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# International Migration, remittances and the Economic Crisis

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# Impacts on labour migration flows

In the current context, decreasing demand for labour and increasing pressure from public opinion have contributed to curb migration flows.

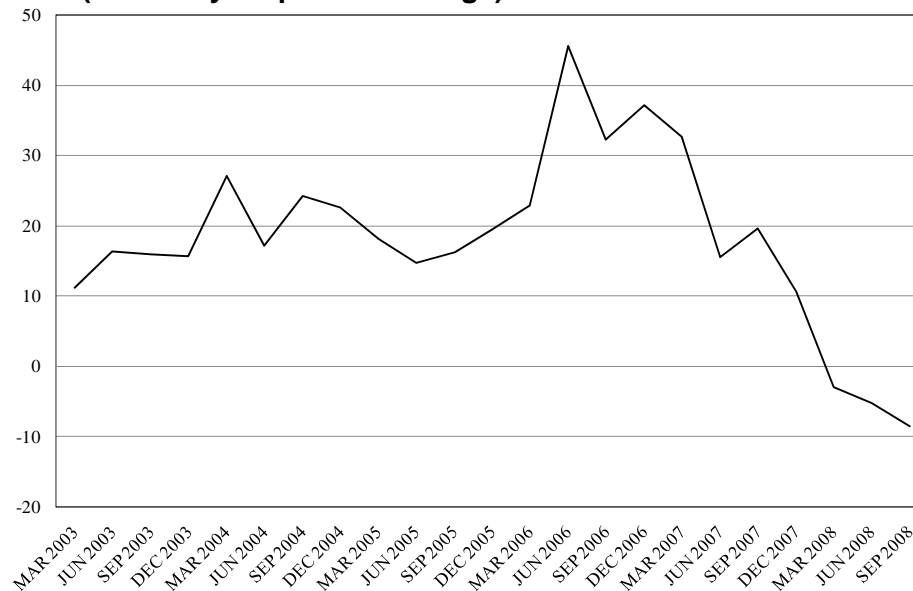
- Many OECD countries have taken action to adjust labour migration (e.g. Australia, Italy, Spain, United Kingdom etc.)
- Even if it is still too early to see significant changes in migration flows ...
  - ... some countries show signs of a decline in temporary labour migration.
- Evidence of return migration, however, remains limited ...
  - ... except between some countries within the European Union.

Not all labour needs disappear during a downturn and even, in the short term, it is unlikely that labour migration will entirely cease.

# Remittances prospects

- According to estimates by the World Bank, growth in remittance flows to developing countries began to slow down in the second half of 2008 and remittances are expected to reach about 283 billion USD in 2008
- For 2009, the World Bank anticipates a decline between 1% and 5.7% in remittances flows to developing countries and a rebound in 2010.
- Preliminary figures show a decline, for example in Spain and to a lesser extent in Mexico (partly offset by a depreciation of the Mexican Peso)

**Growth of remittance flows from Spain, 2003-2008  
(Year-on-year percent change).**



Source: Banco de España.

# Expected impact on remittances

- Remittances are subject to conflicting forces:
  - Remittances are countercyclical : they would tend to increase as the situation worsen in origin countries
  - Remittances may be negatively affected by decreasing net migration trends and decreasing income of immigrants in receiving countries
- Changes in the economic behaviour of immigrants
  - Consumption as a residual factor => resilience of remittances
  - Family reunification => decrease in remittances
  - Portability of social benefits and pensions



# Policy responses and uncertainties

- Policy responses
  - *Reducing costs of remittances* : formal/informal; incentives from the banks;
  - *Attracting remittances* : subsidies; accounts in foreign currencies; new financial products to better mobilise immigrants' savings; manipulating exchange rates;
- There is a great deal of uncertainty with regard to :
  - The magnitude and the relative timing of the economic crisis in origin countries
  - Exchange rate : lessons from the previous crisis
  - Economic and political instability
  - Housing market in origin and destination country