

What will happen to remittances in 2022?

By SHABNAM BANO and DR T K JAYARAMAN

THE COVID-19 pandemic struck heavy blows to developing countries, ever since the official announcement of its arrival was made by World Health Organization (WHO) in April 2020.

The pandemic is now recognised as the most disastrous one since the Spanish Flu of the last century, followed by lesser ones, including the Asian Flu and the Swine Flu of the early 2000s. Loss of lives and livelihoods was universal and immense, with a sudden drop in supply and demand of goods and services and savings and investment.

All led to worldwide negative growth rates in 2020, excluding China, inducing a worldwide recession.

The result was quick, causing a downward trend in the flow of available resources to poor countries.

One of them is external resources, which comprised earnings from exports, tourism, foreign direct investment and inward remittances from migrants, working and residing as temporary workers on permits.

Among them, inward remittances are mostly from the first generation migrants, mainly low skilled workers who have chosen to work and live overseas and send cash to their families left behind in home countries for their maintenance.

Other overseas migrants and skilled professionals, who have become citizens, especially of second and third generations, who were also seen sending money to countries of their origin, but irregularly.

However, their contribu-

Table 1: Top Recipients of Remittance Inflows in US\$

Countries	2019		2020		2021 (Projected)	
	US\$ million	% of GDP	US\$ million	% of GDP	US\$ million	% of GDP
India	83,332	2.9	83,149	3.1	87,000	3
China	68,398	0.1	59,507	0.1	53,000	0.3
Mexico	39,022	3.1	42,878	4.0	52,743	4.1
Philippines	35,167	9.3	34,913	9.7	36,240	9.4
Egypt	26,781	8.8	29,603	8.1	33,333	8.4
Fiji	295	5.4	355	7.8	409	8.8
Tonga	190	37.2	191	39.0	220	43.9
Samoa	155	18.0	204	18.6	165	21.1
Kiribati	20	10.7	17	9.7	19	8.2
Marshall Islands	31	13.1	31	12.7	31	12.8
Solomon Islands	25	1.6	28	1.8	24	1.5
Vanuatu	75	8.0	87	9.9	75	7.5

Source: World Bank Database (All numbers are in current (nominal) US\$)

Table 2: Fiji Remittance, Tourism and FDI inflows (US\$ million)

Year	Remittances	Tourism Revenue	Foreign Direct Investment
2015	253.4	1094	205.4
2016	272.3	1149	391.6
2017	278.7	1243	387.6
2018	291.9	1370	468.9
2019	295.3	1345	322.3
2020	355.4	NA	NA

Source: World Bank Database (All numbers are in current (nominal) US\$ NA = Not available)

tions were sizeable, especially in times of natural disasters, such as earthquakes and floods.

Since the late 1990s, the

funds remitted by the migrant workers increased on a regular basis, mostly monthly, due to globalisation and open economic policies.

Though small in value at a given time, the total often exceeds those sent by other categories of overseas residents. The remittances were sent as a gift or assistance with no expectation of any return.

IMF called these remittances as "unrequited transfers of funds" in the Balance of Payments until early 2000.

The term "unrequited" means the absence of any quid-pro-quo element. The remitting person knew and wanted the recipient families to spend the remittances on food, shelter, children's education, medical services, and caring for the old.

World Trends
In 2019, prior to the year of the COVID-19 pandemic, the most recent and updated figures as obtained from the World Bank Database (2020) reveal that global remittances were about \$US722 billion, of which \$US559 billion were received by low and middle-income countries (LMICs).

It is noteworthy that remittances to LMICs exceeded foreign direct investment (FDI) and official aid to the region, indicating how important these remittances are to the poor countries. Remittances contribute to the rise in savings of LMICs, which were always in shortage of capital for growth-enhancing investments.

Remittances in foreign currencies, such as American, Australian and New Zealand dollars, and British pound and Euro, are additions to foreign reserves.

Remittances also enhance a country's creditworthiness, enabling them to borrow from international and bi-lateral financing agencies and raise funds by floating international bonds in world money markets.

At the micro-level, remittances are additions to household incomes. It raises their consumption level, thereby contributing to a reduction in the incidence of poverty.

Remittances also increase household's creditworthiness, enabling them to borrow from domestic banks and other financial institutions to construct houses and improve existing dwellings.

In addition, households are now buying what was considered once luxuries by buying semi-durables such as fans and refrigerators and gas ranges and microwave ovens.

More families now have increased access to medical services and can educate their children for tertiary education.

Some enterprising recipient families in rural areas use their increased savings from regular remittances to undertake micro-enterprises and kiosks of processed foods.

The COVID-19 pandemic had disturbed the above trend. Negative growth rates in some advanced countries started to result from a decline in aggregate

demand; and a fall in production activities ranging from crude oil to a whole range of capital goods and consumer goods.

It led to layoffs, growing unemployment, and repatriation of migrant labour. There was no alternative except to return to home countries. The Asian Development Bank (Brief No. 294 of December 2021 on Labor Mobility) reports about 400,000 overseas Filipinos and four million Indian nationals in 2020, returned from the Middle East and the US.

The exodus continued in 2021. From late January 2021 until the end of April, an additional 2 million Indian citizens were repatriated, followed by 130,000 Lao People's Democratic Republic migrants who returned home from Thailand.

Similarly, there was a big influx of returning migrants to Cambodia, Pakistan, and Sri Lanka.

Trends in remittances to Fiji
In regard to remittances, none of the Pacific Island Countries (PICs) can match with bigger countries in absolute amounts.

However, remittances received by them are relatively larger in terms of the percentage of their respective gross domestic products. Traditionally, remittance inflows to Tonga and Samoa, as shares of GDP, have been among the highest (Table 1).

As Fiji's economy is more diversified than those of other smaller PICs, its inward remittances have been of small proportion of its GDP, though in absolute

amounts higher.

Available data in F\$ indicate remittances have been on the rise. They rose to \$F652.7 in 2020 and to \$F752.7 million in 2021, signifying an important aspect which is primarily due to one of the unique characteristics of Pacific Island culture: sharing and caring attitude.

This important feature was on full display. The Fiji-India diaspora responded manfully to the plight of the sufferings of Fijians back home in the hour of crisis and poured funds into Fiji.

Now, with the COVID-19 pandemic still on and continuing with the emergence of a new but more virulent, Omicron, which is feared to be followed by Omicron, we can expect Fiji will continue to receive remittances in a substantial way.

What is expected in 2022?

Under an earlier, optimistic scenario which now seems unrealistic in the context of Omicron, since December 2021, with a reported rise in the number of new cases in advanced countries, ADB had expected in December 2021 that cross-border labour mobility would resume soon, though gradually. Consequently, ADB had made the forecast that the global remittance receipts would increase by 4.8 per cent (\$US4 billion) in 2021 and by 4.2 per cent (\$US30.7 billion) in 2022. The expectation is that in growth terms, the recovery of remittance inflows would be broadly on par with the expected global GDP.

Needed reforms

In the context of growing uncertainties, including the new variants, the above scenario seems improbable in the near future.

However, policymakers are intensively aware that the origin countries should continue to extend assistance to the returned migrants, such as through job referrals, skills training and certification and access to advice and guidance for self-employment/micro-enterprises such as workshops and kiosks for consumer goods and services with subsidized-interest loan assistance.

Above all, short to medium term reforms suggested by ADB cover the following:

- Both the countries of origin and destination, which supply and demand highly skilled professionals as well as essential manual labour, have to establish flexible protocols and procedures for promoting their mobility.
- Destination governments should provide access to all health services, including vaccines, for migrant workers and their families.

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