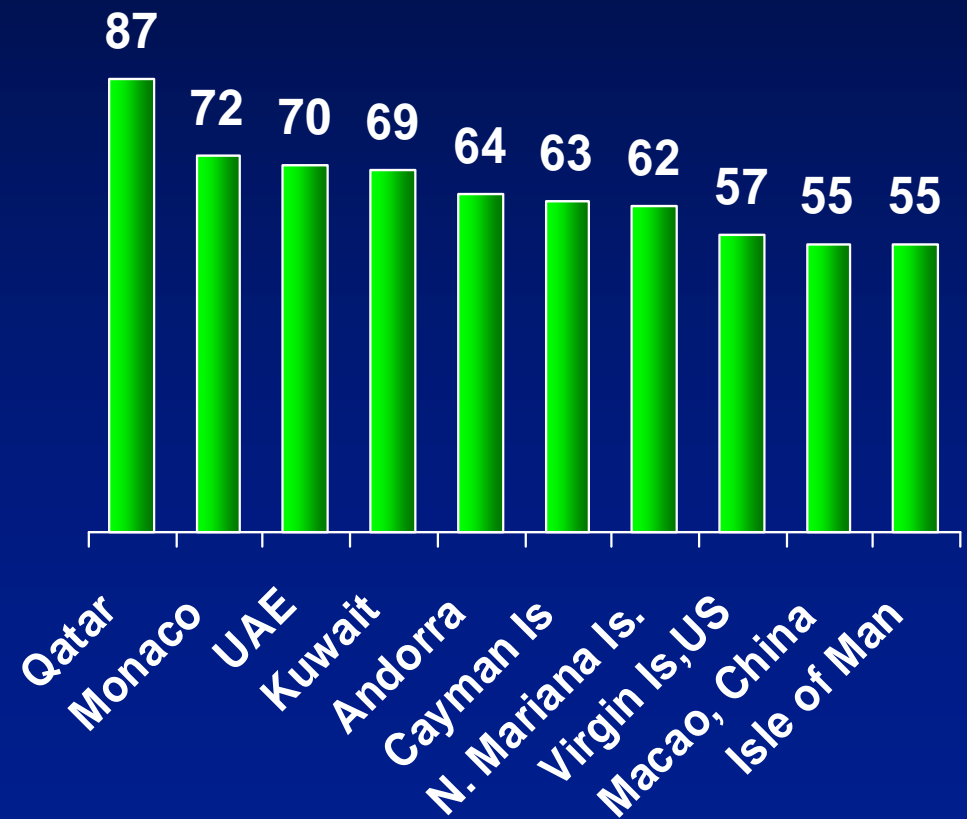
Source: Migration and Remittances Factbook 2011

Top migrant-destination countries

Immigrant stock, millions, 2010

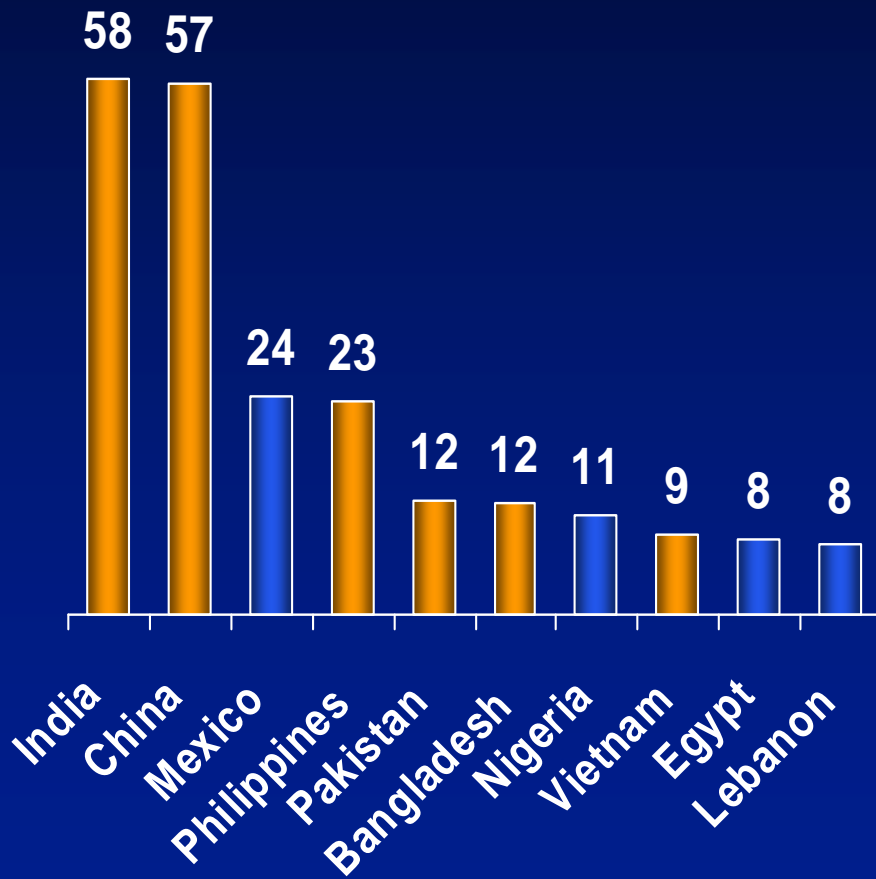


Immigrants as % of population, 2010

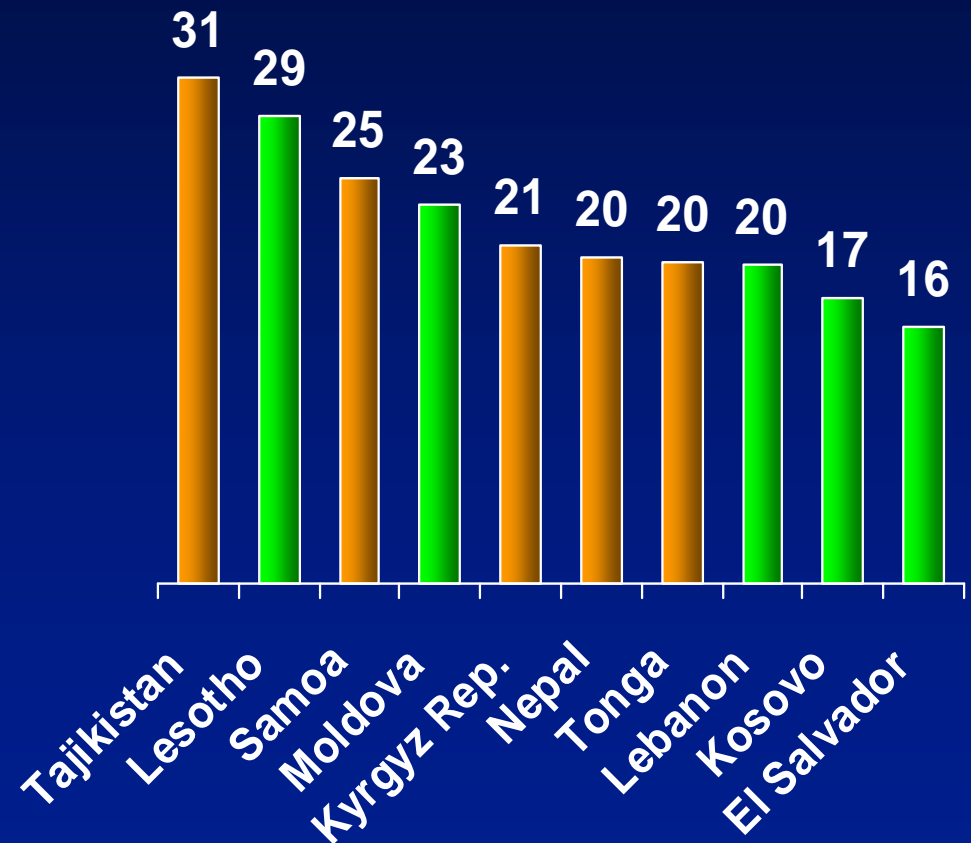


Top remittance recipients

(\$billions), 2011e



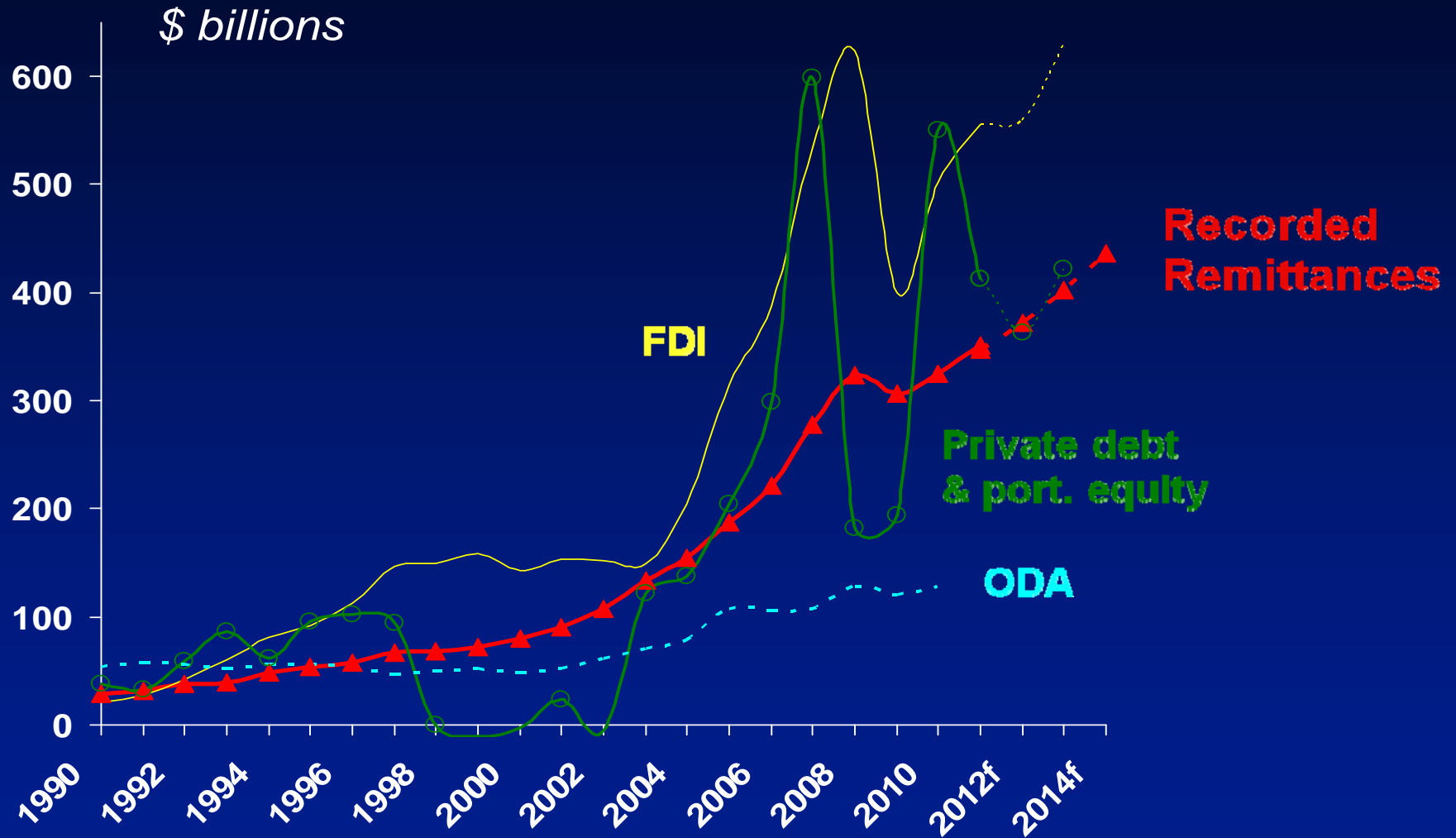
As % of GDP, 2010



Note: ADB member countries in Orange. Includes only developing countries.

Source: Migration and Development Brief 17

After a modest decline in 2009, remittances have grown steadily, to reach \$351 bn. in 2011



B. Development implications of remittances

- Evidence from household surveys shows that remittances reduce poverty
- Remittances also finance education and health expenditures, and ease credit constraints on small businesses
- Remittances act as insurance against adverse shocks during crisis and natural disasters
- Remittances contribute to improving current account sustainability and creditworthiness

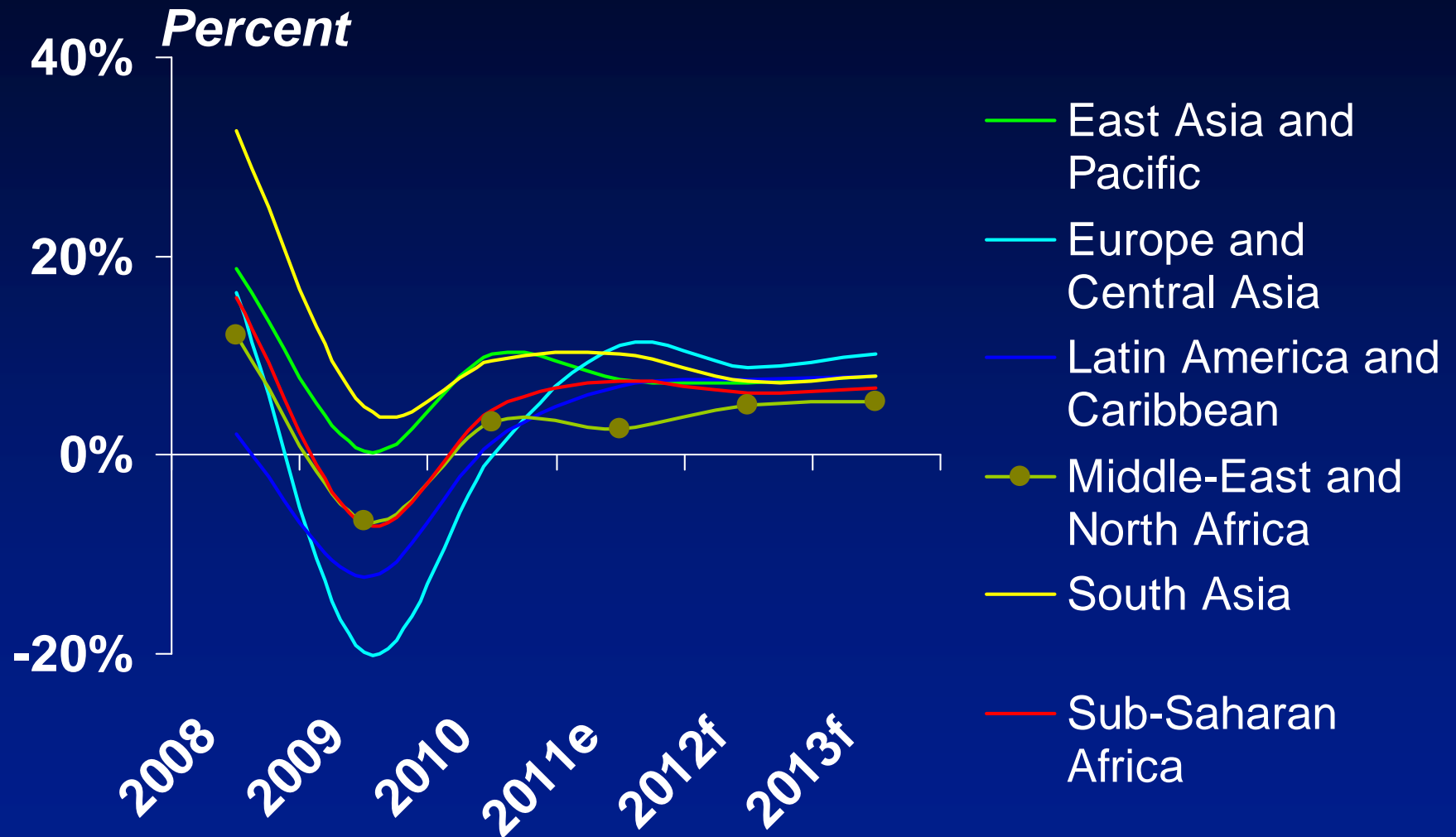
Downside of remittances

- Large remittance flows may lead to currency appreciation and adverse effects on exports; but sterilization of inflows may not be an appropriate policy response
- Remittances may create dependency
- Remittance channels may be misused for money laundering and financing of terror

C. Global prospects for remittance flows

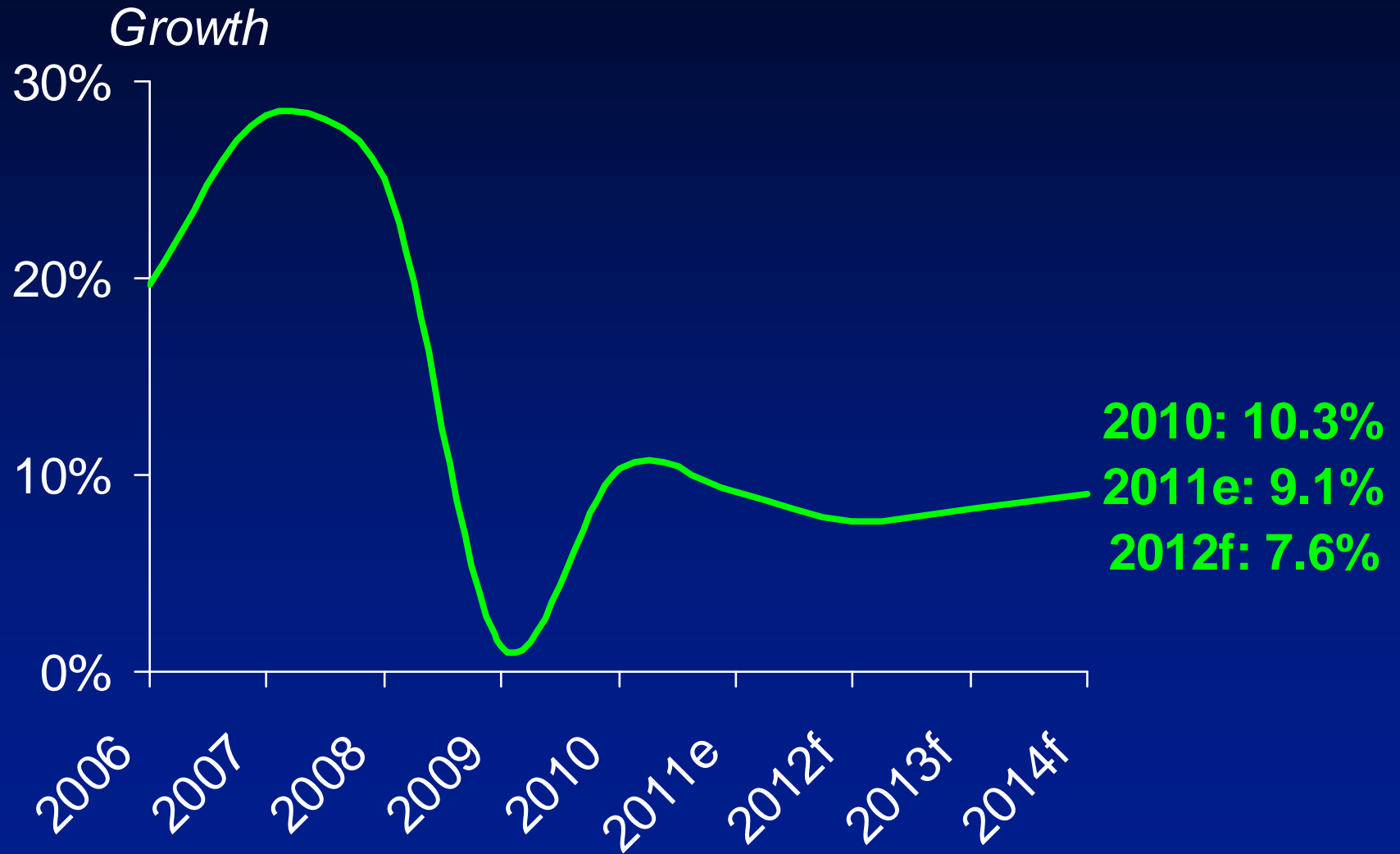
- Flows to developing countries shrank by 5.2% to \$307 billion in 2009 but quickly recovered in 2010 and grew to \$351 billion in 2011
- Remittances remained resilient during the crisis relative to FDI (-37% during 2008-09) and private debt & portfolio equity flows (-73% during 2007-09)
- Remittance flows to developing Asia were flat in 2009 during the crisis (after double digit growth), and grew robustly by 9.1% to reach \$200 billion in 2011

Resilience of remittances across all regions



Source: Migration and Development Brief 17

Remittance flows to Asia slowed in 2009; expected to recover at a modest pace in 2012-14



Note: These figures are only for developing country members of ADB.

Remittance flows to developing countries

<i>\$ billion</i>	2010	2011e	2012f	2013f	2014f
Developing countries	325	351	377	406	441
East Asia and Pacific	94	101	109	117	127
Europe and Central Asia	36	40	44	48	53
Latin America and Caribbean	57	61	66	71	77
Middle-East and North Africa	35	36	37	39	42
South Asia	82	90	97	105	114
Sub-Saharan Africa	21	23	24	26	28
<u><i>Growth rate (%)</i></u>					
Developing countries	6.0%	8.0%	7.3%	7.9%	8.4%
<i>East Asia and Pacific</i>	10.2%	7.6%	7.3%	8.0%	8.7%
<i>Europe and Central Asia</i>	-0.1%	11.0%	8.8%	10.1%	11.4%
<i>Latin America and Caribbean</i>	1.2%	7.0%	7.6%	7.9%	8.1%
<i>Middle-East and North Africa</i>	3.3%	2.6%	5.0%	5.3%	5.5%
<i>South Asia</i>	9.5%	10.1%	7.4%	7.9%	8.4%
<i>Sub-Saharan Africa</i>	4.5%	7.4%	6.3%	6.8%	7.3%

Sources of data

- Our remittances data comes from:
 - Central Bank websites
 - IMF Balance of Payments
 - World Bank country offices
 - Survey of central banks
 - Media reports
- Our migration data comes from:
 - Census websites of countries
 - US Census Library
 - World Bank country offices
 - UN Global Migration Database
 - OECD's International Migration Database

Methodology of remittance projections (1)

- Forecast methodology based on bilateral migrant stocks (M_{ij}) and how changes in their income (y) may affect remittances

- Remittances (R_{ij}) received by country i from country j :

$$R_{ij} = f(M_{ij}, y_i, y_j)$$

- Forecast of remittance outflows from country j :

$$\hat{R}_j^{t+1} = R_j^t \left(1 + \eta_j(I_j) \log \left(\frac{MY_j^{t+1}}{MY_j^t} \right) \right)$$

I_j : remittance intensity (ratio of remittance outflows of country j to its GDP)

η_j : income elasticity of migrant remittances

- Forecast of remittance inflows to country i :

$$\hat{R}_i^{t+1} = \sum_j r_{ij} \hat{R}_j^{t+1}$$

r_{ij} : share of remittances in country i coming from country j

Methodology of remittance projections (3)

- Country economists could also use a regression-based forecast tool:

Growth variables:

$$\text{REM/Pop}_{t+1} = \alpha_0 + \beta_0 \text{HOMEGDP}_t + \beta_1 \text{HOSTGDP}_t + \beta_2 \text{REER}_t + \beta_3 \text{INTRT}_t + \beta_4 \text{REM}_t$$

Log variables:

$$\ln \text{REM}_{t+1} = \alpha_0 + \beta_0 \ln \text{HOMEGDP}_t + \beta_1 \ln \text{HOSTGDP}_t + \beta_2 \ln \text{REER}_t + \beta_3 \ln \text{INTRT}_t + \beta_4 \ln \text{REM}_t$$

REM/Pop: remittances per capita

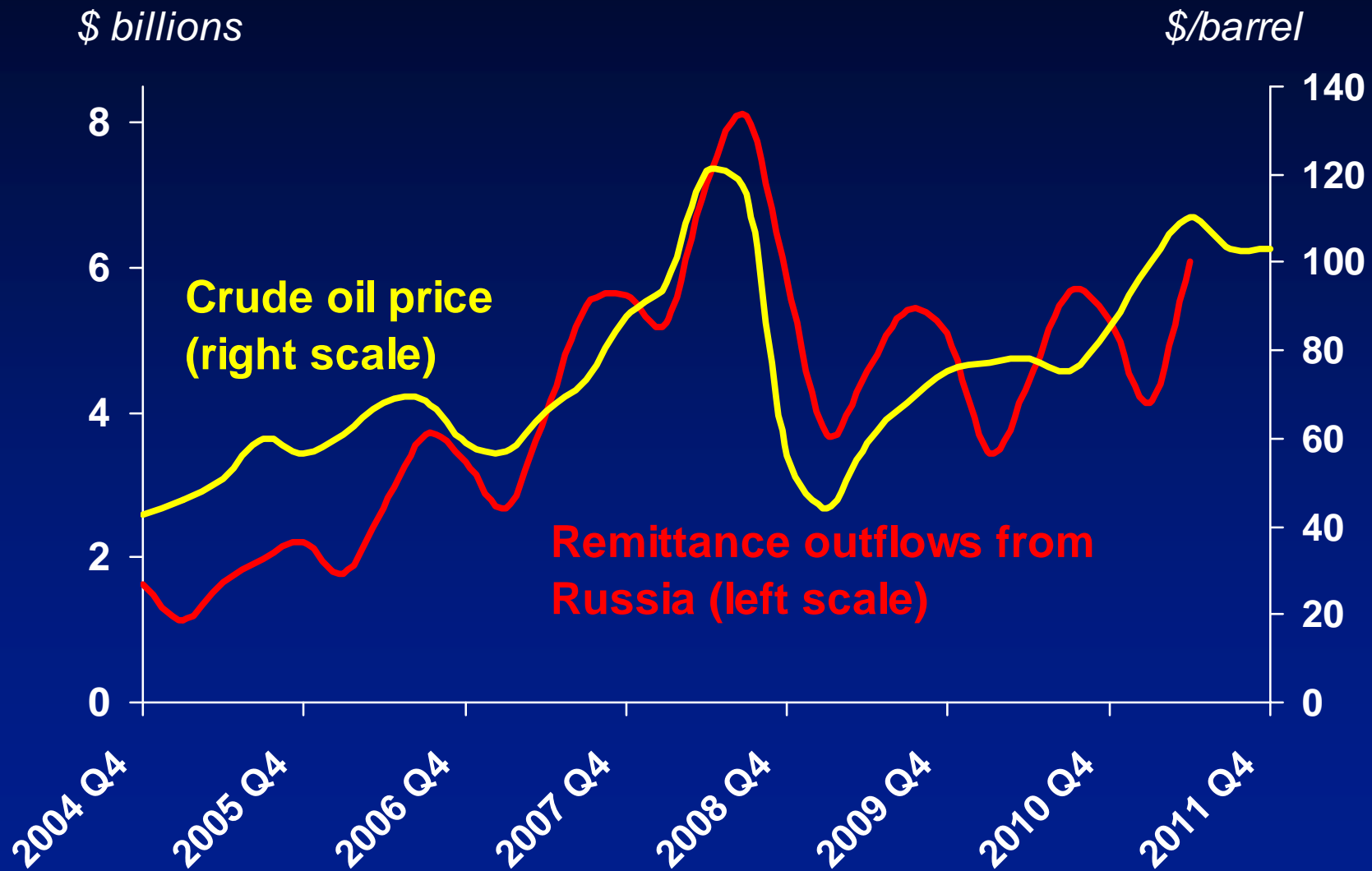
HOMEGDP: home country real GDP per capita

HOSTGDP: weighted average of host countries' real GDP per capita

REER: real effective exchange rate

INTR: interest rate differential between home and host countries

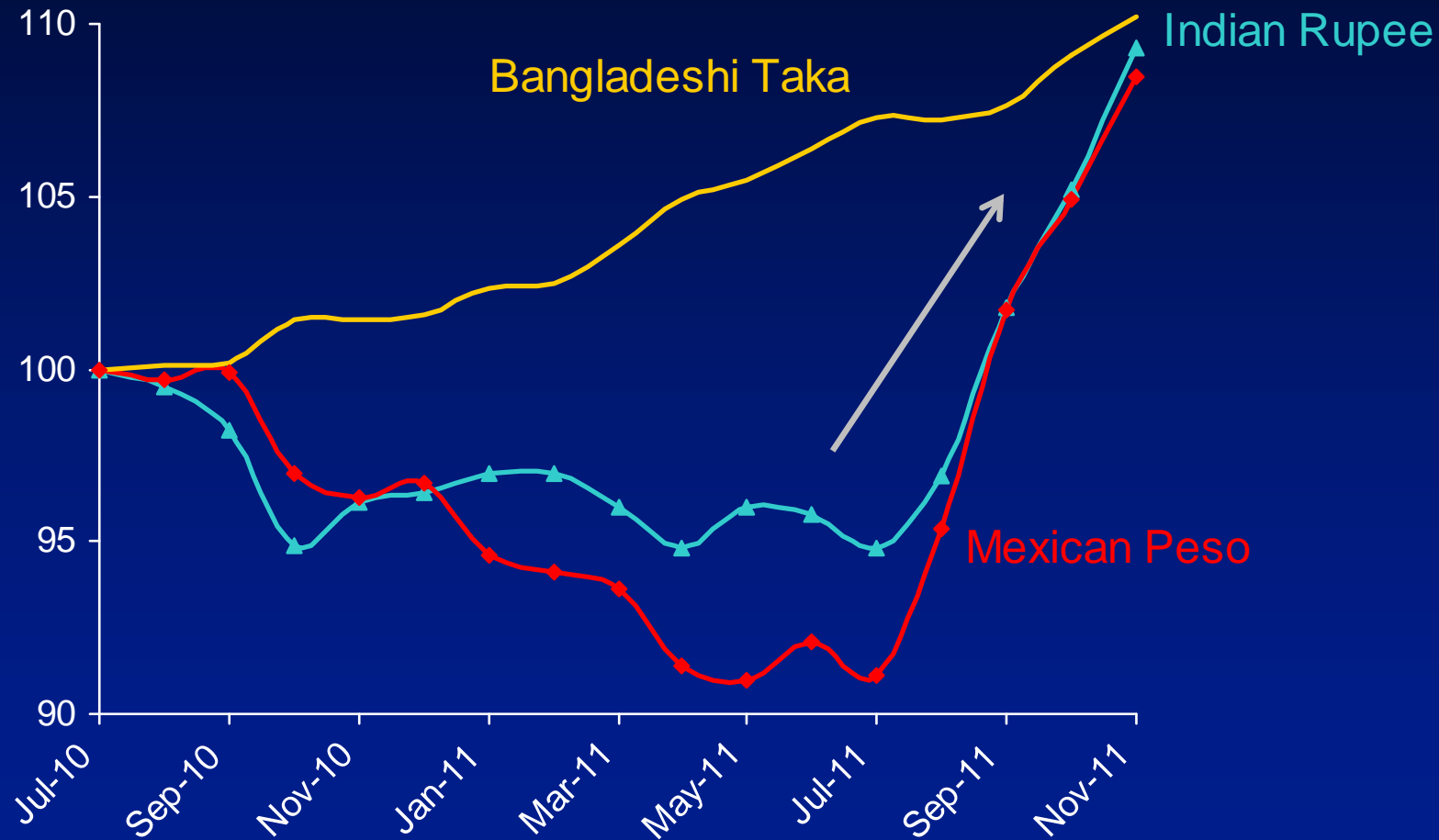
Oil prices continue to provide a cushion for remittances to Asia



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

Exchange rate depreciation has created additional incentives to send remittances

Local currency/US\$
(July 2010 = 100)



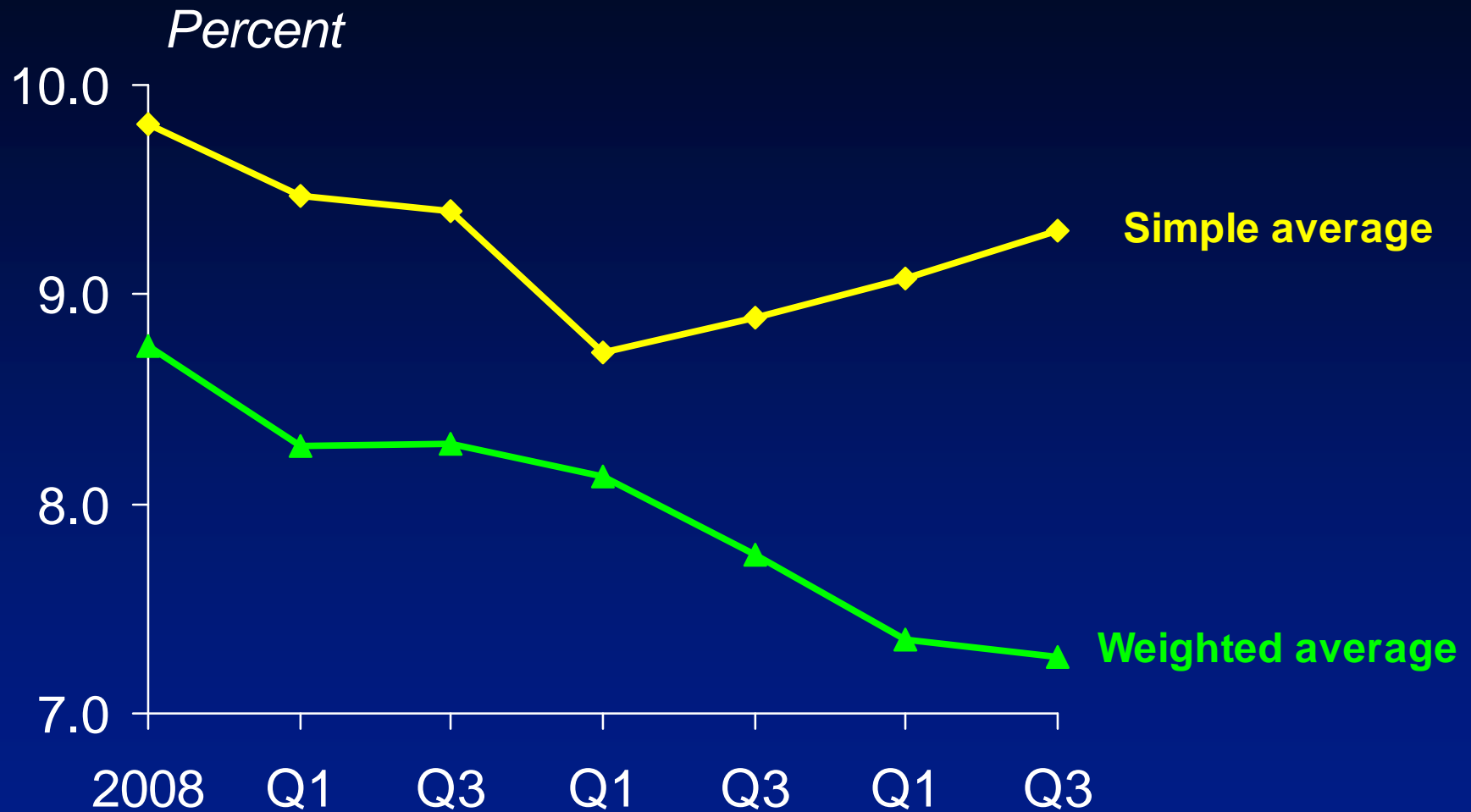
Cost of sending remittances to developing regions is high

Average cost of sending \$200 to developing regions



ECA excludes Russian Federation; Source: World Bank Remittances Prices Worldwide database (Sept.2011)

Remittance costs are falling



Costs still high – over 10% - in Sub-Saharan Africa

Data on market size a key driver of market competition

Risks to the outlook

- Global economic crisis in the US and Europe
- Anti-immigration policies in other destination countries
- Uncertain currency and oil price movements

Remittances are resilient during economic 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

Longer term issues/trends

- Rising restrictions on new immigration
- But long-term infrastructure plans in the Gulf can increase demand for migrants from South and East Asia in the medium term (e.g. Qatar's World Cup win fuel new construction)
- Application of mobile phone technology remains limited to domestic remittances because of AML-CFT concerns
- More awareness of potential for leveraging remittances and mobilizing diaspora wealth

D. Policy implications

1. The international remittances agenda

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)

The wealth of the diaspora can be mobilized through diaspora bonds

	Diaspora size (millions)	Estimated savings (\$ billions, 2009)
<u>Developing countries</u>	<u>161.5</u>	<u>397.5</u>
East Asia & Pacific	21.7	83.9
Europe & Central Asia	43.0	72.9
Latin America & Caribbean	30.2	116.0
Middle East & North Africa	18.0	41.2
Sub-Saharan Africa	21.8	30.4
South Asia	26.7	53.2

The World Bank has set up a Task Force on Diaspora Bonds

Global Knowledge Partnership on Migration and Development

Objectives

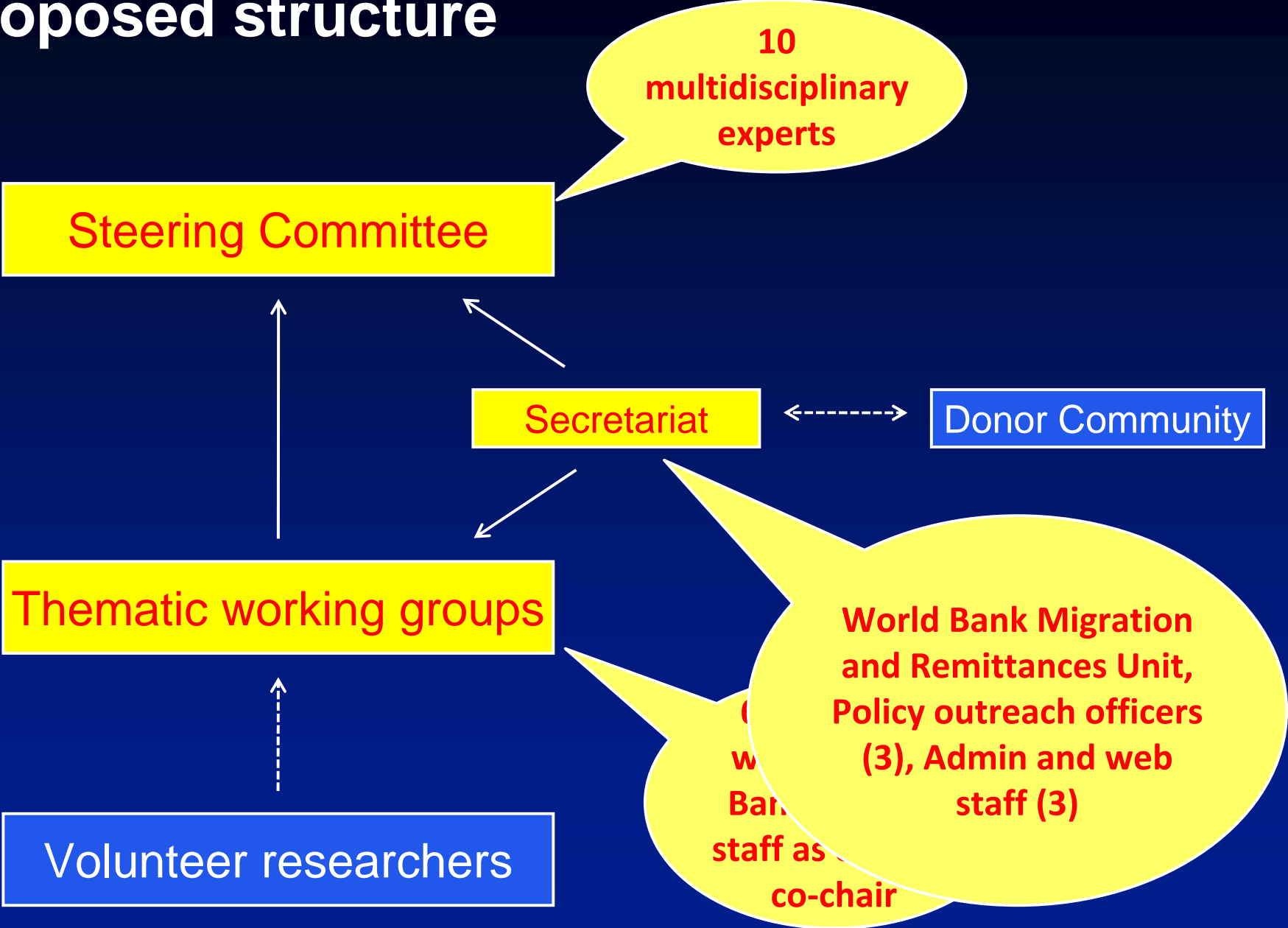
- Provide an open, multidisciplinary platform to debate, discuss and exchange knowledge on migration issues
- Generate a menu of policy choices based on evidence and peer-review
- Assist sending and receiving countries in implementing a few pilot policy operations and capacity building efforts to evaluate and mainstream a few policy choices

Thematic areas

1. Data on migration and remittances flows
2. Skilled labor migration
3. Unskilled labor migration
4. Integration issues in host countries
5. Policy coherence
6. Migrant rights and social aspects of migration
7. Demographic changes and migration
8. Remittances including access to finance & capital markets
9. Mobilizing diaspora resources
10. Climate change and migration
11. Rural-urban migration and urbanization

Significant gaps in knowledge, institutional capacity and coordination highlight the need for an open knowledge platform as a global public good

Proposed structure



External partnerships

- International and regional agencies
 - Global Forum on Migration and Development, Global Migration Group, World Economic Forum, UN agencies, AU, EC, IOM, ADB, AfDB, IDB, G20
- Research networks
 - Migrating out of Poverty, Africa Economic Research Consortium, CEMLA, other research institutes, universities, and think-tanks
- Civil Society

Outputs of Migration Knowledge Platform

- Analytical research products
- Operational toolkits, fact books
- Web-based anthologies, archives, blogs
- Best practices: *A menu of policy choices for the policy makers*
- Few pilot projects and capacity building activities

Data and other resources are available at

www.worldbank.org/migration