Asia-Pacific workers' remittances exceed expectations amid the COVID-19 pandemic

18 November 2021

Global Economics

Asia-Pacific workers' remittances exceed expectations amid the COVID-19 pandemic

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Workers' remittances have defied the dismal predictions that the World Bank provided in April 2020, especially in South Asia, where Bangladesh and Pakistan had over 17% growth in remittances during the coronavirus disease 2019 (COVID-19) pandemic in 2020. This can be attributed to altruistic responses, COVID-19 containment policies, the collapse of the informal networks of remittances, and the repatriation of savings by migrants returning home, along with many idiosyncratic factors. These remittances are key to many economies of the region, supporting current account balances and offsetting deficits while supporting consumption. Many of the factors contributing to this boost in remittances are unsustainable considering the uncertain nature of the COVID-19 crisis' effect on migrant labour.

Key findings

- Remittances to the East Asia and Pacific region declined by only 9.7% during 2020, much less than the World Bank predicted in April 2020.

- Remittances boomed in South Asia, increasing by over 18% in Bangladesh and more than 17% in Pakistan thanks to many policies such as cashback incentives to encourage remittances, along with idiosyncratic factors.

- Travel restrictions imposed by coronavirus disease 2019 (COVID-19) containment measures acted to hinder the informal remittance networks such as hundi, which allowed for a greater capture of official remittances.

- A small portion of migrants repatriated their savings back to their home countries in anticipation of returning for good, driven in part by nationalisation policies in Gulf Cooperation Council (GCC) member states.

- This boom in remittances is unlikely to be sustainable, as many of the factors contributing to it are temporary in nature. However, as governments guide remittances towards digital channels, the official capture of remittances may become more accurate and thus sustain higher official numbers.

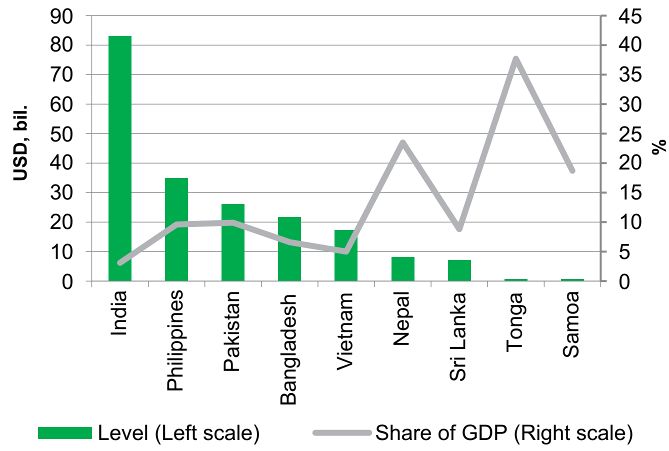
Surprising results of remittances amid the COVID-19 pandemic

In April 2020, the World Bank predicted that the coronavirus disease 2019 (COVID-19) pandemic would drive the sharpest decrease in workers' remittances in recent history. Global remittances were predicted to drop by 20% because of the loss of employment and wages for migrants during the economic shutdowns necessary to contain the pandemic. Remittance flows were expected to fall by 22.1% in South Asia and by 13.0% in East Asia and the Pacific region.

The World Bank's dire projections concerned policy-makers in these economies because of the magnitude of remittances. Workers' remittances are important because they are used to raise national savings, bolster foreign-exchange reserves (helping to finance imported goods), and boost consumption in the home countries. Remittances act as a stabiliser for the current account of balance of payments.

In 2020, the region's biggest recipients of remittances in US dollar terms were India (USD83.1 billion), the Philippines (USD34.9 billion), Pakistan (USD26.1 billion), Bangladesh (USD21.7 billion), and Vietnam (USD17.2 billion). The region's biggest recipients of remittances as a share of GDP were Tonga (37.7%), Nepal (23.5%), Samoa (18.7%), Pakistan (9.9%), and the Philippines (9.6%).

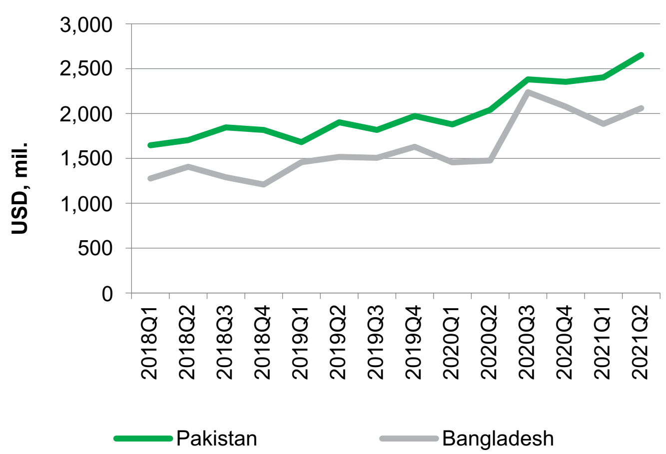
Notable inflows of workers' remittances, 2020



Source: World Bank © 2021 IHS Markit

The predictions did not come to pass. Remittances were surprisingly resilient as the COVID-19 pandemic played out during 2020. Remittances to East Asia and the Pacific declined by only 9.7%, which was less than predicted. Remittances in South Asia grew 5%, driven by large surges in remittances to Bangladesh and Pakistan.

Remittances to Pakistan and Bangladesh, 2018–21



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Changes in remittances over the course of the COVID-19 pandemic

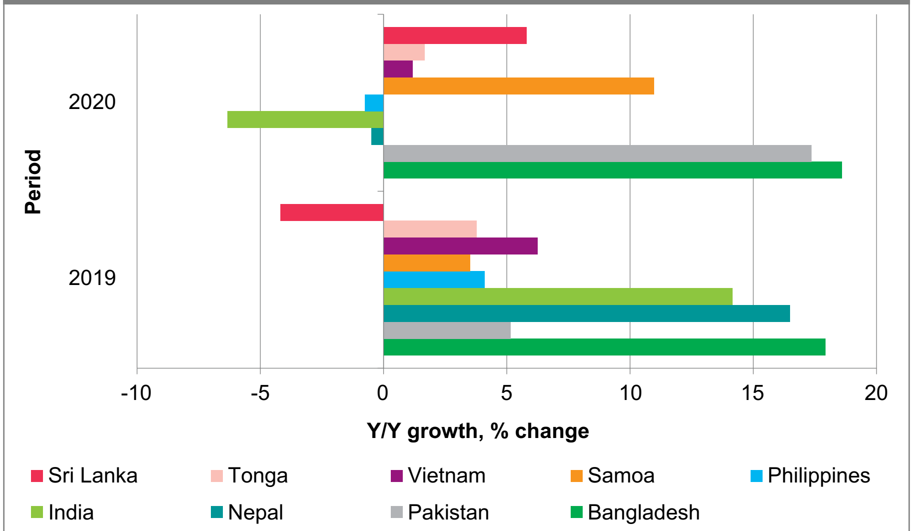
Bangladesh and Pakistan emerged as standouts in the world of workers' remittances, with both recording substantial increases after the start of the COVID-19 pandemic.

Remittances to Bangladesh grew 18.6% in 2020 compared with 2019 and remain high compared with the pre-pandemic levels. The pandemic initially led to drops in remittances. Remittances declined by 12% year on year (y/y) in March 2020 and 23% y/y in April 2020. However, after the initial drops in March and April 2020, remittances started to increase in June 2020, with a 33% y/y jump recorded for that month. The highest surge of 2020 was in July, when remittances were 62% higher than the same month in 2019. Bangladesh's boom in remittances has continued in 2021, with an average of 30% higher per month than they were before the pandemic in 2019, although there has been a y/y decline beginning in July 2021.

Similar to Bangladesh, Pakistan recorded a sharp rise in remittances in 2020, with an increase of over 17% compared with 2019. Remittances as a percentage of GDP also rose substantially from 8.0% in 2019 to 9.9% in 2020. Remittances to Pakistan stalled in the early stages of the pandemic and recorded a drop of over 18% y/y in May 2020, but surged by 51% in June 2020 compared with that month in 2019. Remittances have remained high since then, with monthly remittances registering an average of 43% higher than the pre-pandemic 2019 levels.

There were many factors that contributed to the surges in remittances. From May to July 2020, the informal hundi cross-border transaction network collapsed under the travel restrictions put in place to contain the spread of COVID-19. They also affected the remittances that are usually sent in the run-up to major holidays such as Eid al-Fitr (May 2020) and Eid al-Adha (late July 2020). The Hajj pilgrimage, which was scheduled to take place at the end of July 2020, was also significantly reduced in scale and prohibited for international travellers because of the pandemic. This potentially allowed would-be pilgrims to send more money home in the form of remittances. Additionally, the governments of Bangladesh and Pakistan each instituted policies to encourage remittances.

Incredible growth of workers' remittances



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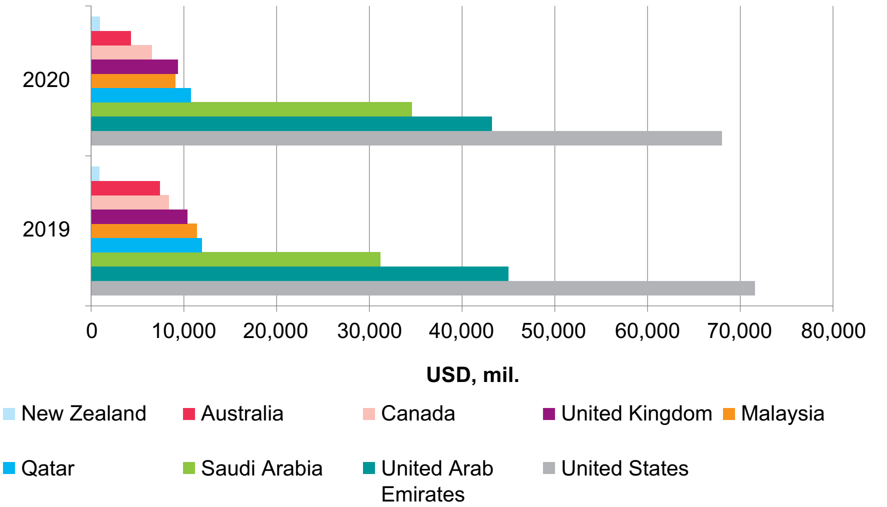
Other areas in the region also had increases in remittances in 2020, but they were more modest than the surges recorded in Bangladesh and Pakistan. Samoa's workers' remittances increased by 10.98% y/y, Sri Lanka's by 5.80% y/y, Tonga's by 1.68% y/y, and Vietnam's by 1.18% y/y.

Many countries in the region defied pessimistic forecasts by only posting modest losses in remittances in 2020 compared with 2019. These decreases were modest despite rampant unemployment and wage cutting for migrant workers. In 2020, workers' remittances to the Philippines only decreased by 0.76%, and Nepal's workers' remittances only fell by 0.50%. Remittances in India decreased – but not by as much as predicted – by only 6.33%, driven by a 17% drop in remittances from the United Arab Emirates (UAE).

Looking at the trends in 2021, remittances in the Philippines picked up further during the first seven months of the year, increasing by 5.8% compared with the same period in 2020. Nepal experienced a bumpy ride in

2021. In May 2021, remittances rose by 16.5% y/y. However, in October 2021, remittances declined by 17.5% y/y, and the central bank has banned imports of some items to conserve foreign-exchange reserves.

Outward remittance flows from top host countries



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Most of the economies analysed received the bulk of their remittances from Saudi Arabia, the UAE, and the US. Looking at the major source countries, Saudi Arabia was the only nation analysed that increased its remittance outflows in 2020 compared with 2019, with a rise of 10.89%. The two other major outward remittance economies posted modest declines in outward flows of remittances: the US (down 4.98%) and the UAE (down 3.86%). In 2020, there were steep decreases in outward workers' remittances in areas that typically send less remittances: Australia (down 42.16% y/y), Canada (down 22.08% y/y), Malaysia (down 20.31% y/y), and Qatar (down 10.20% y/y).

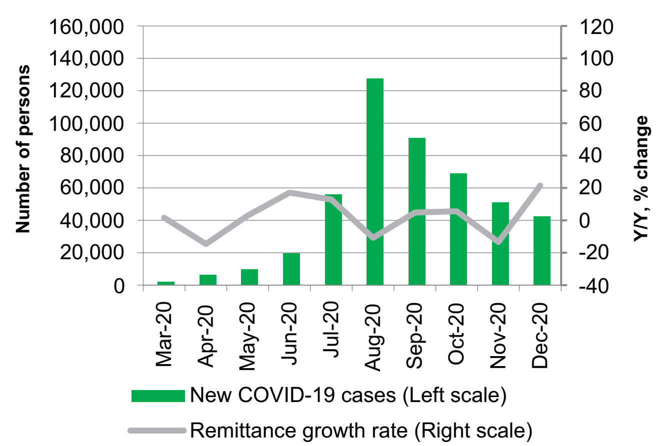
Why did remittances defy predictions?

There are numerous possible factors contributing to how remittances behaved over the course of the COVID-19 pandemic. These include idiosyncratic factors such as the reduced size of the Hajj pilgrimage to Mecca in Saudi Arabia, which meant that funds that had been earmarked for that trip could instead be rerouted to remittances. In Bangladesh, there were severe floods in July 2020, which may have contributed to altruistic remittances. Workers residing overseas could be sending additional transfers to support communities in their home countries, countercyclically offsetting the detrimental effects of catastrophes such as flooding or the pandemic. This section explores the explanations with the largest probable effects on the remittances.

Remittances respond to COVID-19 lockdowns in home and host countries

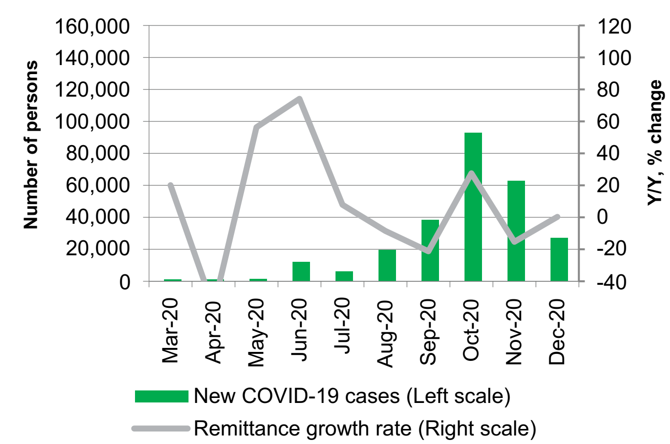
Remittances responded positively to COVID-19 infections in the home countries, as migrant workers rushed to send aid to communities back home based on altruism and family ties. On the other hand, remittances responded negatively to COVID-19 infections in host countries, as lockdowns and other containment measures affected their incomes and the availability of remittance services as some were deemed non-essential services or were negatively impacted by mobility restrictions as it became difficult to receive remittances.

Philippines' remittances and COVID-19 infections



Source: World Bank, Our World in Data © 2021 IHS Markit

Nepal's remittances and COVID-19 infections



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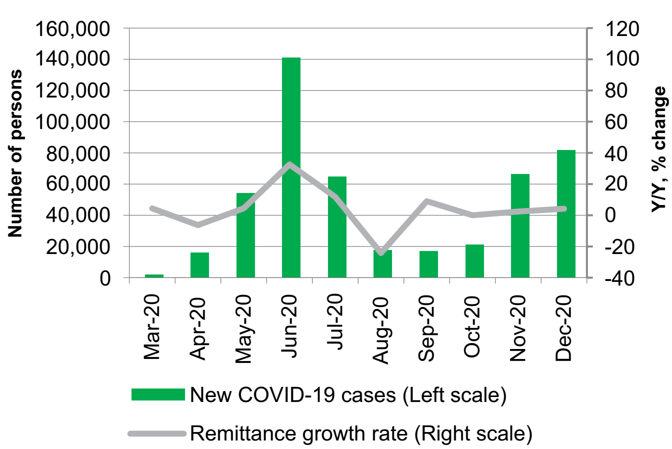
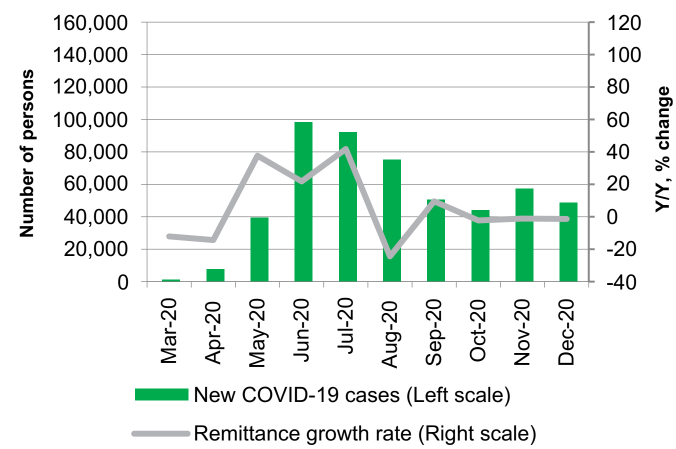
Pakistan's remittances and COVID-19 infections



Source: World Bank, Our World in Data © 2021 IHS Markit

Bangladesh's remittances and COVID-19 infections



Source: World Bank, Our World in Data © 2021 IHS Markit

As illustrated by the charts above, the effects of initial lockdowns (March–April 2020) worldwide on remittances are apparent. The lockdowns made it more complicated for senders in host countries to send remittances, as the venues might not have been considered to be essential businesses at first. Similarly, the lockdown measures made it more difficult for receivers in home countries to get the remittances. However, by May 2020, growth rates of remittances surged in most of the countries analysed, regardless of the state of new COVID-19 cases in the home countries. This indicates that rather than being an altruistic response to surges in new COVID-19 cases, the surge in remittance growth was due in part to pent-up remittances finally being released after lockdown measures eased.

Moving from informal to formal remittances

Travel restrictions increased formal remittances, but the effect was short-lived. This is attributed to the inability to use some informal routes of remittances that were affected by the travel restrictions.

The economies studied previously had thriving systems of informal remittances. These informal systems are called hundi in South Asia (also known as hawala in the predominantly Muslim parts of South Asia or undial in

Sri Lanka). The systems involve a lot of trust and typically develop from family or religious connections. These informal remittances can occur in several ways. For example, a migrant worker in the US may reach out to a hawaladar, the "banker" of these hawala networks, who calls in to their connection in the home country. The connection may be someone who owes the hawaladar money, or the hawaladar has a local currency surplus that the connection is assisting in disposing of. The connection could also be a business partner in another area who does this as way of balancing the accounts. These transactions typically take place via phone, with no actual money movement occurring internationally. They can also take place through under- or over-invoicing imports or exports between the hawaladar in the host country and their connection at the home country. They could involve people moving currency or goods over the border surreptitiously. There are numerous variations for hawala transactions.

People choose to use the hawala system because it is cost-effective. Average exchange rates in the hawala system are more favourable than those of official banks. The system is also extremely efficient, with most transactions occurring within one or two days at most. An international wire transfer can take a week or so. It is also often more reliable than a complex international transaction involving multiple banks of different nationalities. Additionally, hawala has an appealing anonymity element and lack of bureaucracy. As such, people living on expired visas or without national identification numbers can use the system without facing trouble from the authorities in their countries of residence. The difficulty in monitoring hawala transfers means that the process is used routinely by criminal and militant groups, particularly in South Asia.

While nearly impossible to quantify, experts at the US Department of the Treasury Financial Crimes Enforcement Network (FinCEN), in conjunction with INTERPOL, estimated in 2000 that the parallel economy of hundi is 30–50% of the documented economy in South Asia. Since 2009, the Pakistan Remittance Initiative has aimed to make remittances into Pakistan faster, cheaper, and more convenient in order to reduce these informal remittances, and Anti-Money Laundering units were established to regulate forex payments. A study published in the *Journal of the Asia Pacific Economy* in 2021 quantified estimated informal remittances from Saudi Arabia, the UK, and the US and found that the overall flow of remittances through hundi/hawala has been significantly declining since these remittance reform policies were instituted by Pakistan.

Additionally, COVID-19-induced border closures have shut down portions of these hawala networks. However, the decline in hawala remittances was already occurring, and it is not the only factor that may have contributed to the increase in official remittances. In Pakistan, remittance reform policies have been driven in part by Financial Action Task Force (FATF) conditions for Pakistan's removal from the group's so-called "grey list" – to limit financing for transnational militant groups through hawala networks. Pressure on the Pakistani government to counter transnational financing through a more formalised remittance system will probably outlast any effect of the pandemic-related travel restrictions.

Policy support from home countries

In Bangladesh, the substantial increase in remittances is likely driven by Bangladesh Bank's policy to incentivise money sent back by expatriate Bangladeshis. The government would add 2% of the value to every remittance transmitted via legal and formal channels from July 2020 to June 2021. Banks then tacked on incentives on top of the government policy in a bid to compete for remittance business. Remittances increased by 32.7% y/y in the third quarter of 2020. In addition to the 2% cash incentive, the central bank increased the monthly limit for transfers through mobile providers from BDT75,000 (USD883.70) to BDT200,000 and instructed mobile financial service providers to offer fee-free cash withdrawals of up to BDT1,000.

In Pakistan, tax incentives were introduced to encourage remittances. Withholding tax was exempted starting from 1 July 2020 on cash withdrawals or banking transfers and remittances. Remitters are also incentivised with debit cards or discounts on school fees. The Pakistani government reduced the threshold for eligible transactions from USD200 to USD100 to push remittances towards digital channels. From December 2020 to February 2021, inflows more than doubled for the State Bank of Pakistan's Roshan Digital Account. The Roshan Digital Account is an initiative of the State Bank of Pakistan in collaboration with commercial banks in Pakistan to provide innovative banking solutions for non-resident Pakistanis.

In India, there was no specific policy support for remittances at the onset of the COVID-19 pandemic. However, India and Singapore are working to link their payment systems to facilitate cross-border transactions. India's Unified Payments Interface (UPI) and Singapore's PayNow will allow users to transfer funds between the two countries via mobile phone numbers. This is encouraging, as remittances into India face high fees and often come with hidden foreign-exchange fees, as reported in October 2021 by global payments company Wise.

In the Philippines, the central bank Bangko Sentral ng Pilipinas (BSP) implemented a relief measure to waive the filing, processing, and licensing fees for electronic payments and financial services. This is intended to encourage supervised financial institutions to offer digital channels for remittances and other transfers in a safe, efficient, and reliable manner.

In Nepal, the government introduced a digital wallet service to provide online remittance services during the pandemic. Commercial banks have facilitated the digital remittance receival process so that clients do not have to leave their house to receive the money that they have been sent.

In Sri Lanka, outward remittances were suspended. Inward remittances were exempted from some regulations and taxes to encourage more remittances into the country.

In Tonga, the Tonga Development Bank worked with the World Bank's International Finance Corporation (IFC), with assistance from the governments of Australia and New Zealand, to develop 'Ave Pa'anga Pau. This enables Tongans to send money home at a substantially lower cost than other remittance services, while also being quick and secure. 'Ave Pa'anga Pau was initially launched in New Zealand in 2017, but it opened to the Australian market in 2020 during the pandemic, which offered crucial relief to Tongans reliant on remittances.

Policy shifts in major source countries

Fiscal support in major remittance source countries did not directly affect migrant workers' remittances – rather they supported the broader economy – and the migrant workers were able to benefit indirectly. The domestic economies of Gulf Cooperation Council (GCC) member states such as Saudi Arabia and the UAE were simultaneously affected by the collapse in oil prices during the first half of 2020. Despite this, there were still substantial supportive measures to soften the blow of the COVID-19 crisis. The aggressive interventions by governments in countries such as Saudi Arabia, the UAE, and the US meant that economic activity was not paralysed to the extent that was feared at the time when the World Bank's dire remittance predictions came out in April 2020. Beyond fiscal support policies for their own citizens, which improved the broader economy, these governments also assisted the migrant populations within their borders.

On 30 March 2020, free healthcare was announced for everyone in Saudi Arabia regardless of legal status. Restrictions on expatriate labour mobility and their contractual arrangements were eased. Temporary housing accommodation and repatriation flights were also offered to expatriate workers. To recuperate from the COVID-19-induced economic slowdown, the Saudi Arabian government allowed private companies to reduce workers' salaries by 40% for six months and then they could terminate the contract. On the downside, the value-added tax (VAT) rate tripled from 5% to 15% in July 2020, which may have contributed to reduced remittances in July–August 2020.

UAE governments and social support groups attempted to mitigate the crisis for the migrant workers. The Abu Dhabi government helped 180,000 blue-collar workers return home between April and June 2020. Unemployed workers were tested for COVID-19, and if they tested positive, they were treated at the government's expense. The government also ensured that repatriated workers received their salaries before they returned home.

The US directly subsidised citizens and legal residents with stimulus checks. Since March 2021, when federal guidance stated that it was safe for fully vaccinated adults to interact indoors and without masking, most lockdown containment measures have eased, allowing portions of the economy to reopen. Many migrant workers to the US who are sending remittances back to their home countries hold resident status, making them eligible for such checks. The state of California contributed USD75 million to a USD125-million fund supporting undocumented immigrants, which provided USD500 support per adult. The state of New York created a USD2.1-billion Excluded Workers Fund to support undocumented workers by providing one-time payments to help cover costs related to unemployment such as back rent.

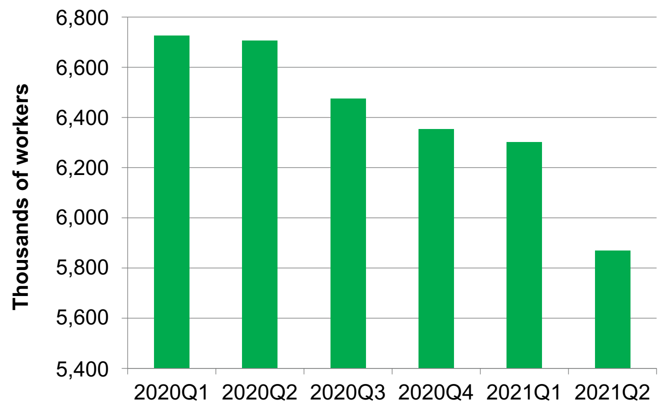
Repatriating savings to return home, potentially for good

A less common factor was migrant workers returning to their home countries and repatriating their savings. There was a migration of workers returning to their countries of origin as they lost jobs and accommodations in their countries of residence in 2020. The state of Kerala in India reported an excess of 1.2 million migrants returning. In Bangladesh, about 500,000 Bangladeshi expatriate workers returned to the country after losing their jobs during 2020.

According to a World Bank report published in May 2021, the deployment of workers from the Philippines to the GCC countries, Malaysia, and mainland China declined by more than 70% in 2020. Deployment of workers from Bangladesh fell in these countries by 68%, and workers from Pakistan decreased by 64%. Work permit renewals for migrants in Nepal dropped by 65% in the first seven months of 2020, according to the World Bank report. Overall, an estimated 1.4 million Filipino workers abroad were repatriated to the Philippines from countries worldwide from April 2020 to August 2021, according to the Philippine government.

This is in part due to policies of GCC member states, such as Saudi Arabia and the UAE, that have pushed for years for the nationalisation of jobs. "Saudization" (also known as the Nitaqat programme) aims to lower the proportion of non-Saudis in a job market where expatriate workers account for 77% of the workforce. While the Saudization policy has been in place since 1985, it has accelerated in the past five years and once the pandemic began with new quotas introduced. The Nitaqat programme places private businesses in coloured bands. Blue is considered VIP status for exemplary compliance; green is excellent compliance; and red is non-compliance with the quotas of Saudi national employees. There are punitive measures for non-compliance red companies such as being banned from change of profession, issuance of new visas, and opening files for new branches. As of March 2021, Saudi Arabian citizens had received a 33% increase in minimum wage, and if they do not receive that amount in salary, they do not count towards the company's quota of citizen employees as part of the Nitaqat programme. A goal of these programmes is to increase employment for Saudi women as well. Between the second quarter of 2019 and the second quarter of 2021, the labour market participation of Saudi women rose from 22.6% to 32.4%. These increases may have helped fill gaps in the labour force once filled with migrant workers.

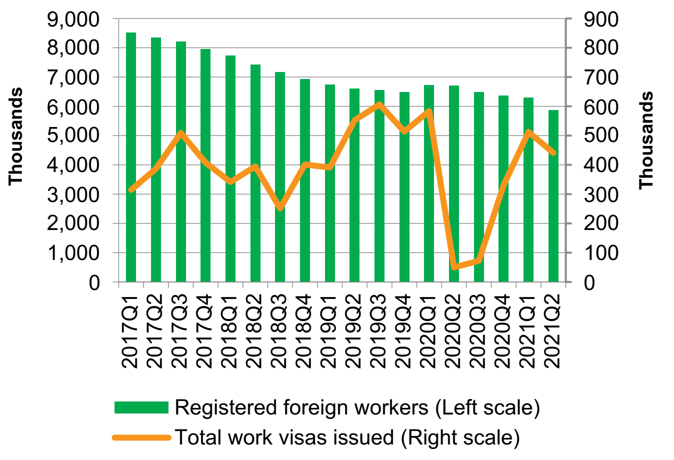
Saudi Arabian registered foreign workers during pandemic



Source: General Authority for Statistics © 2021 IHS Markit

Although all of the GCC member states have some form of stated policy to increase the proportion of their citizen population in the workforce, these nations still need migrant labour to continue their growth. The economic diversification plans in place among the member countries of the GCC that aim to reduce dependency on oil will require these nations to attract more skilled migrant workers in order to be successful. Low-skilled migrant workers will continue to be necessary for the construction, domestic, and hospitality sectors. The policies of job nationalisation might cause the numbers of registered foreign workers to continue a slow decline, but it is unlikely that the countries will stop issuing work permits in large numbers. Work permits are already being issued at comparable levels with the pre-pandemic period.

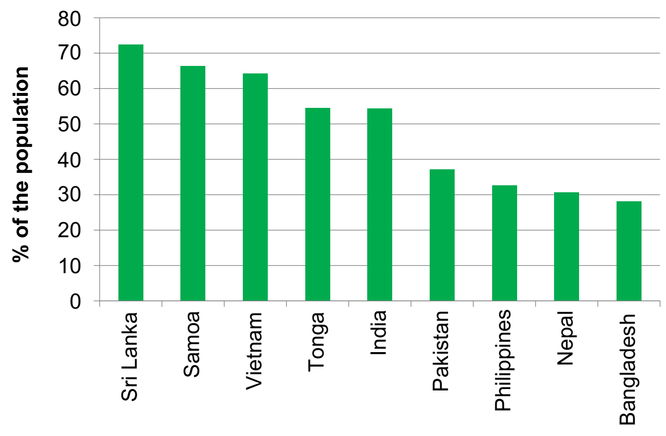
Foreign workers in Saudi Arabia



Source: World Bank, national sources © 2021 IHS Markit

The migrants who went back to their home countries during the pandemic will be able to return to their host countries, provided that they can come up with the funds to do so. In a household survey conducted by the World Bank in July and August 2020, migrants who returned to their home countries after January 2020 were almost twice as likely to say that they intended to move abroad again for work compared with the cohort that retuned before January 2020. However, most migrant workers who went back to their home countries cannot return to their host countries because they have not been administered with recognised COVID-19 vaccines, if any at all.

First doses of COVID-19 vaccinations received



Source: Bloomberg © 2021 IHS Markit

Migrant workers will need to be vaccinated per the policies of their host countries before they can return. In Saudi Arabia and Kuwait, the COVID-19 vaccines approved are from AstraZeneca, Moderna, Pfizer/BioNTech, and Johnson and Johnson. In the Philippines, the vaccines provided are mostly the Chinese Sinovac vaccines. In July 2021, the Bangladeshi overseas employment ministry announced a Pfizer vaccination programme for workers leaving to Saudi Arabia and Kuwait – otherwise Bangladesh relies on the Chinese Sinopharm vaccine. In India, vaccine certificates list the name of the Indian-manufactured version of the AstraZeneca COVID-19 vaccine as Covishield, which creates problems for migrant workers when they return to GCC countries that require AstraZeneca's vaccine, despite both of these vaccines being essentially the same. Even without a vaccine mandate, places like Qatar require the unvaccinated to undergo quarantine, which can become very expensive for poor migrant workers.

Remittances support household consumption and are critical balancing items for the current account

For policy-makers in less developed economies, sending workers abroad and encouraging remittance flows back into the country by the diaspora are an attractive policy solution. This is in small part because it helps mobilise an underutilised workforce at home and can help recapture some portion of earnings even from citizens who have fully relocated to other countries. As such, workers' remittances are a key source of support to the macroeconomy and must be monitored closely. First, the money sent home is a major source of disposable household incomes and bolsters domestic demand. Therefore, if access to remittances is reduced by policies such as Saudization or if there are significant economic issues such as a recession in key host countries, that risks undercutting household spending in home countries. Second, as demonstrated below, remittances are a major balancing item in the balance of payments as indicated by the line for secondary income remittance inflows, which are primarily workers' remittances. They often help finance large goods deficits, although it can be argued that they also encourage the large goods deficits by bolstering demand for household goods above and beyond the domestic production capacity and abilities.

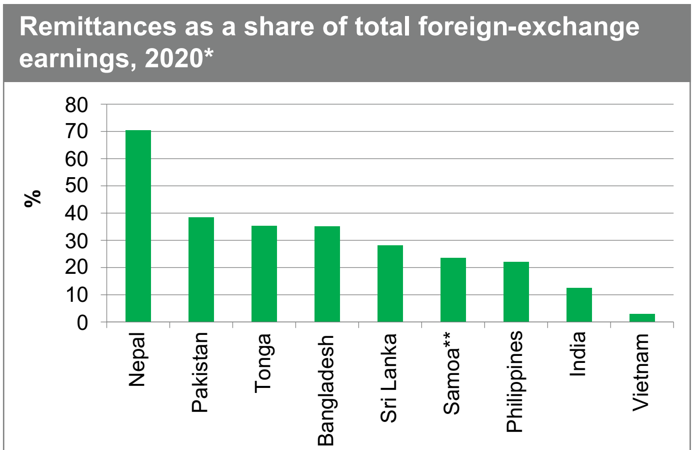
Major balance of payments items
Pre-COVID-19 pandemic share of GDP, 2019

	Bangladesh	India	Nepal	Pakistan	Philippines	Samoa	Sri Lanka	Tonga	Vietnam
Current account balance	-1.0	-1.0	-5.0	-3.4	-0.8	4.0	-2.2	-0.8	4.9
Goods balance	-5.3	-5.5	-32.1	-9.0	-13.1	-36.1	-9.5	-40.4	8.1
Services balance	-1.1	2.9	-0.3	-1.7	3.5	22.0	3.4	-1.8	-0.9
Goods and services balance	-6.4	-2.6	-32.4	-10.8	-9.7	-14.2	-6.1	-42.3	7.3
Primary income balance	-0.8	-1.0	1.6	-2.4	1.4	-3.7	-2.9	7.8	-5.9
Secondary income balance (total)	6.3	2.5	25.8	9.8	7.4	21.9	6.9	33.6	3.5
Secondary income remittance inflows	*6.1*	*2.7*	*22.9*	*8.7*	*7.0*	*16.5*	*8.0*	*27.6*	*4.2*
Foreign direct investment inflows	**0.6**	**1.8**	**0.5**	**0.9**	**2.3**	**-0.3**	**0.9**	**0.3**	**6.2**

Source: International Monetary Fund, national sources

There is an argument that high dependence on remittances – similar to a high dependence on commodities exports – can contribute towards "Dutch disease" or the resource curse. This can arise when large inflows of remittances boost foreign-exchange earnings, resulting in an overvalued domestic currency that reduces the competitiveness of exported goods and services, but makes imports cheaper. Such a phenomenon was observed in Nepal by the World Bank Group in 2018, when there was a strong correlation between remittances and trade deficit in the country. As mentioned earlier, as of early 2021, remittances started to show a downward trend in Nepal. This, coupled with weak tourism receipts and recovering imports, is expected to lead to a substantial widening of the current-account deficit, projected by IHS Markit at 2.2% of GDP in 2021 and 5.8% of GDP in 2022, following a deficit of 0.2% of GDP in 2020.

Due to remittances being a critical source of foreign-exchange earnings, they can also be targeted by policymakers to shore up foreign reserves in times of stress. Notably, the Sri Lankan government and the Central Bank of Sri Lanka (CBSL) have implemented foreign-exchange controls including suspending outward remittances to contain currency depreciation pressures from dwindling foreign-exchange reserves. The CBSL also directed commercial banks to sell 10% of the inward worker remittances that are converted to the Sri Lankan rupee to the CBSL, which may be discouraging formal remittances into the country in 2021.



*Total foreign-exchange earnings = A total of all the credits or inflows into the current account (exports of goods and services and income account inflows).
**Samoa's data are from 2019.
Source: IHS Markit © 2021 IHS Markit

Outlook for remittance flows

How long this boost in remittances will be sustainable is widely dependent on the reasons that the boost occurred. The altruistic response of remittances to home countries with high COVID-19 infection rates would be a temporary remittance boost and would likely subside as infection and serious illness rates come down and life for their communities regains normalcy. Migrants were probably frontloading their remittances by drawing down their savings to ensure that their families do not go without during the crisis. If this is the case, a protracted pandemic would mean that they are unable to sustain this trend over a long period. Informal remittances were affected by travel restrictions, but as those lift, the hundi economy would get back to its normal levels, bringing down the values of official or formal remittances. The policies that Bangladesh and Pakistan had in place to encourage remittances had expiration dates of mid-2021. Therefore, they are likely to ease back, but there is a hope that workers will continue to use enhanced formal channels.

The factors contributing to the boost in remittances during the pandemic are all largely temporary, and remittances are expected to fall back to normalcy as the crisis recedes. Remittances are expected to grow modestly in 2021–22. The World Bank predicts 2.1% growth in remittances for Asia Pacific, largely driven by recoveries in host economies such as Saudi Arabia, the UAE, and the US. Travel and employment restrictions in major host countries may continue, as the path of the pandemic and its recovery are still uncertain and dependent on overall vaccination rates, along with no new variants of concern. Although their economies will recover gradually, continued restrictions would contribute to lower employment and earnings by migrants and thus lower remittances.

In Bangladesh, migrants typically remain highly indebted because of the high initial costs of migration, and returnees typically are going back to rural areas with low employment opportunities. Any shock on migrant workers has a delayed or lag effect on remittance flows. Thus, the situation needs vigilance still. Remittance growth is unlikely to be sustainable. In 2021, remittances to Bangladesh have been falling slightly with the average monthly remittances in June, July, and August 2021 down by 5.82%. This can be attributed to the falling number of Bangladeshis going abroad for employment and/or the hundi network operating more fully.

The Pakistani government is remaining vigilant regarding remittances. It approved in July 2021 a National Remittance Loyalty Programme (NRLP) that would offer continued incentives to overseas Pakistanis for sending remittances. The programme's point accumulation structure would help encourage remitters to transfer funds using formal channels rather than hundi networks. This will help keep remittances up in the longer term.

India has rolled out new tax rules such as the Foreign Exchange Management Act, which aims to facilitate voluntary compliance by taxpayers in reporting details of their foreign remittances. Previously, only transactions that exceeded certain limits would be captured by official income tax documentation. This could in theory sustain official remittances, but in practice it remains to be seen whether people will revert to the hundi system to avoid payments.

In the Philippines, the BSP has a Digital Payments Transformation Roadmap that aims to make half of all financial transactions digital by 2023. Remittances are already shifting towards digital receiving methods, and this programme will further encourage the trend. However, the BSP predicts slower growth of remittances for 2022.

In Sri Lanka, the CBSL is implementing a National Remittance Mobile Application called "SL-Remit", which is intended to attract more remittances to the country by featuring attractive exchange rates and instant fund transfers.

With many of the factors contributing to the boom in remittances being temporary and the protracted and uncertain nature of the COVID-19 crisis, it is unlikely that remittances will be sustained at such high levels. However, with the continued recovery of the global economy expected in 2022 and the gradual reopening of international borders for migrant workers, remittance flows are expected to continue to be resilient in the year ahead.

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