PRESS RELEASE

Remittances growth to slow sharply in 2015, as Europe and Russia stay weak; pick up expected next year

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Potential to leverage migrant savings and remittances for development financing remains, says WB report

WASHINGTON, April 13, 2015 – Growth in global remittances, including those to developing countries, will slow sharply this year due to weak economic growth in Europe, deterioration of the Russian economy and the depreciation of the euro and ruble, says the latest issue of the World Bank's Migration and Development Brief, released today.

Officially recorded remittances to the developing world are expected to reach $440 billion in 2015, an increase of 0.9 percent over the previous year. Global remittances, including those to high income countries, are projected to grow by 0.4 percent to $586 billion.

The 2015 remittance growth rates are the slowest since the global financial crisis in 2008/09. Nonetheless, the number of international migrants is expected to exceed 250 million in 2015, and their savings and remittances are expected to continue to grow.

The slowdown in the growth of remittances this year will affect most developing regions, in particular Europe and Central Asia where flows are expected to decline by 12.7 percent in 2015. The positive impact of an economic recovery in the U.S. will be partially offset by continued weakness in the Euro Area, the impact of lower oil prices on the Russian economy, the strengthening of the US dollar, and tighter immigration controls in many remittance source countries.

In line with the expected global economic recovery next year, the global flows of remittances are expected to accelerate by 4.1 percent in 2016, to reach an estimated $610 billion, rising to $636 billion in 2017. Remittance flows to developing countries are expected to recover in 2016 to reach $459 billion, rising to $479 billion in 2017.

The top five migrant destination countries continue to be the United States, Saudi Arabia, Germany, Russia and the United Arab Emirates (UAE). The top five remittance recipient countries, in terms of value of remittances, continue to be India, China, Philippines, Mexico and Nigeria.

The global average cost of sending $200 held steady at 8 percent of the value of the transaction, as of the last quarter of 2014. Despite its potential to lower costs, the use of mobile technology in cross-border transactions remains limited, due to the regulatory burden related to combating money laundering and terrorism financing, says the Brief. International remittances sent via mobile technology accounted for less than 2 percent of remittance flows in 2013, according to the latest available data.

In addition to sending money to their families, international migrants hold significant savings in their destination countries. 'Diaspora savings' attributed to migrants from developing countries were estimated at $497 billion in 2013, the latest data available.

"Total remittances in 2014 reached $583 billion. This is more than double the ODA in the world. India received $70 billion, China $64 billion, the Philippines $28 billion. With new thinking these mega flows can be leveraged to finance development and infrastructure projects," said **Kaushik Basu, World Bank Chief Economist and Senior Vice President.** He pointed out, *"Israel and India have shown how macro liquidity crises can be managed by tapping into the wealth of diaspora communities. Mexican migrants have boosted the construction sector. Tajikistan manages to nearly double its consumption by using remittance money. Migrants and remittances are clearly major players in today's global economy."*

In a special analysis on leveraging migration for financing development, the Brief estimates that as much as $100 billion in migrant savings could be raised annually by developing countries by reducing remittance costs and migrant recruitment costs, and mobilizing diaspora savings and philanthropic contributions from migrants.

"The moderation in the growth of remittances will be hard on many poor people. The affected countries may have to consider creative ways of smoothing the shock. Fortunately, migration and remittances can be leveraged for innovative financing," said **Dilip Ratha, Lead Economist, Migration and Remittances**, at the World Bank's Development Prospects Group and Head of the Global Knowledge Partnership on Migration and Development (KNOMAD). *"As to long-term financing needs for the Post-2015 Development Goals, I would love to see a bullet train system in India, an international airport in Nigeria, another Suez Canal in Egypt, a hydro-project in Pakistan, a community development program in the Philippines, all financed by mobilizing the power of remittances and diaspora savings."*

Future inflows of remittances can be used as collateral to facilitate international borrowings by national banks in developing countries. Remittances can also facilitate access to international capital markets by improving sovereign ratings and debt sustainability of recipient countries.

Because remittances are large and more stable than many other types of capital flows, they can greatly enhance the recipient country's sovereign credit rating, thus lowering borrowing costs and lengthening debt maturity, says the Brief. In a recent development, rating agencies have started accounting for remittances in country credit ratings, but given data difficulties, there is still room for further improvement.

And, the joint World Bank-IMF low-income country Debt Sustainability Framework now includes remittances in evaluating the ability of the countries to repay external obligations and their ability to undertake non-concessional borrowing from other private creditors.

Regional Remittance Trends:

Remittance flows to the **East Asia and Pacific Region** (EAP) region are projected to grow by just 2.8 percent in 2015, to $125 billion, weighed down by sluggish growth prospects in the Euro Area and weak values of the Euro, the Japanese Yen and other source-country currencies against the US dollar. In 2014, remittances to the region grew by an estimated 7.6 percent to $122 billion. Two EAP countries, China and the Philippines, are the world's 2nd and 3rd largest remittance recipients, receiving an estimated $64 billion and $28 billion, respectively, in 2014. However, smaller Pacific island countries are amongst the most dependent on remittances, with Tonga and Samoa among the world's top 10 recipients of recipients as a share of GDP. Remittances to Tonga were 24 percent of GDP and 20 percent for Samoa, in 2013. Overall, the outlook for remittances to the region remains favorable, as workers continue to go overseas, with remittances expected to grow to $130 billion in 2016 and $135 billion in 2017.

Remittances to developing countries in the **Europe and Central Asia** region will continue to decline sharply for a second consecutive year in 2015. Inflows are expected to total $42 billion this year, a decrease of 12.7 percent over 2014 when remittances declined by 6.3 percent. The economic contraction in Russia, a major remittance source country, has resulted in migrant job losses while the depreciation of the ruble has reduced the real incomes of migrant workers in Russia and reduced the value of remittances in US dollar terms. Central Asian countries are the hardest hit, due to their heavy dependency on remittances from Russia. In 2014, remittances to Ukraine contracted by 27 percent, to Uzbekistan by 16 percent, Armenia 11 percent and Tajikistan 8 percent, with dramatic declines occurring in the fourth quarter of the year. Tajikistan is the world's most remittance dependent country, with remittances constituting 49 percent of GDP in 2013, and for Armenia remittances were 21 percent of GDP. Inflows to the region are expected to recover to $45 billion in 2016 and $48 billion in 2017.

In the **Latin America and Caribbean** region, remittances are expected to grow by 2.3 percent in 2015 to $66 billion. While this growth is slower than that seen in 2014, it is significantly higher than the anemic pace of the post-crisis period. Nonetheless, growth in remittance inflows in 2014 was uneven across countries in the region. Countries which saw robust growth included Mexico, which was the world's 4th largest remittance recipient in 2014 with $25 billion received, El Salvador, Guatemala and Honduras. Remittance growth was sluggish in Argentina, Bolivia, and Paraguay and declined in Brazil and Peru, partly owing to weak economic activity in Japan and Spain. The outlook for the region is positive, as remittance inflows are expected to benefit from growth in GDP and employment in the United States, although this will be offset by high unemployment in Spain. Remittances to the region are expected to grow to $69 billion in 2016 and $71 billion in 2017.

Remittances to the **Middle East and North Africa** region will slow considerably in 2015, rising 1.1 percent to $53 billion. The modest growth this year follows a surge in 2014 of 7.7 percent, the fastest growth amongst all regions, largely due to a strong 10 percent growth in inflows to Egypt, the world's 6th largest recipient in 2014 with $20 billion received. Lebanon saw a 13 percent increase in remittances to $9 billion in 2014, making it the world's 10th largest recipient for the year. Looking ahead, continued low oil prices could reduce remittances from the GCC countries in the medium-to-long term. In the short term, however, significant foreign exchange reserves and strong fiscal positions could support current spending, thus delaying the negative impact of low oil revenues on migrant employment. Remittances to the region are expected to grow to $55 billion in 2016 and $57 billion in 2017. Conflicts in the region are resulting in international displacement and forced migration across borders, and remain a major risk factor to the outlook for remittances in the region.

The **South Asia** region is projected to receive $120 billion in remittances 2015, at a slower growth pace of 3.7 percent, compared with 4.5 percent the previous year. Large scale construction activities and fiscal expansion in the GCC countries, which account for 60 percent of remittances to South Asia, and improving economic prospects in the United States will continue to support inflows to the region. Partly due to the appreciation of the rupee, growth in remittances to India, the world's largest recipient, slowed to 0.6 percent in 2014 (from 1.7 percent in 2013), amounting to $70 billion. In contrast, remittances soared to Pakistan (by 16.6 percent), Sri Lanka (9.6 percent) and Bangladesh (8 percent). Remittances are extremely important for several countries in the region: in Pakistan, Sri Lanka, Nepal and Bangladesh, remittances exceeded 6 percent of GDP in 2013, according to the latest available data. Growth in remittances to the region is expected to pick up to $126 billion in 2016 and $132 billion in 2017.

Growth of remittances to the **Sub-Saharan Africa** region is projected to slow to 0.9 percent in 2015, amounting to

$33 billion. Nigeria alone accounts for around two-thirds of total remittance inflows to the region, but its remittances are estimated to have remained flat in 2014, at roughly $21 billion. The regional growth in remittances in 2014 largely reflected strong growth in Kenya (10.7 percent), South Africa (7.1 percent) and Uganda (6.8 percent). The level of remittance dependency varies across countries. Remittances in the Gambia, Lesotho, Liberia and Comoros equal about 20 percent of GDP in 2013, the latest available data. Remittance flows to the region are expected to pick up to $34 billion in 2016 and $36 billion in 2017. In Somalia, concerns are rising about the impact on remittances due to “de-risking”– the closing of bank accounts of money transfer operators by correspondent banks fearing risks of money laundering and financial crime (see box 3 in the M&D brief for more).

The Migration and Development Brief and the latest migration and remittances data are available at www.worldbank.org/migration

Interact with migration experts at http://blogs.worldbank.org/peoplemove/

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