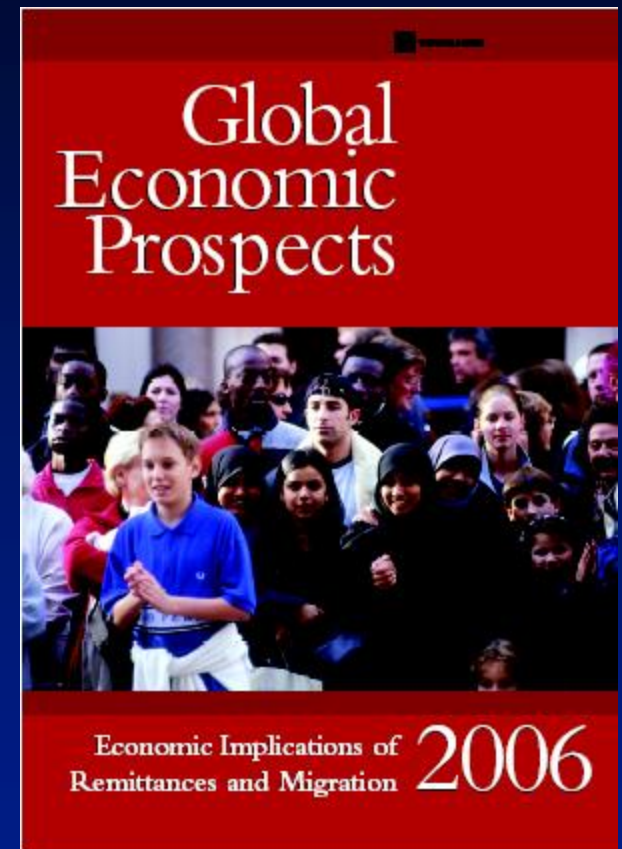


# Global Economic Prospects 2006

## Economic Implications of Remittances and Migration



Ankara  
January 27, 2006



DEVELOPMENT PROSPECTS

# Development implications of migration and remittances

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- Migration and remittances continue to increase
- Migration generates substantial welfare gains and reduces poverty. Benefits to countries of origin are mostly through remittances
- There is considerable scope for reducing remittance costs faced by poor migrants



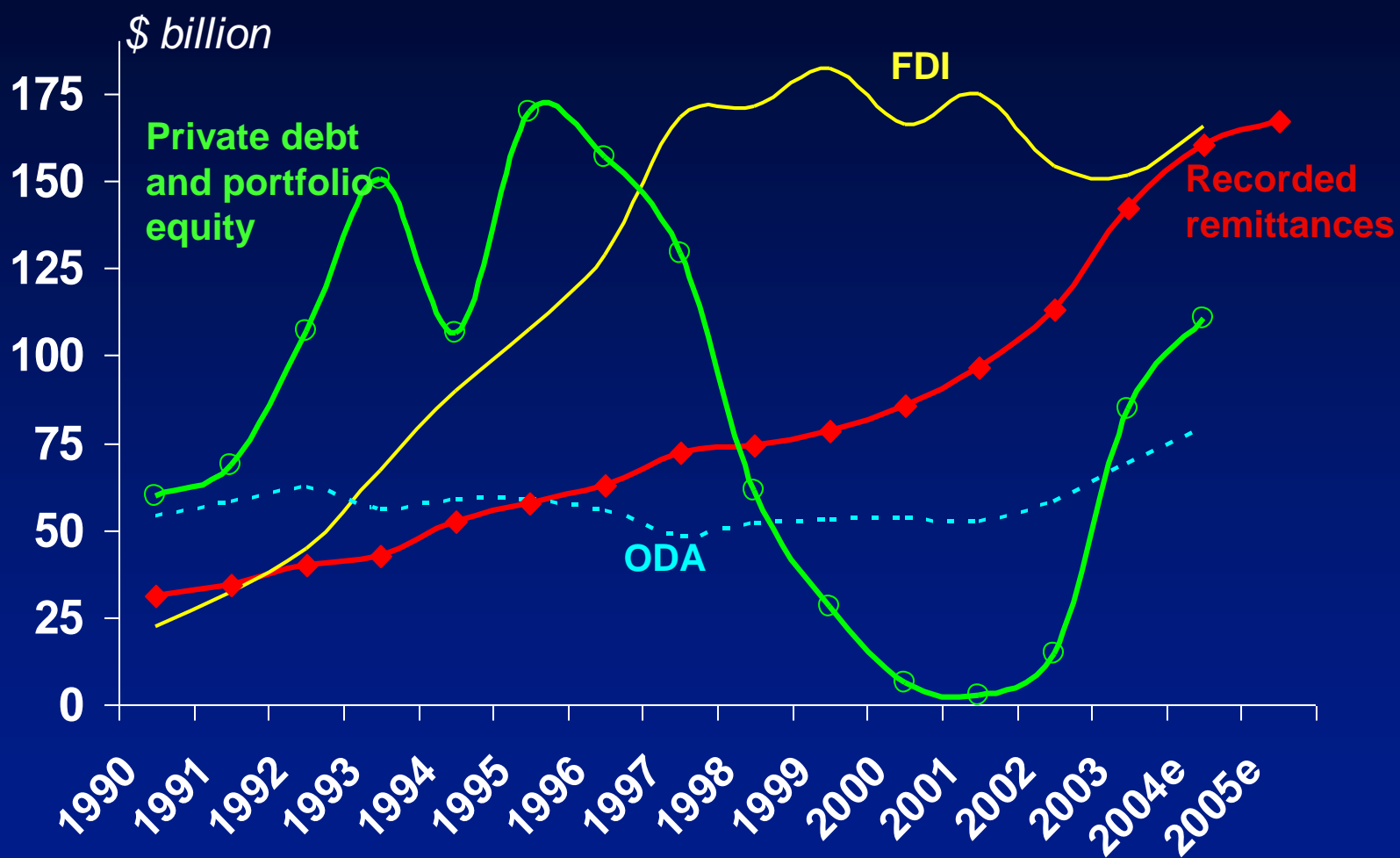
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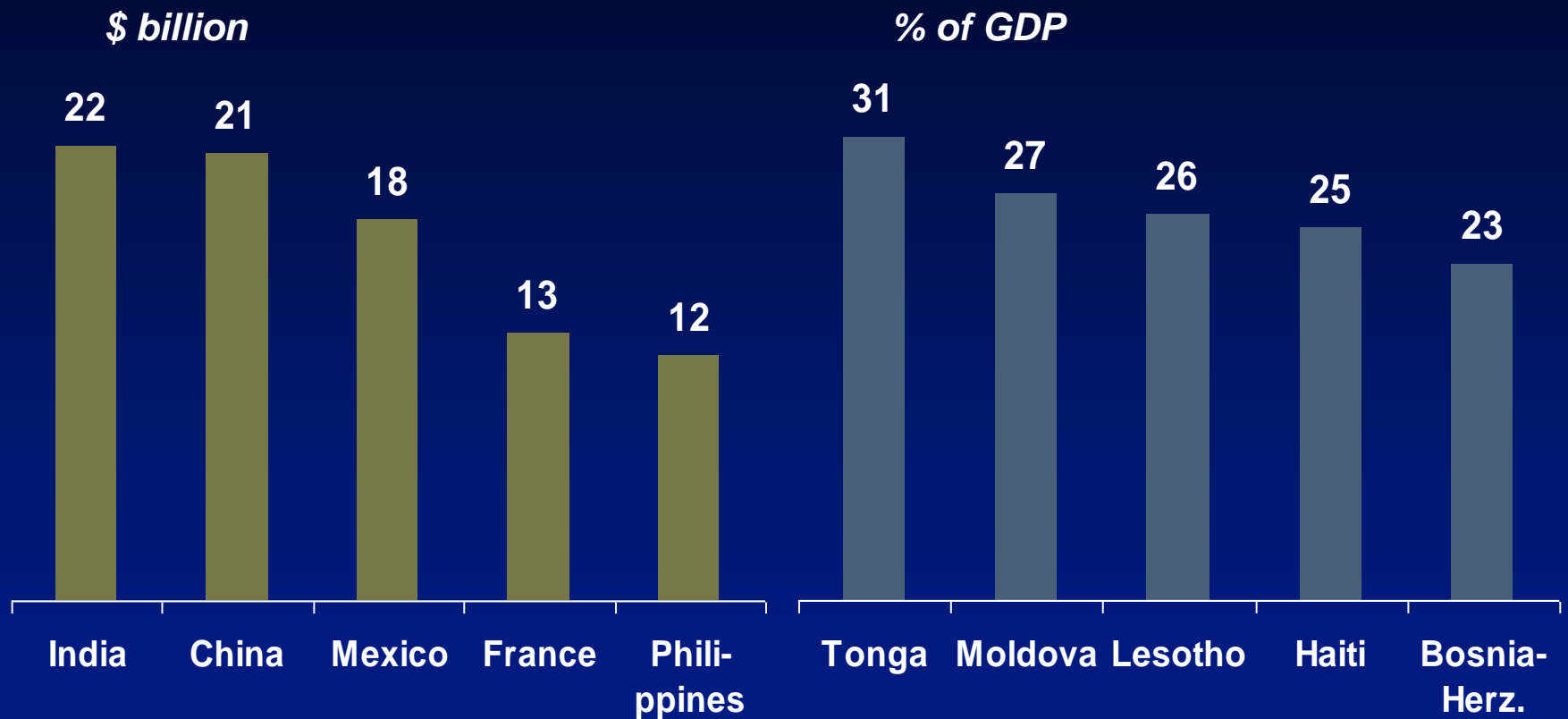
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# Remittances have continued to increase



# Top recipients of remittances, 2004



# Development implications of migration and remittances

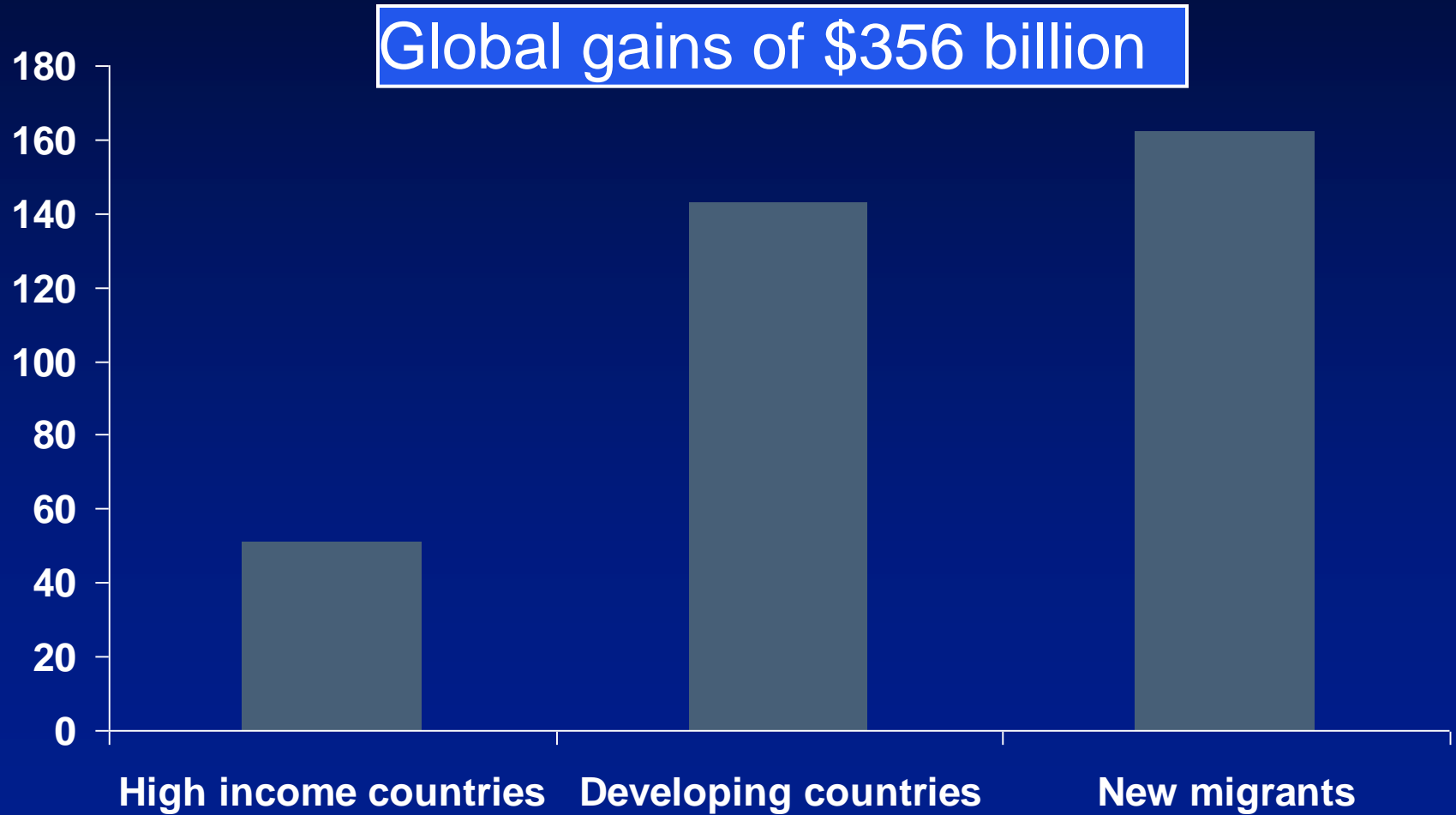
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# Migration boosts welfare for most households

*Change in real income in 2025*  
*\$ billion*



# Remittances reduce poverty

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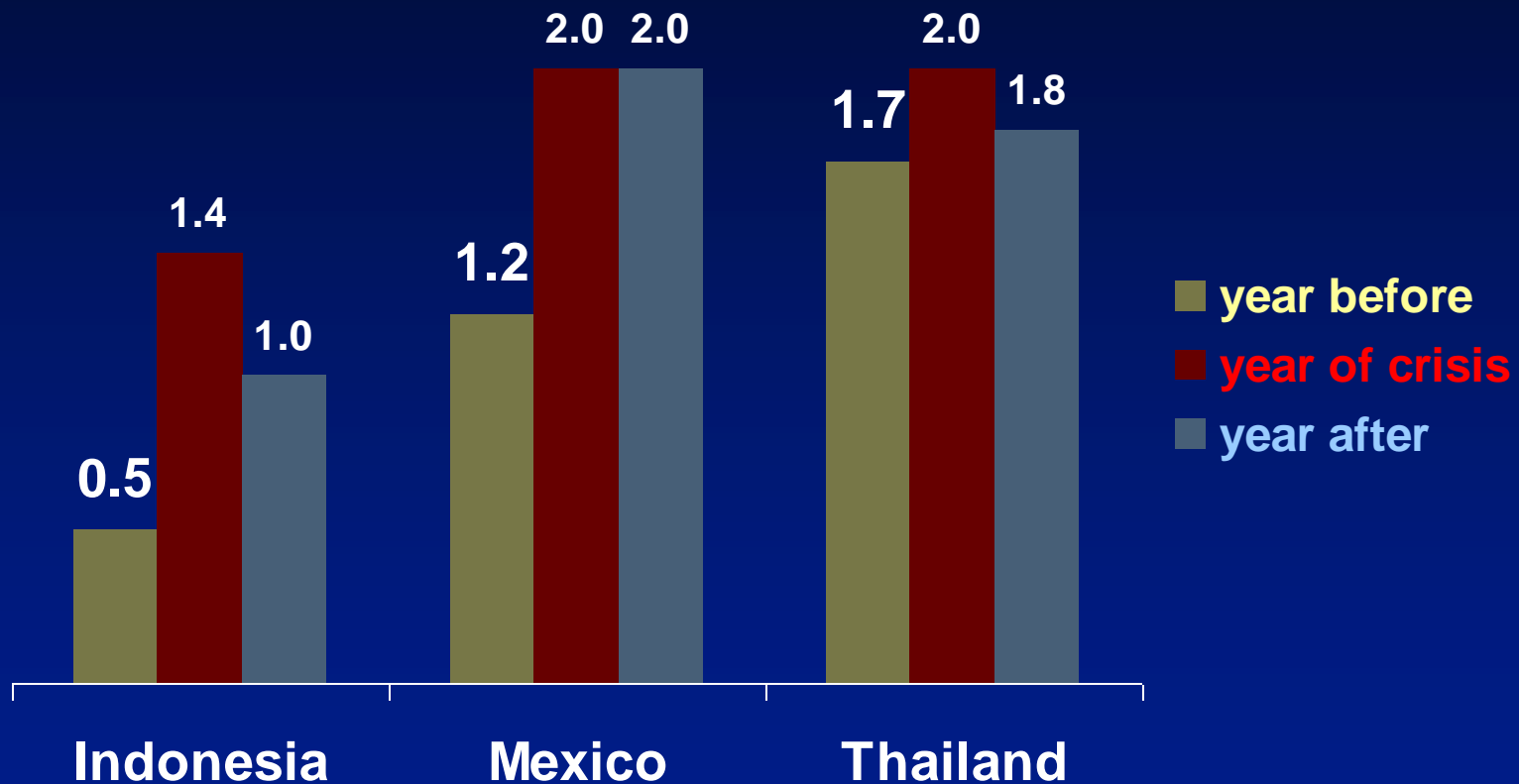
- Evidence from a few household surveys shows that remittances reduce poverty
- Cross-country evidence shows that a 10% increase in per capita remittances leads to a 3.5% decline in the share of poor people
- Remittances also finance education and health expenditures, and ease credit constraints on small businesses



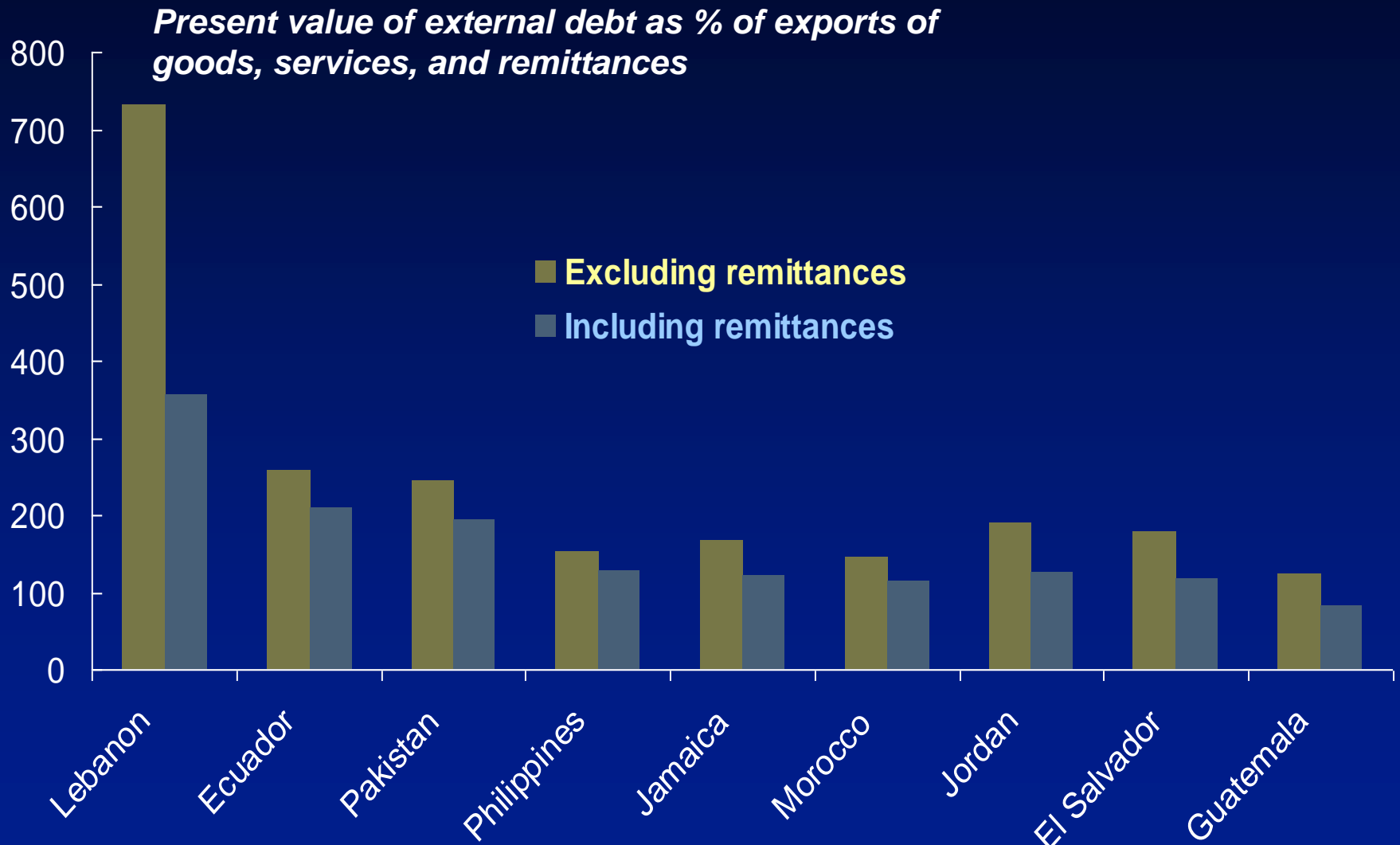


# Remittances tend to rise following crisis, natural disaster, or conflict

*Remittances as % of private consumption*



# Remittances improve countries' access to capital



# Downside

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- Large remittance flows may lead to currency appreciation and adverse effects on exports
- Remittances may create dependency
- Remittance channels may be misused for money laundering and financing of terror



# Development implications of migration and remittances

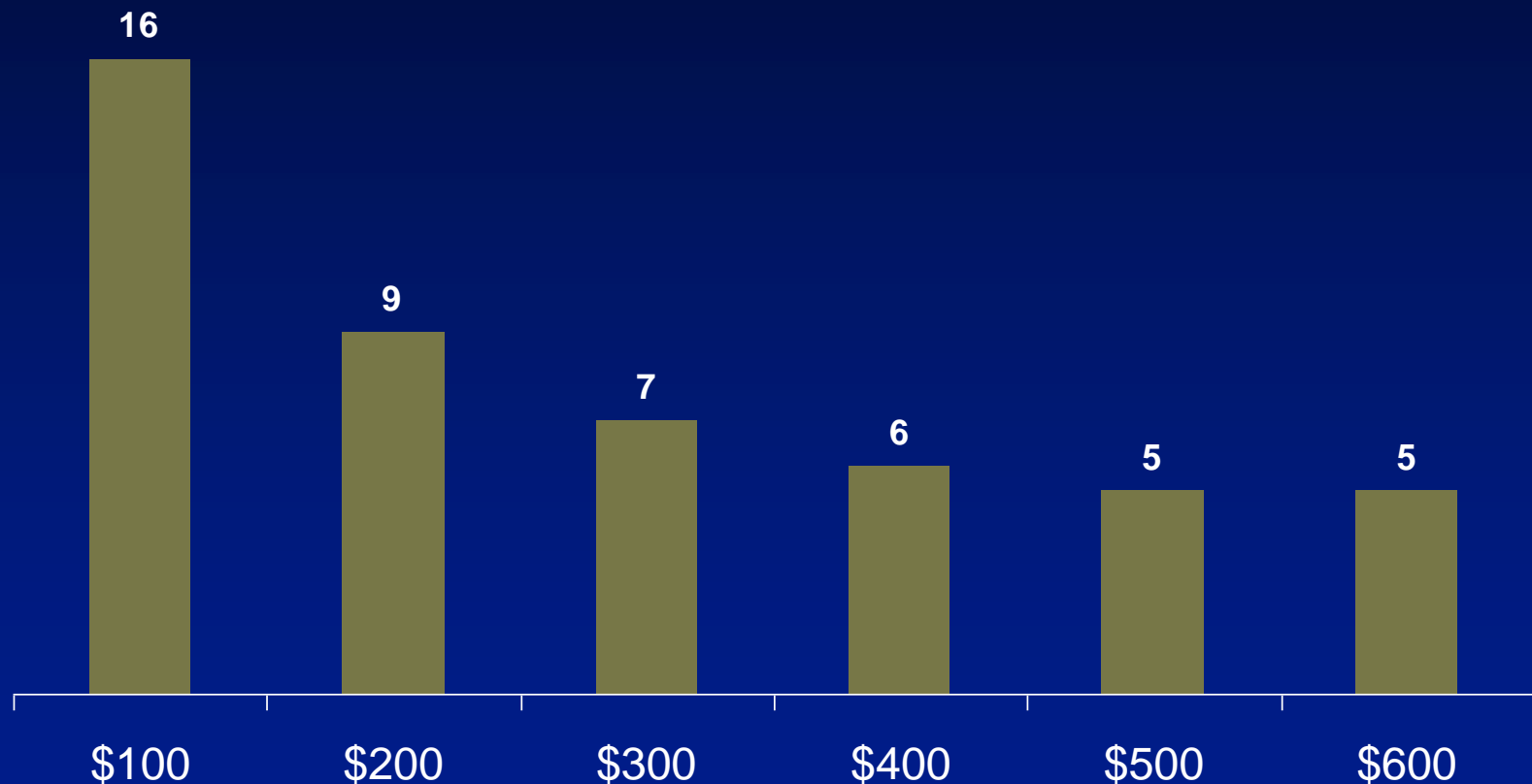
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# Remittance fees are high, and regressive

*Fee and foreign exchange commission as % of principal*



*Weighted average of fees of four largest money transfer operators in the U.S.-Mexico corridor*



# Policy priorities

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- Governments can provide information and regulate intermediaries to reduce risks, costs of migration
- High remittance costs faced by poor migrants can be reduced by increasing access to banking and strengthening competition in the remittance industry
- Governments should not tax remittances or direct the allocation of expenditures financed by remittances



# Outlook for the global economy

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- Despite a cyclical slowdown, GDP continues to grow rapidly in developing countries, underpinned by past policy reforms.



# Outlook for the global economy

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- Low-income oil importers have only recently started to feel the squeeze of high oil prices and are vulnerable to further spikes.





# Outlook for the global economy

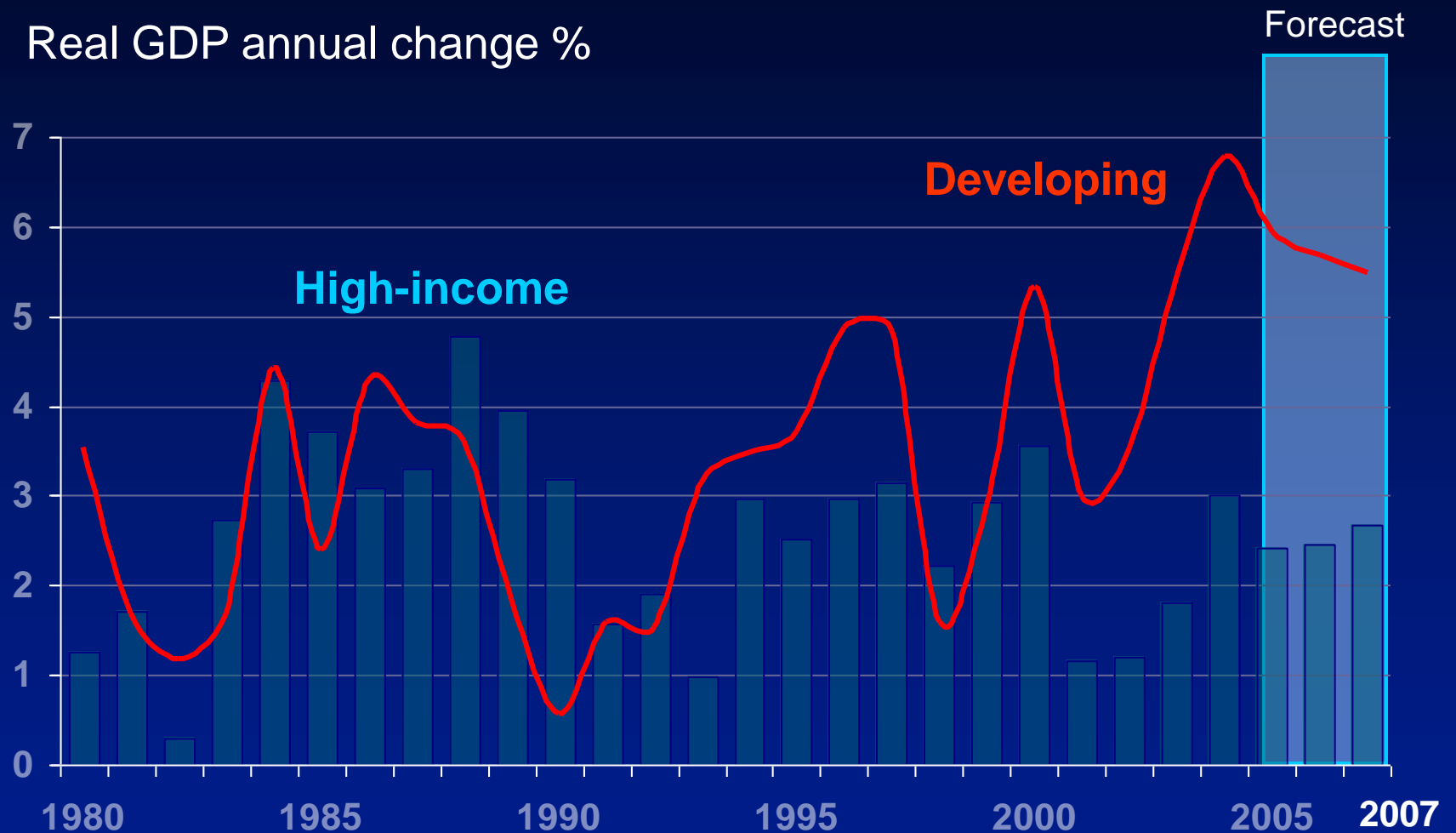
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- Despite a cyclical slowdown, GDP continues to grow rapidly in developing countries, underpinned by past policy reforms.
- Low-income oil importers have only recently started to feel the squeeze of high oil prices and are vulnerable to further spikes.
- The possibility of a large and disruptive rise in interest rates also poses a serious risk.



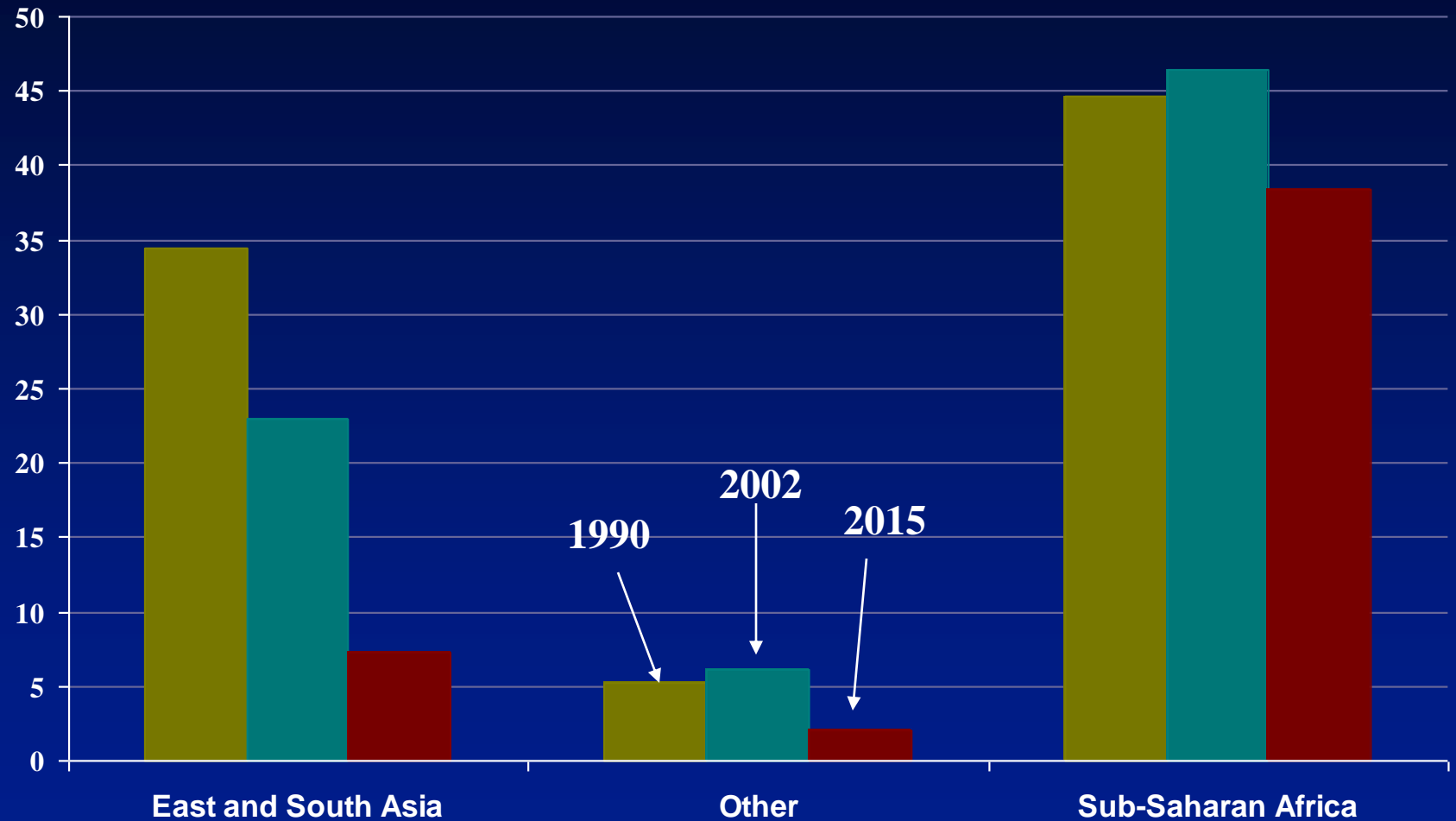
# Growth in developing countries is still strong

Real GDP annual change %



# Poverty forecast

Share of population living on \$1/day, millions



# Outlook for the global economy

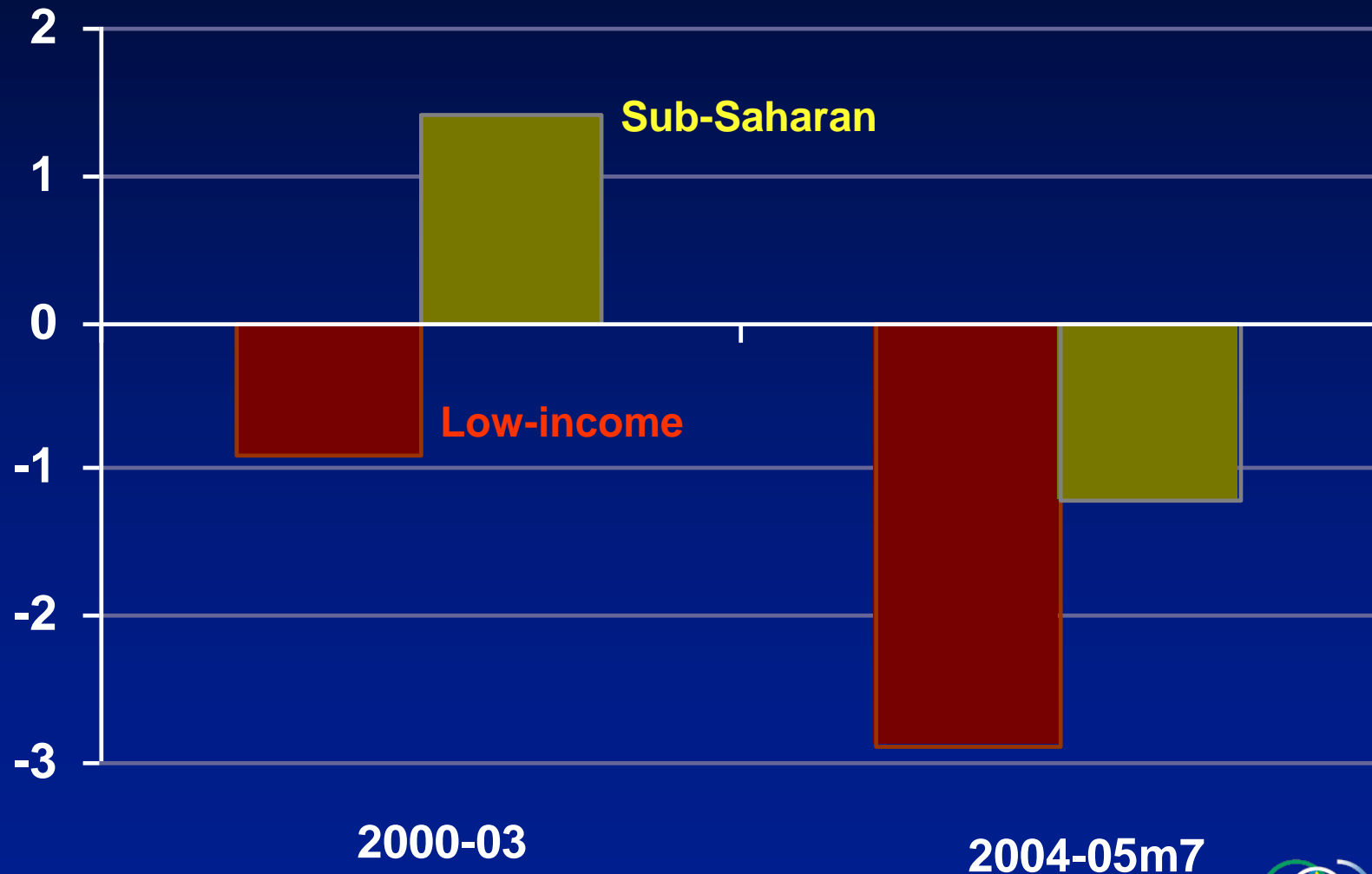
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# Poor oil-importing countries now more vulnerable

Terms-of-trade impact  
(% of GDP)



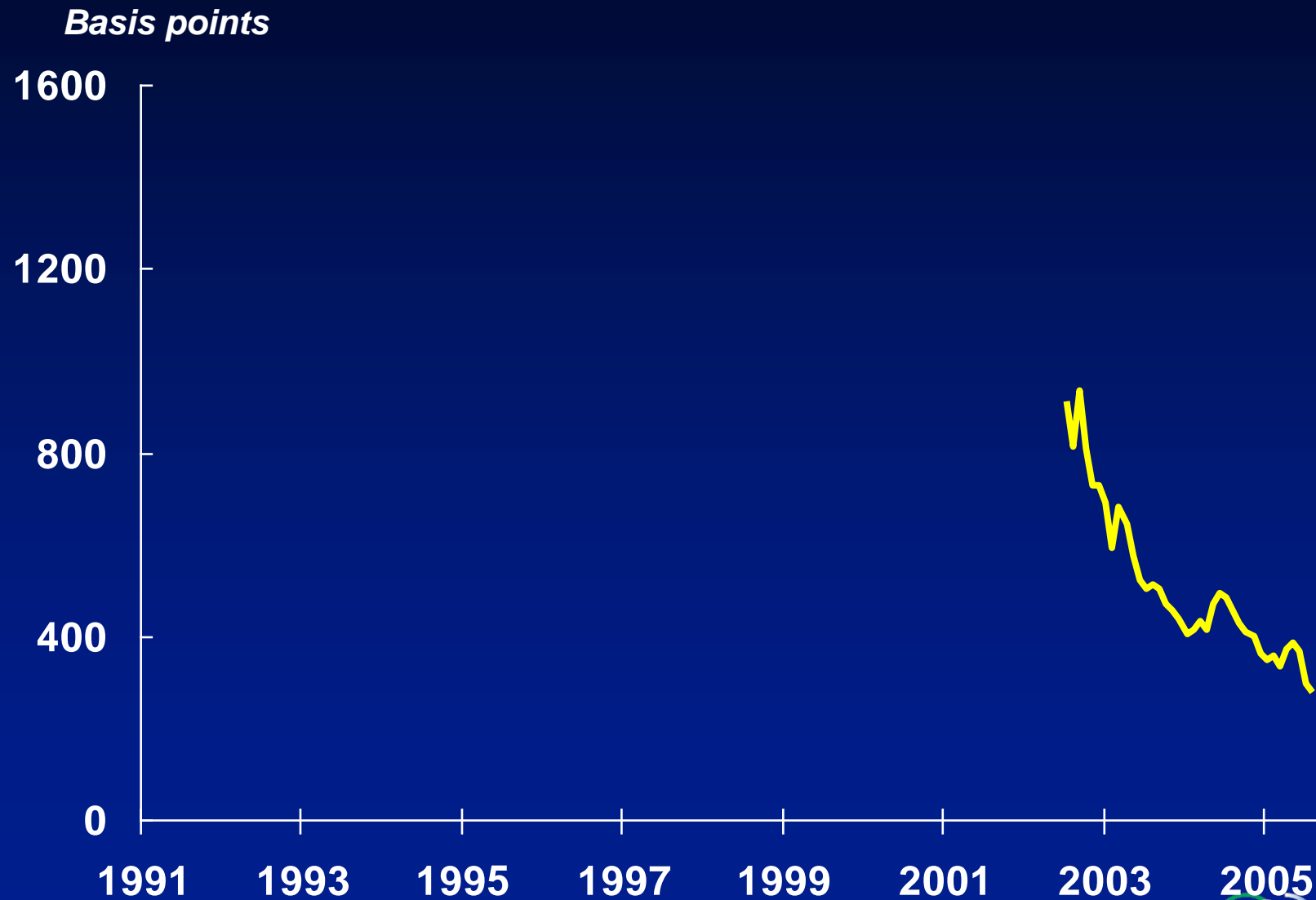
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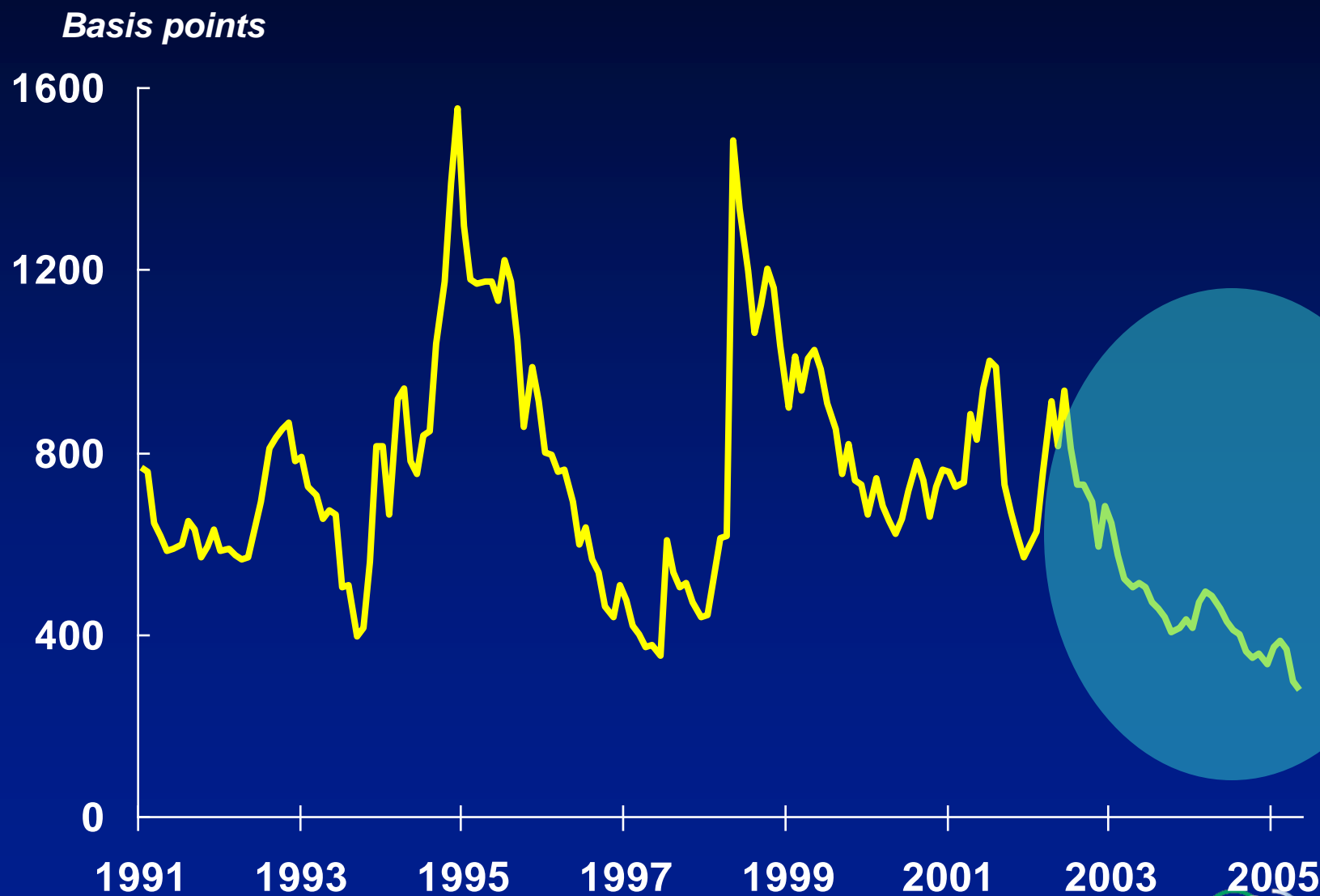
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# Low spreads have supported growth, but...



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# Policy priorities

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- Long-term prospects of developing economies will depend importantly on further reforms, including a successful Doha round.
- Policy must promote not impede oil-sector adjustment mechanisms.
- Increased public and private savings in the U.S., supportive policy in Europe and continued balance sheet vigilance by emerging markets will reduce global interest rate risks.



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**For more:**

**[www.worldbank.org/prospects/gep2006](http://www.worldbank.org/prospects/gep2006)**

**[www.worldbank.org/globaloutlook](http://www.worldbank.org/globaloutlook)**

**Thank you!**

