

KNOMAD

Global Knowledge Partnership on Migration and Development



Resilience

COVID-19 Crises Through a Migration Lens

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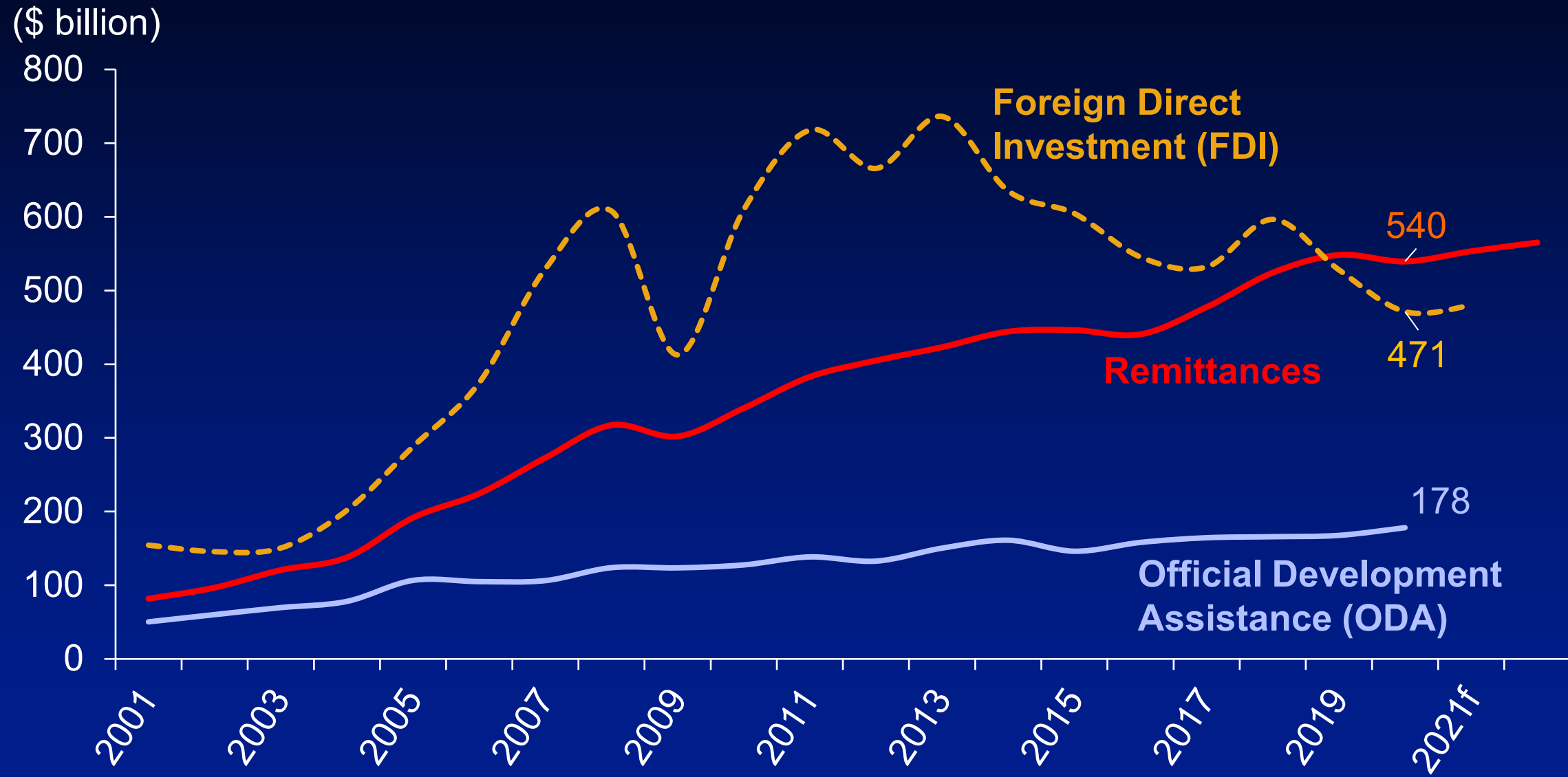
World Bank

May 28, 2021

Key messages

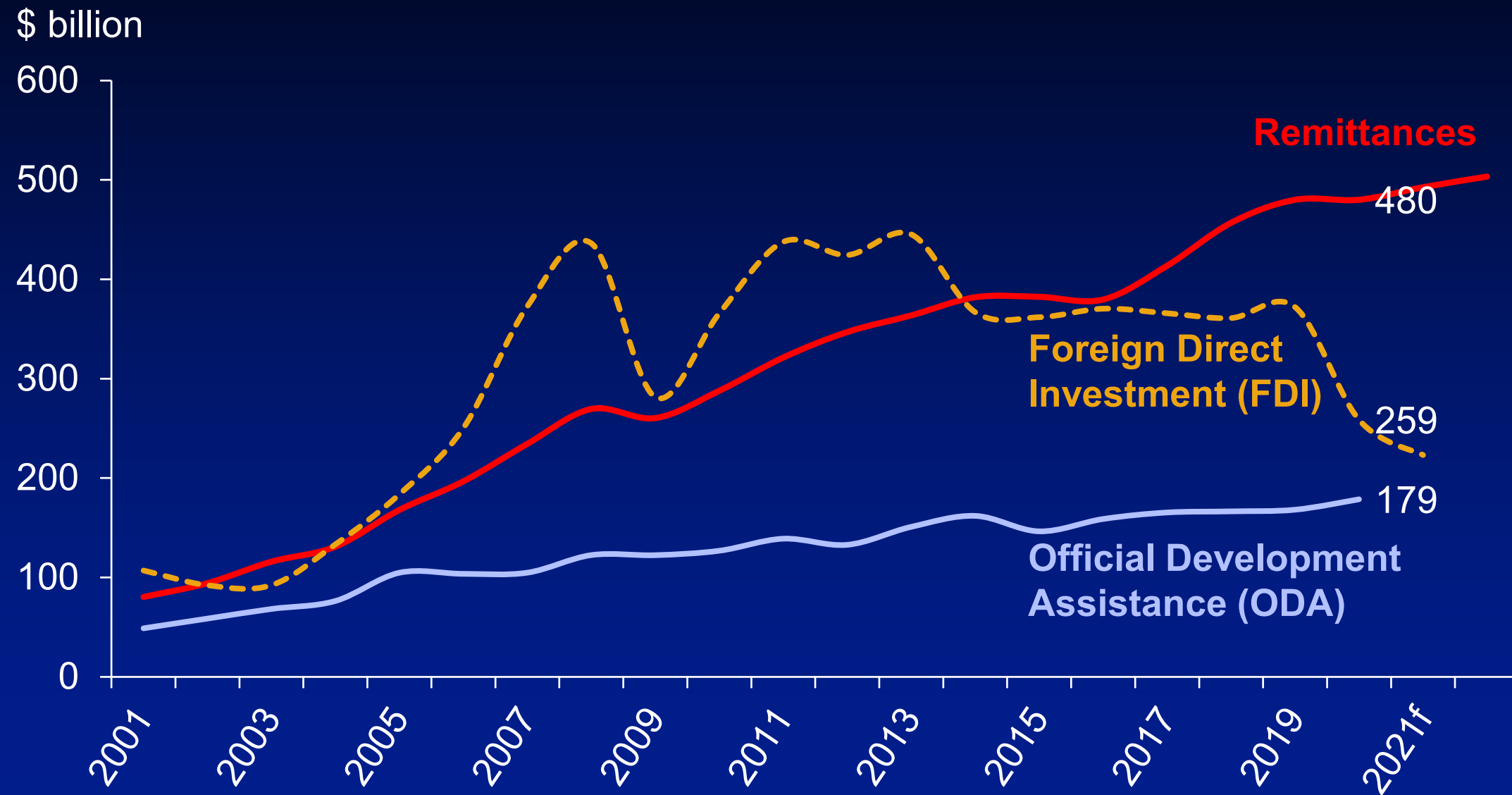
- Remittance flows proved to be resilient during COVID-19 crisis – they declined by only 1.6% in 2020
- They are expected to grow by 2.6% in 2021 and 2.2% in 2022; however, significant downside risks remain
- Global efforts are needed to keep remittances flowing and to help migrants by including them in COVID-19 policy responses

Remittances to low- and middle-income countries proved to be resilient in 2020



Source: World Bank-KNOMAD staff estimates, IMF's WEO and BOP statistics

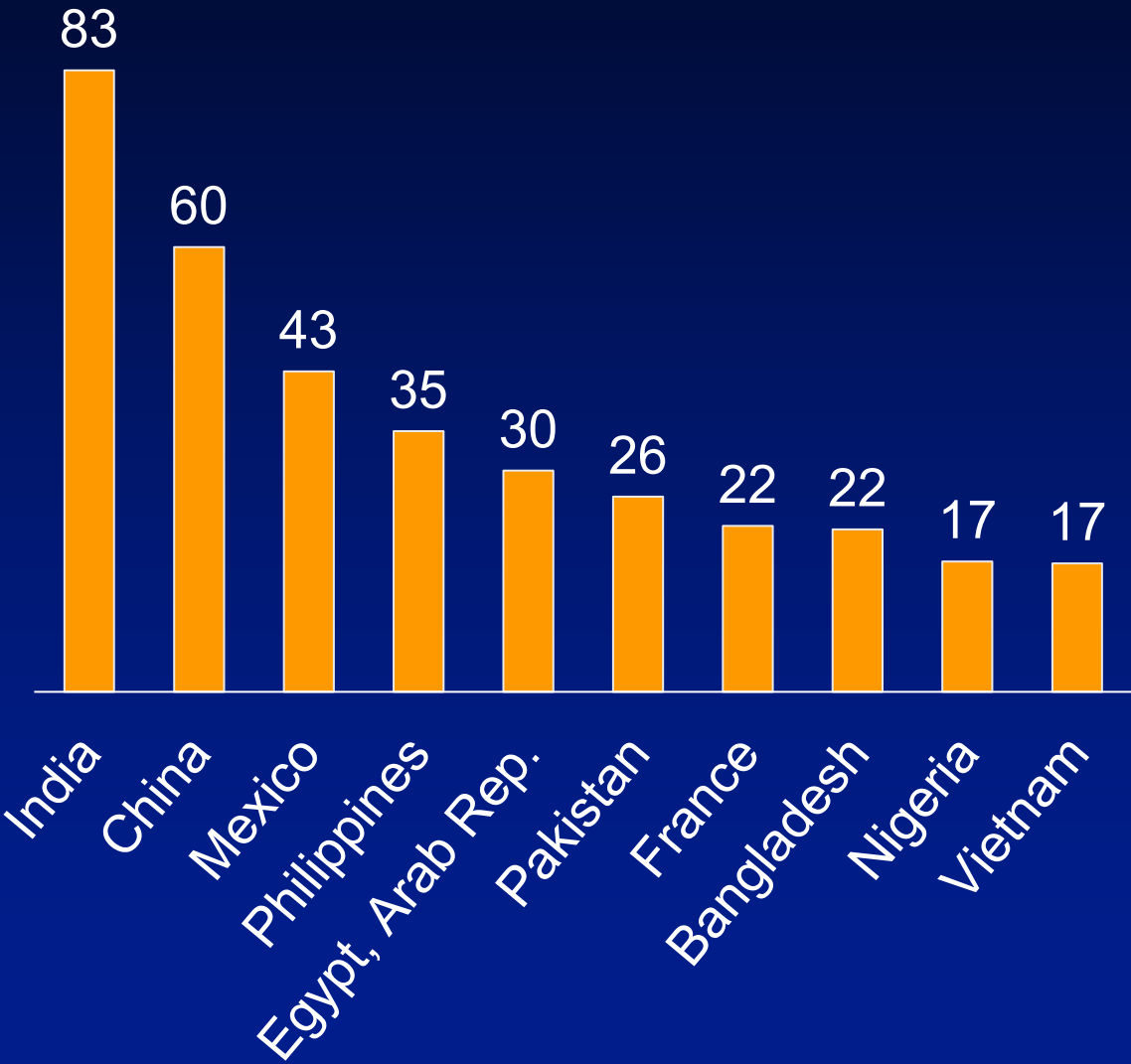
No longer small change: Remittance flows to LMICs excluding China surpassed the sum of FDI and ODA in 2020



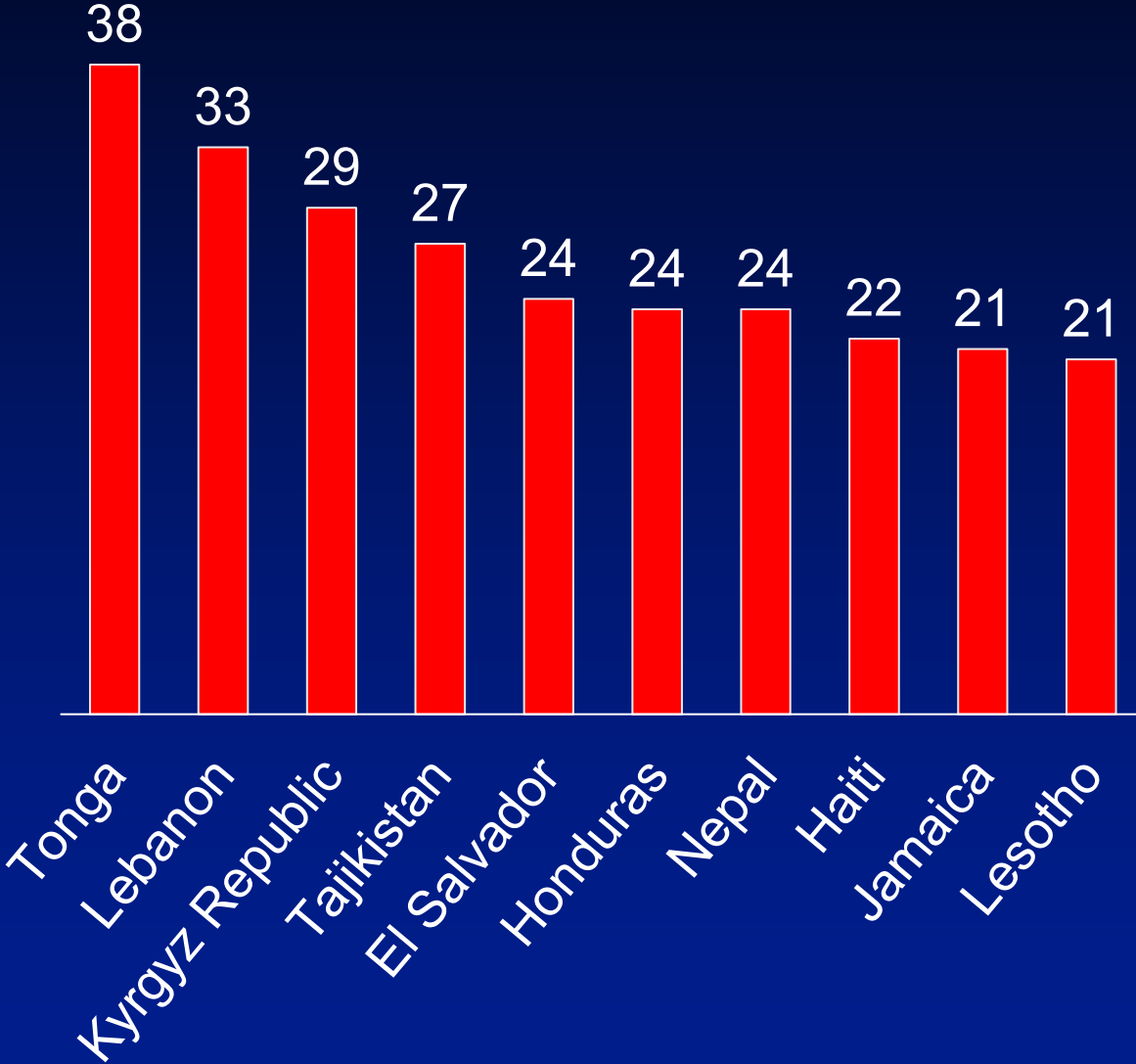
Source: World Bank-KNOMAD staff estimates, IMF's WEO and BOP statistics

Top recipients of remittances globally in 2020

\$ billion, 2020



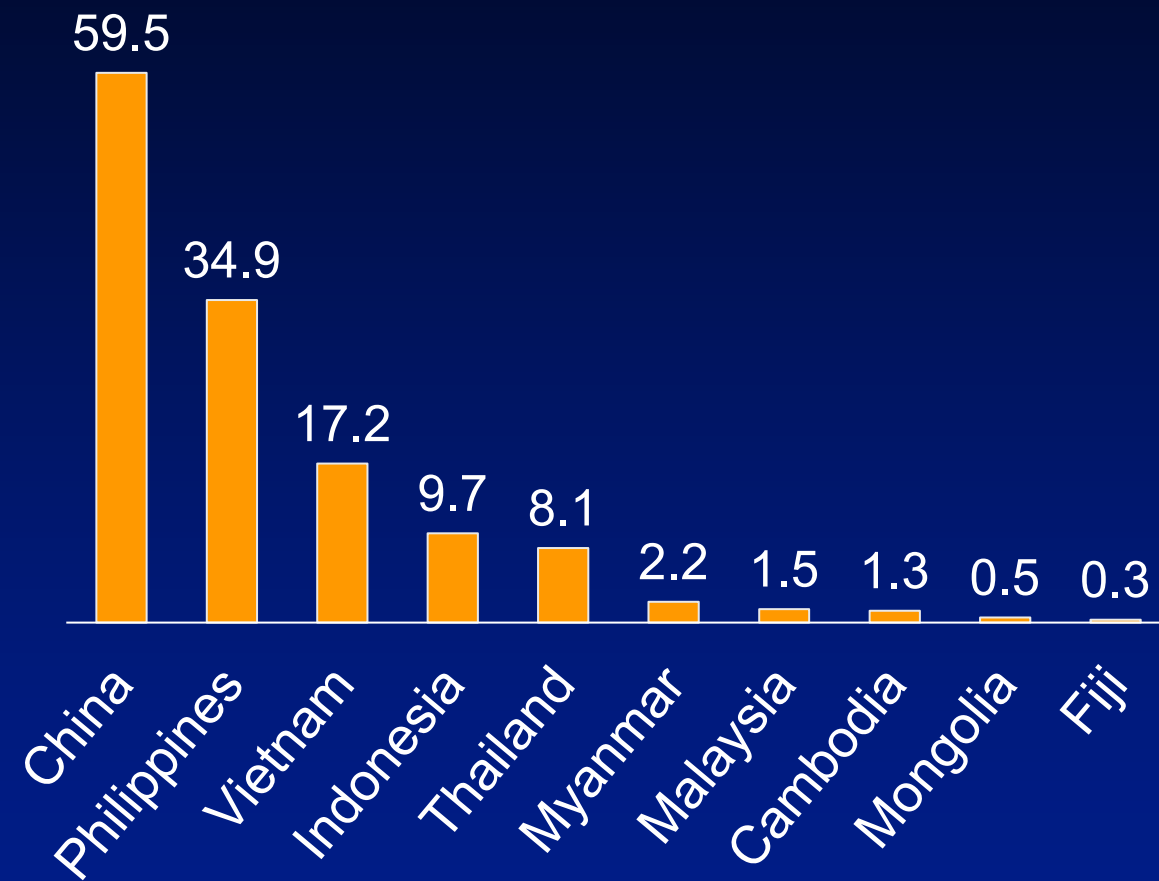
% of GDP, 2020



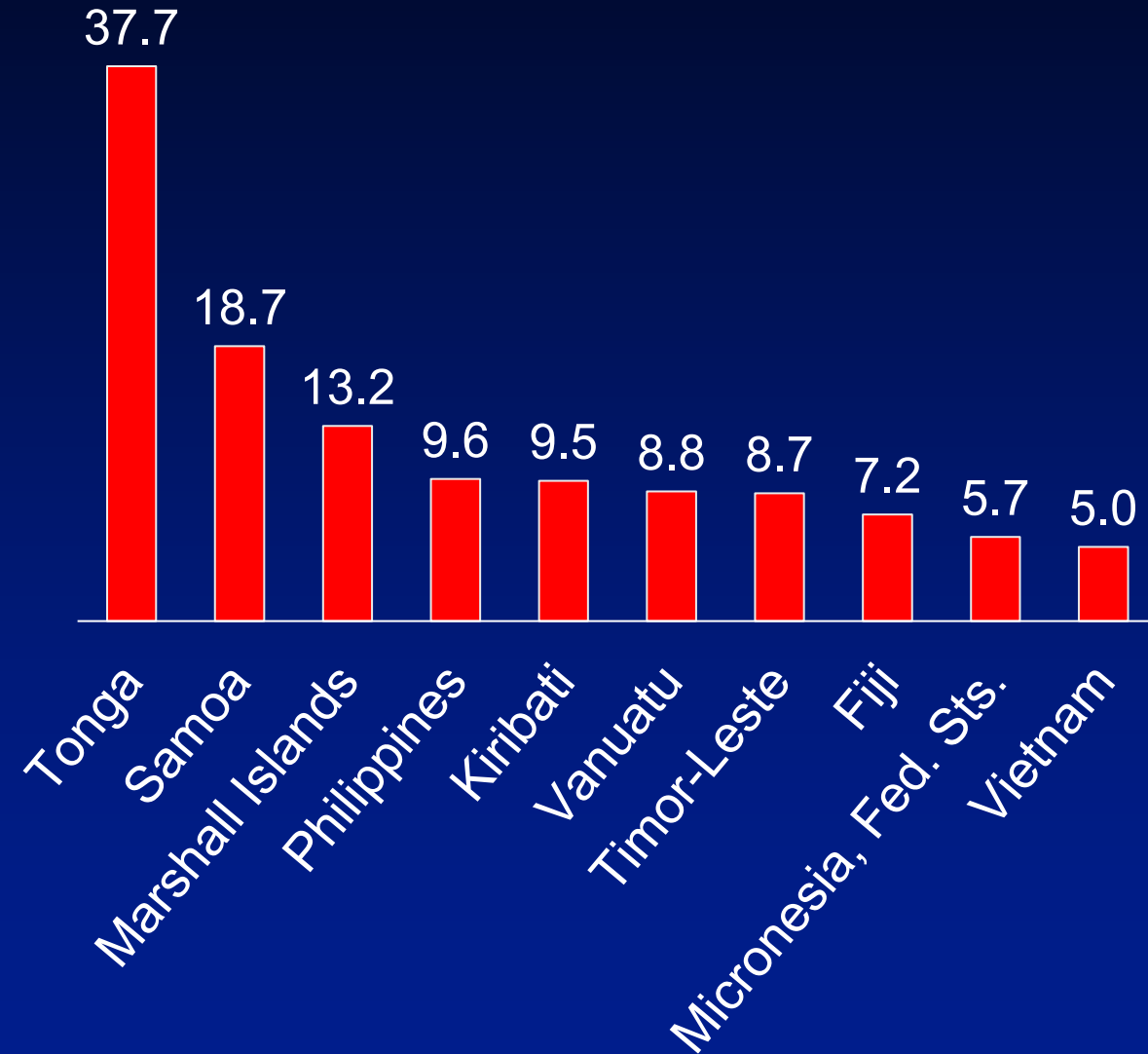
Source: World Bank-KNOMAD staff estimates, IMF's WEO and BOP statistics

Top recipients of remittances in EAP, 2020

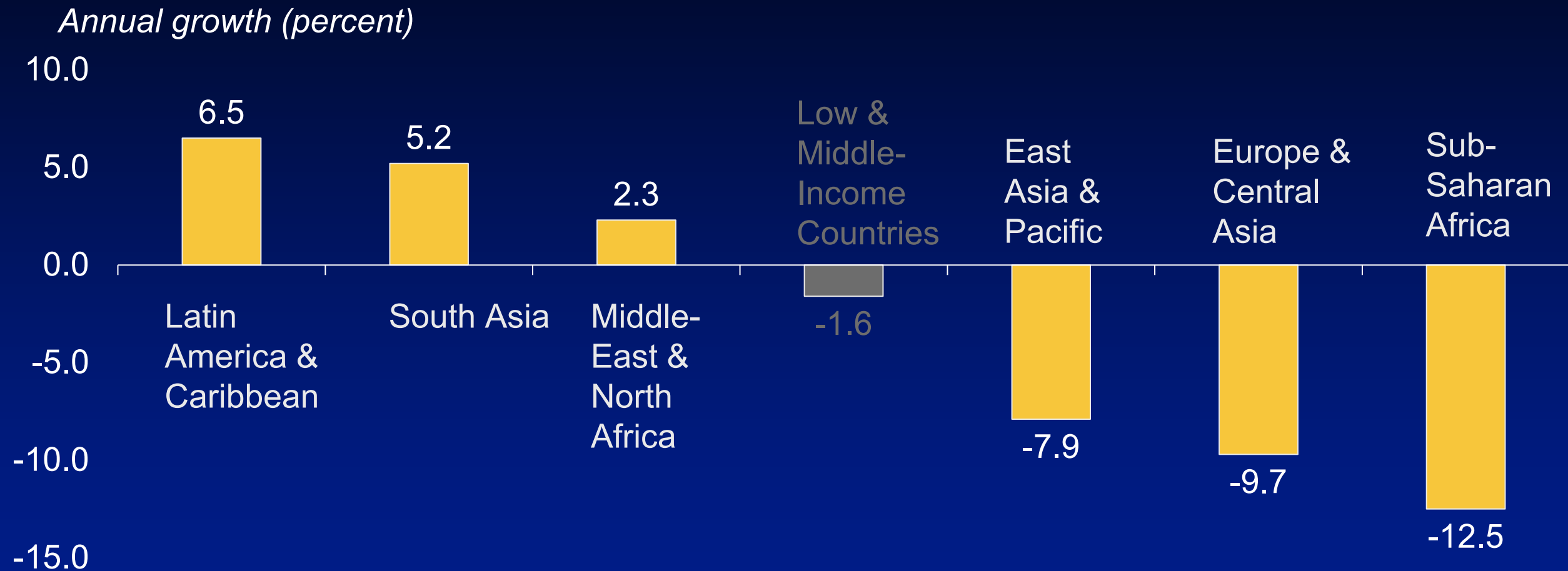
\$ billion, 2020



% of GDP, 2020



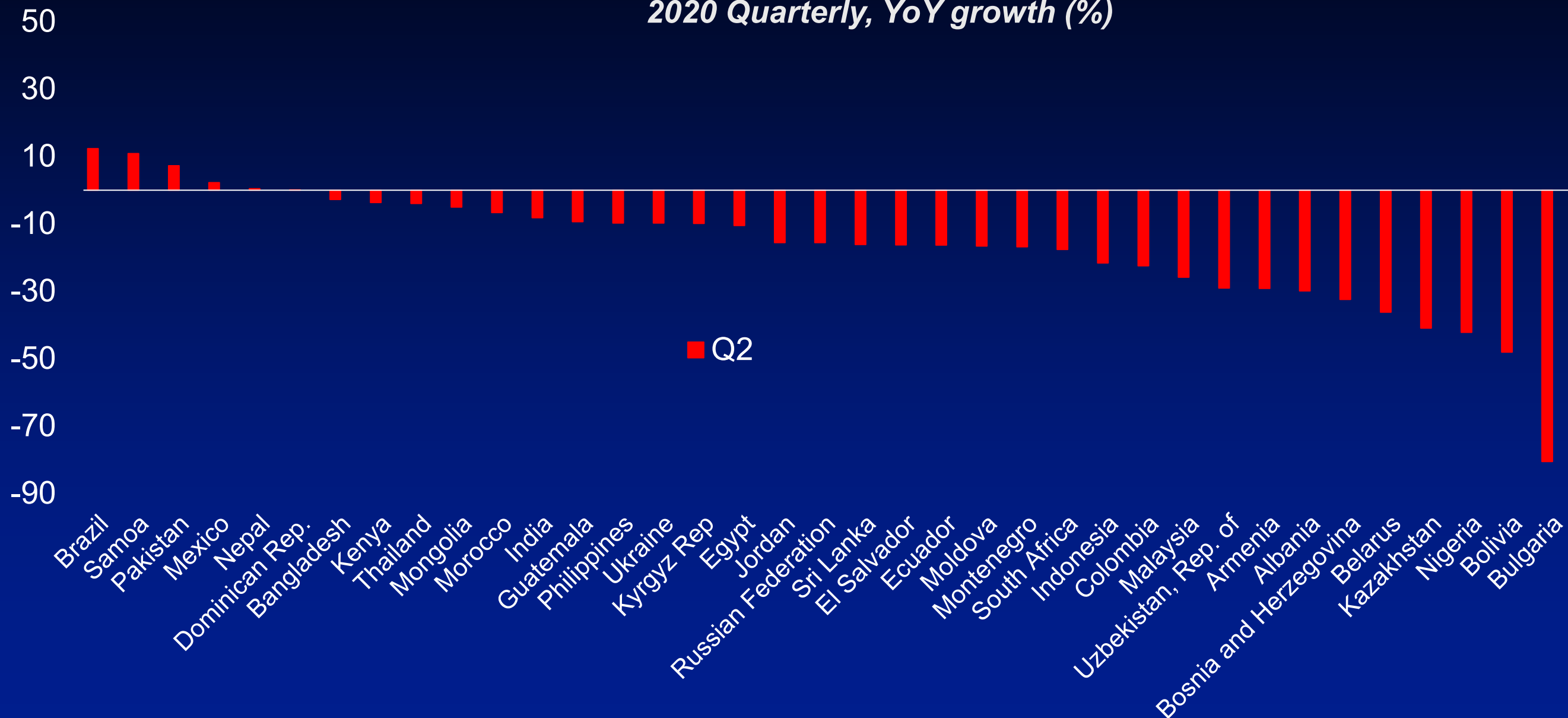
Impact of COVID-19 on remittances varied across regions in 2020



Source: World Bank-KNOMAD Staff estimates, IMF's BOP statistics.

Remittance flows plummeted in Q2

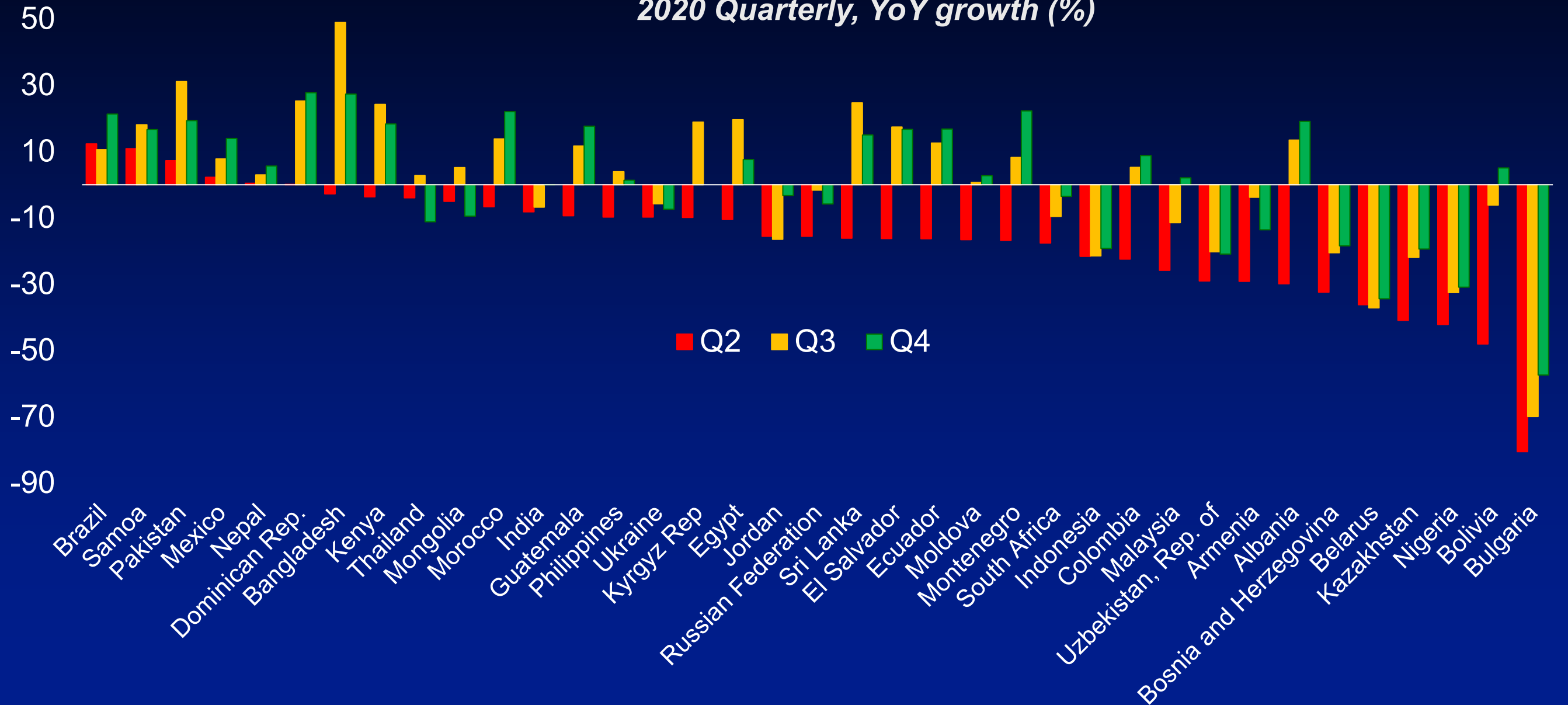
2020 Quarterly, YoY growth (%)



Source: Haver and World Bank-KNOMAD

Remittance flows plummeted in Q2, recovered in Q3 and Q4

2020 Quarterly, YoY growth (%)



Source: Haver and World Bank-KNOMAD

Reasons behind resilience of remittances

1. Willingness of migrants to continue to support families
2. Counter-cyclical fiscal policy in many large host countries
3. Better-than-expected economic performance in many large host countries

Revisions to IMF's real GDP growth forecasts

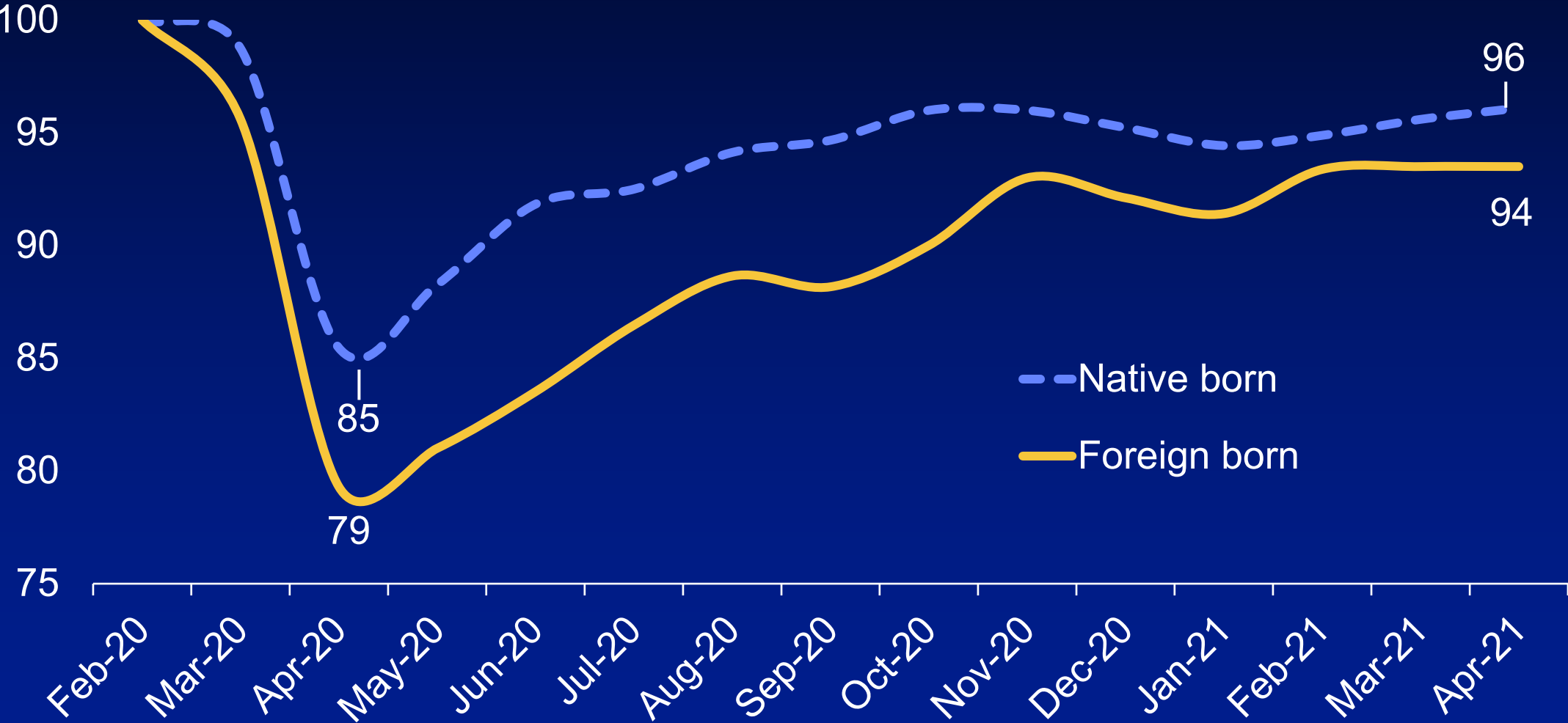
Country	Immigrant stock, 2020 (million)	<u>Published in</u>					
		April 2020		October 2020		April 2021	
		2020f	2021f	2020f	2021f	2020e	2021f
U.S.A.	51	-5.9	4.7	-4.3	3.1	-3.5	6.4
Germany	16	-7.0	5.2	-6.0	4.2	-4.9	3.6
Saudi Arabia	14	-2.3	2.9	-5.4	3.1	-4.1	2.9
Russian Fed.	12	-5.5	3.5	-4.1	2.8	-3.1	3.8

f=forecast, e=estimate

Source: IMF World Economic Outlook, 2020, 2021; Immigrant stock data from UN DESA.

United States jobs fell more for foreign-born workers in Q2, but have partially recovered

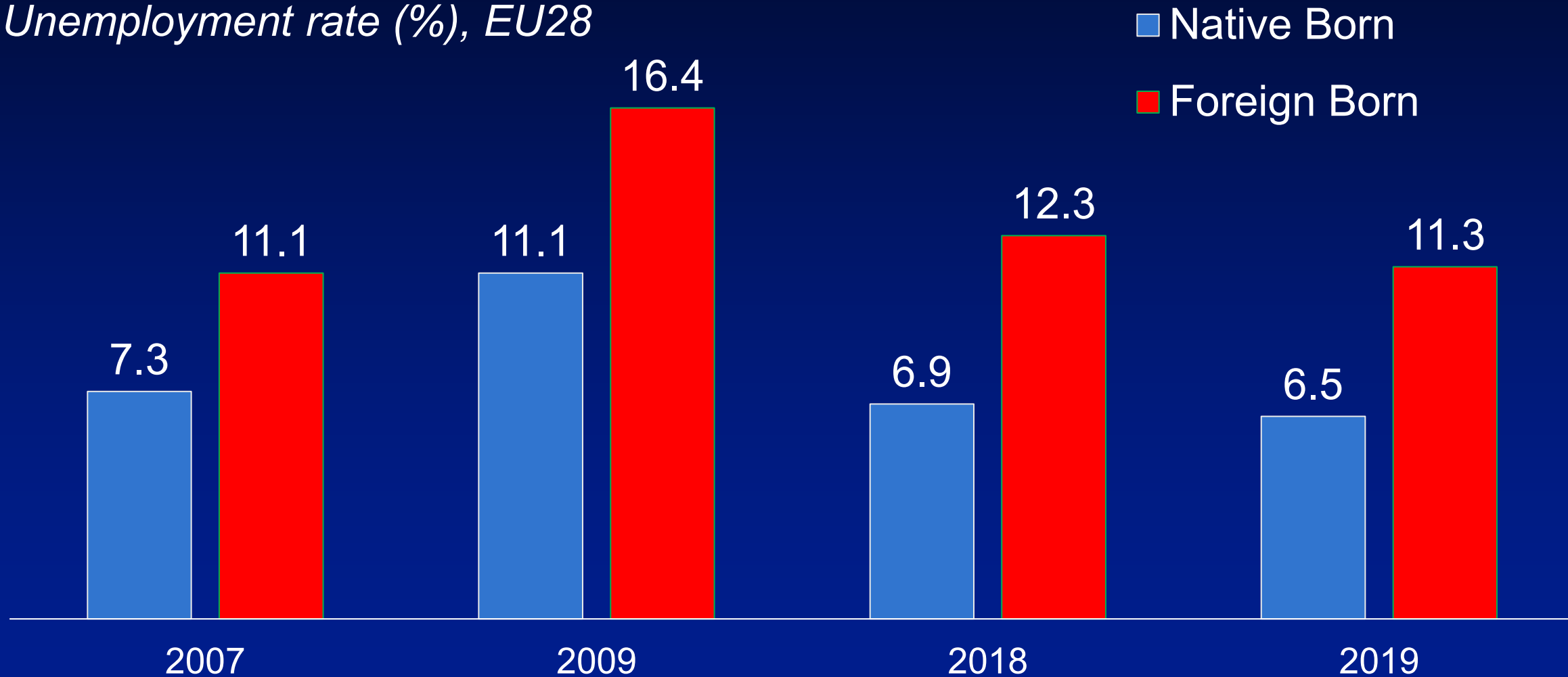
Employment in the U.S., Index (Feb. 2020 = 100)



Source: US Bureau of Labor Statistics.

Unemployment risks for foreign workers remains high: After 2009 global recession, unemployment rate for foreign born has not recovered to 2007 levels in Europe (EU28)

Unemployment rate (%), EU28



Note: EU = European Union
Source: Eurostat

Reasons behind resilience of remittances

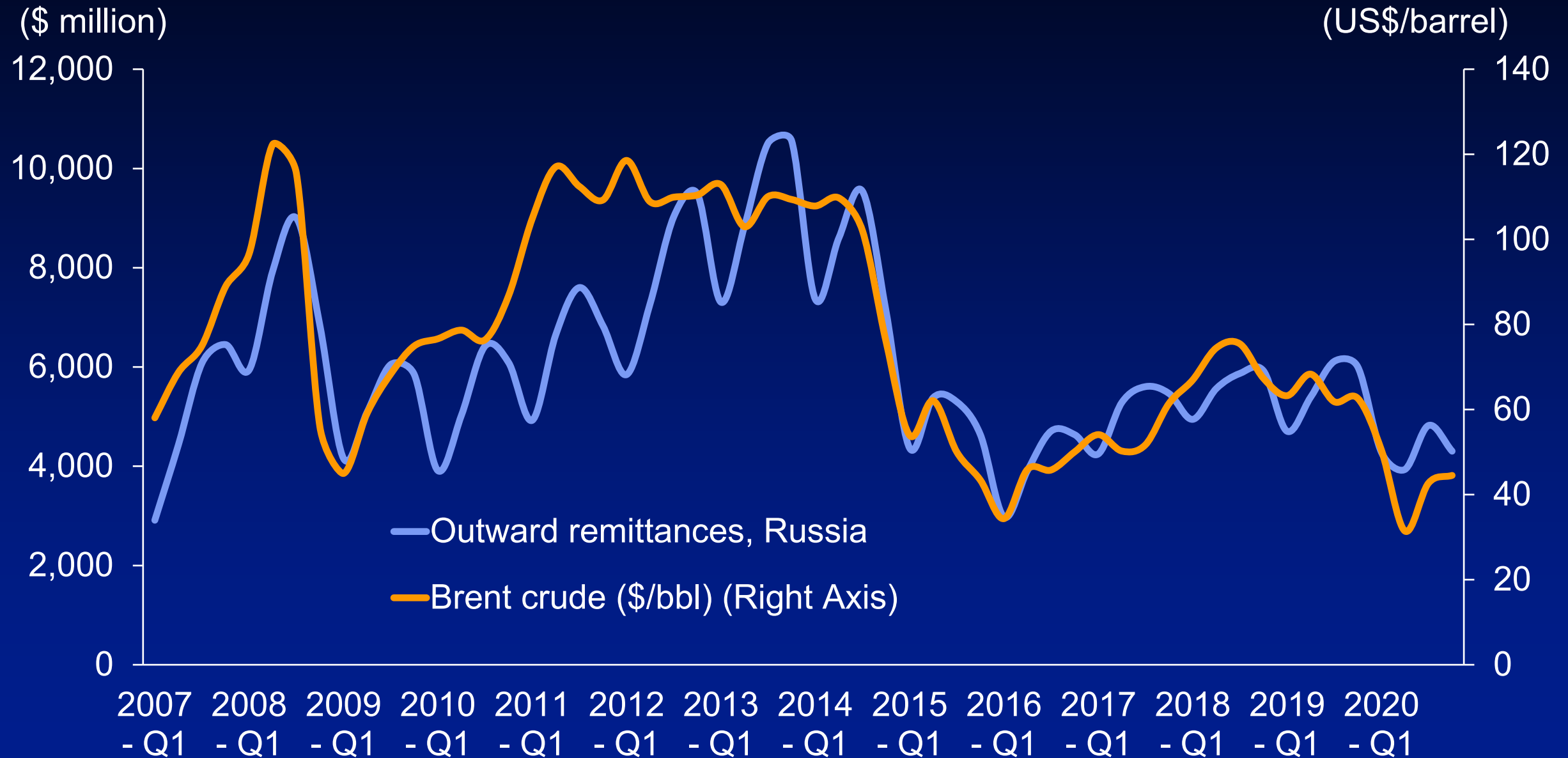
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4. Shift from cash to digital and informal to formal channels

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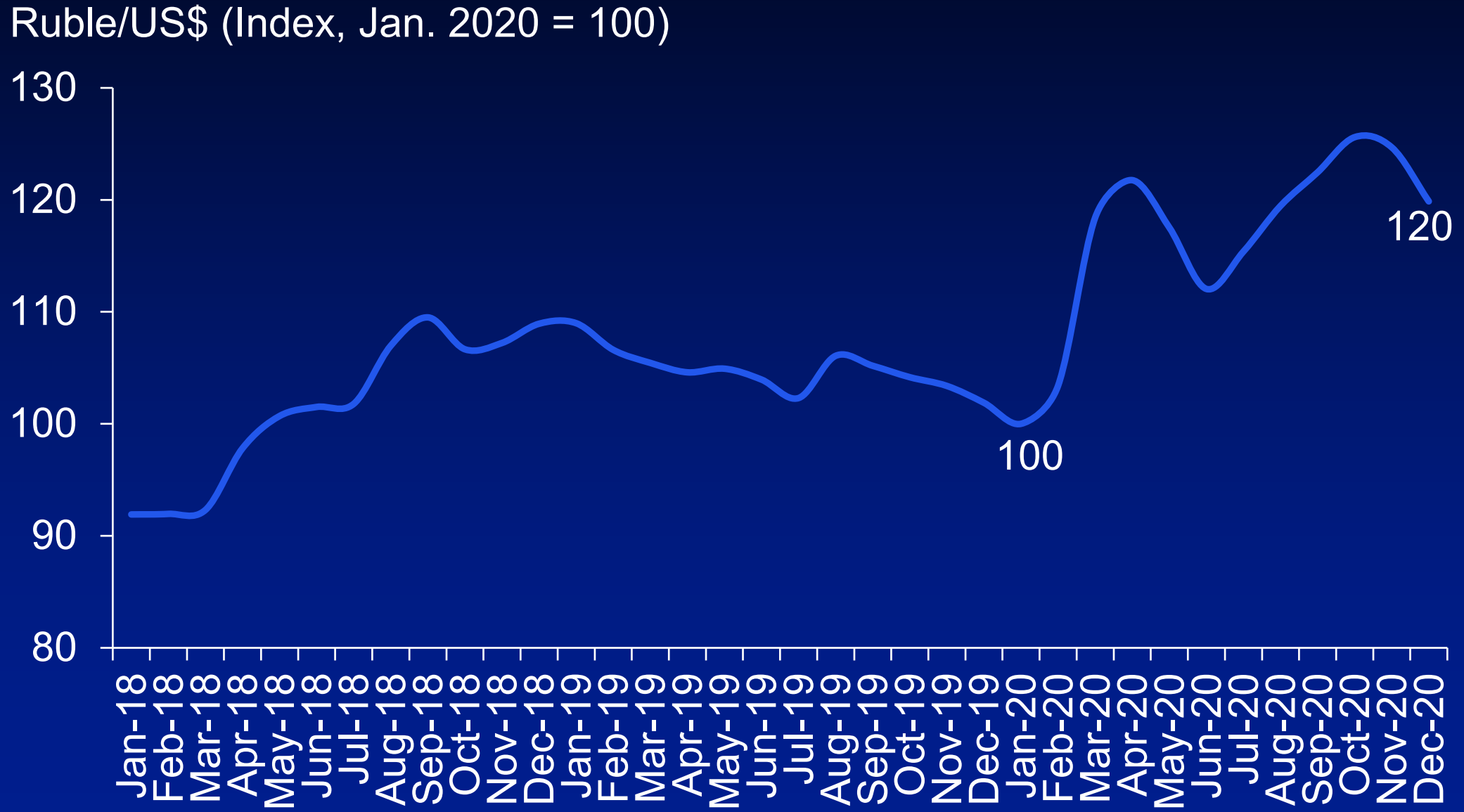
	% of households reporting a fall in remittance receipts in Q2	Year-on-year change in remittance inflow in Q2
Mexico	35%	10%
Dominican Republic	54%	18%

Source: World Bank, COVID-19 High Frequency Monitoring Dashboard, IMF BOP

Weak oil price affected outward remittance flows from Russia

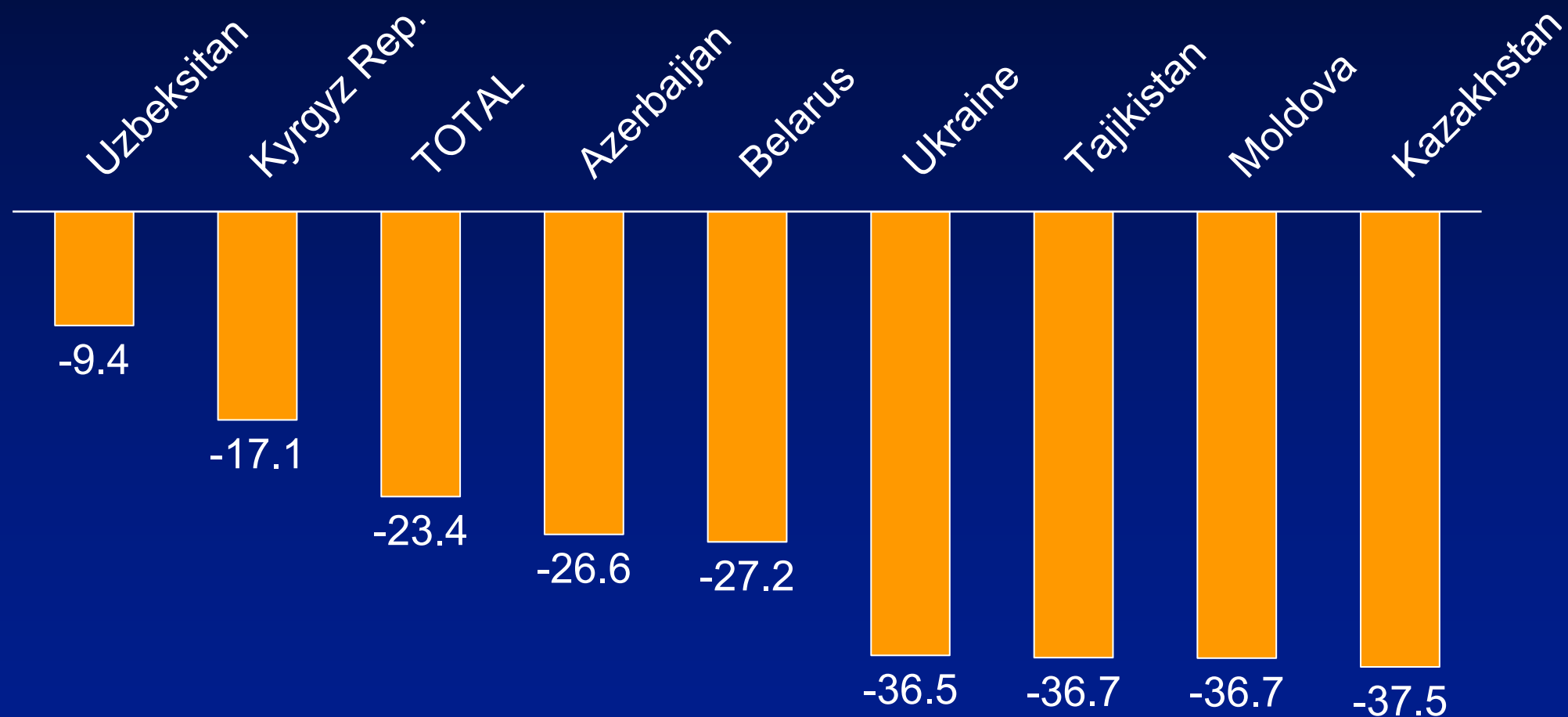


Depreciation of host country currency also affects \$-value of remittances

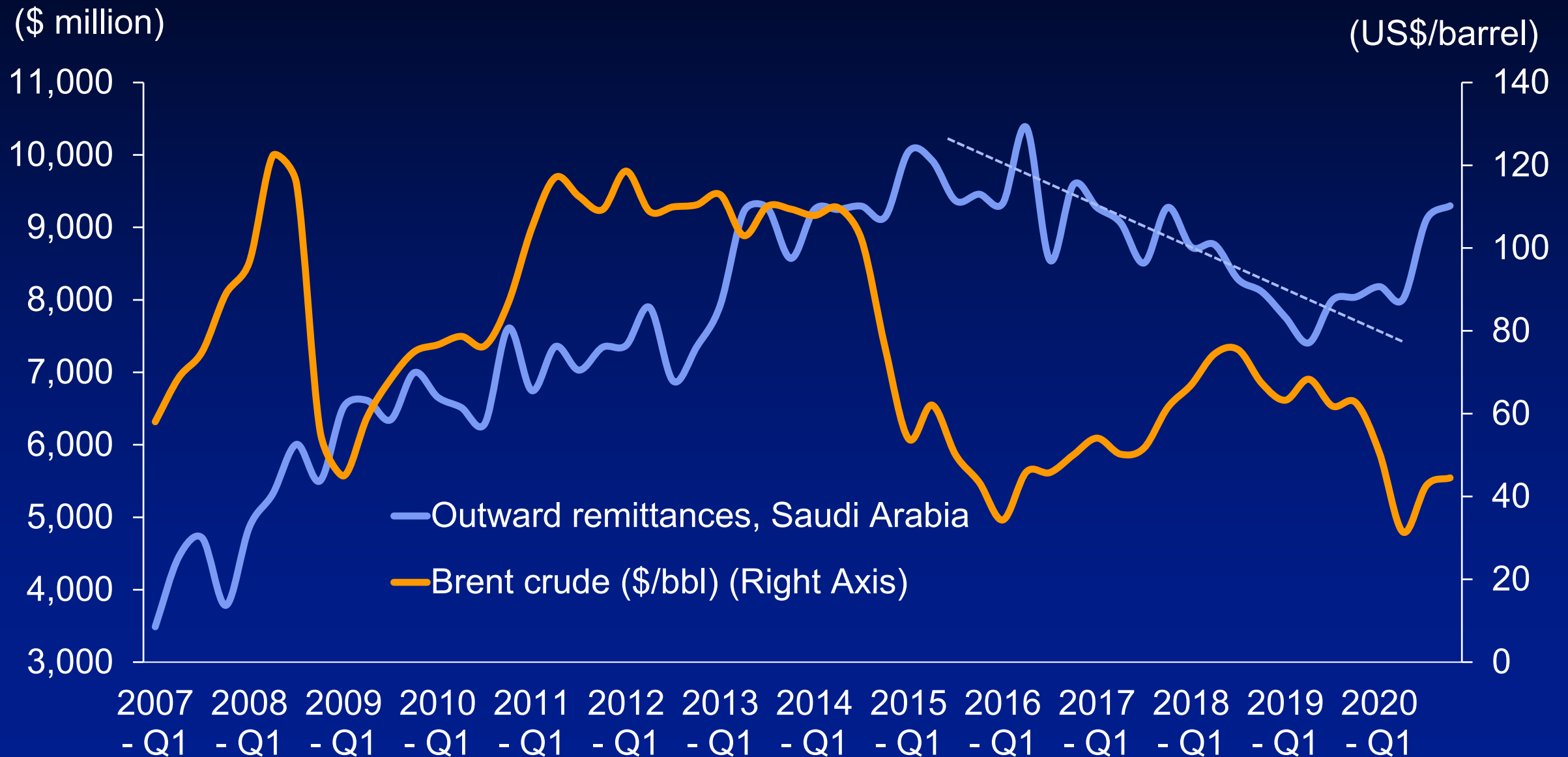


Weaker ruble against US\$ reduced value of outbound remittances from Russia

Year-over-year growth in 2020 (remittances from Russia to CIS countries)

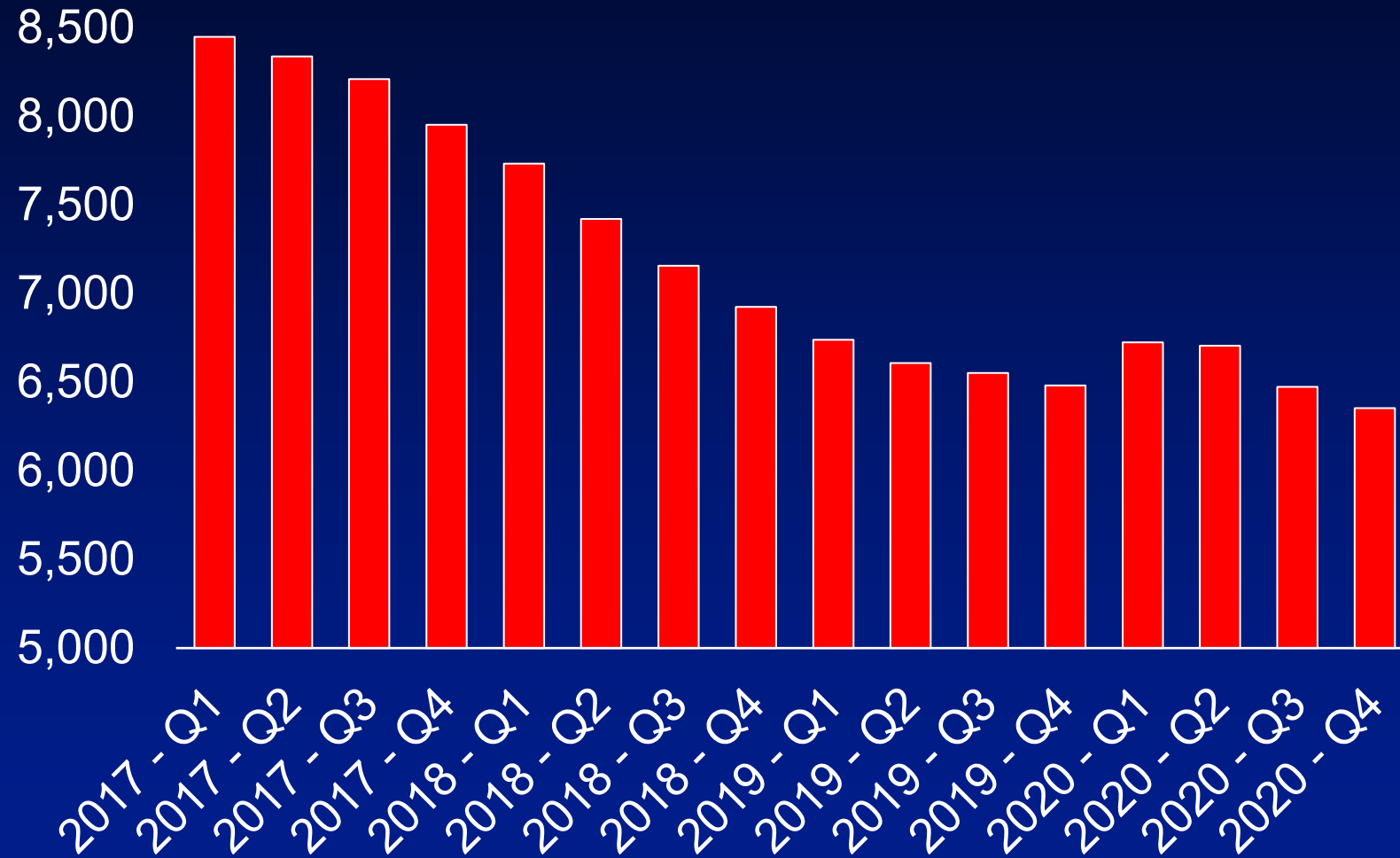


Weak oil prices also affected outbound remittances from Saudi Arabia



Saudi Arabia has reduced the number of foreign workers

Number of registered foreign workers in Saudi Arabia (thousands)

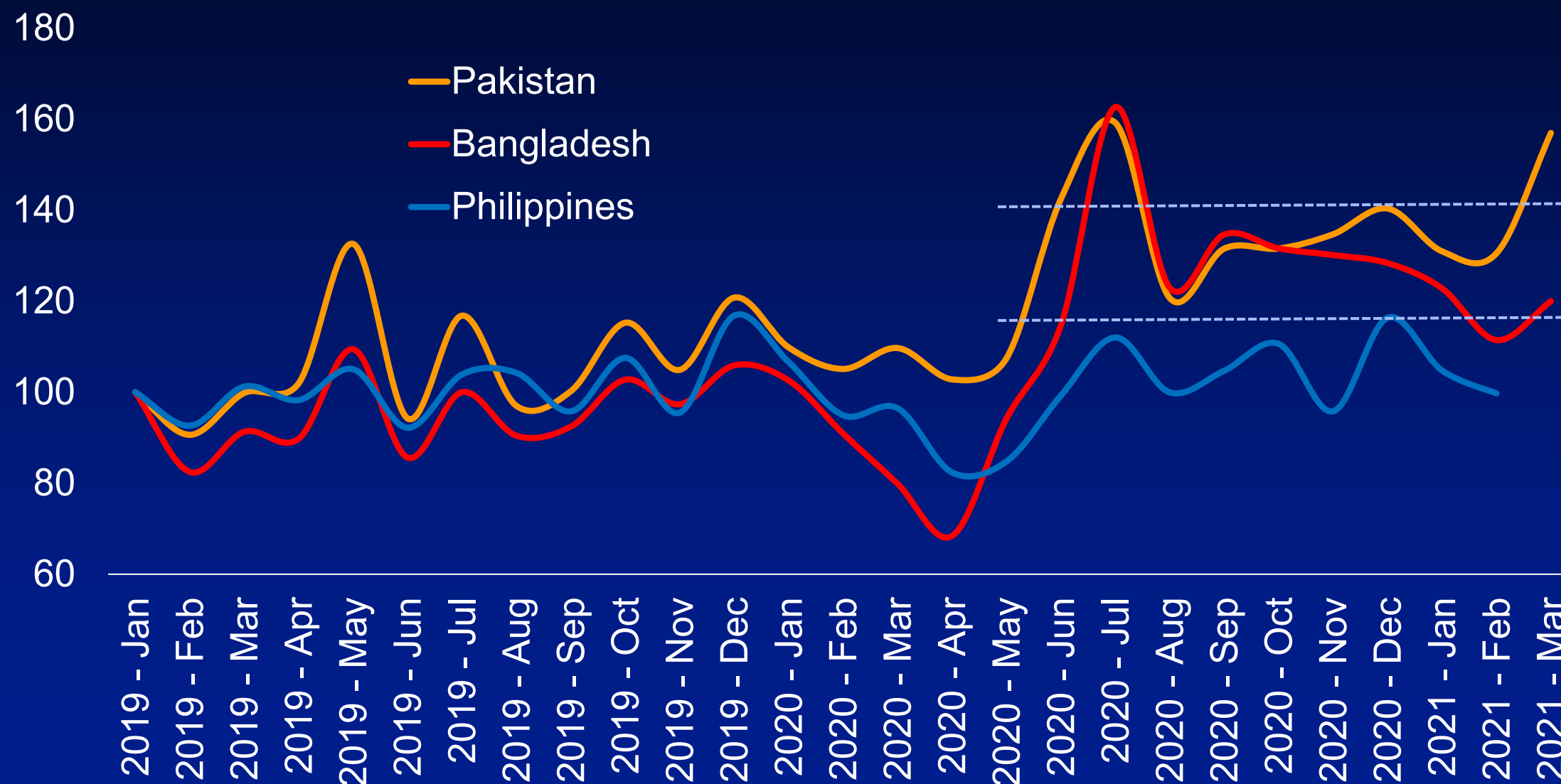


Deployment of workers to GCC countries from Bangladesh, Nepal, Pakistan, Philippines fell by 60-70% in 2020.

Return migration increased.

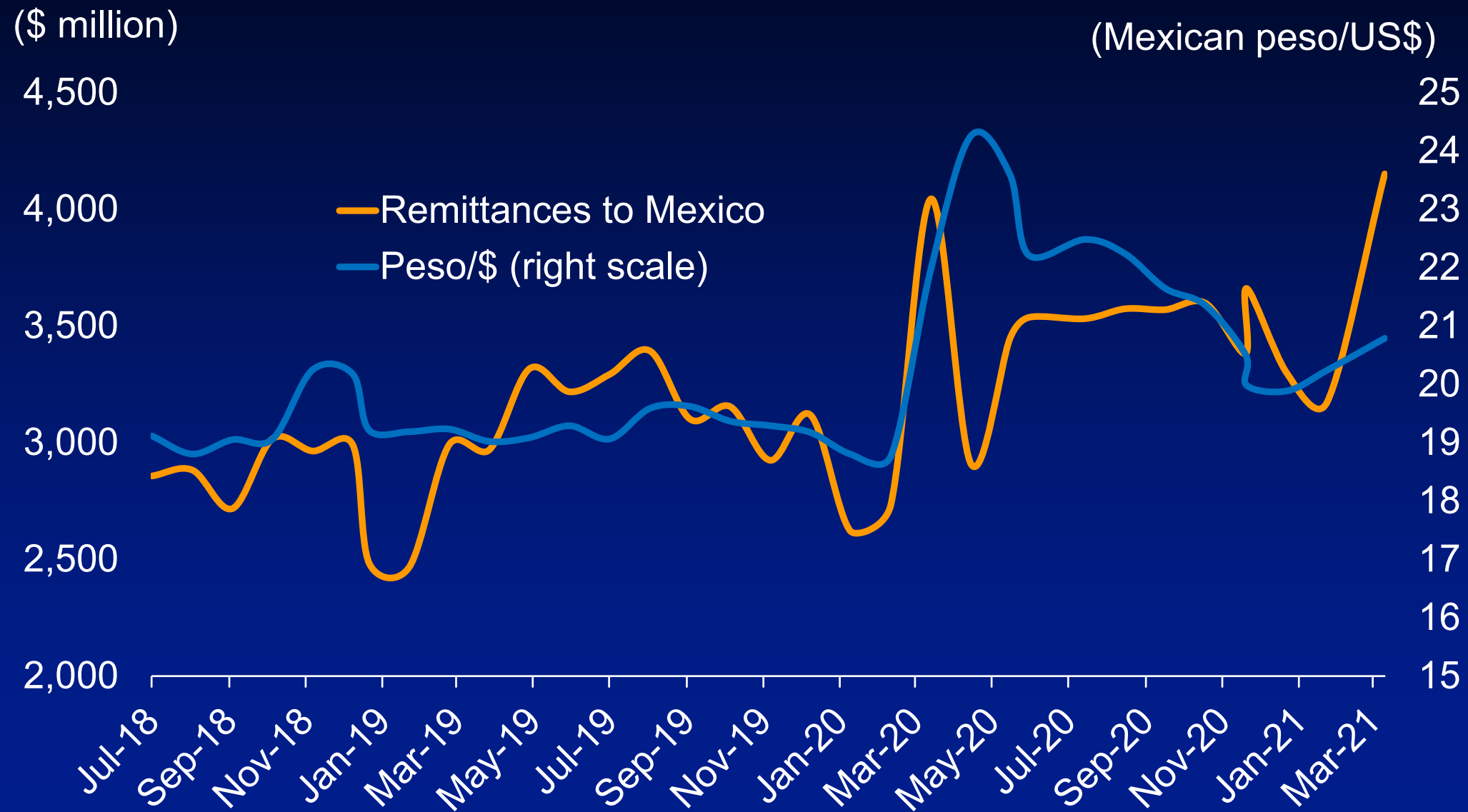
One-off effects: Cancellation of Haj, floods in Bangladesh, and tax incentives in Bangladesh and Pakistan

Remittance inflows, index Jan. 2019 = 100



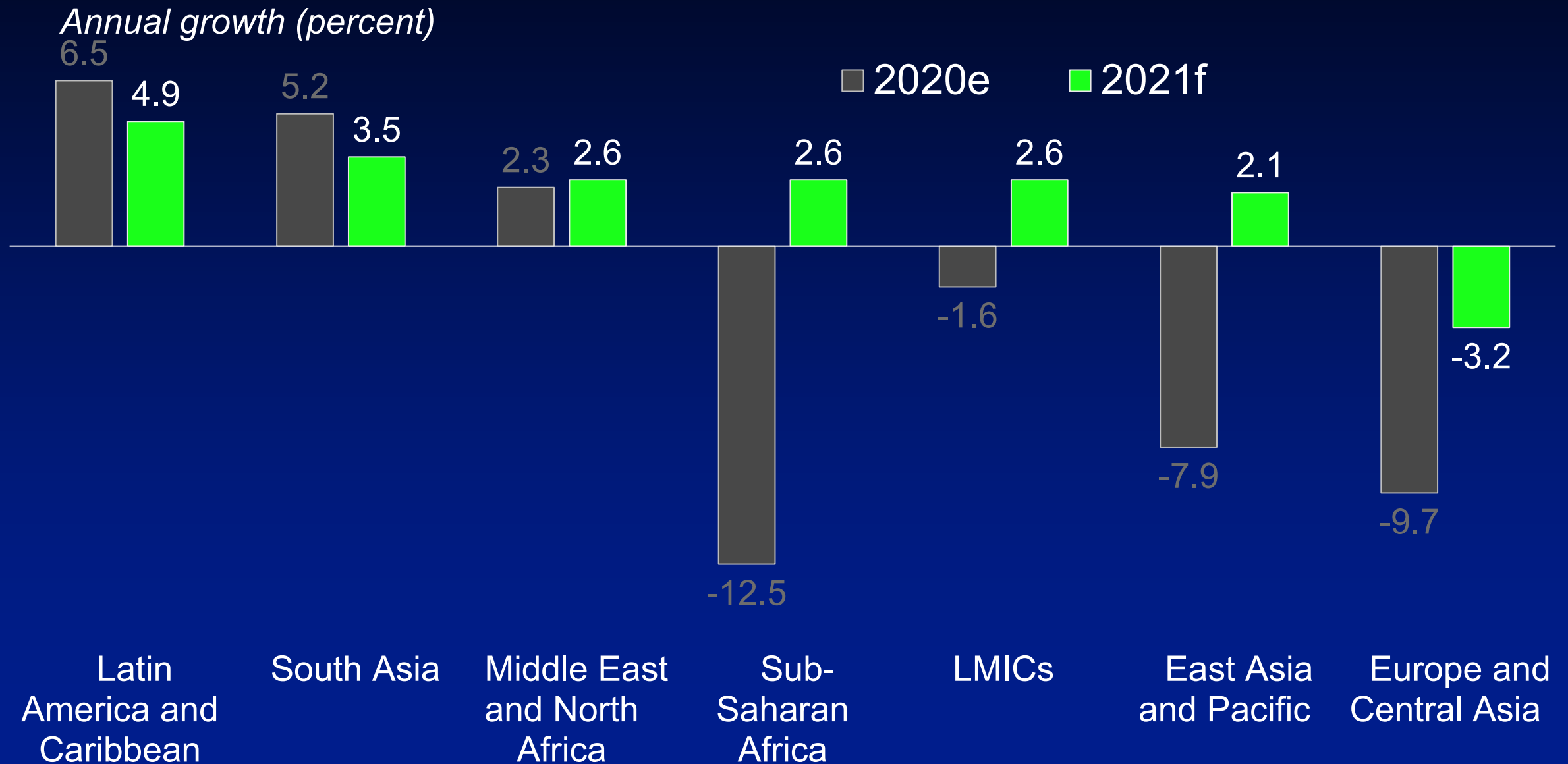
Source: KNOMAD, Respective Central Banks

Remittances to Mexico have increased due to a weaker peso



Source: KNOMAD, Respective Central Banks

Outlook for remittances: 2.6% growth in 2021



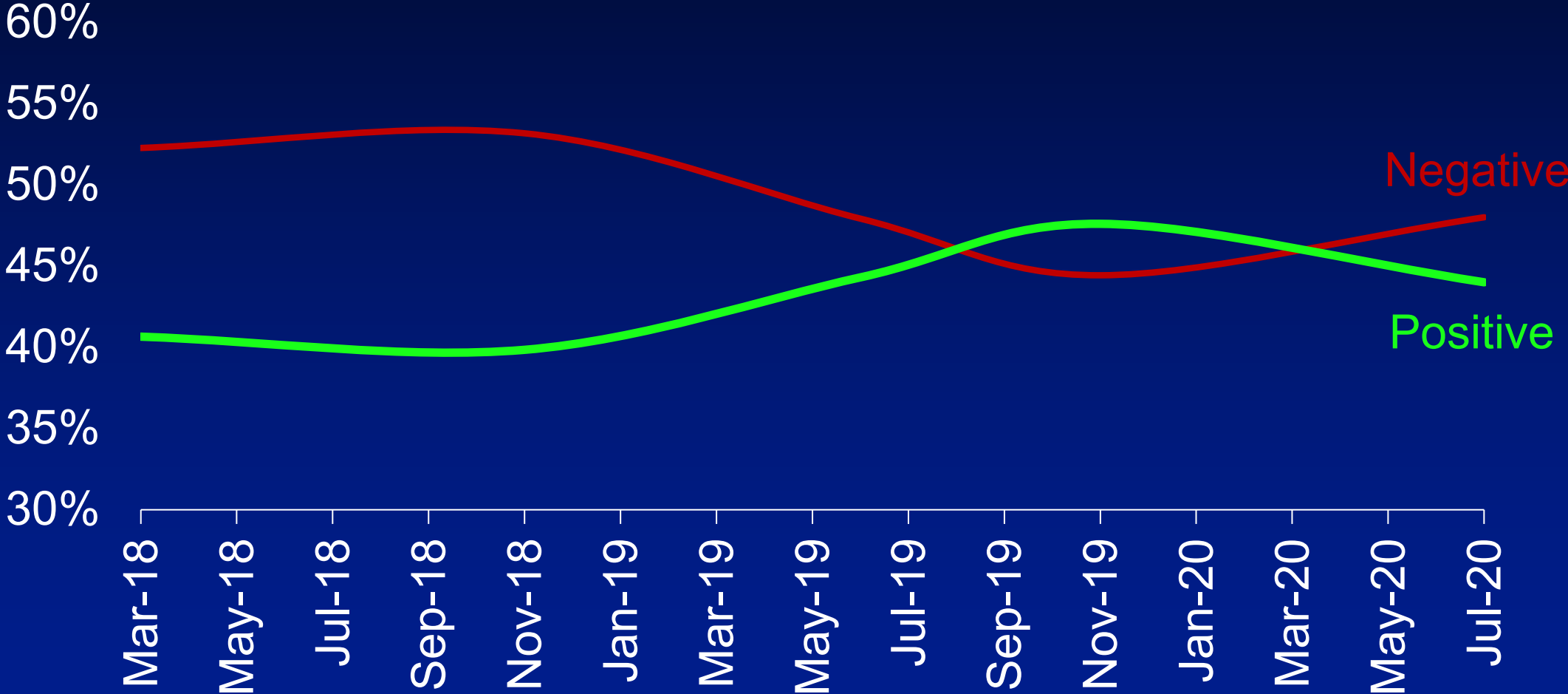
Source: World Bank-KNOMAD Staff estimates, IMF's BOP statistics.

Downside risks remain

1. Possible recurrence of COVID-19
2. Shift from cash to digital may slow unless access to banking improves
3. Counter-cyclical fiscal policy cannot continue for long
4. Oil prices and currency exchange rates can be volatile
5. Sentiment against migrants may turn more negative

Risks to the outlook: Public perception toward immigration has turned more negative

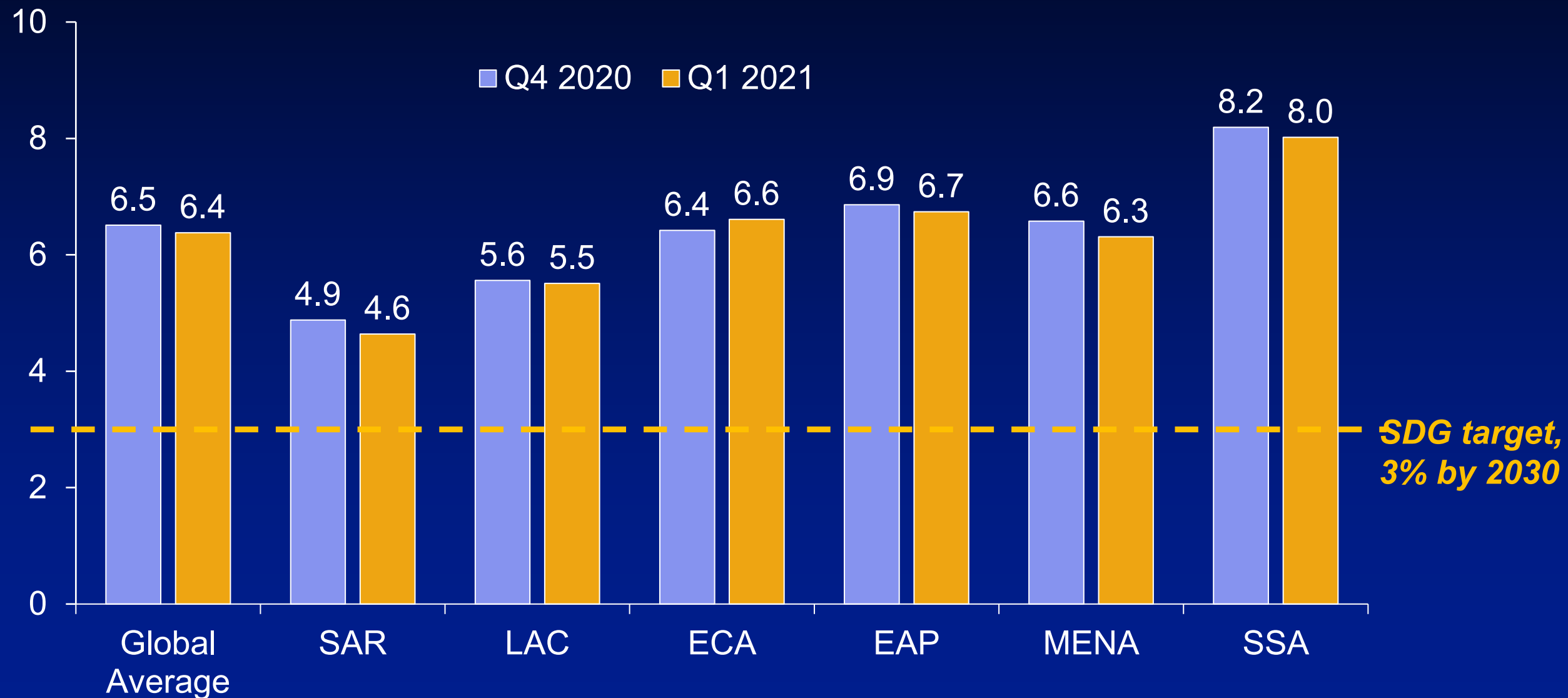
Please tell me whether immigration of people from outside the EU evokes a positive or negative feeling for you



Source: Eurobarometer

Remittance costs remain high – increased efforts are needed to reduce remittance costs

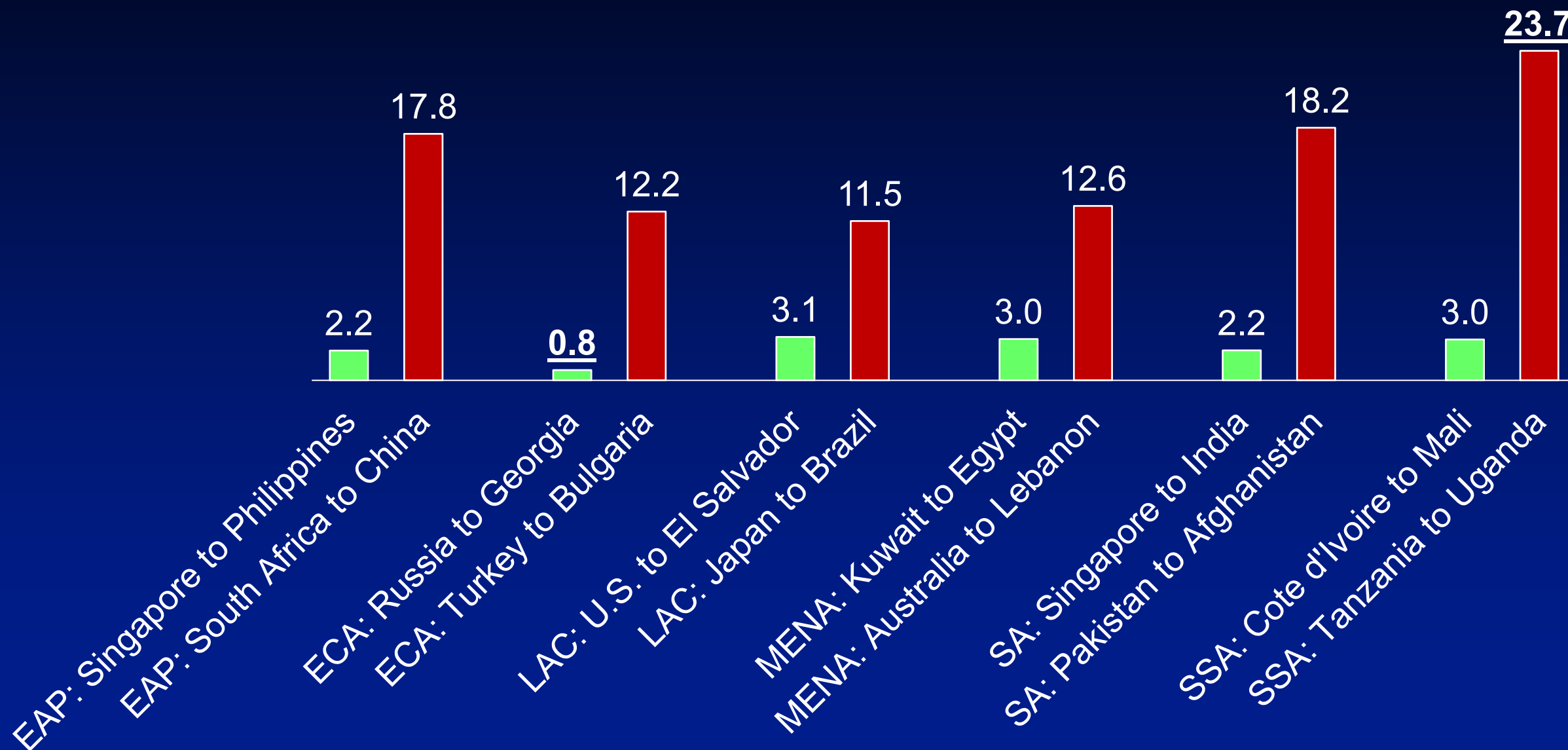
(Costs to send \$200, percent)



Source: Remittance Prices Worldwide database and World Bank-KNOMAD

Lowest and Highest Cost Corridors by Region

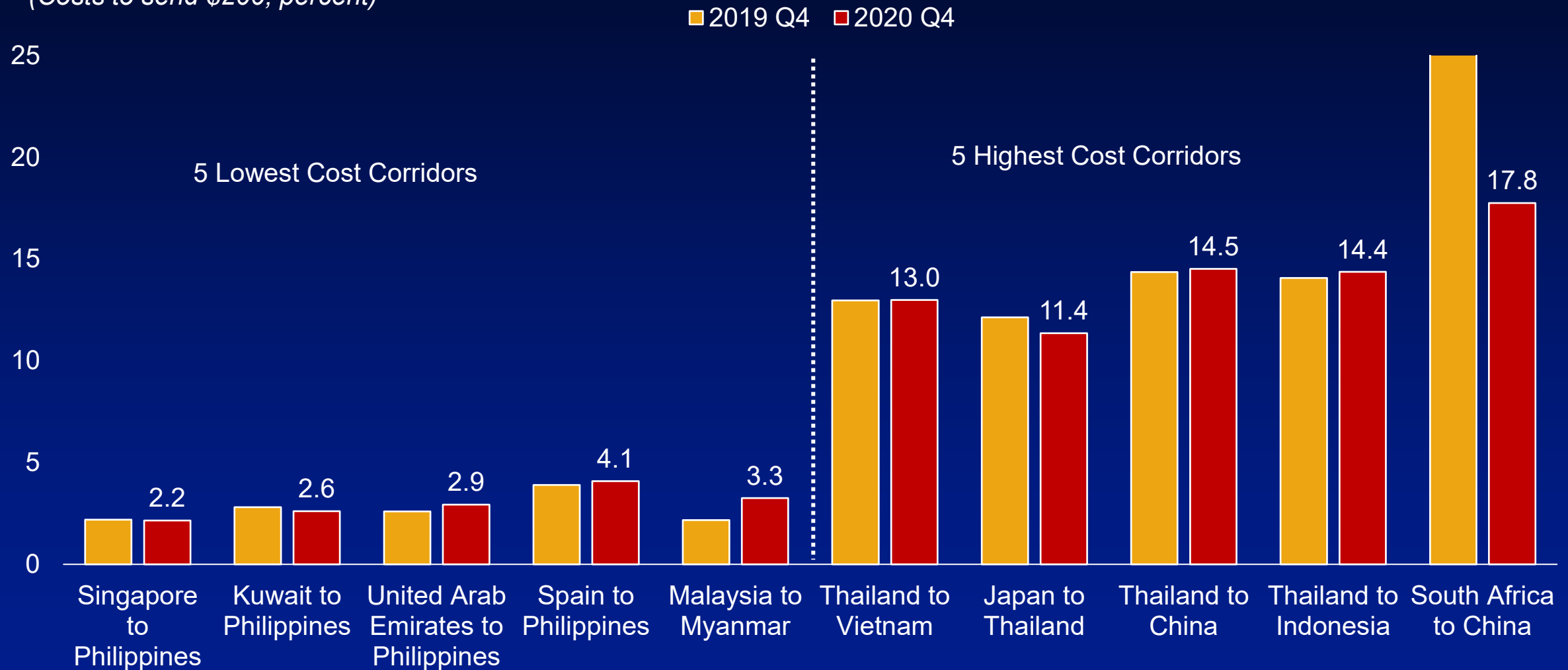
(Costs to send \$200, percent)



Source: Remittance Prices Worldwide database and World Bank-KNOMAD

Remittance costs in EAP

(Costs to send \$200, percent)



Supporting client governments' policy responses during the crisis

Supporting migrants	Supporting migrants' families	Supporting remittance infrastructure
<ul style="list-style-type: none">• Support stranded migrants.• Extend cash transfer programs to support internal and international migrants.• Provide access to vaccines, health services, education, and housing.• Support returning migrants (access to training, jobs, credit for business investment).	<ul style="list-style-type: none">• Support social services and provide cash transfers to families left behind.• Provide access to vaccines, health services, education, and housing.	<ul style="list-style-type: none">• Improve collection of high-frequency, timely data across remittance corridors and channels.• Certain AML/CFT requirements could be temporarily simplified to incentivize online and mobile money transfers.• Mitigate factors that prevent customers or remittance service providers of digital remittances from accessing bank accounts.



Thank you!