

# The Importance of Migration and Remittances for Countries of Europe and Central Asia

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# Messages

- ❖ Migration and remittances continue to be a key pillar of development strategy of many countries in Europe and Central Asia
- ❖ Crisis has impacted new migration flows but, in general, migrants are not returning, that is, migration stock is still rising
- ❖ Remittances proved to be resilient to economic shocks in host countries for those countries which have permanent migration, but effects were more pronounced in countries which rely on seasonal migration

# Migration and Remittance Trends

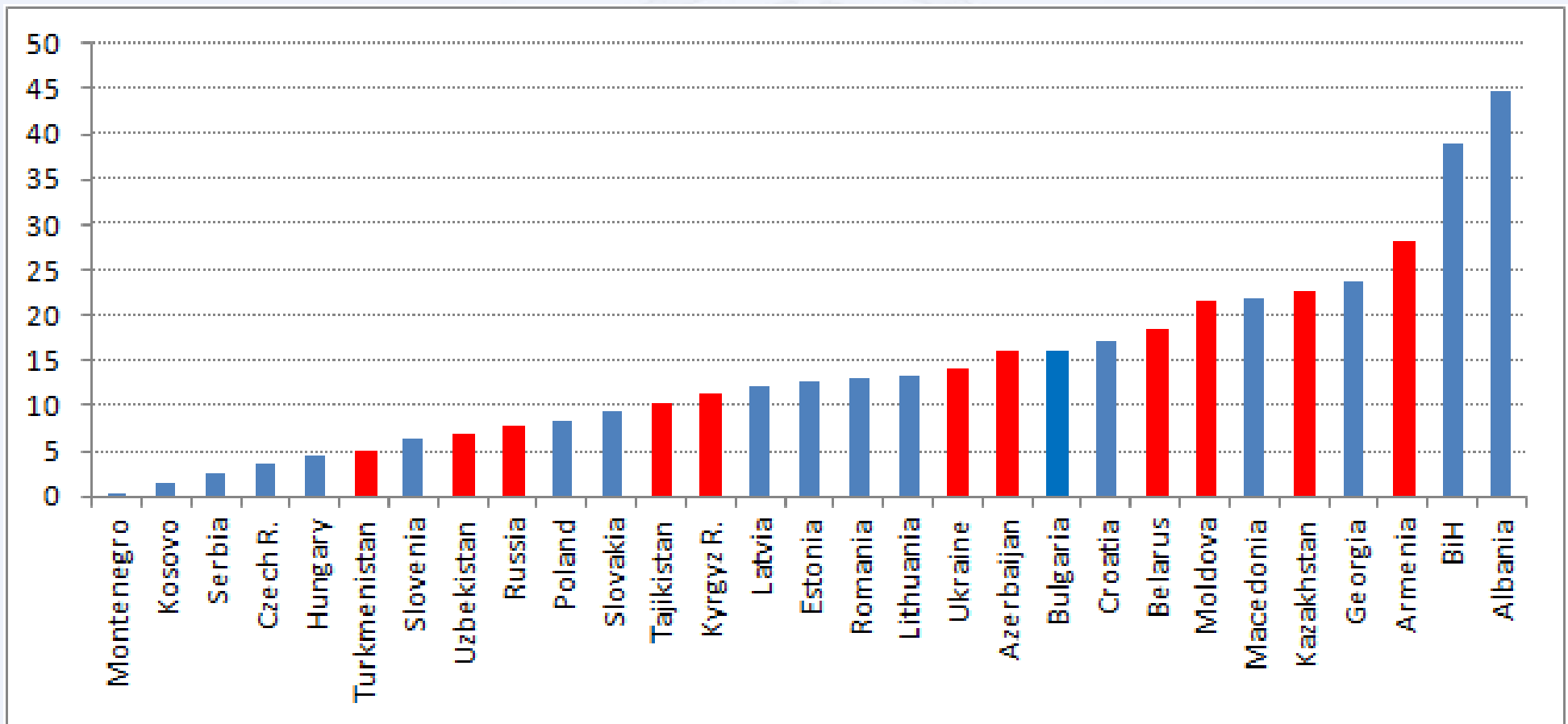


## Remittances projected to grow in medium-term

<i>\$ billion</i>	2010	2011e	2012f	2013f	2014f
<b>Developing countries</b>	<b>332</b>	<b>372</b>	<b>399</b>	<b>430</b>	<b>467</b>
East Asia and Pacific	95	107	115	125	135
<b><u>Europe and Central Asia</u></b>	<b><u>37</u></b>	<b><u>41</u></b>	<b><u>45</u></b>	<b><u>49</u></b>	<b><u>55</u></b>
Latin America and Caribbean	57	62	66	72	77
Middle-East and North Africa	40	42	45	47	50
South Asia	82	97	104	113	122
Sub-Saharan Africa	21	22	24	25	27
<b><u>Growth rate (%)</u></b>					
<b>Developing countries</b>	<b>7.7%</b>	<b>12.1%</b>	<b>7.2%</b>	<b>7.8%</b>	<b>8.4%</b>
East Asia and Pacific	10.6%	12.6%	7.3%	8.0%	8.7%
<b><u>Europe and Central Asia</u></b>	<b><u>0.3%</u></b>	<b><u>12.6%</u></b>	<b><u>8.8%</u></b>	<b><u>10.1%</u></b>	<b><u>11.4%</u></b>
Latin America and Caribbean	0.9%	7.7%	7.6%	7.9%	8.2%
Middle-East and North Africa	19.5%	5.7%	5.1%	5.3%	5.5%
South Asia	9.5%	18.2%	7.4%	7.9%	8.4%
Sub-Saharan Africa	1.9%	8.5%	6.3%	6.8%	7.4%

# CIS countries have large (and increasing) migrant populations so remittance flows will remain significant for many years

Figure: Migration stock as percent of total population



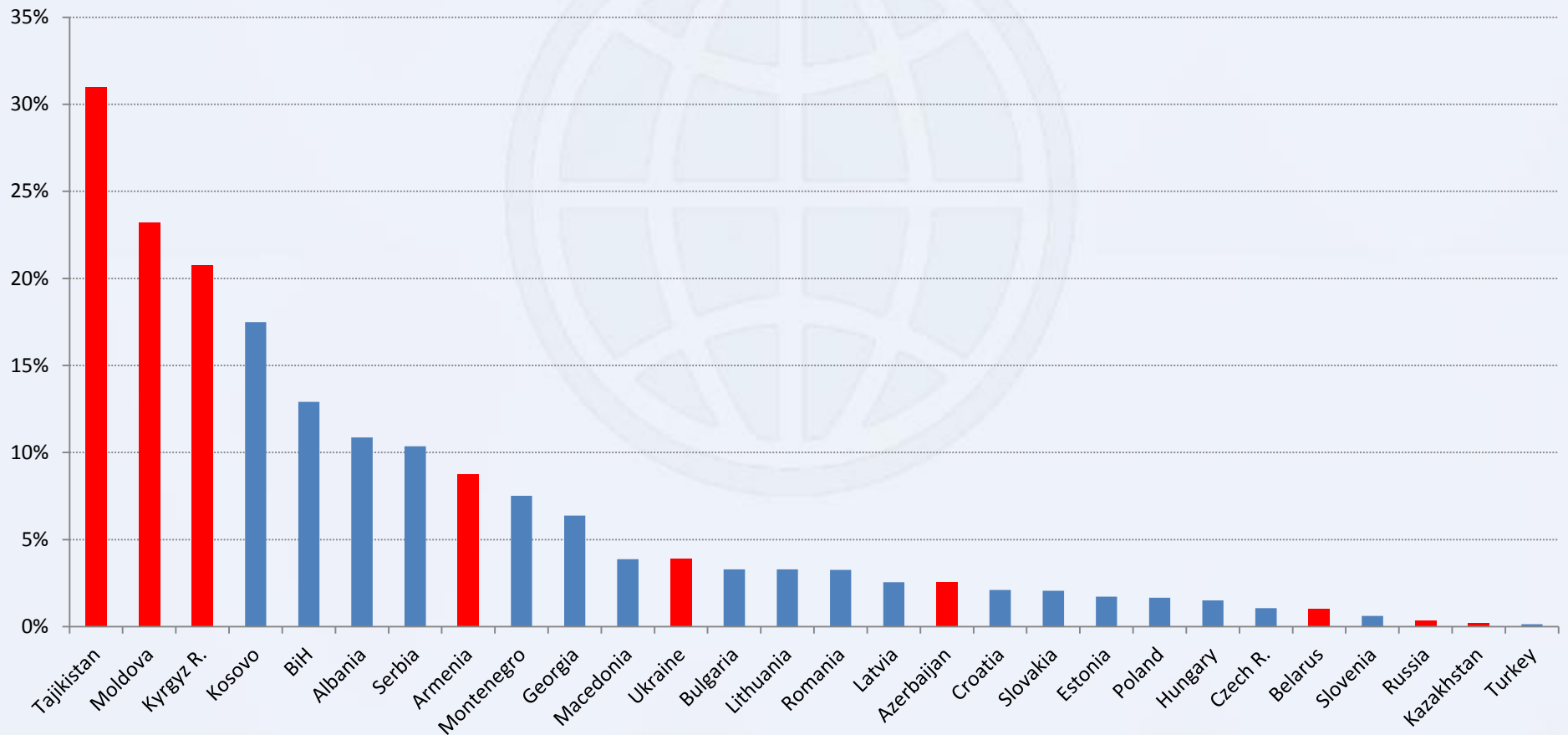
Source: World Bank's Migration and Remittance Factbook 2011

# The Global Economic Crisis Did Not Create Significant Disruption of Migration Flows as Many Feared

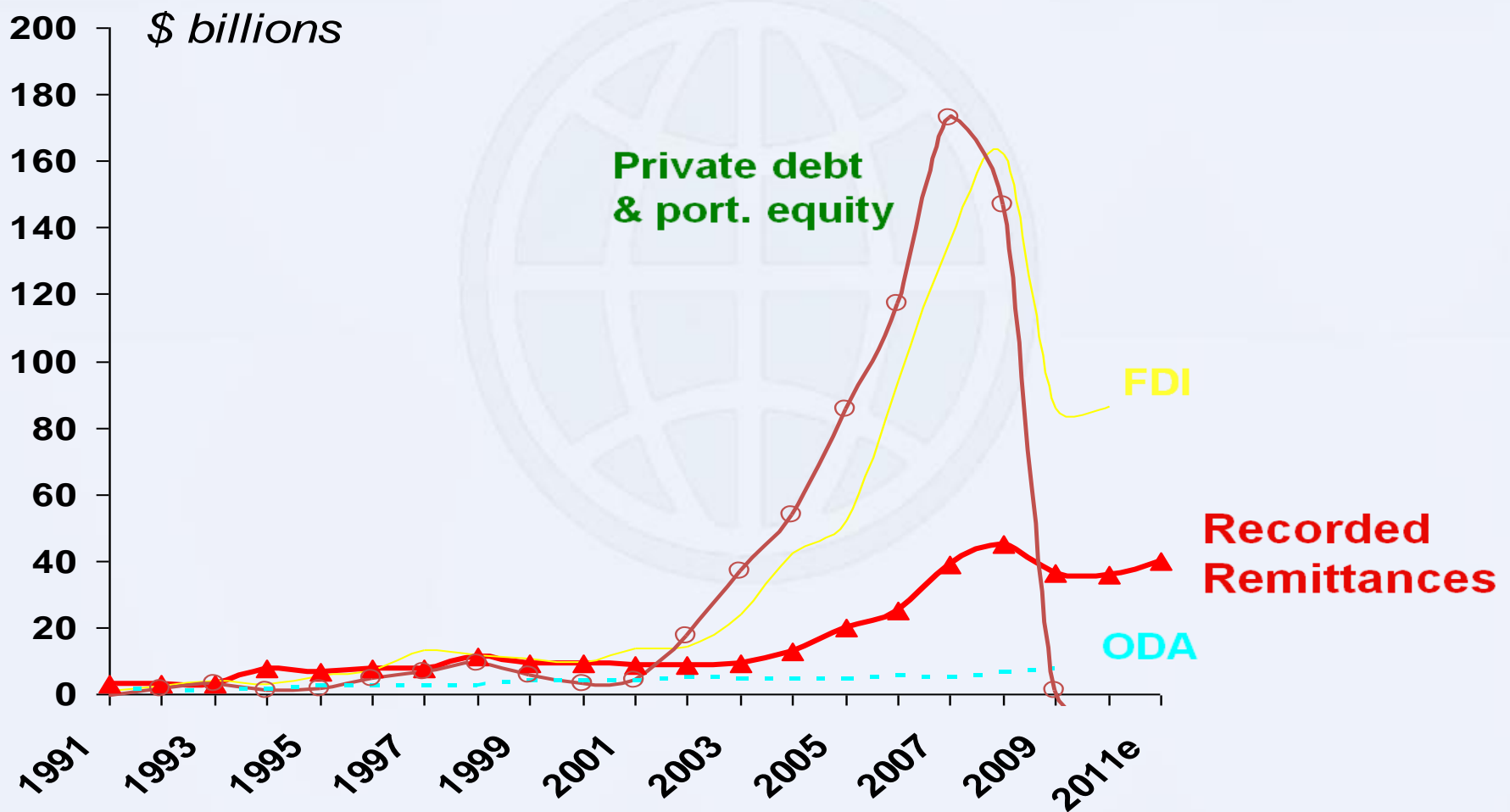
- ❖ Data on migration inflows and outflows is limited in many countries
- ❖ Overall, there has been little evidence of return migration caused by the economic downturn in host countries
- ❖ One reason is that incomes and employment opportunities back home are not that high
- ❖ Second, migrants are unwilling to return home fearing that they may not be able to re-enter
- ❖ Financial incentives for return migration (Spain, Japan, Gulf countries) are not working

# Remittances Represent a Significant Source of External Financing

Remittances as share of GDP, 2010 (%)



# Remittances vis-à-vis Other External Inflows to Europe and Central Asia

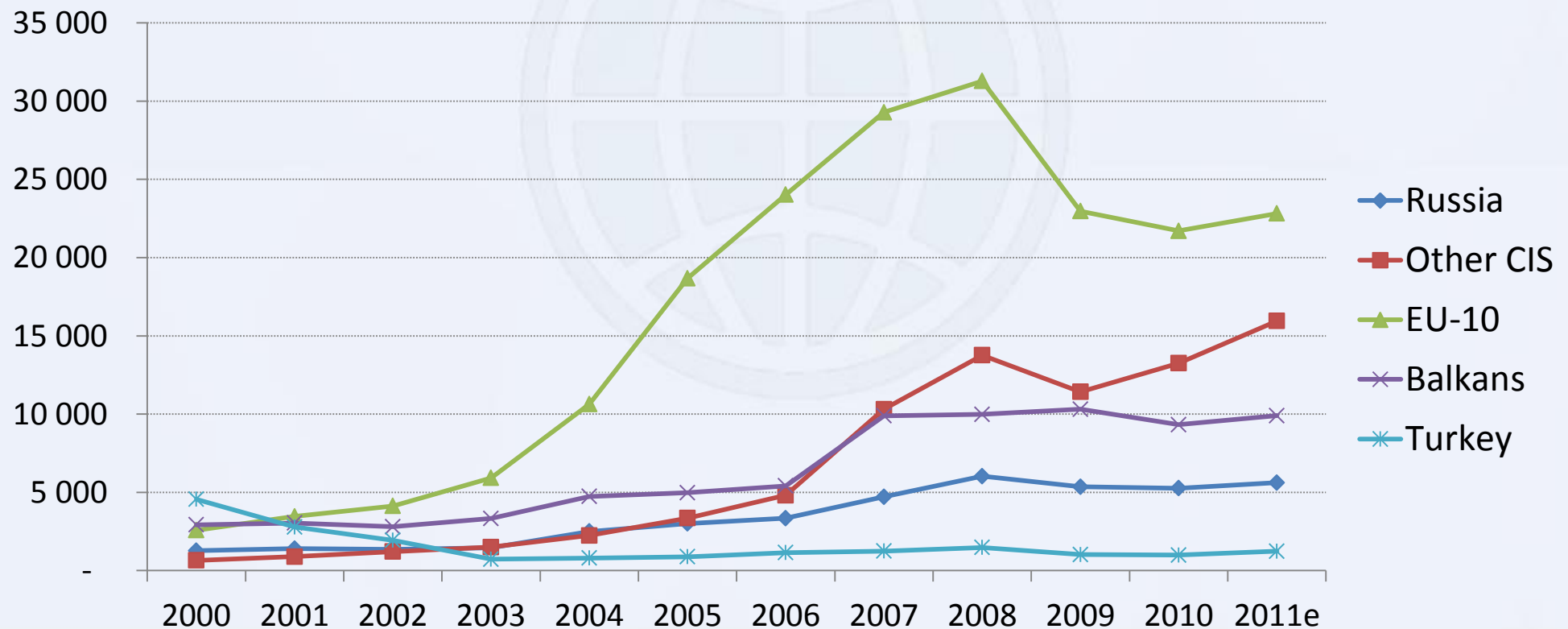


Source: Migration and Development Brief 17



# Remittances Have Been Growing Over the Last Decade in Most Sub-regions of Europe and Central Asia; the Global Crises Disrupted this Trend but Recovery is on the Way

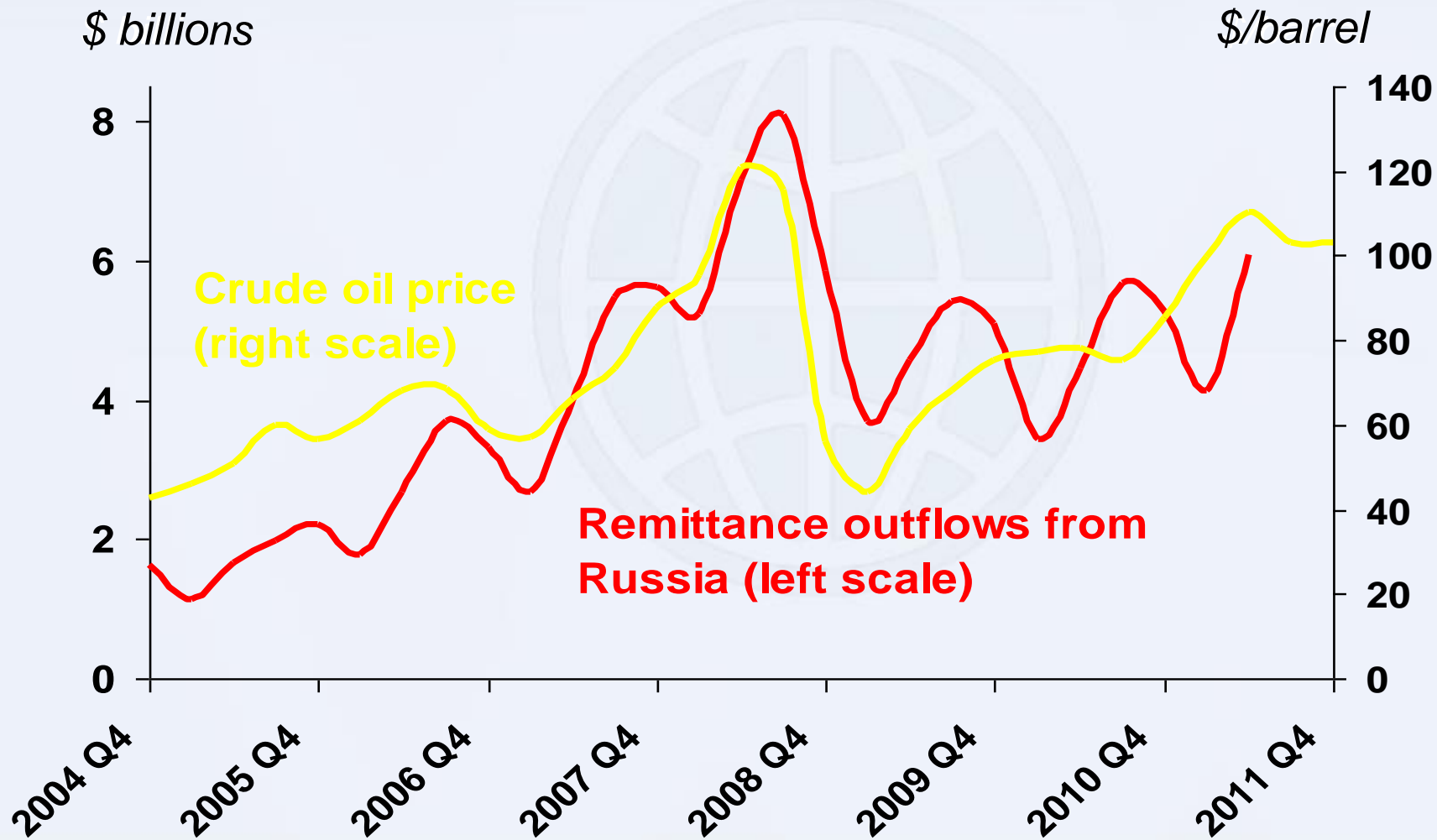
Remittance inflows (in USD million)



Source: World Bank



# Remittances from Russia to CIS Countries are Highly Correlated with Oil Price Movements



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

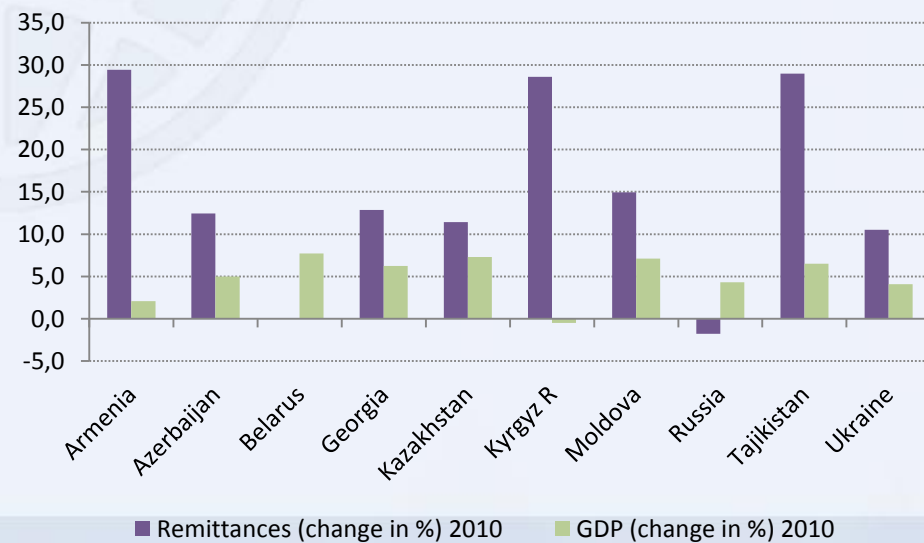
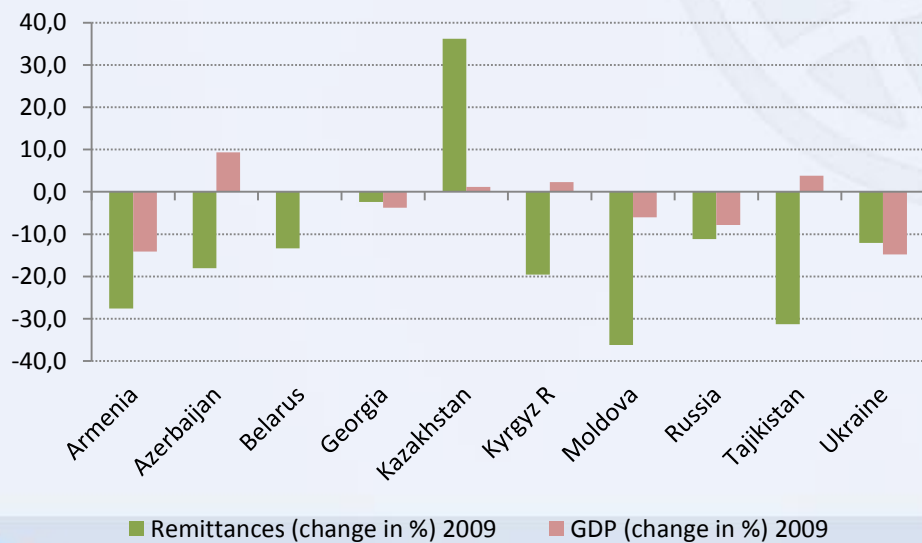
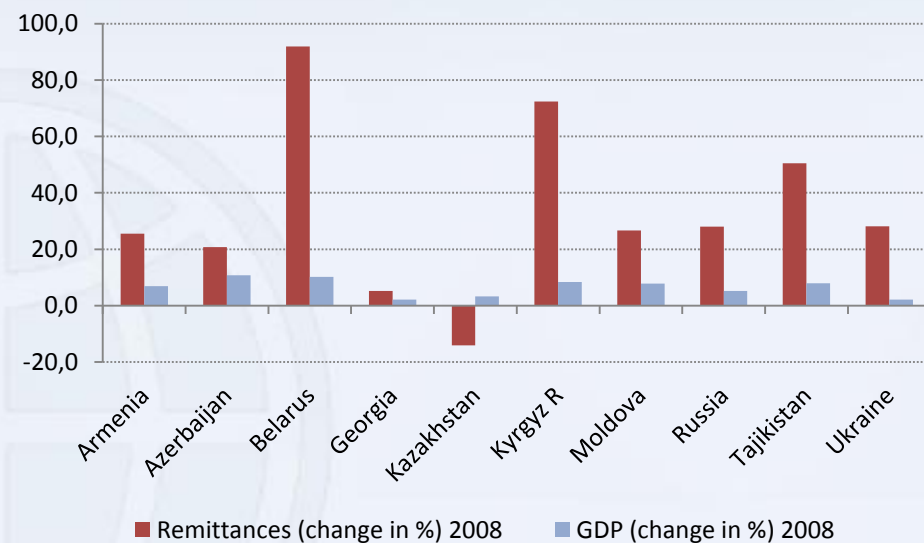
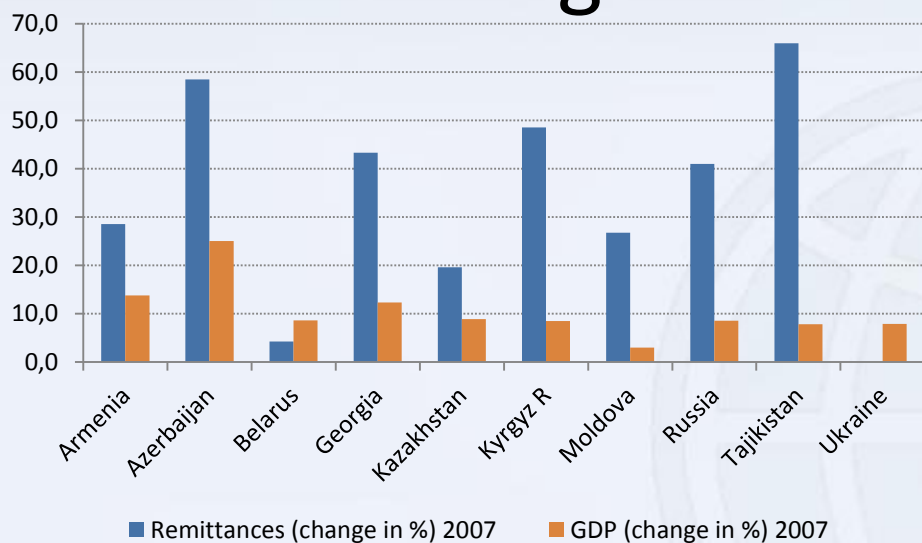
# Remittances Remain Resilient During Downturns in Host Countries

- ❖ 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
- ❖ Two opposing factors determine where savings are kept: migrants have higher confidence in the host country ("safe haven") or in their home country ("home-bias")
- ❖ Fiscal stimulus packages (in public infrastructure) helps migrants in construction and services sectors

# Crisis, Remittance and Economic Growth

- ❖ Decreasing employment opportunities in host countries, lower remittances, and lower export demand put pressure on balance of payments in countries which rely on remittances
- ❖ In turn, lower income and consumption reduce the GDP growth potential
- ❖ Unfinished structural reforms and weak fiscal position at the beginning of the global economic crisis made the situation worse
- ❖ As a result, CIS countries with large remittance/GDP ratios recorded a slowdown in GDP growth in 2009/10
- ❖ Medium-term outlook is uncertain, recovery in EU is weak but growth in Russia is projected to remain robust

# Growth is to Some Extent Correlated With Changes in Remittance Inflows



# Remittance have multiple effects on economy: monetary, fiscal, and social

- ❖ Remittances affect exchange rate, financial sector, fiscal revenue
- ❖ Migration has implications on labor market, poverty as well as social implications
- ❖ Understanding the linkages between remittances and other economic variables are important for policy makers:
  - ❖ In making economic projections
  - ❖ In defining policies that maximize the impact on economic development

Data and other resources are available at:

[www.worldbank.org/eca/migration](http://www.worldbank.org/eca/migration)

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

<http://peoplemove.worldbank.org>

[www.mirpal.org](http://www.mirpal.org)