



FINANCIALS

JANUARY 27, 2021 / 5:15 PM / UPDATED A MONTH AGO

Remittance flows in 2021 may not be as slim as feared -study

By Tom Arnold



LONDON, Jan 27 (Reuters) - Money transfers from migrants overseas could rebound to pre-pandemic levels, upending a World Bank forecast of a further slowdown in remittances to developing countries in 2021, according to a new study.

Remittances, an important source of external financing for low and middle-income countries, have not slumped as much as initially feared during the coronavirus pandemic, even rebounding to some economies, including Mexico, El Salvador, Kenya, Pakistan, Bangladesh, the Philippines and Sri Lanka. Uncertainty around the outlook for remittances is high, noted the report by Oxford Economics commissioned by Western Union. But it added that as advanced economies recover and if demand for funds from developing economies remained high, then remittance performance in 2021 could even return to pre-pandemic levels.

“Crises make people more determined to provide support to the people they care about. When times get hard in developing economies, remittance-senders become front-line workers of economic security,” said Hikmet Ersek, President and CEO of Western Union, in a statement accompanying the report.

“In the massive task of rebuilding developing nations in a post-pandemic world, millions of these economic first responders will continue to step up.”

The report added, however, that remittances could also decline further as more money may be sent by unofficial channels, as borders start to re-open, and if a fall in the stock of migrant workers seen in 2020 continues.

The World Bank in October revised its 2020 estimated drop in flows to low- and middle-income countries to 7% from 19.7% previously, but predicted a further 7.5% dip in 2021.

Remittances to that group of countries rose 4.3% in 2019.

The economies of the top 20 economies where migrant workers are based will rebound strongly this year, Oxford Economics said. In this context, another large dip in remittance flows in 2021 would imply an unusually sharp divergence from economic trends, the report noted.

Editing by William Maclean

Our Standards: The Thomson Reuters Trust Principles.