Remittances Remain Resilient but Are Slowing

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Summary

This *Migration and Development Brief* (number 38 in the series) describes key developments in remittance flows that have occurred since the previous brief, published in November 2022. Projections of remittance trends in 2023 are made in light of a slowing global economy, continued high inflation and increased interest rates, and Russia's invasion of Ukraine and the conflict in Sudan.

Remittance trends. In the post-COVID period, remittances have become even more important as a source of external financing. They have proved to be resilient. In 2022, remittance flows to low- and middle-income countries increased by 8 percent, to reach $647 billion, registering higher growth than our expectations six months ago. This increase is remarkable, given that it followed a 10.6 percent growth rate in 2021 and the economic environment seemed difficult due to slowing economies around the world, inflation, and the war in Ukraine.

In 2023, however, the growth of remittances is expected to moderate to 1.4 percent, to a level of $656 billion due to slowing economic growth in major source countries. Slower growth in remittances is expected in all regions, notably in Europe and Central Asia (1 percent) and South Asia (0.3 percent). In Europe and Central Asia, the growth in remittances is slowing down because of a high base effect, lingering weakness in flows to Ukraine and Russia, and the weakening of the ruble against the US dollar. In South Asia, growth in remittances is expected to contract due to worldwide layoffs in the information technology sector, lower oil prices that are expected to decrease remittance flows from the Gulf Cooperation Council countries, and the continued diversion of remittance flows to informal channels as economic uncertainties worsen in some recipient countries.

By contrast, the growth rate of remittances is expected to continue to be relatively strong in Latin America and the Caribbean (3.3 percent). Most senders of remittances to this region are based in the United States, where both the employment levels and wages of Hispanic and foreign-born workers have been strong. Growth rates of remittance flows are expected to be 1.7 percent in the Middle East and North Africa, 1 percent in the East Asia and Pacific region, and 1.3 percent in Sub-Saharan Africa.

Besides economic growth and the employment levels of foreign workers, the other two variables that affect remittance flows are oil prices (especially in the Russian Federation and member countries of the Gulf Cooperation Council), and exchange rates of local currencies with respect to the US dollar. When the local currency of a source country (e.g., the ruble) weakens against the US dollar, the value of remittances in US dollar terms declines correspondingly. Such valuation effects are significant in the case of remittance flows to Central Asian countries (where remittances originate in ruble terms) and in the case of North Africa (where remittances originate in terms of euro or pound sterling). In many remittance-recipient countries that are facing balance of payments difficulties and the emergence of gaps between the official and the market exchange rate, remittance flows may shift to informal channels, in which case the official data on remittances would underestimate the true size of flows. This is likely the case in several economies in South Asia and Sub-Saharan Africa.

Remittance costs (United Nations Sustainable Development Goal indicator 10.c.1). According to the World Bank's Remittance Prices Worldwide Database, the global average cost of sending $200 to low- and middle-income countries was 6.2 percent in the fourth quarter of 2022, more than twice as high as the Sustainable Development Goal target of 3 percent. Among developing country regions, the cost was lowest in South Asia, at about 4.9 percent, while Sub-Saharan Africa continued to have the highest average cost, at about 8.0 percent.

Migration trends. Migration flows are at record levels in recent history. Border crossings continue to be high in the United States and in Europe since pre-COVID levels. Tightening of border controls in some host countries has led to an increase in the number of transit migrants in many countries (including Mexico, Egypt, and Morocco). Refugee flows have grown due to conflicts in Sudan and Ukraine. The number of internally displaced persons is rising due to climate disasters (e.g., in the Horn of Africa and the Sahel).

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1. Trends in Remittance Flows

1.1 Remittance Flows Remain a Major Source of External Finance for Developing Countries

In 2022, remittance flows to low- and middle-income countries (LMICs) are estimated to have increased by 8 percent, reaching $647 billion (according to revised official data). The remittance growth rate is expected to moderate to 1.4 percent in 2023, resulting in total inflows of $656 billion (table 1.1). For the world, remittance flows are expected to reach $840 billion in 2023. On a global scale, the remittances growth rate is projected to increase to 2.0 percent in 2024, increasing inflows by $18 billion.

Over the past year, remittances have continued to represent an even larger source of external finance for LMICs, relative to foreign direct investment (FDI), official development assistance (ODA), and portfolio investment flows (figure 1.1a). The importance of remittances as a premier source of external finance for LMICs is more apparent when China is excluded from the sample (figure 1.1b).

Table 1.1 Estimates and Projections of Remittance Flows to Low- and Middle-Income Regions

($ billions)	2016	2017	2018	2019	2020	2021	2022e	2023f	2024f
Low- and middle-income countries	435	475	522	548	542	599	647	656	666
East Asia and Pacific	122	128	137	143	131	129	130	131	132
excluding China	61	65	70	74	72	76	79	81	83
Europe and Central Asia	43	52	59	62	58	66	79	80	80
Latin America and the Caribbean	73	81	89	96	103	130	145	150	154
Middle East and North Africa	48	54	55	57	60	67	64	65	67
South Asia	111	117	132	140	147	157	176	177	178
Sub-Saharan Africa	39	42	49	49	43	50	53	54	56
World	590	640	695	727	717	791	831	840	858
Growth rate (percent)									
Low- and middle-income countries	-1.5	9.3	9.8	5.0	-1.1	10.6	8.0	1.4	1.5
East Asia and Pacific	-0.9	5.3	7.0	4.0	-8.0	-2.0	0.7	1.0	1.0
excluding China	3.0	5.8	8.4	6.4	-3.4	5.5	3.8	3.0	2.9
Europe and Central Asia	2.2	21.1	12.9	4.7	-6.9	15.3	19.0	1.0	-0.2
Latin America and the Caribbean	7.2	11.0	9.9	8.3	7.1	26.5	11.3	3.3	2.7
Middle East and North Africa	-1.2	13.4	2.2	4.1	3.7	12.2	-3.8	1.7	1.8
South Asia	-5.9	6.0	12.3	6.1	5.2	6.7	12.2	0.3	0.8
Sub-Saharan Africa	-8.6	9.6	16.9	0.0	-13.0	16.3	6.1	1.3	3.7
World	-1.0	8.4	8.6	4.5	-1.4	10.4	5.1	1.1	2.0
Memo items: Remittances to LMICs according to the 2021 country classification used in MD Brief 36									
($ billion)	442	482	529	556	550	609	656	666	677
(% growth)	-1.3	9.2	9.7	5.1	-1.2	10.8	7.8	1.5	1.5

Source: World Bank–KNOMAD staff estimates. See the appendix to *Migration and Development Brief 32* for forecasting methods (World Bank/KNOMAD 2020).
Note: e = estimate; f = forecast; LMICs = low- and middle-income countries.
* In the 2022 country classification of Brief 37, Panama and Romania moved to the high-income group from the upper-middle-income group. While Palau moved to the upper-middle-income group from the high-income group, Venezuela has been unclassified due to a lack of available data.

Figure 1.1a Remittances, Foreign Direct Investment, and Official Development Assistance Flows to Low- and Middle-Income Countries, 2000–2024f

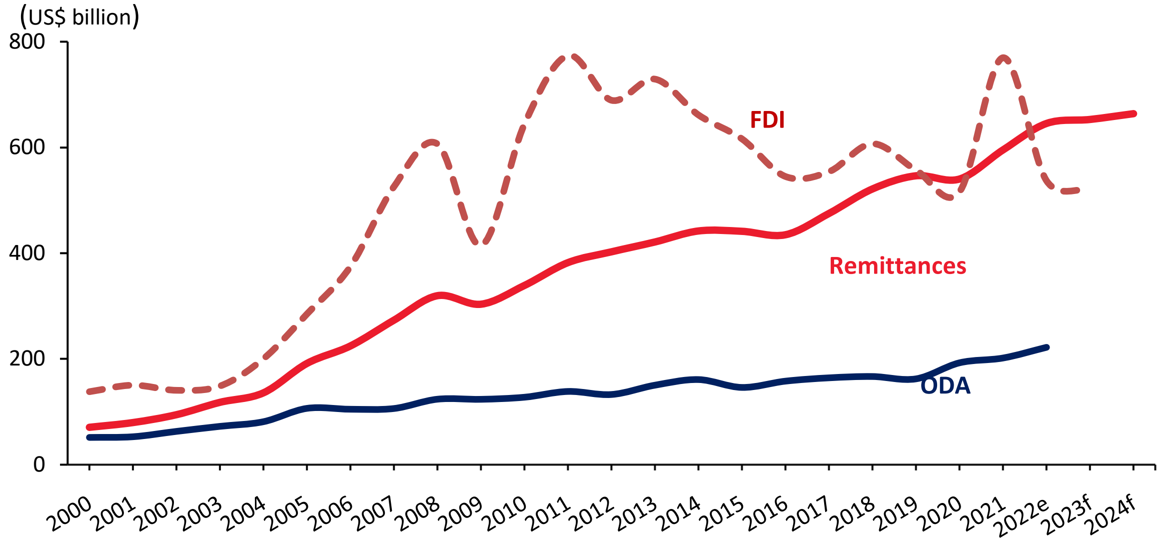
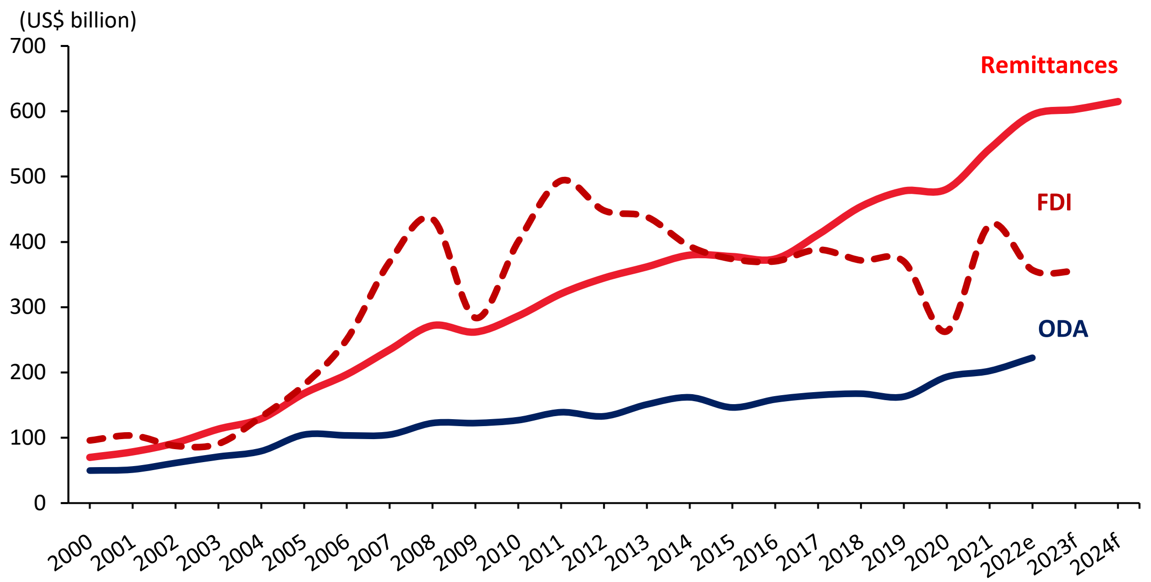


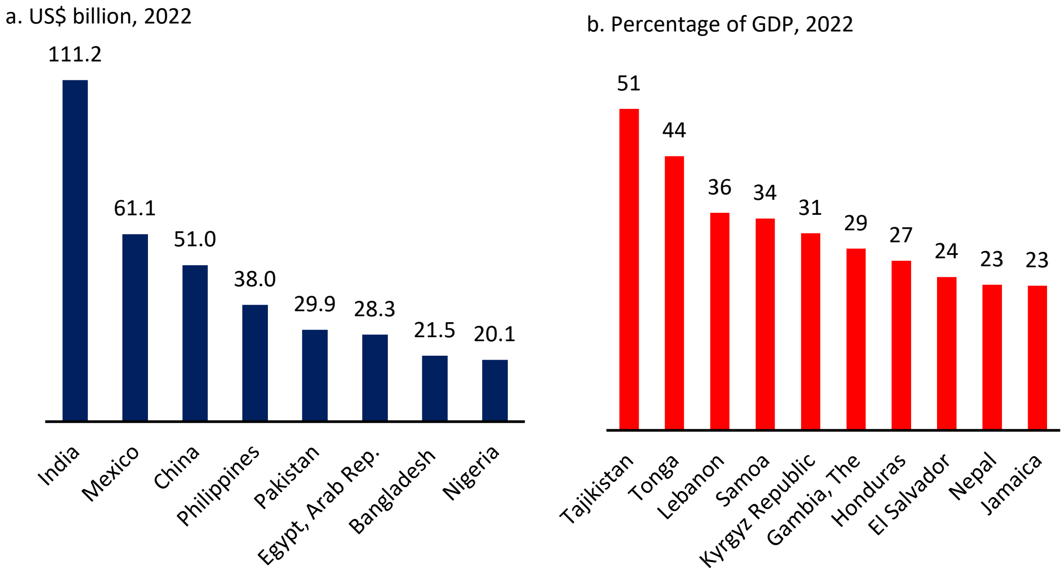
Figure 1.1b Remittances, Foreign Direct Investment, and Official Development Assistance Flows to Low- and Middle-Income Countries, Excluding China, 2000–2024f



Sources: World Bank–KNOMAD staff; World Development Indicators; IMF Balance of Payments Statistics. Also see World Bank/KNOMAD (2016) for sources, methods, and challenges of collecting remittance data.
Note: FDI = foreign direct investment; ODA = official development assistance; e = estimate; f = forecast.

The top five recipient countries for remittances in 2022 were India, which received a total of $111 billion in the year, followed by Mexico with inflows of $61 billion, then China ($51 billion), the Philippines ($38 billion), and Pakistan ($30 billion) (figure 1.2a). Among economies where remittance inflows represent very large shares of gross domestic product (GDP) – highlighting the importance of remittances for funding current account and fiscal shortfalls – Tajikistan (51 percent of GDP), Tonga (44 percent), Lebanon (35 percent), Samoa (34 percent), and the Kyrgyz Republic (31 percent) stand in the top ten (figure 1.2b).

Figure 1.2 Top Recipients of Remittances among Low- and Middle-Income Countries, 2022

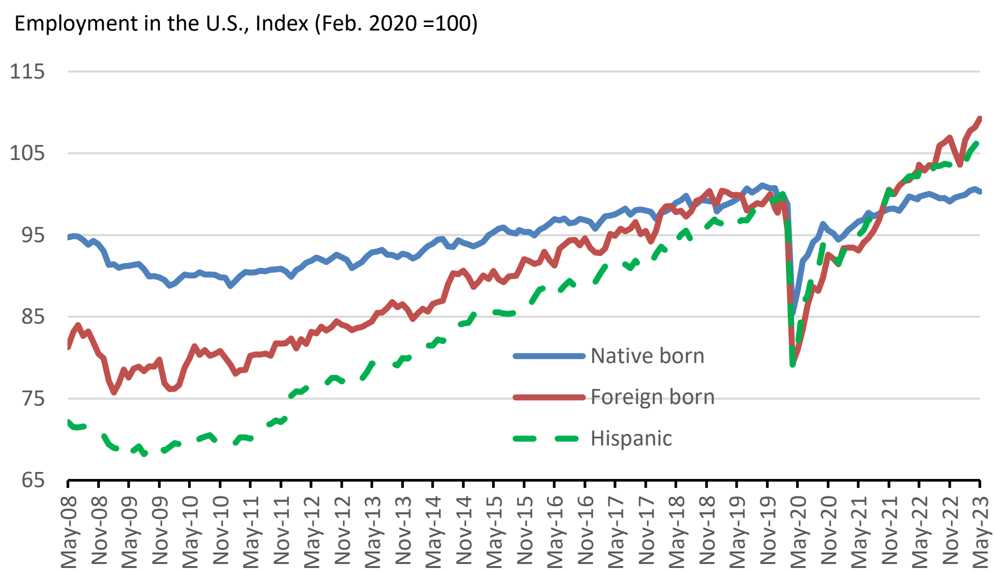


Source: World Bank–KNOMAD staff; World Development Indicators; IMF Balance of Payments Statistics.
Note: GDP = gross domestic product.

1.2 Strong Growth of Remittances in 2022

Remittance receipts by LMICs increased by 8 percent in 2022, reaching $647 billion and exceeding the forecast given in *Migration and Development Brief 37* (published in November 2022). Strong growth in remittances in 2022, which followed a 10.6 percent increase in 2021, came in the face of slower growth and high inflation in some countries of the Organisation for Economic Co-operation and Development (OECD), which may have reduced the real incomes of migrants. Remittances were supported by the oil boom in member countries of the Gulf Cooperation Council (GCC), which increased migrants' incomes; large money transfers from the Russian Federation to countries in Central Asia; and the strong labor market in the United States and the OECD countries.

Figure 1.3 Employment Levels of Hispanic, Foreign, and Native Born in the United States



Sources: U.S. Bureau of Labor Statistics and World Bank/KNOMAD staff calculations.

The job market in the OECD countries recovered after the onset of the COVID-19 pandemic and improved most quickly for immigrants. In many OECD countries, immigrants returned to or exceeded their pre-crisis levels of employment in 2021 (OECD 2022); in the United States, foreign-born employment recovered to the precrisis level rapidly (see figure 1.3 and section on Latin America and the Caribbean in chapter 2).

Remittances to the **East Asia and Pacific** region increased by 0.7 percent to reach $130 billion in 2022. Excluding China, remittances to the region rose by 3.8 percent relative to growth of 5.5 percent in 2021. Remittances to China have declined in recent years as an aging population and rising prosperity slowed the pace of less-skilled emigration. Remittance growth in the Philippines, the fourth-largest remittance recipient globally in 2022 ($38 billion), benefited from recent bilateral arrangements with destination governments. Outside of China, growth in remittances in 2022 is attributable to increased post-pandemic demand in OECD countries for East Asia's high-skilled migrants, the management of overall inflation in the GCC countries (which preserved the value of real migrant incomes), and increased employment opportunities in Australia and New Zealand for East Asian migrants.

Remittance flows to **Europe and Central Asia** amounted to a record high of $79 billion in 2022, representing a 19 percent increase from a year previous. Remittance growth in the region was uninterrupted by Russia's invasion of Ukraine, and the majority of remittance flows to the region originated from the Russian Federation. The robust trend was due mainly to record high amounts of Russian remittances to Russia's neighboring countries. A sharp increase in outbound Russian remittances was driven by money transfers through the relocation of Russian companies and people, the appreciation of the Russian ruble, and the increased demand for migrant labor in Russia.

After a record increase in remittances in 2021 (26.5 percent), remittance flows into **Latin America and the Caribbean** increased by 11.3 percent to reach $145 billion in 2022. The strong labor market in the United States had a positive impact on remittance flows during 2022. Remittances to Mexico reached $61.1 billion in 2022, representing an increase of 12.9 percent. Mexico receives the highest level of remittances in the region by far and is the world's second-largest recipient of remittances. The growth of remittances varied widely across countries in 2022, ranging from a rise of 50 percent in Nicaragua to 18 percent in Guatemala, 17.8 percent in Honduras, and 9.7 percent in Colombia.

Growth in remittances to the **Middle East and North Africa** deteriorated in 2022 after posting strong 12.2 percent growth in 2021. Flows to the region fell by about 4 percent to $64 billion in 2022, driven mainly by a drop in flows to Egypt and downturns in flows to Algeria and Jordan. Meanwhile, remittance flows to the Maghreb countries experienced a slight gain (with an exception of Algeria), offsetting some of the decline.

Remittance flows to **South Asia** increased by over 12 percent in 2022 to reach $176 billion, benefiting from strong labor market conditions in the region's high-income OECD destination economies, high demand for less-skilled migrants in GCC countries, and measures to combat inflation in food prices that supported migrant incomes in GCC countries. India remained the largest global recipient with inflows totaling $111 billion in 2022, a growth rate of more than 24 percent. Other regional players with global rankings were Pakistan (ranked fifth) and Bangladesh (seventh), with remittance inflows in 2022 reaching $30 billion and $22 billion, respectively. Among the countries with remittance inflows that form a significant part of GDP, Nepal ranks ninth with remittances equal to 23 percent of GDP.

Remittance flows to **Sub-Saharan Africa** grew by 6.1 percent in 2022, to $52.9 billion. Regional growth in remittances in 2022 was largely driven by strong remittance growth in Ghana (11.9 percent), Kenya (8.5 percent), Tanzania (25 percent), Uganda (17.3 percent), and Rwanda (21.2 percent). Remittances to Nigeria, accounting for about 38 percent of total remittance inflows to the region, increased by 3.3 percent to $20.1

billion. The increase in remittance flows to the region supported the current accounts of several African countries dealing with food insecurity, supply chain disruptions, severe drought (Horn of Africa), floods (in Nigeria, Chad, Niger, Burkina Faso, Mali, and Cameroon), and debt-servicing difficulties.

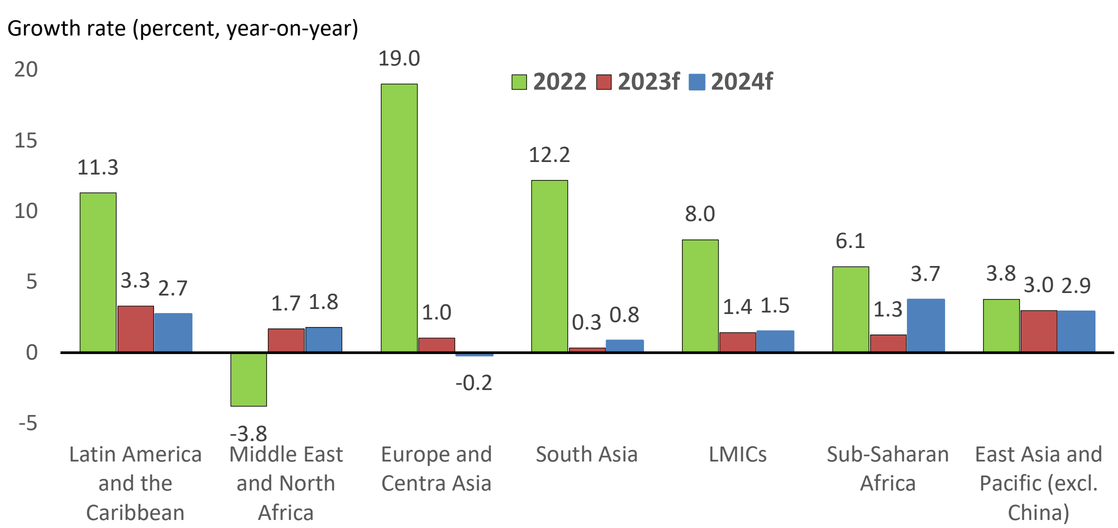
1.3 Remittance Outlook for 2023

The growth of remittances to LMICs is expected to slow to 1.4 percent in 2023 as GDP growth in high-income countries continues to slow (from 2.8 percent in 2022 to a projected 0.8 percent in 2023), further reducing migrants' wage gains in host countries (box 1.1). The growth of remittances is likely to be highest in Latin America and the Caribbean (forecast of 3.3 percent; figure 1.4), as the labor market in the United States continues to hold strong. By contrast, remittance growth is expected to be lowest in South Asia (0.3 percent), largely because of the very high level in 2022, and due to slowing demand for highly skilled information technology (IT) workers in the United States and Europe. In addition, slowing demand for migrants in the GCC countries and weak balance-of-payments conditions and exchange controls are expected to divert remittances to informal money transfer channels in Pakistan, Bangladesh, and Sri Lanka. In Europe and Central Asia, the growth in remittances is expected to fall to 1 percent, due to a high base effect, lingering weakness in flows to Ukraine and Russia, and a weaker Russian ruble (against the US dollar). Remittances may recover somewhat in the Middle East and North Africa with a decline in oil prices, as remittances to Egypt are expected to rebound. In the other regions – East Asia and Pacific, as well as Sub-Saharan Africa – the expected growth rate for remittances in 2023 is about 1 percent**.**

The rising importance of remittances as a financial lifeline in many economies, especially during and in the aftermath of the COVID-19 pandemic, has ignited efforts to improve the quality, frequency, and granularity of data on remittances. The World Bank has launched *RemitStat*, an International Working Group to Improve Data on Remittance Flows, under the auspices of KNOMAD (Global Knowledge Partnership on Migration and Development) and in coordination with 45 top source and destination countries for remittances, and the International Monetary Fund (IMF), the United Nations (UN), OECD, and Eurostat (box 1.2).

A summary of trends drawing on global economic developments, inflation trend, and commodity prices is presented in box 1.1. Section 2 of this brief offers greater detail on region-specific trends.

Figure 1.4 Remittance Flows by LMIC Region, 2022–24f



Source: World Bank–KNOMAD staff estimates.
Note: f = forecast; LMICs = low- and middle-income countries.

Remittance flows to **East Asia and Pacific** are likely to inch up to $131 billion in 2023, with the potential of increasing by 1 percent in 2024. Excluding China, the remittances growth rate is expected to drop from 4 percent in 2022 to 3 percent in 2023 and 2024 (figure 1.4), leading to remittance levels of $81 billion in 2023 and $83 billion in 2024. Lower growth in host countries will adversely affect real incomes and employment prospects, in turn leading to a reduction in remittances to the region in 2023. Lower fuel prices in 2023 will further dampen demand for migrants in the GCC countries, reducing remittance flows to East Asia and the Pacific Islands.

Remittance flows to **Europe and Central Asia** are projected to grow at a slower pace of 1 percent in 2023 as continued outbound remittance flows from Russia to the region are offset by a high base level posted in 2022 and lingering weakness in flows to Ukraine and Russia. Looking ahead, remittances are projected to remain above prewar levels in 2023, but the growth is expected to slow amid signs of some degree of normalization in flows to the region. For countries that received large amounts of Russian remittances in 2022, such as Armenia, Georgia, the Kyrgyz Republic, and Uzbekistan, normalization is expected to be gradual, and from unusually high levels, whereas for Ukraine and Russia, it involves a return to prewar trends.

Official data for **Ukraine** indicate that remittance inflows will decline by 5 percent to $16.2 billion (about 11 percent of GDP) in 2023. This is likely an understatement, given that remittances from neighboring countries such as Poland and the Czech Republic often come through unofficial channels. When migrant families are separated, with men staying and women and children moving to another country, money transfers in both directions are expected to be high. Such transfers are also likely to be carried by hand by people crossing back and forth between Ukraine and other countries.

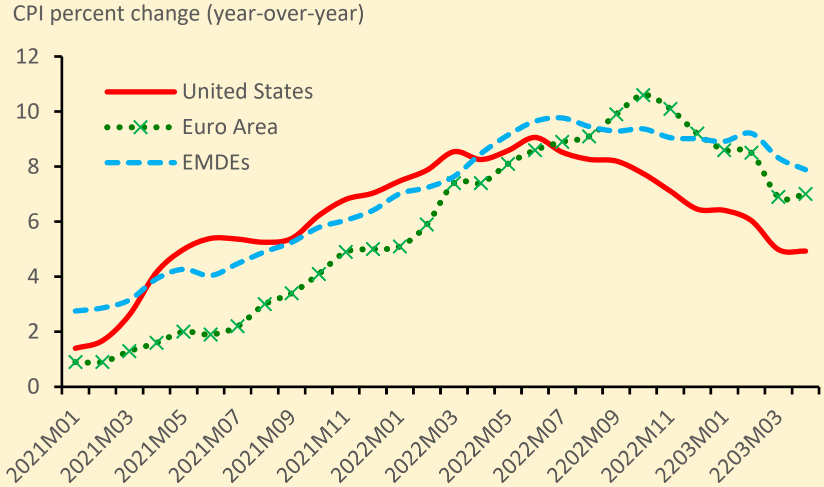
Box 1.1 Global Economic Outlook in 2023

Global economic growth is expected to decelerate substantially in 2023, reflecting cumulative effects of monetary tightening amid persistent inflation pressures, tightening financial conditions, and ongoing uncertainties related to Russia's invasion of Ukraine. The slowing pace of growth is most pronounced in advanced economies, especially the euro area and the United Kingdom. However, there is a substantial pickup in China. According to the latest Global Economic Prospects (June 2023) report, after posting 3.1 percent growth in 2022, the world economy is projected to grow at 2.1 percent in 2023, and by 1.1 and 0.4 percent respectively for key remittance sources – the United States and the Euro area. The employment situation in the information technology sector in the United States and Europe remains weak.

Global inflation has decelerated from last year's peak, declining to less than 5 percent in the United States and to 7 percent in the euro area through March this year (year over year) (figure B1.1.1). This trend is driven mostly by the sharp reversal in energy and food prices, but inflation remains above central bank targets in nearly all inflation-targeting economies. Median inflation in low- and middle-income countries remains above that of the high-income countries, through depreciation of local currencies, as well as a buildup in financial pressures (widening fiscal and external deficits), which may exact a further toll on exchange rates.

In spite of the current tightening cycle, labor markets remain robust in most advanced economies, contributing to the current strength of consumer spending. The labor markets' strength relies on robust labor demand, though labor force participation rates are low overall. Persistent labor market strength could push up wages and further boost consumption. However, continued inflation pressure is likely to reduce real wages, with nominal wages continuing to lag price increases.

Figure B1.1.1 Inflation Seems to Have Peaked, But It Remains High



Sources: US Bureau of Labor Statistics, Eurostat, and World Bank GEM Database.
Note: CPI = Consumer Price Index; EMDEs = emerging markets and developing economies.

Sources: Business Insider, Macrotrends.

Box 1.2 *RemitStat* Developing Guidelines to Improve Data on Remittances

As remittance flows have become an important source of external financing in low- and middle-income countries, the need for accurate, timely, and granular data has also increased. A workshop of the *RemitStat* working group in May 2023 (with participation from over 40 countries, Eurostat, the International Monetary Fund [IMF], and the World Bank) revealed major gaps in the data and concerns about data quality. The working group is making progress along the following six thematic aspects relating to data on remittances:

Thematic Group 1 – Definition and data compilation guidelines. A survey of current compilation practices has been conducted. A glossary of terms – to define concepts such as digital remittances and remote workers – will be prepared with the help of the IMF.

Thematic Group 2 – Estimation of unregulated flows. Approaches to estimating such flows utilize: (1) macroeconomic official data, (2) ad hoc survey data, and (3) indirect evidence from alternative sources. Some sending countries associate the relevance of informal/unregulated channels with the relevance of illegal/undocumented migration.

Thematic Group 3 – High-frequency data. Timely data on remittances are needed to assess their impact on living expenses, stabilizing sources of income for national economies, etc. In calculating the data, it is important to differentiate remittance flows from travel and educational expenses.

Thematic Group 4 – Remittance channels and instruments. There have been some notable changes in the main channels for remittance flows over the past 10–20 years, driven in part by new technology, changing regulations, and customer preferences.

Thematic Group 5 – Bilateral remittance flows. Challenges to preparing bilateral remittances include: (1) absence of bilateral data for a majority of countries; (2) existing bilateral data differing from the concepts and definitions of remittances in IMF's BPM6 (Balance of Payments and International Investment Position Manual); (3) data compilers' objections to publishing bilateral data; and (4) significant differences across data sources, even those designed to be compatible.

Thematic Group 6 – Types of senders and recipients. The key characteristics of senders are used to explain the channels adopted, and the frequency and magnitude of flows. Refugees, second-generation diaspora members, and internally displaced persons are considered as types of senders and recipients.

Source: KNOMAD website.

Inflows to **Latin America and the Caribbean** are anticipated to establish the strongest pace among developing regions during 2023, rising by 3.3 percent to $150 billion. But with prospects tightly linked to developments in the slowing US economy, the risks are skewed to the downside. Increased transit migration through Mexico represents another important remittance source, as transit migrants from Cuba, Nicaragua, and Venezuela – passing through Mexico on the way to the United States – receive funds from their families outside Mexico to support living and other expenses.

Remittance flows to the **Middle East and North Africa** region are expected to recover from a 3.8 percent decline in 2022 to a 1.7 percent increase in 2023 and 1.8 percent gain in 2024, respectively. The rebounding view is based on an expected turnaround in flows to Egypt, which experienced a sharp decline last year due to concerns about the country's foreign exchange markets. However, the outlook is differentiated across regional subgroups, depending on dominant host countries, the degree of exposure to higher inflation, and financial volatility.

The growth of remittance flows to **South Asia** in 2023 is expected to slow to 0.3 percent in response to an economic slowdown in the OECD countries, especially the high-tech sector in the United States, which affects demand for IT workers. Remittances to India which account for over 60 percent of the region's inflows – are expected to grow by only 0.2 percent in 2023. Remittance flows to the other six South Asian countries will also be limited by demand for migrants in the GCC countries where declining oil prices are expected to slow growth from 5.3 percent in 2022 to 3 percent in 2023, as well as the continued diversion of formal remittances toward informal money transfer channels due to worsening domestic economic conditions.

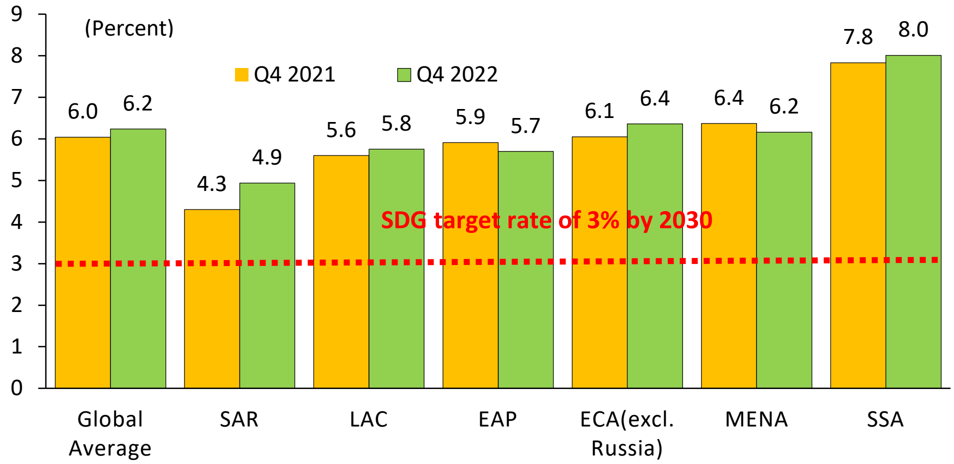
The pace of remittance flows to **Sub-Saharan Africa** is expected to ease to 1.3 percent from a 6.1 percent increase in 2022. Risks to the outlook include capital outflows, measures to control foreign exchange, and sanctions on South Africa. In addition to the possibility of sanctions, that the Financial Action Task Force (FATF) put South Africa on its "gray list" could impact remittances.

Remittance Costs

Remittance costs remained high in the fourth quarter of 2022 (2022Q4), at more than twice the SDG target of 3 percent. According to the World Bank's Remittance Prices Worldwide Database, the global average cost of sending $200 was 6.2 percent in 2022Q4, up slightly from 6 percent a year earlier. Among developing country regions, the average cost continued to be the lowest in South Asia at 4.9 percent and the highest in Sub-Saharan Africa at 8 percent (figure 1.5). The average costs of sending remittances to East Asia and Pacific, and the Middle East and North Africa fell slightly. Other developing-country regions posted an increase in total average costs with South Asia posting the largest increase. Remittance costs across many African corridors remain above 10 percent with South Africa being the costliest G20 (Group of Twenty) source country from which to send remittances to another country.

Banks continue to be the costliest channel for sending remittances, with an average cost of 11.8 percent during 2022Q4. The average cost for post offices was 6.3 percent, money transfer operators 5.4 percent, and mobile operators 4.5 percent. While mobile operations remain the cheapest type of service provider, they account for only a small part of total transaction volume (less than 1 percent).

Figure 1.5 How Much Does It Cost to Send $200? Regional Remittance Costs, 2021–22

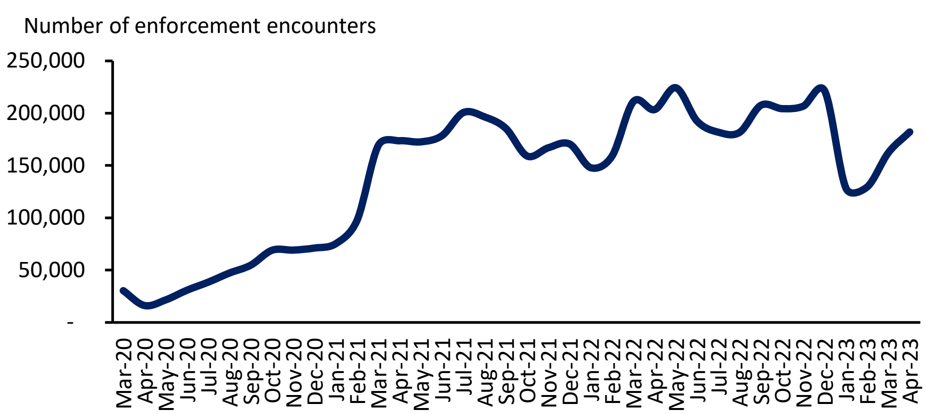


Source: World Bank's Remittance Prices Worldwide database.
Note: Red dotted line represents the SDG 10 target of 3 percent. EAP = East Asia and Pacific; ECA = Europe and Central Asia; LAC = Latin America and the Caribbean; MENA = Middle East and North Africa; SAR = South Asia; SDG = Sustainable Development Goal; SSA = Sub-Saharan Africa.

Highlights on Migration

Irregular border crossings around the world are high. In the United States, about 176,000 people crossed the southern border in the first seven months of fiscal year 2023 (FY23), compared with 184,000 every month in FY22 (figure 1.6). Since the establishment of new regulations for Cubans, Nicaraguans, and Venezuelans, the number of irregular crossings has decreased. According to Frontex, during the first three months of 2023, at least 27,651 irregular entries were recorded along the Central Mediterranean route with the main countries of origin being Côte d'Ivoire, Guinea, Pakistan, and Bangladesh. The number of first-time asylum seekers in the European Union (EU-28) increased by 10 percent in March 2023 compared with the previous year (some 92,000 applications). Syrians, Afghans, Venezuelans, Colombians, and Turks are the largest population groups requesting asylum in Europe (EUAA 2023).

Figure 1.6 US Southwest Border Apprehensions/Inadmissibles, FY20–FY23



Source: US Customs and Border Protection.

By the end of 2022, refugee movements into the European Union rose to 12.4 million refugees, 1.2 million asylum seekers, and 474,000 stateless persons (UNHCR 2022). By May 2023, 8.2 million Ukrainians had sought refuge in various countries across Europe. Germany and Poland hosted 1.0 and 1.6 million refugees, respectively. Of the total Ukrainian refugee stock in Europe, 5.1 million have registered for national protection schemes and 4.8 million have legal access to employment and services in their host countries. As of May 5, 2023, due to the ongoing Russia's invasion of Ukraine, an estimated 5.3 million people had been displaced within Ukraine, bringing the total number of Ukrainians within the country in need of humanitarian assistance to 17 million (UNHCR 2023).

Movements of internally displaced persons (IDPs) were also impacted by climate disasters such as earthquakes, droughts and floods, and insurgencies. The ongoing drought in the Horn of Africa displaced pastoralists. In just four months between January and May 2023, more than a million Somalis were displaced within their own country, about 433,000 from an Islamist insurgency, over 408,000 by floods, and 312,000 by drought. The number of IDPs within Somalia's borders now stands at 3.8 million.

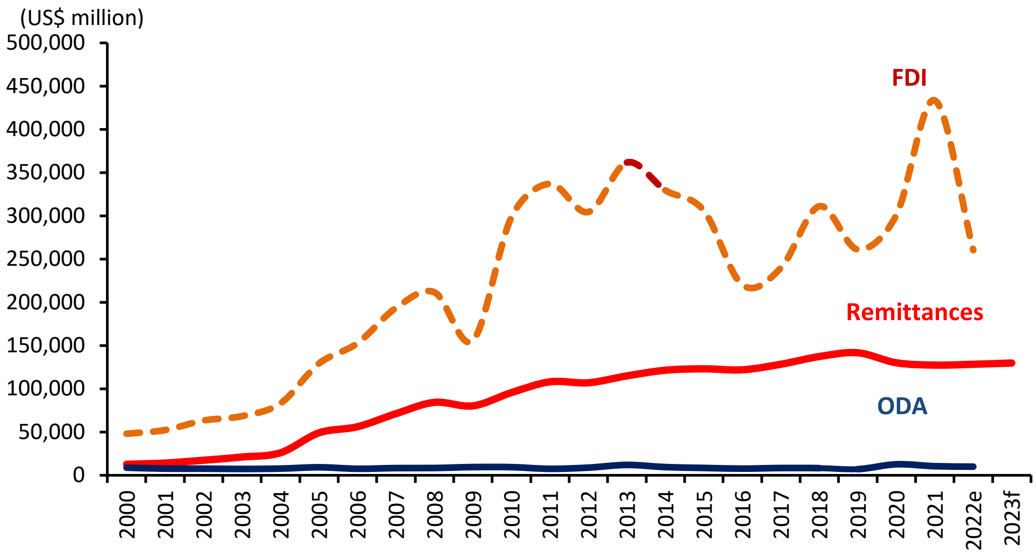
2. Regional Trends in Migration and Remittance Flows

2.1 East Asia and Pacific

Remittance trends. After declining for two years, growth in East Asia's remittances turned mildly positive (0.7 percent) in 2022. Excluding China, however, East Asian remittances grew more vibrantly – at 3.8 percent in 2022, slightly below the rate in 2021 (5.5 percent). Officially recorded remittance flows to East Asia in 2022 stood at $130 billion. Excluding China's share of 39 percent ($51 billion), remittances to East Asia measured $79 billion. In 2022, after China, the largest recipients were the Philippines ($38 billion) and Vietnam ($13 billion).

Remittances composed the second-largest resource flow in East Asia after foreign direct investment (FDI), which has been high and volatile since 2008. Due to the sharp drop in FDI of 40 percent between 2021 and 2022, remittances measured 50 percent of FDI in 2022 compared with only 29 percent in 2021 (figure 2.1). With the graduation of most East Asian countries from low- to lower-middle-income status, or from lower-middle- to upper-middle-income status, the flow of official development assistance (ODA) was small in 2022.

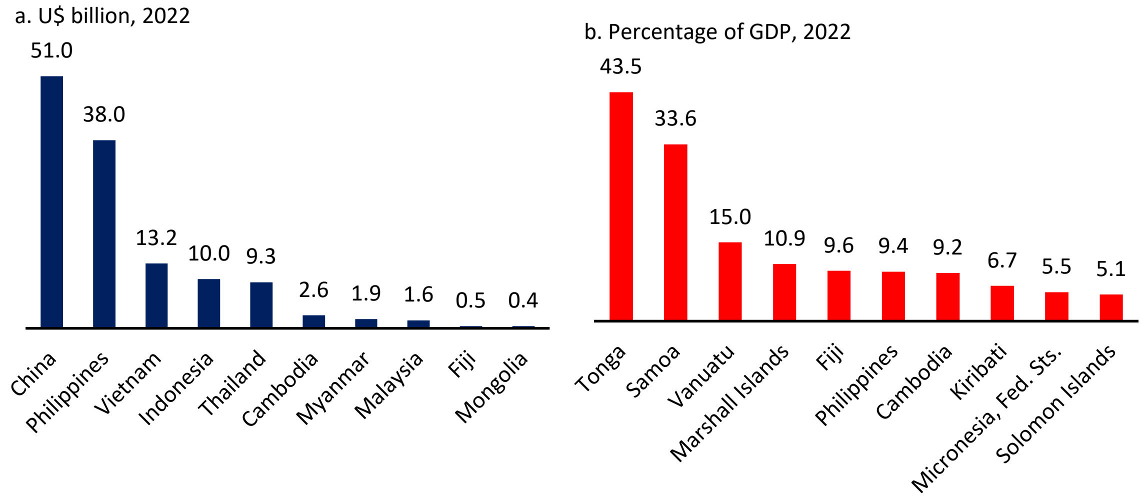
Figure 2.1 Resource Flows to the East Asia and Pacific Region, 2000–23f



Sources: World Bank–KNOMAD staff estimates; World Development Indicators; IMF Balance of Payments Statistics. See the appendix to *Migration and Development Brief 32* for forecasting methods (World Bank/KNOMAD 2020).
Note: FDI = foreign direct investment; ODA = official development assistance; e = estimate; f = forecast.

Historically, remittances have been of vital importance to the East Asia and Pacific region's smaller countries, with Tonga and Samoa featuring regularly in the list of the top 10 global recipients of remittances as a share of gross domestic product (GDP) (figure 1.2 in chapter 1). In 2022, remittance receipts measured 44 percent of GDP in Tonga and 34 percent in Samoa. The corresponding figure was 15 percent for Vanuatu and 11 percent for the Marshall Islands (figure 2.2). The Philippines and Cambodia are distinct among the larger East Asian countries, with remittances amounting to more than 9 percent of GDP.

Figure 2.2 Top Remittance Recipients in the East Asia and Pacific Region, 2022



Sources: World Bank–KNOMAD staff; World Development Indicators; IMF Balance of Payments Statistics.
Note: GDP = gross domestic product.

Domestic and host economic conditions jointly shaped remittance flows in East Asia in 2022. Longer-term trends such as structural shifts and FDI-enabled economic diversification, prosperity, demographic change, and the associated labor dynamics led China, Malaysia, and Thailand to play dual roles as (1) origin countries for relatively skilled migrants departing to high-income countries of the Organisation for Economic Co-operation and Development (OECD), as well as (2) destination countries for less-skilled migrants from within East and South Asia. In China, aging and prosperity have curbed the pace of less-skilled emigration with attendant implications for remittance inflows. Estimates suggest that remittance flows to China have declined consistently in recent years.

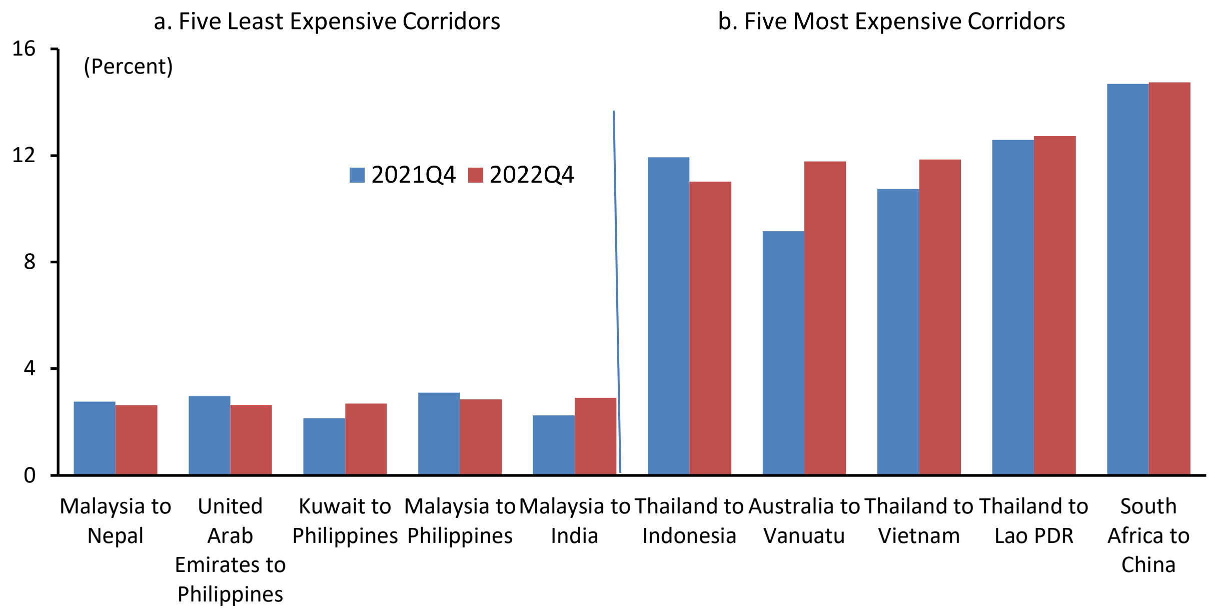
Despite a bevy of unfavorable shocks – record-high fuel and food price inflation, Russia's invasion of Ukraine and its continuation, lingering supply-side disruptions, and financial sector turbulence – 2022 was a rewarding year for East Asian migrants in their three main destinations. First, emerging from the shadows of the COVID-19 pandemic, GDP growth rates of almost 3 percent and tight labor markets fostered "low unemployment cum wage hike" conditions in most OECD countries (the United States had an unemployment rate of 3.6 percent in 2022), enabling East Asia's high-skilled migrants to resume strong remittance flows after two years of weak transfers. Second, despite raging fuel and food prices, overall inflation in the countries of the Gulf Cooperation Council (GCC) was contained due to low food inflation measures orchestrated by the GCC governments. The combined effect of strong employment prospects fostered by high fuel prices and low inflation empowered East Asia's less-skilled migrants to also increase remittance flows to the region. Third, due to their higher vaccination rates (60–92 percent among migrants from 21 of the 23 East Asian countries) and strong labor markets, East Asian migrants remained the preferred employees in Australia and New Zealand's labor markets, which enjoyed record unemployment rates (less than 4 percent) in 2022. Within the region, less-skilled East Asian migrants enjoyed greater job opportunities in the manufacturing export sectors of upper-middle-income countries (Malaysia and Thailand).

Remittance flows to the Philippines – the largest recipient after China in the East Asia and Pacific region – grew at about 4 percent to reach $38 billion in 2022, relative to $36.7 billion in 2021, benefiting from a lifting of the ban on emigration to Saudi Arabia due to the abusive treatment of workers, and specific deals forged by the Filipino government, especially in new OECD destinations. Growing at 5.2 percent in 2022 compared with about 19 percent in 2021, remittance flows to Vietnam recorded $13 billion in 2022.

Remittances to Indonesia grew at nearly 6 percent to reach $10 billion in 2022. They measured $2.6 billion in Cambodia. Remittance growth decreased sharply in both Malaysia and Thailand, which serve as host and home countries for migrants. Remittance growth in Malaysia was only about 5 percent in 2022 compared with 10 percent in 2021, and 3 percent in Thailand in 2022 relative to 10 percent in 2021.

Plummeting from a growth rate of 24 percent in 2021, total remittances grew at 6 percent in 2022, registering $1.3 billion for 10 of the East Asian Pacific Island states.[1] A part of the decline is attributable to a revival of tourism, which diverted potential migrants in some countries to take up domestic job opportunities at home instead of migrating overseas. Escalating climate disasters remained a key factor behind emigration from East Asia in 2022.

Figure 2.3 Remittance Fees to the Philippines Are among the Lowest in East Asia and Pacific



Source: World Bank's Remittance Prices Worldwide database.
Note: Cost of sending $200 or equivalent.

Remittance costs. The average cost of sending $200 to the region decreased to under 3 percent in the top five least expensive corridors (figure 2.3), achieving the SDG target in 2022. Between 2021Q4 and 2022Q4, the reduction in the cost of remitting to the Philippines was the greatest among the least expensive corridors. Among the most expensive corridors, the cost of money transfers from Thailand to several countries within East Asia increased. The cost of sending from Australia to Vanuatu also rose 2.6 percentage points to 11.8 percent. Moreover, remitting costs along the most expensive corridors remained in the range of 11 to 15 percent, well above the SDG target. The cost of remitting to the region through some of the lowest-cost corridors declined, including from Malaysia to Nepal and Malaysia to the Philippines.

Remittance outlook. A combination of global and domestic factors is expected to increase growth in remittance flows to East Asia and the Pacific Islands by 1 percent to reach $131 billion in 2023 and rise another 1 percent ($132 billion) in 2024. Excluding China, growth in remittances is expected to decrease from about 4 percent in 2022 to 3 percent ($81 billion) in 2023. Remittances are expected to grow at slightly less than 3 percent to reach $83 billion in 2024.

Several economic forces that propelled remittances in 2022 in the host economies of the region's migrants are projected to dampen them in 2023. Central banks' tight monetary stances to counter inflation, limited fiscal buffers to absorb shocks amid historically high debt levels, and continued global uncertainty regarding Russia's invasion of Ukraine are likely to weigh down growth in the high-income countries. The projected decline in GDP growth from 2.8 percent in 2022 to approximately 1.0 percent in 2023 and 2024 will erode many of the employment and income gains that East Asia's high-skilled migrants reaped in 2022, dampening remittance flows to the region in 2023. Despite some respite from inflationary pressures, tighter financial market conditions are expected to exacerbate the ongoing slowdown globally. Lower fuel prices in 2023 will further dampen demand for migrants in the GCC countries, reducing remittance flows to East Asia and the Pacific Islands. The global slowdown will also gnaw into the demand for manufactured goods with attendant implications for East Asian migrants employed in the export factories of China, Malaysia, and Thailand's manufacturing sectors, although China's recent opening up after the COVID pandemic will counter some of this negative trend.

While the combined impact of these factors is expected to shape remittance flows to East Asia and the Pacific Islands, country-specific conditions will also play an important role. Remittance inflows to the Philippines, which accounts for about 48 percent of the total remittances to East Asia and the Pacific Islands, excluding China, are expected to grow by about 2.5 percent to reach $39 billion in 2023 and $40 billion in 2024. The growth of inflows to Vietnam is expected to remain strong at 6.5 percent in 2023, with total remittances reaching $14 billion. However, in 2024, remittance growth is forecasted to drop to 3.2 percent ($14.4 billion). Remittances to Thailand are expected to inch up less than 1 percent to $9.4 billion in 2023 and grow by 3.6 percent to reach nearly $10 billion in 2024. Some of the weakness in remittances in the Philippines and Thailand is related to a slowdown in emigration triggered by the revival of tourism, which creates more job opportunities for workers at home, thus demotivating a search for jobs in foreign countries.

In 2023 and 2024, remittances to Malaysia are expected to grow at about 4 percent to reach $1.7 billion and $1.8 billion, respectively. Amid the slowdown in global demand for manufactured products, remittance growth for Cambodia is expected to decline to 1.3 percent in 2023 ($2.7 billion) and remain flat in 2024.

China's post-COVID reopening is expected to accelerate GDP growth from 3 percent in 2022 to 5.6 percent in 2023 and 4.6 percent in 2024, and spill over into greater demand for workers from Myanmar and the Lao People's Democratic Republic (Lao PDR). Remittances are expected to rise by 5.3 percent to reach $2 billion in 2023 in Myanmar; however, in 2024, their growth is expected to slow down to 2.5 percent. In Lao PDR, growth in inflows is expected to accelerate to 10.7 percent, reaching $219 million in 2023. Remittance levels are expected to remain flat in 2024. Remittance inflows to 10 Pacific Island countries are expected to decline (-3 percent) to $1.2 billion in 2023 and remain flat in 2024, being affected by both global and country-specific domestic conditions (ongoing COVID-19 recovery efforts, border reopening, tourism growth) that drive labor market opportunities and influence workers' decision to emigrate. Slower growth in tourism in the main tourism-dependent countries – Fiji, Palau, Vanuatu, and Samoa – is likely to intensify the pressure on workers to emigrate in search of jobs in the face of a global environment with shrinking job opportunities in 2023 and 2024.

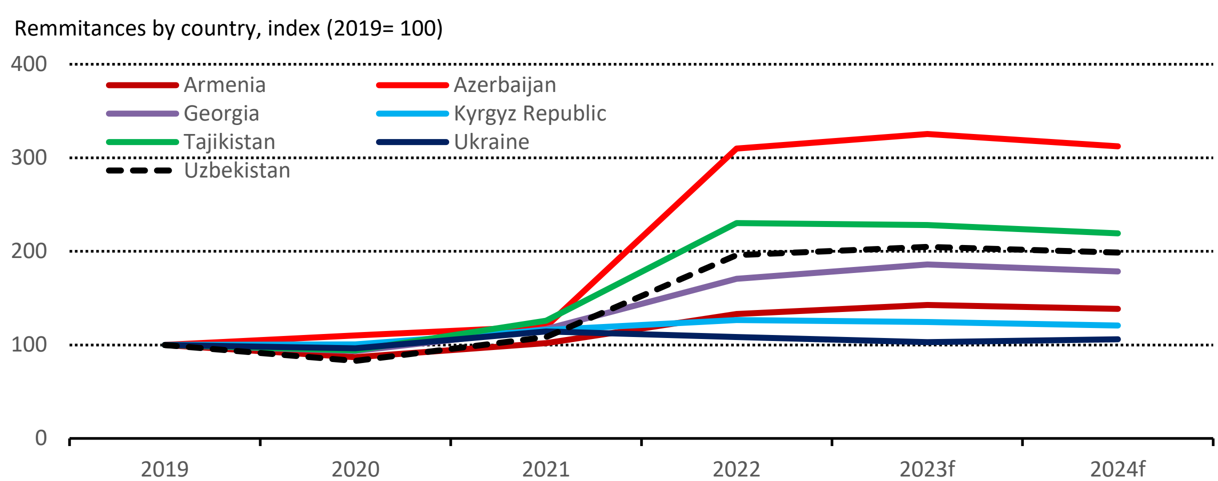
Migration in East Asia and Pacific. Starting with less-skilled emigration to the GCC countries, followed by skilled emigration to the OECD countries to find jobs and incomes for its workers, the pattern of migration in East Asia's larger economies is transforming to less-skilled immigration from low-income countries to find workers for its firms. Growing labor shortages in the aftermath of the COVID-19 pandemic surfaced in upper-income Malaysia, Thailand, and more recently China. In Vietnam, the easing of travel restrictions led to a large outflow of migrant workers to the rural areas, leading to labor shortages in Ho Chi Minh City. In Singapore and Malaysia, governments are debating whether to curb outward migration or encourage inward migration to alleviate domestic labor shortages. In 2022, over 50,000 Bangladeshi migrants moved to Malaysia. In January 2023 alone, over 25,000 more workers arrived in Malaysia as its government sought to implement a new memorandum of understanding on migration that it signed with Bangladesh.[2] The Bangladesh government fixed the migration cost at about Tk 79,000 (compared with Tk 300,00–400,000 each in previous years) by assigning only about 100 Bangladeshi agencies (instead of about 15,000) to send workers to Malaysia. Malaysia has introduced a variety of work permits to fill the skills shortage.[3]

2.2 Europe and Central Asia

Remittance trends. Remittance flows to the Europe and Central Asia region have grown steadily for nearly a decade, reaching a record high of $79 billion in 2022, which itself represented a 19 percent increase from the previous year. Growth has been uninterrupted by Russia's invasion of Ukraine, and the majority of remittances in 2022 originated in the Russian Federation. The strong performance was due mainly to record high amounts of money transfers from Russia to neighboring countries, especially to the Commonwealth of Independent States (CIS). The surging inflows of remittances from Russia were driven by capital migration through the relocation of Russian companies and citizens, the strong Russian exchange rate, and the increased demand for migrant workers in Russia.

Remittances from Russia to the CIS countries remained solid in 2023Q1, and are expected to remain steady throughout the remainder of the year. However, remittance receipts in the region are projected to grow slowly at 1 percent in 2023 due mainly to an unusually high base level posted in 2022 and a lingering weakness in flows to Ukraine and Russia. Looking forward, remittances are projected to remain above prewar levels in 2024, but remittance growth looks set to decline amid signs of some degree of normalization in flows to the region. For countries that received large amounts of Russian remittances, such as Armenia, Georgia, the Kyrgyz Republic, and Uzbekistan, normalization is expected to be gradual, and from unusually high levels, whereas for Ukraine and Russia, it involves a return to prewar trends (figure 2.4). These projections are subject to upside risk, including stronger-than-expected economic growth in major remittance-sending economies or sharper-than-expected Russian remittances.

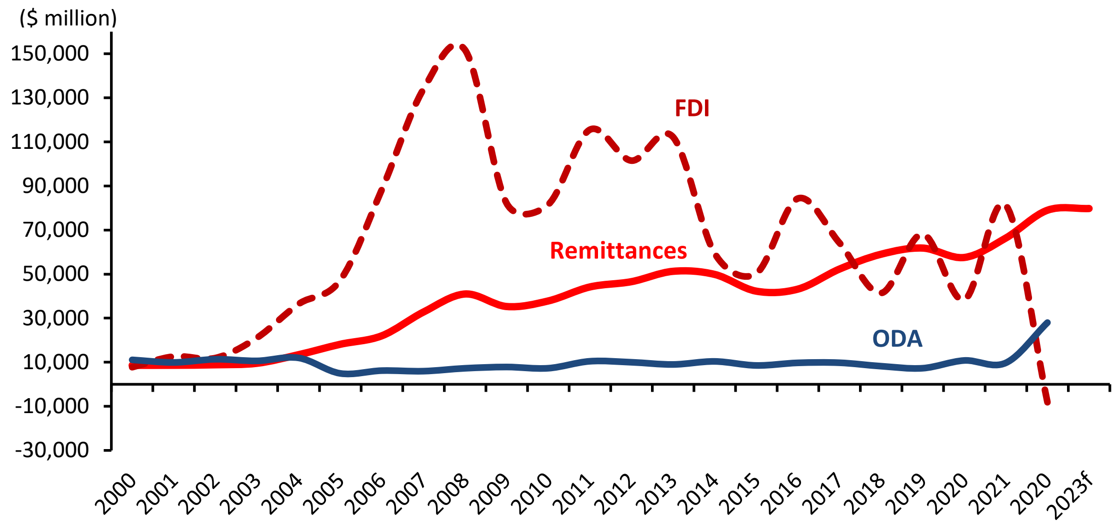
Figure 2.4 Remittances for CIS Countries Are Likely to Remain Well above Prewar Levels, But There Are Signs of Normalization, 2019–24f



Sources: National central banks; KNOMAD–World Bank staff estimates.
Note: f = forecast.

Remittances represented the largest source of external financing for the Europe and Central Asia region in 2022, providing an important buffer for current account deficits across a number of regional economies (figure 2.5). FDI has also been important to the region, but fell sharply last year after more than doubling in 2021, turning to negative flows. The drop in FDI was due mainly to the large-scale divestment of foreign capital from Russia, and FDI inflows into the EU-CIS countries also somewhat suffered. In Armenia, Georgia, and Uzbekistan, the influx of Russian money transfers was met by a boost in foreign reserves and increased foreign investments (in the form of buying foreign bonds or cross-border bank lending). For Kazakhstan and Moldova, Russian remittances were less impactful compared other countries, but they attracted FDI and boosted their reserves with the proceeds from closing out overseas positions and greater oil revenues.

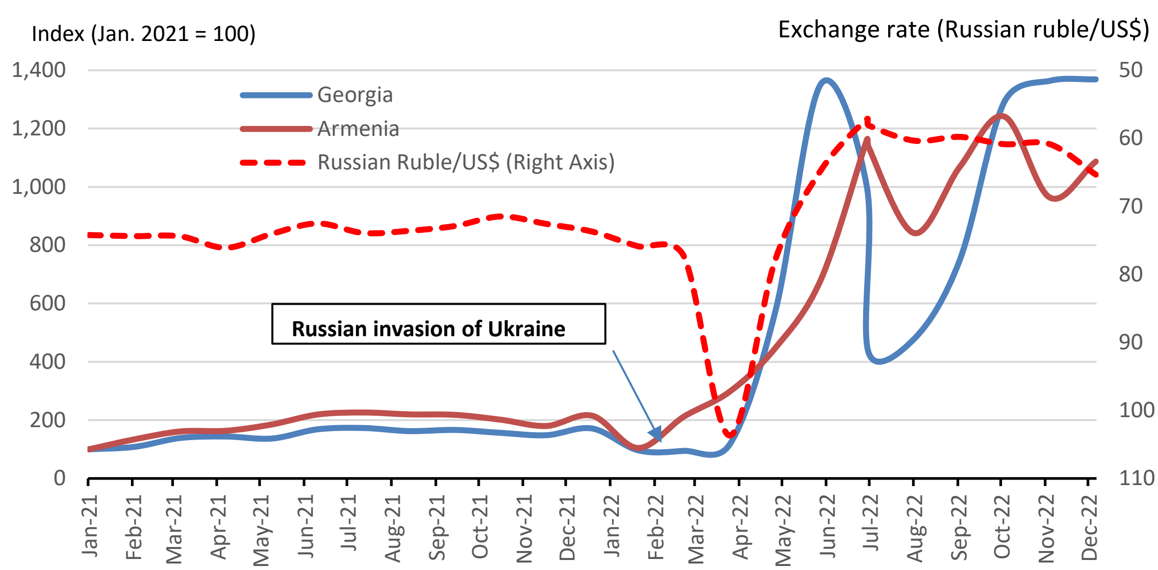
Figure 2.5 Resource flows to Europe and Central Asia, 2000–23f



Sources: World Bank–KNOMAD staff estimates; World Development Indicators; IMF Balance of Payments Statistics. See the appendix to *Migration and Development Brief 32* for forecasting methods (World Bank/KNOMAD 2020).

Note: FDI = foreign direct investment; ODA = official development assistance; e = estimate; f = forecast.

Figure 2.6 The Appreciation of the Ruble against the US Dollar Increased the Value of Money Transfers from Russia to Many CIS Countries, But the Pace Has Slowed in Recent Months



Sources: Respective central banks; KNOMAD–World Bank staff estimates.

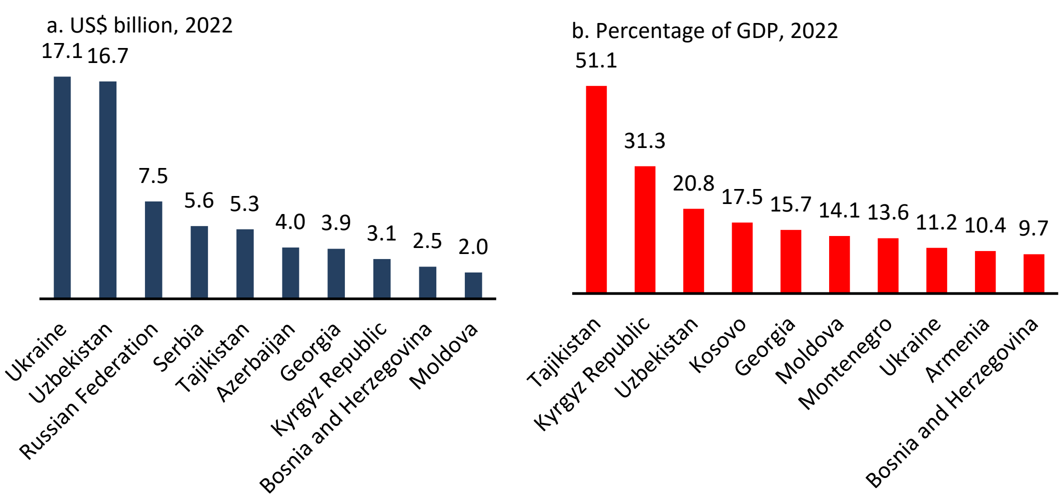
In the case of Russia, an unexpected and strong appreciation of the Russian ruble amid capital controls translated into higher value, in US dollar terms, of outward remittances to Central Asia and the Southern Caucasus countries, resulting in a record volume of such transfers in 2022 (figure 2.6)

Ukraine remained the region's largest recipient of remittances, receiving less-than-expected inflows of $17.1 billion in 2022 on negative growth of 5.4 percent (figure 2.7a). This interrupted an upward trend, which had begun after the first Russian invasion back in 2014 and following the EU decision to allow visa-free entry for Ukrainians. This outturn is tied to lower-than-predicted remittances from the European Union, especially from Poland, which is the largest remittance-sending country for Ukraine (accounting for 30 percent on average). Wages received by Ukrainians from abroad fell by 3.6 percent, while other private transfers received decreased by 10.8 percent in 2022. In the first four months of the current year, the volume of remittances decreased by 11.5 percent, pointing to another year of negative growth in remittance flows to the country.

As a share of GDP, remittance receipts in Tajikistan and the Kyrgyz Republic lead among regional economies, at 51 percent and 31 percent, respectively (figure 2.7b); remittances remain by far the largest source of hard currency earnings for these countries. For Uzbekistan, the second-largest recipient, remittances surged by 80 percent in 2022 with money transfers from Russia nearly tripling from a year previous. Remittances equaled about 21 percent of GDP in 2022, up sharply from 13 percent in 2021. And in the first four months of 2023, money transfers to Uzbekistan increased by 21 percent (to $3.1 billion) from the same period of 2022, of which about 87 percent came from Russia. Money transfers from Russia, Azerbaijan, Armenia, and Georgia were reported at record-high levels in 2022, several times the figures for 2021. As a result, total remittances to Azerbaijan amounted to 6 percent of GDP, to Armenia 10 percent of GDP, and to Georgia 16 percent of GDP.

Remittance costs. The average cost of sending $200 to the Europe and Central Asia region climbed to 6.4 percent in 2022Q4 from 6.1 percent a year earlier, in large part reflecting a sharp increase of costs in the Türkiye to Bulgaria corridor. Amid the ongoing Russia's invasion of Ukraine, the average cost for the Europe and Central Asia region excludes data on corridors originating in Russia, which used to be one of the lowest-cost senders of remittances globally. Due to the exclusion of Russian data, Europe and Central Asia now stands as the second-most-expensive region for sending remittances, after Sub-Saharan Africa. The differences in costs across corridors in the region are substantial; the highest cost for sending remittances is from Türkiye to Bulgaria, while the lowest is from Germany to Ukraine (figure 2.8).

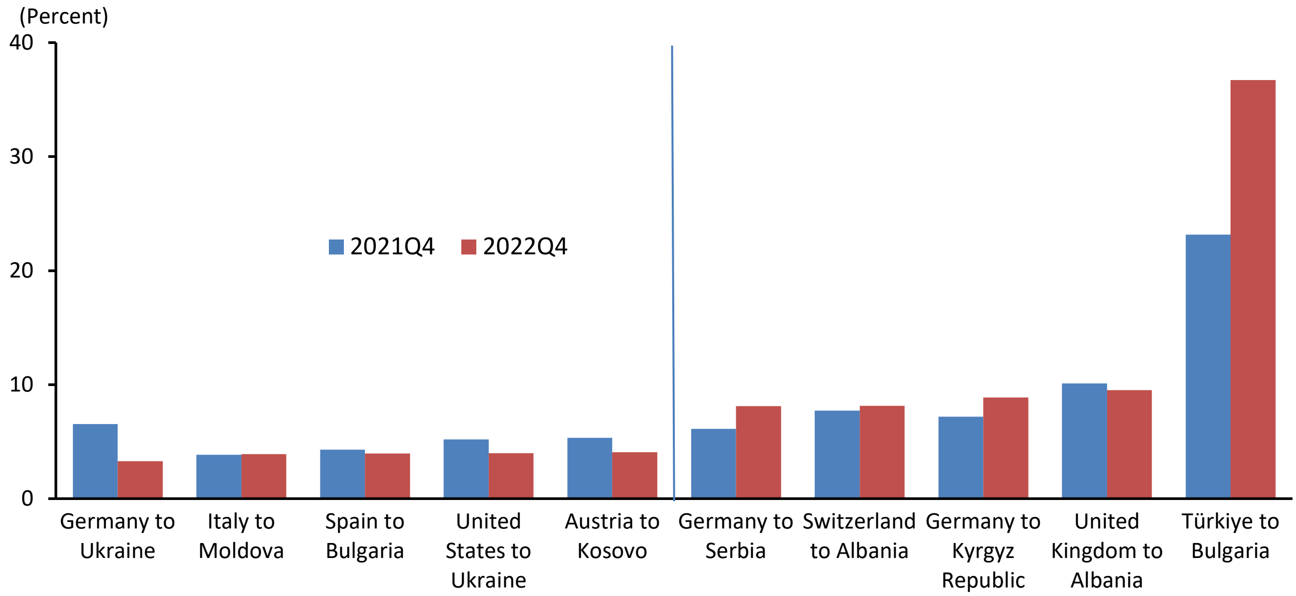
Figure 2.7 Top Remittance Recipients in Europe and Central Asia, 2022



Sources: World Bank–KNOMAD staff estimates and International Monetary Fund (IMF), *World Economic Outlook April 2023.*
Note: GDP = gross domestic product.

Figure 2.8 Cost of Sending Money in Europe and Central Asia Rose Slightly in 2022Q4

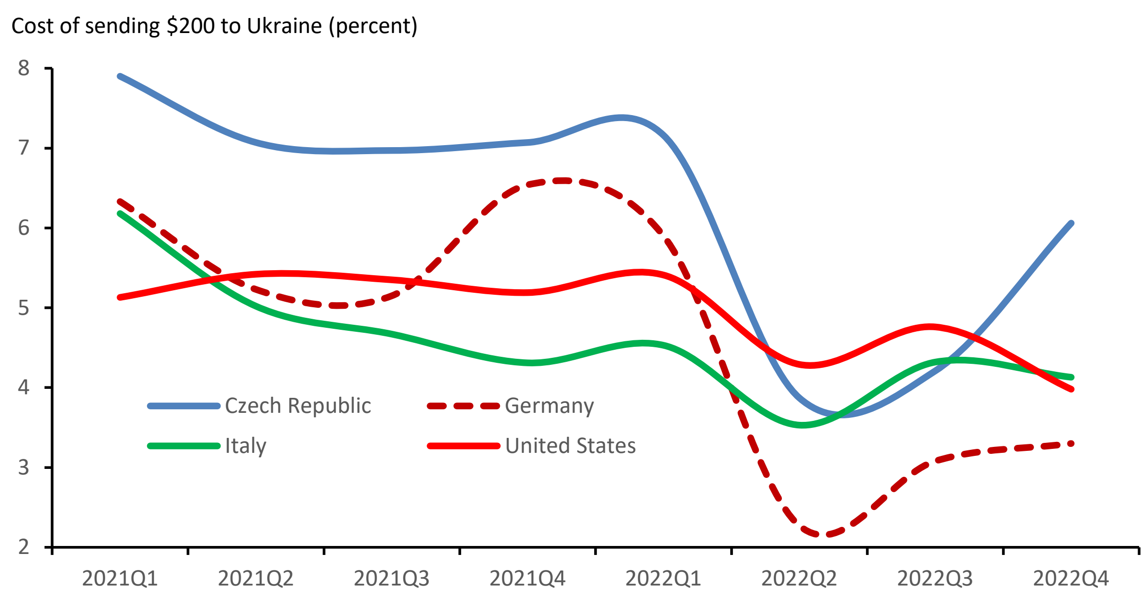
a. Five Least Expensive Corridors b. Five Most Expensive Corridors



Sources: World Bank–KNOMAD staff calculations and Remittance Prices Worldwide database.
Note: Cost of sending $200 or equivalent

The cost of sending money to Ukraine remained lower than the prewar level in 2022Q4, but the cost of remitting from Czech Republic and Germany picked up compared with 2022Q3 – ranging from 3.3 percent in Germany and 4.0 percent in the United States to 4.1 percent in Italy and 6.1 percent in the Czech Republic (figure 2.9). Since the onset of Russia's invasion of Ukraine, some money transfer companies have offered their customers special conditions for sending remittances to Ukraine from major donor countries in an effort to scale up remittances to the people of Ukraine.

Figure 2.9 Cost of Sending Money from Ukraine Has Remained Lower than Prewar Levels, 2021–22



Sources: Remittance Prices Worldwide database.

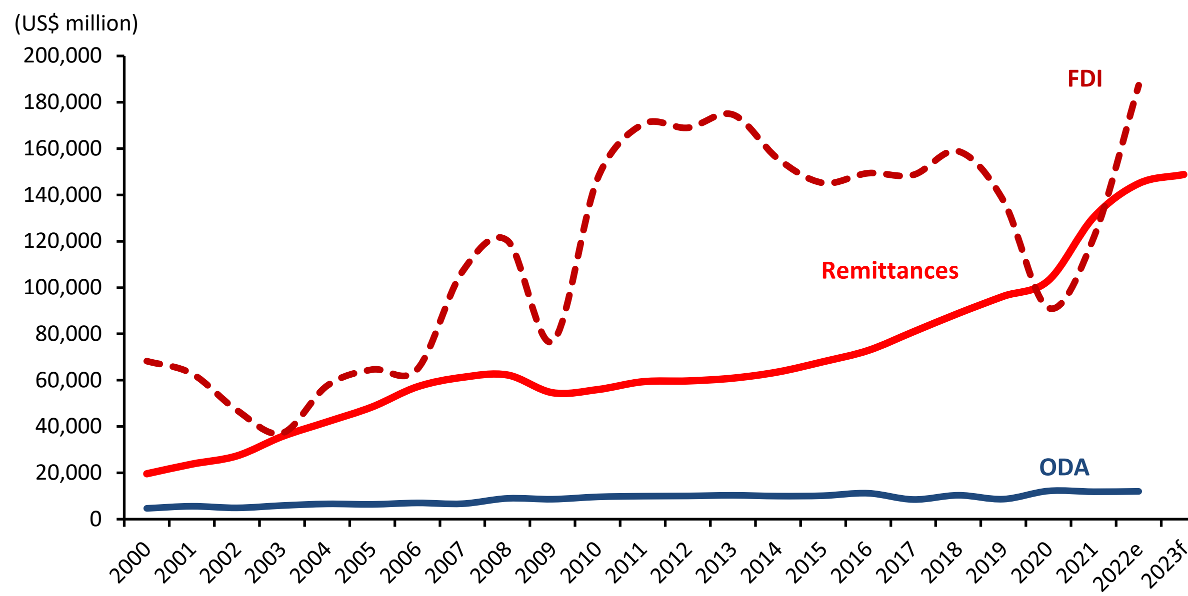
Migration trends. The number of migrant workers going from Uzbekistan and Tajikistan to Russia rose by about 72 percent to 630,000 people and 40 percent to 350,000 people, respectively, in the first quarter of the current year relative to the same period in 2022, according to a Tajikistan news agency report[4], citing the Russian Federal Service for State Statistics. In total, over 516,000 Tajikistan citizens entered Russia for various reasons (including business, traveling, studying, etc.). According to the report, the Kyrgyz Republic (about 173,000 people), Armenia (over 47,000), and Kazakhstan (about 35,000) were also in the top five sender countries of migrant labor to Russia.

According to official Russian figures, close to 1.3 million migrant workers entered Russia in the first quarter of 2023, which is 1.6 times higher than the number for the same period of 2022. Over the course of 2022 about 3.5 million foreign visitors arrived in Russia, of which almost 987,000 were from Tajikistan for the purpose of working. According to the agency report, migrant workers' remittances from Russia remain one of the key sources of income for many Tajiki families, equaling between a quarter and more than half of the country's GDP.

2.3 Latin America and the Caribbean

Remittance trends. After a record increase in remittances in 2021 (26.5 percent), remittance flows into Latin America and the Caribbean increased by 11.3 percent to reach $145 billion in 2022 (figure 2.10). The strong US labor market had a positive impact on remittance flows during 2022. Excluding Brazil, where FDI inflows nearly doubled in 2022, remittance flows were significantly larger than FDI flows. Growth in remittances to the region is expected to slow down to 3.3 percent in 2023 and 2.8 percent in 2024.

Figure 2.10 Remittances, Foreign Direct Investment, and Official Development Assistance Flows to Latin America and the Caribbean, 2000–23f

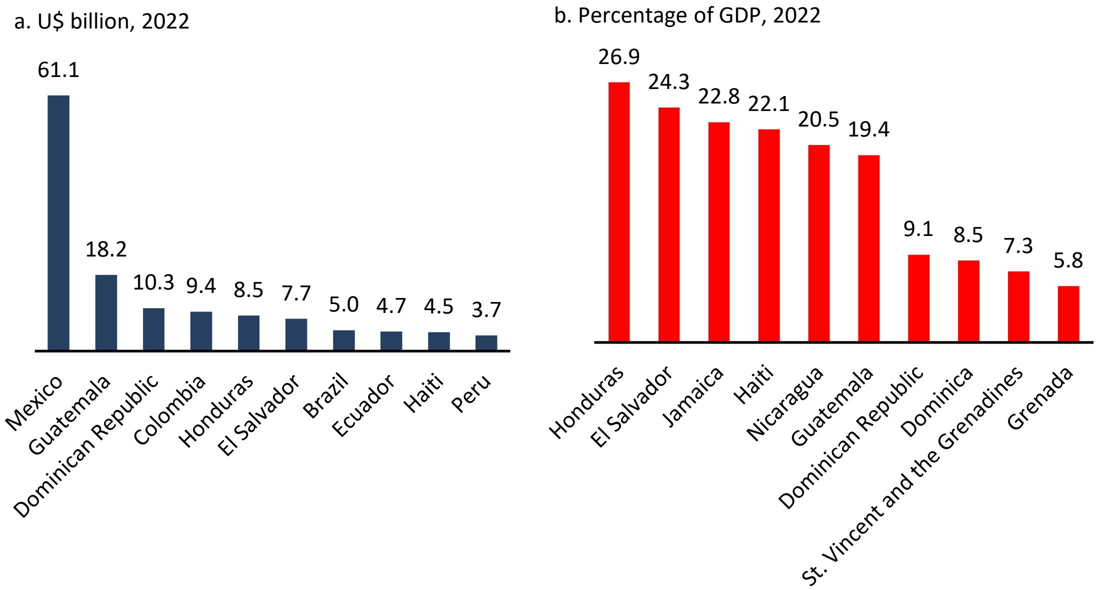


Sources: World Bank–KNOMAD staff estimates; World Development Indicators; IMF Balance of Payments Statistics. See the appendix in *Migration and Development Brief 32* for forecast methods (World Bank/KNOMAD 2020).
Note: FDI = foreign direct investment; ODA = official development assistance; e = estimate; f = forecast.

The growth of remittances varied widely across countries in 2022, ranging from a rise of 50 percent in Nicaragua, 18 percent in Guatemala, 17.8 percent in Honduras, and 9.7 percent in Colombia, to a decline of 4.3 percent in Dominican Republic and 0.5 percent in Jamaica. Remittances to Mexico reached $61.1

billion in 2022, representing an increase of 12.9 percent. Mexico receives the most remittances in the region by far, and is the world's second-largest recipient of remittances (figure 2.10). Remittances to Nicaragua surged by 50 percent during this period, driven by the country's political situation. However, remittances constitute a much larger share of GDP for a number of countries in the Caribbean and Central America (figure 2.11b).

Figure 2.11 Top Remittance Recipients in Latin America and the Caribbean, 2022

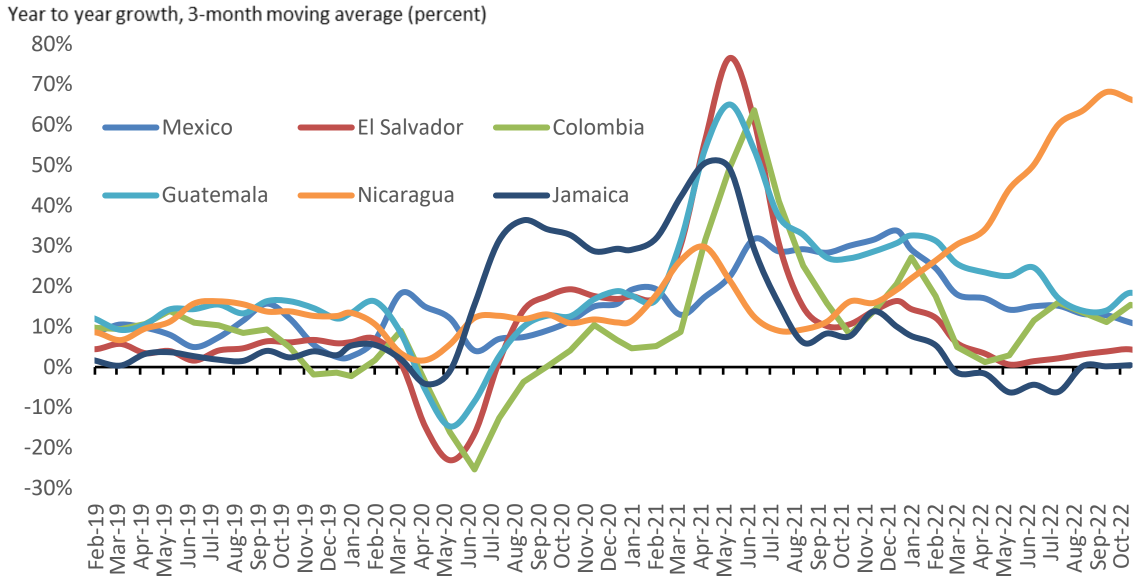


Sources: World Bank–KNOMAD staff estimates; World Development Indicators; IMF Balance of Payments Statistics.
Note: GDP = gross domestic product.

Conditions in the US economy in 2022 had a significant impact on remittances to Latin America and the Caribbean (figure 1.3 in chapter 1). The increase in employment in the US sectors where migrants work, such as food and beverage services, health services, and construction, contributed to the growth in remittances to Latin America. According to the US Congressional Budget Office, the number of foreign-born people in the United States from Mexico and Central America was 15.8 million. The share of migrants aged 25 to 54 years old – the group with the highest rate of labor force participation – was greater than the corresponding share of the native-born population[5]. Recent data released by the Bureau of Labor Statistics reported that foreign-born workers in the labor market increased from 17.4 percent in 2021 to 18.1 percent of the US civilian labor force in 2022 (US Bureau of Labor Statistics 2023). In addition, the unemployment rate of Hispanics declined over three years from 18.5 percent in April 2020 to 4 percent in May 2023 (US Bureau of Labor Statistics 2023). Employment of foreign workers and Hispanics has surpassed pre-pandemic levels (figure 1.3), while employment of US nationals has just returned to such levels.

During the first three months of 2023, a robust US labor market was behind 17.7 percent rise in remittances to Nicaragua, and 21 percent to Colombia, compared with the same period in 2022 (figure 2.12). The first four months of the same year saw a rise of 10 percent to Mexico, 4.2 percent to El Salvador and 9.8 percent to Guatemala.

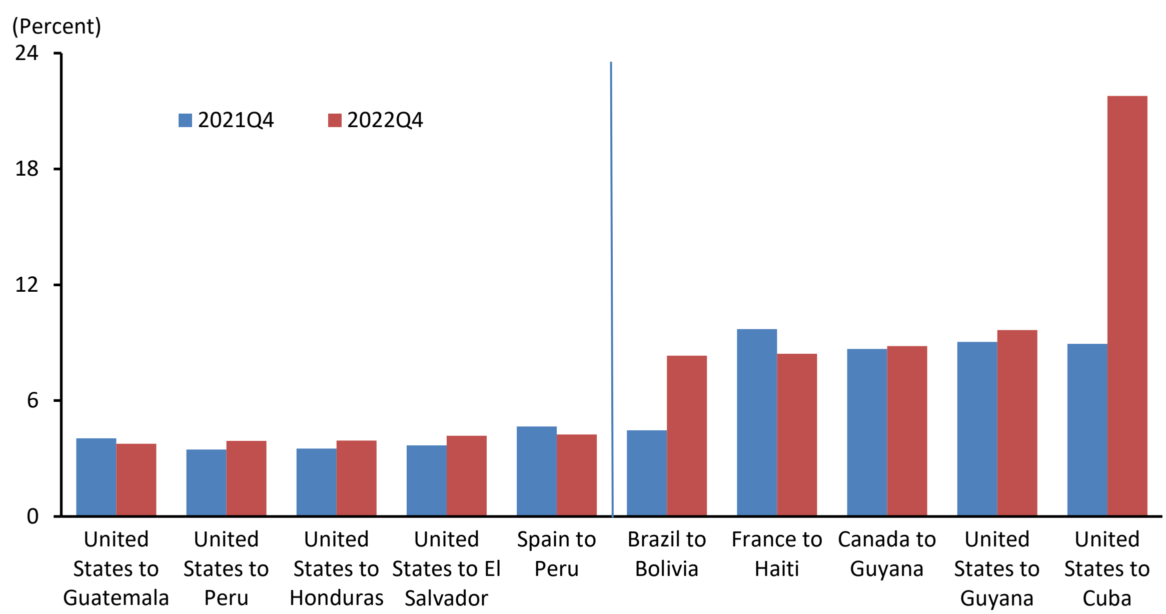
Figure 2.12 Remittance Flows to Latin America and the Caribbean Grew at a Slower Pace during 2023Q1, except for Nicaragua



Sources: Central banks of the respective countries.

Figure 2.13 The Cost of Sending Money to Latin America and the Caribbean Has Remained Stable

a. Five Least Expensive Corridors
b. Five Most Expensive Corridors



Source: World Bank's Remittance Prices Worldwide database.
Note: Cost of sending $200 or equivalent.

Remittance costs. Remittance corridors from the United States are among the least costly to the Latin American region. According to the Remittance Prices Worldwide database, the costs of sending remittances to Latin America averaged 5.8 percent in 2022Q4. However, costs remained at the same level as since 2015 and much higher in the smaller remittance corridors. For example, the cost of sending money from Canada to Guyana exceeded 8 percent in 2022Q4; from Costa Rica to Nicaragua doubled from 3 percent in 2015Q4 to more than 6 percent in 2022Q4; and from Brazil to Paraguay increased from

6 percent in 2015Q4 to about 8 percent in 2022Q4. The cost of sending money from the United States to Cuba remained high and increased to 21.7 percent in 2022Q4 from a year earlier (figure 2.13).

Remittance outlook. Growth in remittances to the region is projected to slow down to 3.3 and 2.7 percent in 2023 and 2024, with an expected slowdown in the GDP growth for the United States. However, the labor market will hold strong, relative to its condition in previous economic downturns, and unemployment levels will remain stable (Lundh 2023). Thus, remittances to Latin America will not be severely impacted.

Remittances will continue to flow due to the large number of transit migrants stranded in Mexico and Guatemala. Transit migrants from Cuba, Nicaragua, Venezuela, and other nations passing through Guatemala and Mexico on the way to the United States account for the large remittance flows to those two transit countries. For example, according to the Bank of Mexico, remittances to Chiapas increased from $250.5 million in 2020Q1 to $956.6 million in 2023Q1. This is one of the poorest states in the south of Mexico, where migrants crossing from Guatemala pass through. As noted in *Migration and Development Brief 36* (World Bank/KNOMAD 2021), migrants are staying longer in Mexico, which could increase remittances to the country. In addition, the impacts of Russia's invasion of Ukraine, policy uncertainty, inflation pressures, and a slowdown in global growth could impact remittance flows to the region as well as intraregional flows.

Migration trends. The application of Title 42 in the United States, under which migrants could be turned away from US borders due to COVID-19 measures, ended on May 11, 2022. As a result, immigration laws returned to the application of Title 8, under which US border authorities could assign asylum seekers to an expedited removal process. People arriving at the border illegally would not be eligible for asylum and would face a five-year ban on reentry and potential criminal prosecution. Under the new regulations, the United States would accept appointment requests from Venezuelan, Nicaraguan, Haitian, and Cuban migrants in central or northern Mexico so long as they had financial sponsors. About 1.5 million applications have been received to sponsor migrants under this program against a quota of only 30,000 migrants per month. More than 100,000 migrants have entered the United States under this program (Boundless 2023; Montoya-Galvez 2023a).

The Circumvention of Lawful Pathways Rule, under which migrants are to seek asylum or other protection in another country through which they travel, will replace Title 42. This new regulation is likely to impact migrants trying to cross into the United States via Mexico after traversing other countries on their way.[6] The US government is implementing lawful pathways including: (1) expanded access to customs and the Border Protection/CBPOne App to schedule an appointment at a port of entry; (2) new family reunification parole processes for El Salvador, Guatemala, Honduras, and Colombia, under which individuals paroled into the United States under these processes would be eligible to apply for work authorization; (3) a doubling of the number of refugees accepted from the Western Hemisphere; and (4) a continued acceptance of 30,000 individuals per month from Venezuela, Nicaragua, Cuba, and Haiti as part of the expanded parole processes. In addition, there are initiatives to establish regional processing centers in the Western Hemisphere, including in Colombia and Guatemala, and to increase the number of flights to remove migrants who do not have a lawful basis to stay (Homeland Security. April 2023). The Center in Guatemala will implement a six-month pilot phase of Oficinas de Movilidad Segura (US Embassy in Chile 2023).

Mexico has stopped granting transit permits to migrants since the ending of Title 42. The country's National Institute of Migration mandated "all immigration offices in all states to not grant Multiple Migration Forms, nor any other document that authorizes transit through the country" (Copeland 2023). In tandem with US measures to avoid large inflows of migrants, this measure will force stranded transit migrants to stay longer in Mexico. Many transit migrants are receiving funds from their families outside Mexico for their living and travel expenses, and in many cases have to pay smugglers ("coyotes"). Mexico continues accepting land-border expulsions from four countries: El Salvador, Guatemala, Honduras, and most recently Venezuela. It just recently accepted 1,100 migrants from Venezuela, Nicaragua, Haiti, and Cuba who were deported after the expiration of Title 42 (Montoya-Galvez 2023b).

According to the US Customs and Border Protection Agency, some 1.4 million encounters were reported of people crossing the US southern border in FY23 (from October to April 2023) compared with 1.3 million during the same period in FY22. With the new regulations in place, encounters of Cubans, Haitians, Nicaraguans, and Venezuelans between ports of entry at the southwest border fell from a seven-day average of 1,231 on the day of the announcement on January 5, to a seven-day average of 339 on March 31 – a drop of 72 percent.

Migrants from Venezuela, as well as those from Haiti and Cuba, continue to cross the Darién Gap from Colombia to Panama en route to the United States. According to data from Panama's Security Ministry, 40,297 migrants reached Panama in April 2023, six times more than in the same period of the previous year. According to the United Nations Children's Fund, the number of child and teen migrants crossing the Darien jungle increased from 3,000 in the months of January–April 2022 to 25,431 during the same period in 2023. Mexico received more than 37,000 asylum applications during the first three months of 2023 according to COMAR (Mexican Commission for Aid to Refugees). At that rate, Mexico will have the highest global number of asylum applications and become the third country for asylum seekers after the United States and Germany.

Border enforcement, xenophobic sentiments, and migration restrictions have increased in the region and in the United States. In Chile, hundreds of migrants from Venezuela tried to cross to Peru due to strengthened immigration protocols and growing xenophobia. Chile sent troops along its border with Bolivia and Peru to avoid the arrival of Venezuelan undocumented migrants. Peru also sent troops to deny entry of migrants from Chile. Venezuelan, Haitian, and Colombian migrants were stranded at the border. About 114 Venezuelans were repatriated on a humanitarian flight (Collyns 2023). In Florida, the governor signed a law-making E-Verify mandatory for any employer with 25 or more employees, imposing penalties for firms employing undocumented migrants, and prohibiting the issuance of identification cards to undocumented migrants (Executive Office of Governor Ron DeSantis 2023).

On May 3, 2023, Canada, the United States, and Spain announced a partnership to promote safe, orderly, and regular migration from Latin America. Canada will leverage its current programs such as the Agri-Food Pilot to offer safe, regular pathways as an alternative to irregular migration. Spain will increase the number of persons coming from Latin America over the next three years through pathways linked to labor market needs. The United States will issue 25,000 H-2 visas for northern Central America in FY2023 and increase the numbers by 10 percent in FY2024 (contingent upon labor demand). In addition, it will spend $65 million to operationalize a pilot grant program for agricultural employers to increase H-2A workers from northern Central America (Homeland Security 2023).

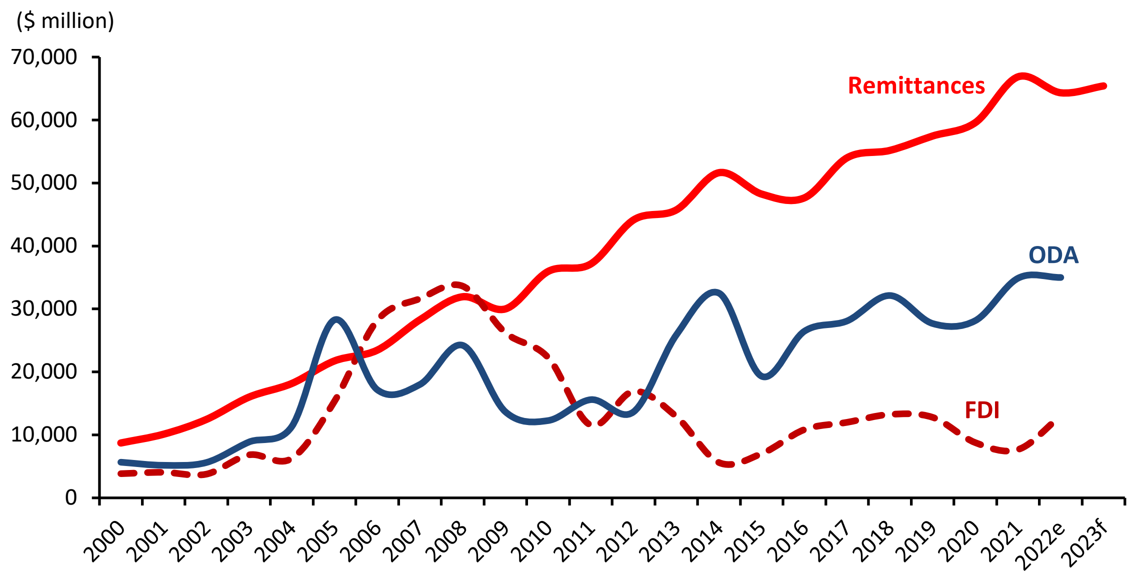
2.4 Middle East and North Africa

Remittance trends. After posting a strong 12 percent growth in 2021, remittances to the Middle East and North Africa region fell by about 4 percent in 2022, to $64 billion. The falloff seems to be tied in part to the erosion of real wage gains in the European Union (EU) – and occurred despite a large upturn in demand for funds in home countries amid a deterioration of regional conditions. The decline in remittances in 2022 was driven mainly by a 10 percent drop in flows to Egypt (to $28.3 billion), and downturns in flows to Algeria and Jordan. Meanwhile, a robust growth in major host countries in the

European Union (France and Spain) supported remittance flows into the Maghreb countries (which rose by 1.7 percent over the year), offsetting some of the negative flows to the region.

Remittances have been the largest source of external resource flows for developing Middle East and North Africa, accounting for 57 percent of total inflows in 2022, surpassing the sum of ODA and FDI (figure 2.14). Remittances and ODA are likely to remain vital for the region in the medium term, given the uncertainty that Russia's invasion of Ukraine has imparted to the global outlook and prospects for private sector flows. FDI inflows to the region surged by 70 percent in 2022, driven mainly by a sharp rise in flows to Egypt, which posted a yearly gain of 123 percent. The rise in Egypt's FDI reflects a surge in greenfield investments and capital increases of existing companies along with the rise in the proceeds of selling local entities to nonresidents. Egypt has been the largest recipient of FDI flows within the region, accounting for 87 percent of the region's total FDI in 2022.

Figure 2.14 Remittances to Middle East and North Africa Offer Support against Other Flows' Volatility, 2000–23f

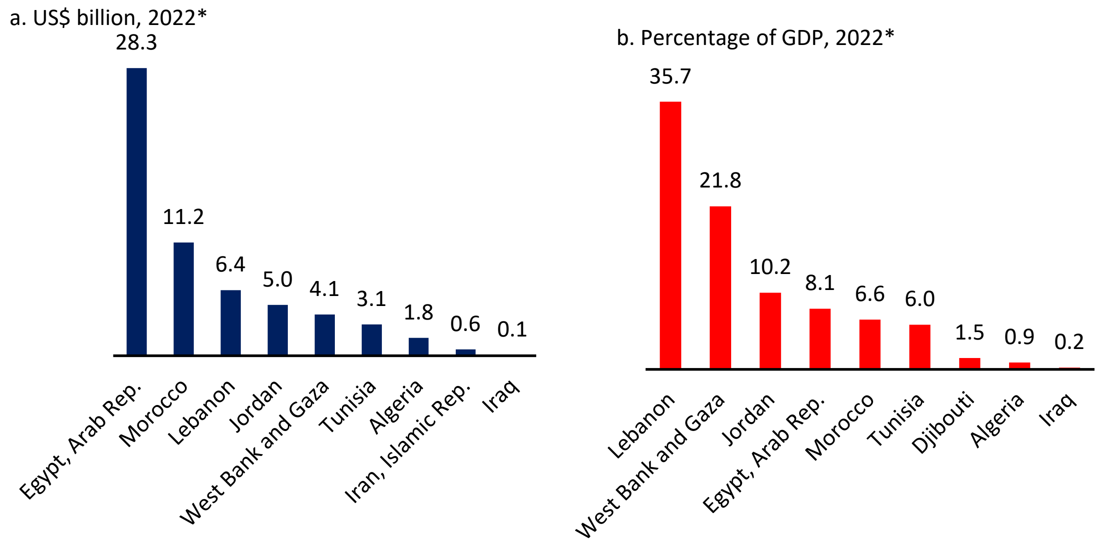


Sources: KNOMAD–World Bank staff estimates; World Development Indicators; IMF Balance of Payments Statistics. See the appendix to *Migration and Development Brief 32* for forecasting methods (World Bank/KNOMAD 2020).
Note: FDI = foreign direct investment; ODA = official development assistance; e = estimate; f = forecast.

Remittances to **Egypt**, the largest recipient of remittances in the region, declined by 10 percent to $28.3 billion in 2022 after reaching a record high of $31.5 billion in 2021 (figure 2.15), with flows in the fourth quarter slowing to the lowest point since 2016. The development can be ascribed to Egyptians selling their foreign exchange on the black market due to the rising gap between parallel market and official exchange rates or holding on to it amid concerns around a devaluation of the pound. As part of a $3 billion loan package agreement with the International Monetary Fund (IMF) in last October, the Egyptian government agreed to move to a flexible exchange rate regime. Saudi Arabia, which accounts for a third of Egypt's total remittances, also recorded a decline in total remittance outflows in 2022, but the amount of the decline was much smaller than the drop in Egypt's inflows.

After surging about 47 percent in 2021, remittances to **Morocco** posted modest growth of 2.4 percent in 2022, rising above $11 billion for the first time ever. Remittances were 8.1 percent of GDP, up slightly from 7.6 percent in 2021, highlighting the importance of the nation's diaspora for its macroeconomic outcomes. Morocco's remittances, the second largest in the region, were supported by strong economic activity in the euro area, where large numbers of Moroccan expatriates reside, particularly in France, Spain, Belgium, and the Netherlands. In 2023Q1, remittances to the country rose by about 7 percent to $2.6 billion compared with the same period in 2022, exceeding both tourism receipts and FDI inflows.

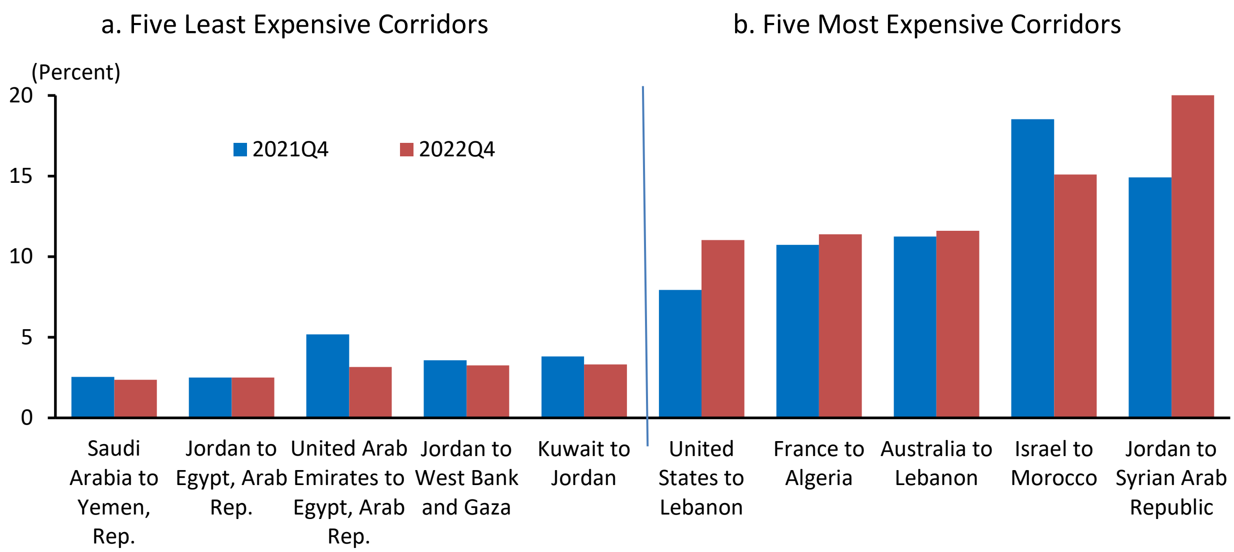
Figure 2.15 Top Remittance Recipients in the Middle East and North Africa, 2022



Sources: World Bank–KNOMAD staff estimates; World Development Indicators; IMF Balance of Payments Statistics.
Note: GDP = gross domestic product. * Yemen is excluded due to data availabilty.

Economies of the region for which remittance receipts constitute a large share of GDP include Lebanon, West Bank and Gaza, and Jordan (figure 2.16b). In **Lebanon**, remittance receipts rebounded slightly to about $6.4 billion in 2022, and accounted for nearly 36 percent of the country's GDP and represented 57 percent of aggregate external resource flows (sum of remittances, FDI, and ODA). During 2022, the **West Bank and Gaza** posted a 20 percent growth in flows, receiving $4.1 billion of remittances. Remittances to **Jordan** fell slightly to about $5 billion with a sharp drop in personal transfer volumes during 2022Q4.

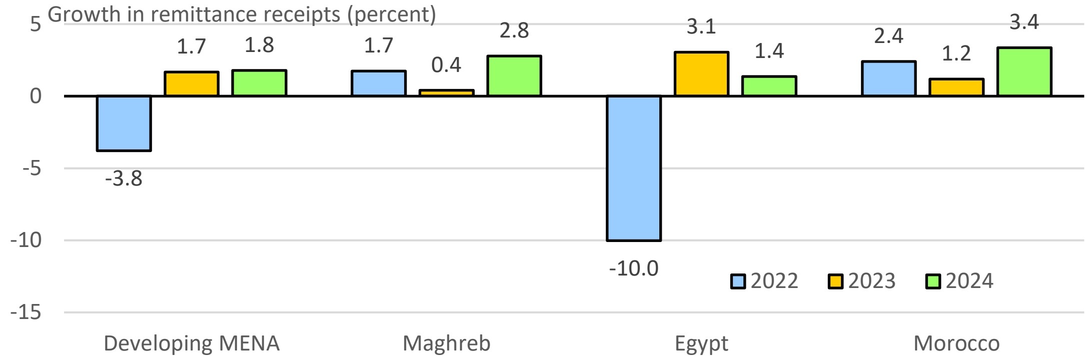
Figure 2.16 Sending Money within Middle East and North Africa is Less Expensive than Sending Money from Outside



Source: World Bank's Remittance Prices Worldwide database.
Note: Cost of sending $200 or equivalent.

Remittance costs. The cost of sending $200 in remittances to the Middle East and North Africa eased to an average 6.2 percent in 2022Q4 from 6.6 percent a year earlier. However, costs vary greatly across corridors: the cost of sending money from high-income OECD countries to the Middle East and North African countries continues to stay in high, double-digit ranges (figure 2.16, panel b). Yet the cost of sending money from the GCC countries to the Middle East and North African countries remains low, ranging below 3 percent in some corridors (figure 2.16, panel a).

Figure 2.17 Remittance Flows to Middle East and North Africa to Decelerate in 2022, But Expected to Recover Modestly



Source: KNOMAD–World Bank staff estimates and projections.
Note: MENA = Middle East and North Africa.

Remittance outlook. The increase in remittances for the region in aggregate is expected to be moderate, recovering from a 3.8 percent negative growth rate to a 1.7 percent increase in 2023. This view is grounded in opposing factors. As more GCC countries allow diaspora families to reside on a permanent basis, the motivation to help families back home by sending large amounts of remittances may decline. On the other hand, the number of migrant employees has rebounded after the COVID pandemic. Thus, it is projected that remittances to the region should recover in 2023 and 2024, although not reaching the 2021 levels (figure 2.17). However, the outlook is differentiated across regional subgroups, depending on dominant host countries, the degree of exposure to higher inflation, and financial volatility.

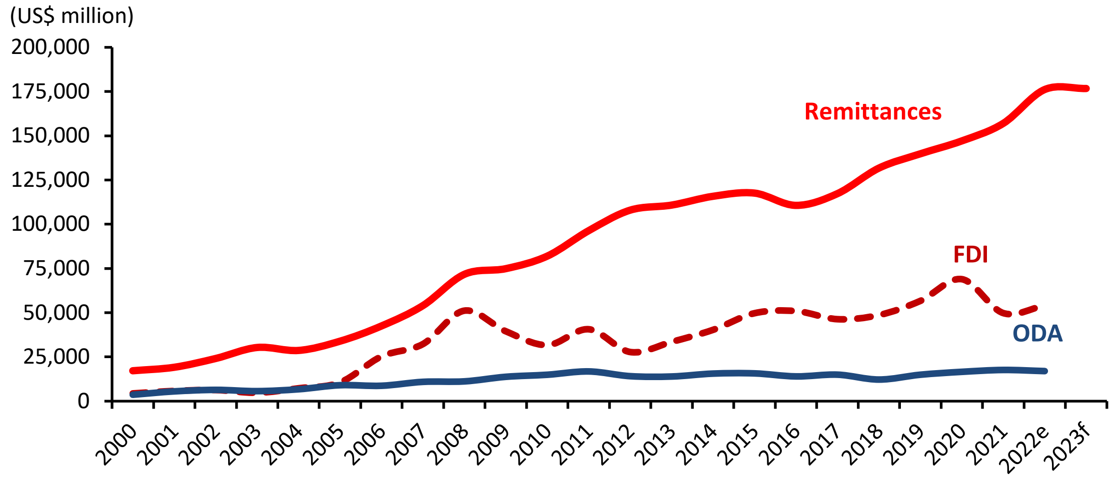
Migration trends. Egypt and Greece have signed two bilateral deals on migration rescue and agriculture. The first agreement is a pact to improve cooperation between the two countries in migrant search and rescue missions across the Mediterranean Sea. This deal, which has been pending since 2021, came in the wake of the EU Action Plan for the Western Mediterranean and Atlantic routes, which aimed to reduce irregular and unsafe migration. The second deal is to allow migration of up to 5,000 seasonal farm workers from Egypt to Greece for up to nine months to fill a shortage of at least 30,000 jobs in the sector. This agreement is expected to pave the way for similar deals with other countries, including Vietnam, India, and possibly the Philippines.

2.5 South Asia

Remittance trends. Remittance flows to South Asia in 2022 surpassed expectations to reach $176 billion, nearly $13 billion higher than forecasted in *Migration Development Brief 37*, and due largely to remittance flows to India overshooting the $100 billion milestone by $11 billion. Remittances to South Asia grew at 12.2 percent in 2022, nearly twice the rate in 2021 in all but three countries (Bangladesh, Pakistan, and Sri Lanka). All South Asian countries benefited from strong labor market conditions and wage hikes in the region's high-income destination economies, and higher energy prices in the GCC countries, a key destination for its less-skilled migrants. Evidently, soaring global inflation sparked by

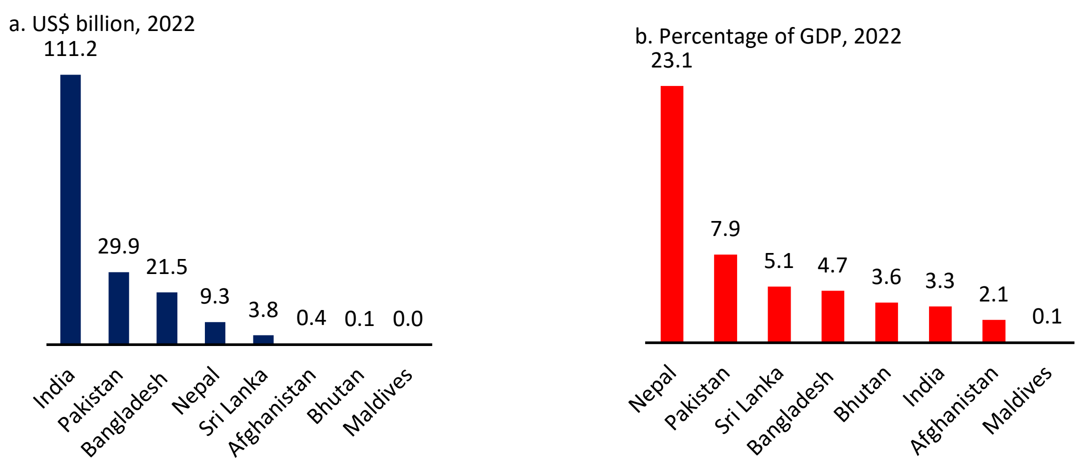
Russia's invasion of Ukraine did not dampen remittance flows significantly from either South Asian migrants' high-income destinations or the GCC destinations where it was countered by measures to curb inflation in food prices.

Figure 2.18 Resource Flows to South Asia, 2000–23f



Sources: World Bank–KNOMAD staff estimates; World Development Indicators; IMF Balance of Payments Statistics. See the appendix to *Migration and Development Brief 32* for forecasting methods (World Bank/KNOMAD 2020).
Note: FDI = foreign direct investment; ODA = official development assistance; e = estimate; f = forecast.

Figure 2.19 Top Remittance Recipients in South Asia, 2022



Sources: World Bank–KNOMAD staff estimates; World Development Indicators; IMF Balance of Payments Statistics.
Note: GDP = gross domestic product

Remittances remained a critical financial inflow, and an important source of foreign exchange for several countries in South Asia (figure 2.18). Remittances measured almost 326 percent of FDI inflows in 2022, up from 247 percent in 2019; and 1,036 percent of ODA relative to 935 percent in 2019. Although remittances amounted to only 4 percent of South Asia's GDP in 2022, the variation across countries was large. In Nepal, which also features in the list of the top 10 countries with the largest shares, remittances stood at 23.1 percent of GDP in 2022, compared with 7.9 percent in Pakistan, 5.1 percent in Sri Lanka, and 4.7 percent in Bangladesh. In India, the largest global recipient, remittances represented only 3.3 percent of GDP in 2022 (figure 2.19b).

In India, the 8 percent increase in remittances in 2021 and the historic 24.4 percent rise in 2022 led remittances to peak at $111 billion, representing 63 percent of South Asia's total remittance flows. Two factors contributed to this unprecedented level. Almost 36 percent of India's remittances are attributable to the high-skilled and largely high-tech Indian migrants in three high-income destinations (United States, United Kingdom, and Singapore), where the post-pandemic recovery led to a tight labor market and wage hikes that boosted remittances (box A.1 in *Migration and Development Brief 37*). In addition, India's other high-income destinations also enjoyed favorable economic conditions. High energy prices favored the employment and incomes of the less-skilled Indian migrants in the GCC countries, while the GCC governments' special measures to curb food price inflation shielded migrants' remitting potential. As a result, remittance inflows from the GCC countries, which today account for about 28 percent of India's total remittance inflows, also soared in 2022.

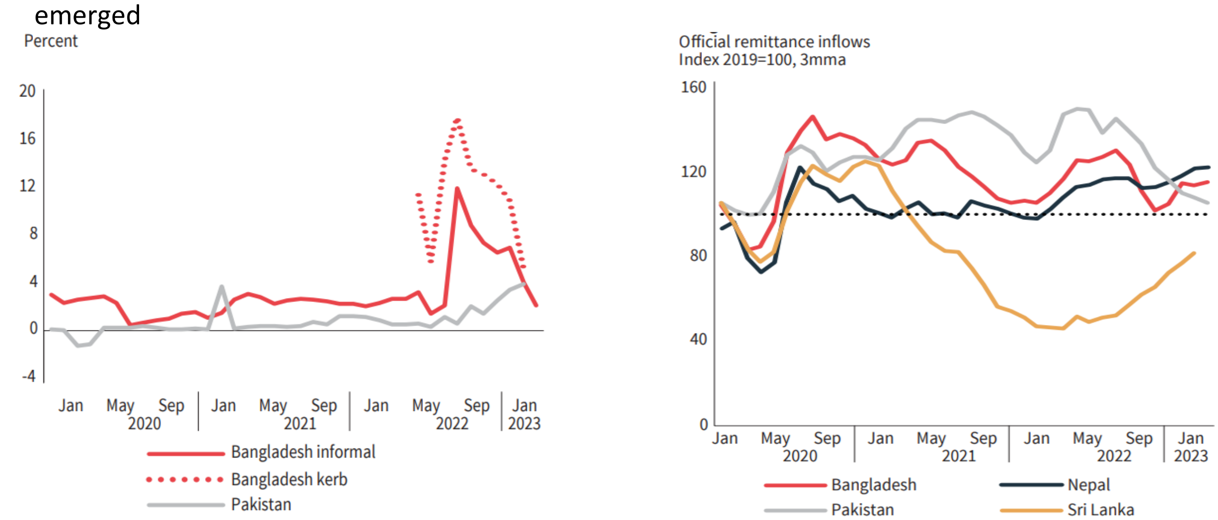
High energy prices and low food price inflation in the GCC countries, which remain the single-largest destinations for less-skilled South Asian migrants, had positive spillovers for all countries. In Nepal, remittances exceeded previous forecasts and grew at 13 percent to reach $9.3 billion in 2022, reflecting partly the dividends from the employment boom related to the FIFA World Cup 2022 in Qatar. In Bhutan, remittances grew at 31 percent and in Afghanistan at 17 percent in 2022, after strong negative growth in the previous two years.

South Asia's remittances' boom in 2022 may not have registered large inflows in the central banks' official statistics in Bangladesh, Pakistan, and Sri Lanka. Growth in remittances was negative in all three countries, reflecting turbulent domestic economic conditions. Weak global demand for their exports, rising interest rates that inflated the cost of debt servicing, and high global fuel and food prices exacerbated balance of payments pressures, leading to currency depreciations. In Bangladesh and Pakistan, the latter created a widening parallel exchange rate gap between the official and the market exchange rate, which ranged between 12 and 18 percent in Bangladesh, and was 4 percent by January 2023 in Pakistan (figure 2.20 panel a). The widening of the exchange rate gaps and the lingering uncertainty diverted remittance inflows away from official to unofficial informal channels since September 2022.

Figure 2.20 Exchange Rate Impact on Remittances in the South Asia Region

a. The parallel exchange rate gap widened as the informal market exchange rate premium emerged

b. Contributing to declines in official remittance inflows in Bangladesh and Pakistan

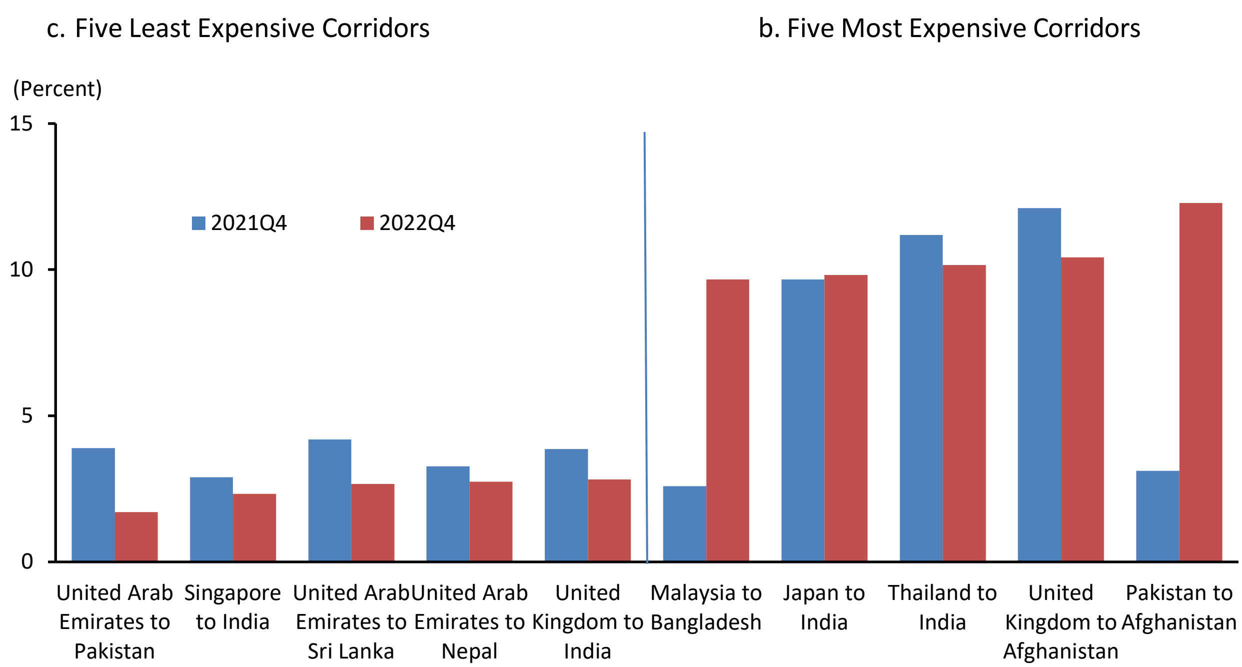


Source: South Asia Economic Focus (figure 1.18, April 2023) based on CEIC, Haver Analytics, Bangladesh Bank, Bhutan Royal Monetary Authority, Karachi stock exchange, and World Bank staff calculations.
Note: Exchange rates vis-à-vis the US dollar are local currency per US dollar, indexed to 100 in January 2022. For Bangladesh, the unofficial exchange rate published by the Bangladesh Bank and the kerb market rate are used. For Pakistan, the kerb market rate is used. The market rate premium is calculated as the percent difference between the monthly average interbank rate and the monthly average unofficial or kerb rate.

A 1 percent deviation between the formal and informal exchange rate in Bangladesh is estimated to shift 3.6 percent of remittances from the formal to the informal financial sector (South Asia Economic Focus, April 2023). In 2022, remittance flows to Bangladesh declined by 3.2 percent to $21.5 billion (figure 2.20 panel b). In Pakistan, after growing at 17–20 percent per annum in 2020–21, remittances dropped by almost 5 percent to under $30 billion in 2022. In Sri Lanka, the simmering economic crisis from the previous year continued to erode public confidence. As external reserves dipped, the parallel market premium diverted remittances from official to informal channels. Remittance growth plunged by 31 percent in 2022, reaching $3.8 billion compared with $5.5 billion in 2021.

Remittance costs. South Asia continued to enjoy the lowest remittance costs of all regions in the world in 2022. The five least costly corridors achieved the SDG target of 3 percent or lower. While the cost of sending $200 in 2022Q4 remained around 10 percent in the five most expensive corridors, the change in cost relative to 2021Q4 varied substantially (figure 2.21). The Thailand to India and United Kingdom to Afghanistan corridors revealed a reduction in remitting costs, bringing remitting costs for both corridors under 11 percent for every $200 remitted. In contrast, the cost of remitting $200 from Pakistan to Afghanistan jumped 9.2 percentage points, and from Malaysia to Bangladesh escalated 7.1 percentage points. The cost increase for the Malaysia to Bangladesh corridor compounded the sharp rise in remittance costs from the previous year. During the same period, meanwhile, there was a consistent drop in remitting costs in the least cost corridors. The cost of remitting $200 dropped between 0.5 percentage points along the United Arab Emirates to Nepal corridor, and more than 2 percentage points along the United Arab Emirates to Pakistan corridor.

Figure 2.21 The Costs of Sending Remittances to South Asia Vary across Corridors



Source: World Bank's Remittance Prices Worldwide database.
Note: Cost of sending $200 or equivalent.

Remittance outlook. After achieving remarkable growth in 2022, the growth of remittance flows to South Asia is projected to taper off to 0.3 percent in 2023, largely due to India, where projections suggest a flat trend in 2023 and 2024, and Pakistan, where more remittances are projected to flow through informal than formal channels. Despite moderating inflationary pressures, the global economic outlook for 2023 is expected to remain anemic in South Asian migrants' high-income host economies. Sticky inflationary pressures and ongoing monetary policy tightening point to a rocky recovery, with GDP growth winding down to between 1.3 and 1.6 percent growth in 2023 from 2.1 percent in 2022 in the United States and the advanced economies (IMF 2023b). These projections point to the downside for the employment and wage prospects of South Asia's skilled high-tech migrants in these host countries. Large-scale layoffs totaling 84,000 in January 2023 alone in the leading high-tech US firms led to large pools of returning skilled Indian migrants from the United States, paving the way for a sharp drop in remittance flows to India in 2023. Remittance flows to the other six South Asian countries will also be driven by host country conditions in the Middle East, where declining oil prices are expected to lead to a sharp deceleration in growth from 5.3 percent in 2022 to 3 percent in 2023. In Saudi Arabia, growth is projected to collapse from 8.7 percent to 3.0 percent between 2022 and 2023, with direct implications for employment and wages of less-skilled migrants. The prospects for 2024 are similarly bleak.

Against this backdrop, remittances to Pakistan are expected to decline by more than 6 percent to $28 billion in 2023, with only a marginal pickup in 2024 as migrants are reassured by the new agreement with the IMF. In Bangladesh, adverse host country conditions in the GCC are projected to penalize migrants' remitting potential, but greater confidence in the origin economy on account of the recently negotiated agreement with the IMF is expected to lead to remittance growth of 6.6 percent ($23 billion) in 2023 and about 3 percent ($23.6 billion) in 2024. Similar conditions in Sri Lanka are expected to grow formal remittance flows by 4.8 percent in 2023 and 2.4 percent in 2024, amounting to around $4 billion each. In Nepal, which is unscathed by exchange rate crises, remittances are projected to maintain a healthy trend of 7.6 percent growth in 2023 and 3.6 percent in 2024, surpassing $10 billion.

2.6 Sub-Saharan Africa

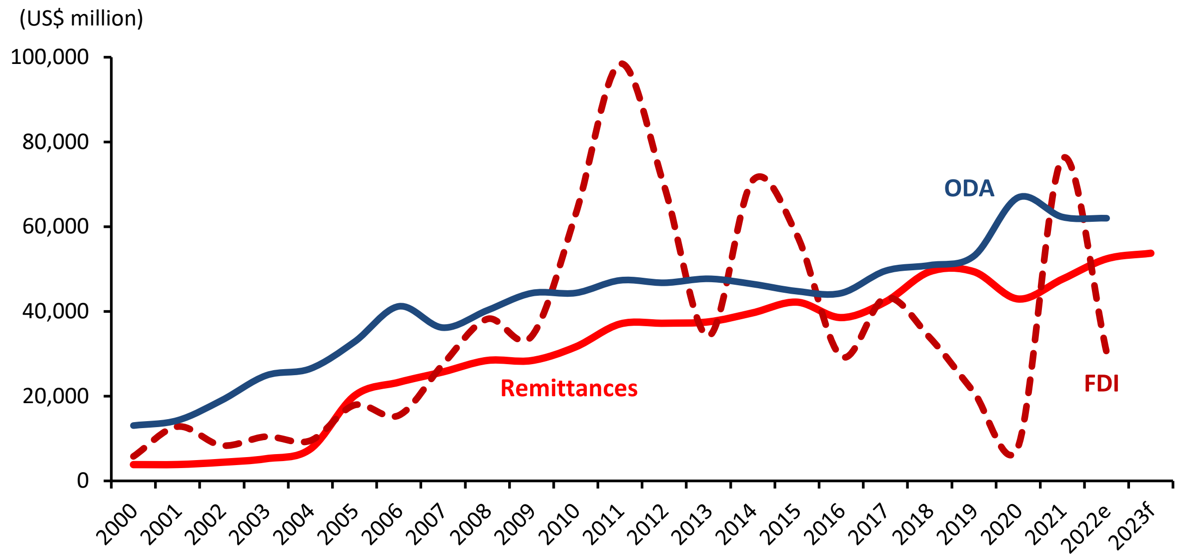
Remittance trends. Remittance flows to Sub-Saharan Africa reached $53 billion in 2022, a 6.1 percent increase from the previous year, following the strong growth of 16.3 percent in 2021. Remittance flows to the region are projected to rise by 1.3 and 3.7 percent in 2023 and 2024, respectively. The projected moderate growth in remittances reflects the expected slowdown of economic growth from 2.6 percent in 2022 to 0.7 percent in 2023 in major developed countries, where a large population of remittance senders live.

The increase in remittance flows to the region supported the current accounts of several African countries dealing with food insecurity, supply chain disruptions, severe drought (Horn of Africa), floods (in Nigeria, Chad, Niger, Burkina Faso, Mali, and Cameroon), and debt-servicing difficulties. Most of these factors were intensified following Russia's invasion of Ukraine.[7] For example, in Senegal, the secondary income account strengthened in 2022 due to remittances (IMF 2023a).

Remittance flows to Sub-Saharan Africa were nearly twice the size of FDI flows, and relatively more stable, in 2022 (figure 2.22). FDI flows to the region reached a historic high of $76 billion in 2021, driven primarily by a large corporate financial transaction in South Africa—a stock exchange between Naspers and Prosus.

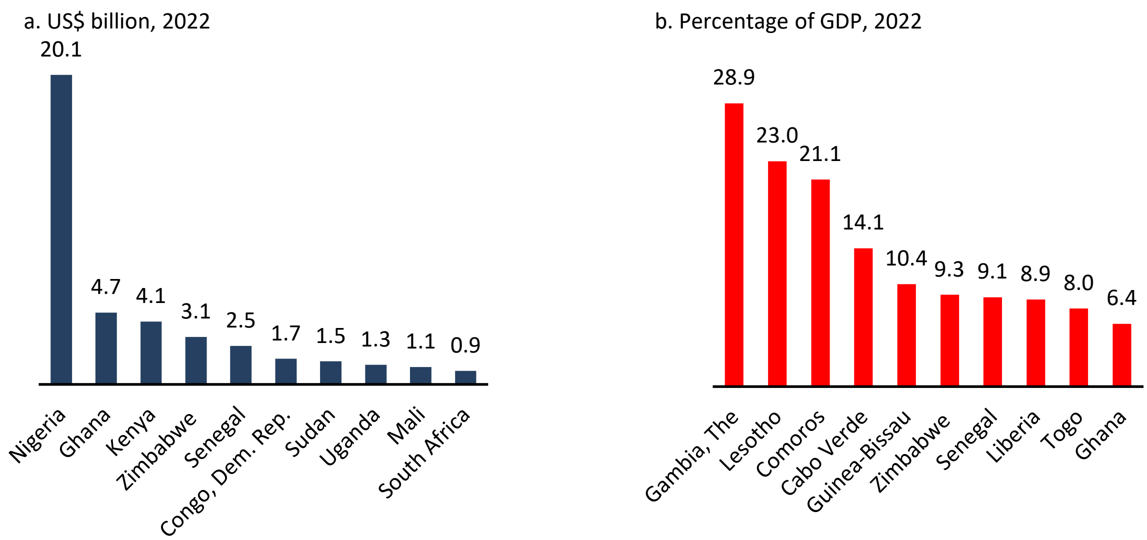
Regional growth in remittances in 2022 was largely driven by strong remittance growth in Ghana (12 percent to $4.7 billion), Kenya (8.5 percent to $4.1 billion), Tanzania (25 percent to $0.7 billion), Uganda (17.3 percent to $1.3 billion), and Rwanda (21.2 percent to $0.5 billion). Remittances to Nigeria, accounting for around 38 percent of total remittance inflows to the region, increased by 3.3 percent to $20.1 billion.

Figure 2.22 Resource Flows to Sub-Saharan Africa, 2000–23f



Sources: KNOMAD–World Bank staff estimates; World Development Indicators; IMF Balance of Payments Statistics. See the appendix to *Migration and Development Brief 32* for forecasting methods (World Bank/KNOMAD 2020).
Note: FDI = foreign direct investment; ODA = official development assistance; e = estimate; f = forecast.

Figure 2.23 Top Remittance Recipients in the Sub-Saharan Africa Region, 2022



Sources: KNOMAD–World Bank staff estimates; World Development Indicators; IMF Balance of Payments Statistics.
Note: GDP = gross domestic product.
*South Sudan is excluded due to issues related to data validity.

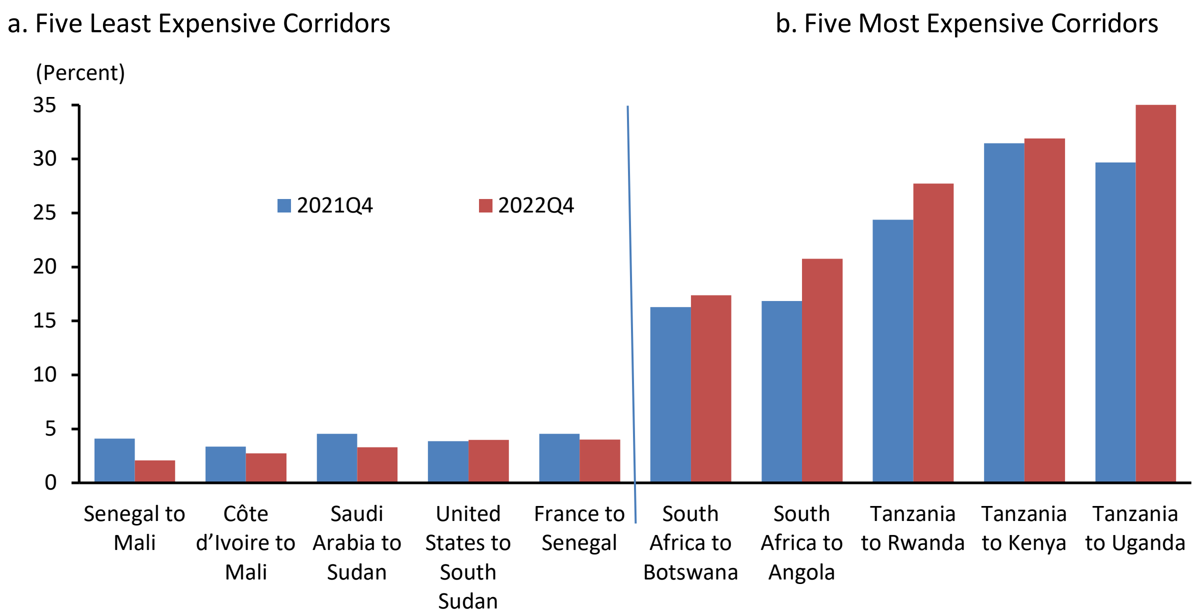
The largest recipients of remittances in the region during 2022 – measured in US dollar terms – include Nigeria, Ghana, Kenya, and Zimbabwe (figure 2.22 first panel). Remittances have become the most important foreign exchange earner in several countries. For example, for Kenya remittances are larger than the country's key exports, including tourism, tea, coffee, and horticulture.[8] Those countries more dependent on receipts as a proportion to GDP include the Gambia, Lesotho, Comoros, and Cabo Verde (figure 2.23b).

High-frequency remittance data for 2023 in Kenya show a fall in remittance growth over the first four months of 2023, while for Ghana they indicate an increase in remittances during 2023Q1. In Kenya (the third-largest recipient of remittances in the region), monthly information points to a decline of 10 percent for the first four months (January to April) of 2023 compared with the same period in 2022. By contrast, remittance flows to Ghana increased by 16 percent from 2022Q1 to 2023Q1.

Fixed exchange rates and capital controls are having an impact on foreign exchange markets and channels of remittance flows. Nigeria continues to have a large black-market premium on foreign exchange. For example, on May 27, 2023, in the Lagos black market, the dollar was being bought at 759 naira and sold for 760 naira, while the official exchange rate was around 460. Similarly, in Ethiopia, a US dollar is worth double the official bank rate. Such large differences between the official and black-market rates tend to drive remittances to informal channels.[9] This may partly explain the decline in officially recorded remittances in Ethiopia.

Remittance costs. Sub-Saharan Africa remains the region with the highest remittance costs. Senders had to pay an average of 8.0 percent to send $200 to African countries during 2022Q4, compared with 7.8 percent in 2021Q4. Costs vary substantially across the region, ranging from 2.1–4.0 percent in the lowest cost corridors to 17–35 percent in the highest (figure 2.24) For example, sending $200 in remittances from Tanzania to neighboring Uganda would have cost a migrant 35.5 percent in 2022Q4. Banks charge the highest costs, thus emphasizing the importance of cross-border mobile money transactions. In Kenya, Rwanda, Tanzania, and Uganda, such transactions are constrained by limited interoperability among telecom operators and money transfer operators.

Figure 2.24 Costs of Sending Remittances to African Countries Vary Widely across Corridors



Source: World Bank's Remittance Prices Worldwide database.
Note: Cost of sending $200 or equivalent.

Intraregional remittances costs are still very high. The Africa Continental Free Trade Agreement (AfCFTA) has the potential to make cross-border transactions such as remittance transfers by migrants within Africa cheaper through the Pan-African Payment and Settlement System (PAPSS).[10] The platform works in conjunction with central banks to facilitate direct transactions among the more than 40 currencies used throughout the continent. PAPSS is an African Union infrastructure developed in collaboration with the African Export-Import Bank (Afreximbank) to complement trading under the AfCFTA.

Remittance outlook. Growth of remittances to Sub-Saharan Africa is projected to fall from 6.1 percent in 2022 to 1.3 percent in 2023. Risks to the outlook include capital outflows, measures to control foreign exchange, and sanctions. South Africa was put on a "gray list" by the Financial Action Task Force (FATF). Growth in remittance flows is expected to recover to 3.7 percent in 2024.

Migration trends. Conflicts in the region have increased cross-border movements. As Burkina Faso's security situation worsened, Benin, Côte d'Ivoire, Ghana, and Togo received 45,640 refugees including Burkinabes and migrants of other nationalities who were living in Burkina Faso (Mixed Migration Centre 2023).

The Maghreb countries and Niger have become transit countries for many migrants and refugees from Sub-Saharan Africa. According to the International Organization for Migration, as of April 2023, 7,700 migrants were stranded in Niger, including 5,000 in Assamaka (IOM 2023a). Since the Libyan revolution in 2011, Tunisia has also become a transit country for many African migrants en route to Europe. Initially, Tunisia received Sub-Saharan refugees who had fled Libya, and then migrants in search of work on their way to Europe, including Italy. In recent months, Tunisia has overtaken Libya as the country with the most undocumented maritime departures to Italy.[11] In an effort to reduce the number of irregular migrants, the Government of Tunisia announced a campaign targeting employers or landlords who employ or house undocumented migrants. As a result, the embassies of Côte d'Ivoire, Guinea-Conakry, Senegal, and Mali arranged flights to repatriate any of their nationals wanting to leave (Brésillon 2023).

Similarly, the recent conflict in Sudan created a large flow of cross-border population movements. The country is host to 3.7 million internally displaced persons and about 1.3 million refugees (mainly from South Sudan). Several Sudanese and refugees are moving to neighboring countries that are already hosting a large number of refugees. Latest numbers reported by the United Nations High Commissioner for Refugees in May indicate 255,237 new arrivals to the countries of Egypt (which is already host to 113,190), South Sudan (68,548), Chad (60,000), the Central African Republic (9,730), and Ethiopia (3,769). These include refugees from Sudan, among other nations (UNHCR 2023).

In 2022, intraregional migration in the East and Horn of Africa increased. For example, along the route from Ethiopia through Somalia or Djibouti, across the Gulf of Aden to the Arabian Peninsula, through Yemen, and finally to Saudi Arabia, there were 441,000 movements in 2022 compared with 269,000 in 2021 (IOM 2023b).

South Africa announced new immigration measures, including a Trusted Employer Scheme (qualified employers can use improved immigration processes with reduced administrative requirements) and an electronic system for study, business, and intracompany transfer visas that will include an additional 20 countries (Crown World Mobility 2023). In addition, the country published the National Identification and Registration Bill and a One Stop Border Post Bill for comments. The latest one proposes the establishment of centers to manage the movement of people and goods at land borders (Fragomen 2023).

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Endnotes

[1] Fiji, Kiribati, Marshall Islands, Micronesia, Palau, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu.
[2] It was marked by a relaxation plan that processes work permits within 2–3 business days instead of the previous 20–30 days and a recalibration plan that seeks to legalize immigrants.
[3] A new short-term Social Visit Pass program called PLS@XPATS allows foreign nationals to work in Malaysia for up to 30 days in a large set of sectors. Foreign nationals seeking work in specific sectors can apply online for work authorization. Malaysian companies hiring foreign nationals have to prove that the purpose of their visit is to conduct critical work (defined as emergency work, repair work, installations, recovery/reinstallation, maintenance, etc.) by submitting a working schedule, project, and job description. If approved, the Immigration Department issues an approval letter to the foreign national and the PLS@XPATS is endorsed upon arrival in Malaysia. The PLS@XPATS program is an alternative to normal work passes to address labor shortages in certain sectors in Malaysia and follows the digital nomad pass, which allows remote workers to stay and work in Malaysia for up to 12 months.
[4] Based on The Asia-Plus News Agency reported on May 11th.
[5] Congressional Budget Office. The Foreign-Born Population, the U.S. Economy, and the Federal Budget. April 2023. https://www.cbo.gov/system/files/2023-04/58939-Immigration.pdf
[6] Circumvention of Lawful Pathways. A Rule by the Homeland Security Department and the Executive Office for Immigration Review on 05/16/2023, https://www.federalregister.gov/documents/2023/05/16/2023-10146/circumvention-of-lawful-pathways
[7] Over 60 percent of Sub-Saharan African countries stand in “debt distress” or at “high risk” of debt distress – scores resulting from application of the World Bank/IMF Debt Sustainability Analysis (DSA) framework and empirical tool. These circumstances, especially with further deterioration in global economic and financial conditions on the horizon, heighten the risk of default and/or debt workouts for a number of countries.
[8] According to the Central Bank of Kenya remittances reached $4,027 billion in 2022, while tea exports earned the country $1.2 billion, horticulture $901 million, chemicals $521 million, coffee $301 million, and petroleum products $77 million.
[9] In Ethiopia, foreign currency is smuggled through the Bole International Airport or funds are transported to Moyale (border town with Kenya) and Togochale (border town with Somalia) (Metekia and Goben 2023).
[10] PAPSS is an African Union infrastructure developed in collaboration with the African Export-Import Bank (Afreximbank) to complement trading under the AfCFTA (https://au-afcfta.org/operational-instruments/papss/).
[11] “According to official Italian figures obtained by Agenzia Nova, at least 12,083 individuals have arrived in Italy from the Tunisian coast from the start of this year until March 13. This marks a steep increase of 788 percent compared to the same period in 2022” (Mixed Migration Centre 2023).