World Bank Report on Remittances

Why in news?

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The report on remittances for 2018 was released in the latest edition of the World Bank's Migration and Development Brief.

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What are the highlights?

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- **India** - India will retain its position as the world's top recipient of remittances this year with its diaspora sending a USD 80 billion back home.
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- India is followed by China (USD 67 billion), Mexico and the Philippines (USD 34 billion each) and Egypt (USD 26 billion).
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- Over the last three years, India has registered a significant flow of remittances, from USD 62.7 billion in 2016 to USD 65.3 billion 2017.
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- In 2017, remittances constituted 2.7% of India's GDP.
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- **Global** - Officially-recorded remittances to developing countries will increase by 10.8% to reach USD 528 billion in 2018.
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- This new record level follows a robust growth of 7.8% in 2017.
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- Global remittances, which include flows to high-income countries, are projected to grow by 10.3% to USD 689 billion.
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- **South Asia** - Remittances to South Asia are projected to increase by 13.5% to USD 132 billion in 2018.
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- This is a stronger pace of growth than the 5.7% growth seen in 2017.
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- The upsurge is driven by stronger economic conditions in advanced economies, particularly the US.

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- Also, the increase in oil prices has a positive impact on outflows from some Gulf Cooperation Council (GCC) countries.
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- This, notably, include the UAE which reported a 13% growth in outflows for the first half of 2018.
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- Bangladesh and Pakistan both experienced strong upticks of 17.9% and 6.2% in 2018, respectively.
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- But for 2019, it is projected that remittances growth for the South Asian region will slow to 4.3% due to -
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i. moderation of growth in advanced economies
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ii. lower migration to the GCC
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iii. the benefits from the oil price spurt dissipating
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- **Future** - The future growth of remittances is vulnerable to lower oil prices, and restrictive migration policies.
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- Also, the global economic growth is projected to moderate in the coming year.
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- So future remittances to low- and middle-income countries are expected to grow only moderately by 4% to reach USD 549 billion in 2019.
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- Global remittances are expected to grow 3.7% to USD 715 billion in 2019.
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- **Remittance cost** - The report highlights that even with technological advances, remittances fees remain too high.
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- The global average cost of sending USD 200 remains high at 6.9% in the third quarter of 2018.
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- The average cost of remitting in South Asia was the lowest at 5.4%, while Sub-Saharan Africa continued to have the highest at 9%.
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- Notably, reducing remittance flows to 3% by 2030 is a global target under Sustainable Development Goal (SDG) 10.7.
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- Increasing the volume of remittances is also a global goal under the proposals for raising financing for the SDGs.
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What lies ahead?

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- Remittances have a direct impact on alleviating poverty for many households.
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- World Bank has the mandate and scope to work with countries to facilitate this process.
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- Finding solutions to address the factors that drive up remittance costs is thus essential.
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- Opening up markets to competition and promoting the use of low-cost technologies will ease the burden on poorer customers.
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Source: Financial Express

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