

Migration and Development Brief 5

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Revisions to Remittance Trends 2007

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Revised estimates show that remittance flows to developing countries were \$251 billion in 2007, up 11 percent from 2006. This Brief discusses the slowdown in remittance flows to Mexico in the first part of 2008. Remittances to countries in Latin America and the Caribbean (El Salvador, Honduras, Guatemala) and Asia (Bangladesh, Pakistan and the Philippines) continue to grow robustly.

Table 1: Remittance flows to developing countries, 2002-2007 (\$ billion)

<i>INFLOWS</i>	2002	2003	2004	2005	2006	2007	<i>Change 2006-07</i>	<i>Change 2002-07</i>
Developing countries	116	143	163	194	226	251	11%	118%
East Asia and Pacific	29	35	39	47	53	59	11%	100%
Europe and Central Asia	14	16	23	32	39	47	22%	246%
Latin America and Caribbean	28	35	42	48	57	61	6%	117%
Middle-East and North Africa	15	20	23	24	27	29	8%	89%
South Asia	24	30	29	33	40	44	11%	82%
Sub-Saharan Africa	5	6	8	10	11	12	7%	132%
Low-income countries	15	17	20	24	29	33	15%	118%
Middle-income countries	100	127	143	169	197	218	11%	118%
Lower MICs	71	89	95	110	127	140	10%	99%
Upper MICs	30	38	48	60	70	78	11%	162%
High income OECD	53	61	67	68	72	81	12%	54%
High income non-OECD	1	2	3	4	4	5	7%	304%
World	170	206	234	266	303	337	11%	99%
<i>OUTFLOWS</i>	2002	2003	2004	2005	2006	2007	<i>Change 2006-07</i>	<i>Change 2002-07</i>
All developing countries	19	22	30	34	42	52	23%	177%
High income OECD	89	101	115	126	141	159	13%	78%
High income non-OECD	24	23	22	24	27	28	2%	17%
World	131	147	167	184	210	238	13%	81%

Source: Authors' calculation based on data from IMF Balance of Payments Statistics Yearbook 2008 and data releases from central banks, national statistical agencies, and World Bank country desks. Remittances are defined as the sum of workers' remittances, compensation of employees, and migrant transfers – see www.worldbank.org/prospects/migrationandremittances for data definitions and the entire dataset.

Remittances to developing countries reached \$251 billion in 2007

Newly released data from some important recipient countries reveal that remittance flows to developing countries reached \$251 billion in 2007, up from an earlier estimate of \$240 billion ([link](#)). These data show that remittances received by developing countries grew by 11 percent between 2006 and 2007, and have more than doubled since 2002.

Mexico and the Philippines, which are among the top four remittance recipients in the developing world, reported remittance inflows for 2007 as \$25 billion and \$17.2 billion respectively, very close to earlier estimates. The major revisions to the 2007 data came from higher actual figures compared to the estimates for Liberia, Poland and Romania. The actual remittance inflows for Poland at \$11 billion in 2007, or 2.5 percent of GDP, were more than twice the amount estimated earlier. This change makes Poland the fifth largest remittance recipient among developing countries. Remittance inflows to Romania were also significantly higher at \$9 billion in 2007 compared to the earlier estimate, and 27 percent higher compared to the amount received in 2006. Liberia started to report its remittances on the IMF Balance of Payments Statistics this year, with inflows data imputed the latest available figure of \$685 million in 2006.

Increase in real per capita incomes of some developing countries has also affected the composition of remittance flows across income groups. According to the latest World Bank's income classification, India, Mongolia, Sudan, and Timor-Leste are now considered middle income countries instead of as low income countries. Hungary and Slovak Republic are now high income members of the Organization of Economic Cooperation and Development. As a result of these upward revisions to incomes, especially for India, the largest remittance recipient among all developing countries, the share of remittances to low income countries is now smaller and the share of middle income countries larger.

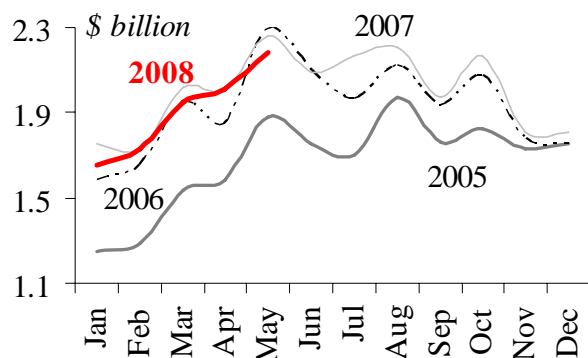
Recent trends in remittances to Mexico and other major recipient countries

According to recently published official data, migrant remittances to Mexico declined by 3.4 percent in May (and by 2.6 percent during January-May 2008, compared to the same periods last year (see [news item](#)). A slowdown in the growth of remittances to Mexico has been a cause for concern as these flows (mostly from the United States) provide a lifeline to a large number of Mexican families.

Three factors appear to be responsible for this slowdown: (a) high base effect - after more than doubling during 2002-2007, the rate of growth is beginning to slow; (b) tighter enforcement of immigration rules in the United States is likely to have caused a shift in remittance flows to hand carrying and unrecorded channels; and (c) the slowdown in the US economy, especially in the construction sector, has affected the employment and incomes of Mexican migrants in the US (see [news item](#)).

Officially reported remittance flows to Mexico in the first five months of 2008 followed a similar trend to that of the previous two years, and they have remained almost unchanged from 2007 (chart 1). As highlighted in [Migration and Development Brief 2](#), monthly remittances to Mexico show strong seasonality, reaching a peak during May on account of Mother's Day.

Chart 1: Remittances received by Mexico

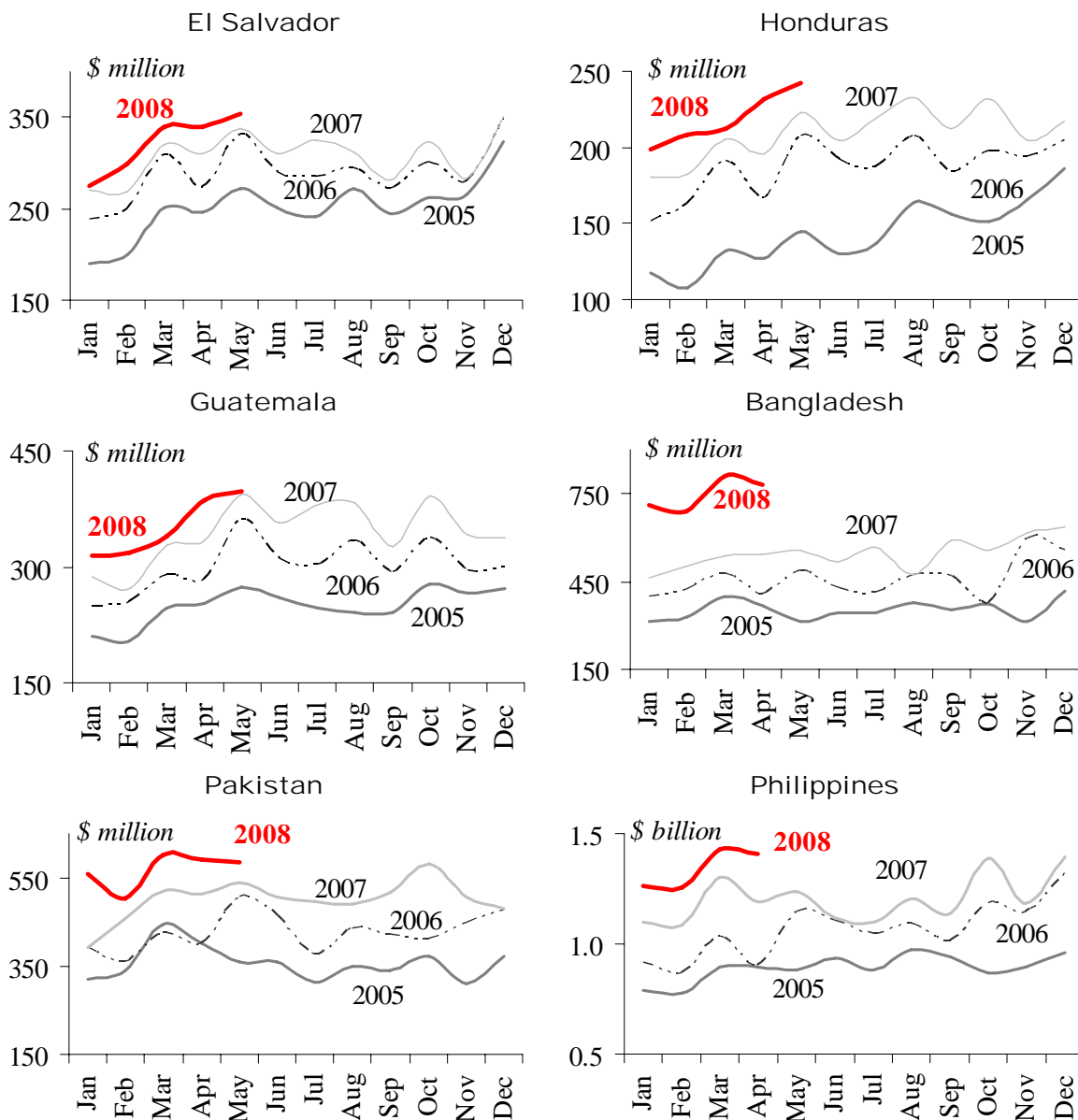


Source: Banxico

Mexican migrants are still sending money home, if necessary by taking up whatever jobs they can find, postponing consumption, or drawing on savings. There are also anecdotal reports that stringent immigration enforcements have encouraged some remittances to shift to hand carry or informal channels. Thus, it cannot be ruled out that the true size of remittances to Mexico (including unrecorded flows) is probably increasing although at a slower rate than during the last year.

It is also seen that remittance flows to El Salvador, Honduras and Guatemala appear to be less affected than those to Mexico, because the former countries are less affected by immigration restrictions, since many of them have temporary protected status or special immigration arrangements with the US (see chart 2 below).

Chart 2: Remittances to other Latin American countries and Asian countries



Source: Central banks of the respective countries

The chart also show that remittances to the Philippines and Pakistan are continuing to grow robustly, while Bangladesh has experienced a steep increase in 2008 compared to the previous three years. All three of these countries send a relatively large number of migrants

to the Gulf Cooperation Council (GCC) countries which are experiencing an economic boom due to high commodity prices, which is resulting in an increasing demand for migrant labor. The GCC countries have among the highest number of migrants as a share of population in the world: 78 percent in Qatar, 71 percent in the U.A.E, 62 percent in Kuwait, 41 percent in Bahrain, 26 percent in Saudi Arabia, and 24 percent in Oman (see [Factbook 2008](#)). Remittances from these migrants are helping mitigate the impact of high food and oil prices on the poor in many developing countries.

Migration and Development Briefs are intended to be informal briefing notes for World Bank staff interested in the topic of migration, remittances, and development. Contributions are greatly welcome. The views expressed are those of the authors and may not be attributed to the World Bank Group. The latest data on remittances and other useful resources are available at www.worldbank.org/prospects/migrationandremittances. Feedback, and requests to be added to or dropped from the distribution list, may be sent to Dilip Ratha at dratha@worldbank.org.