05

Remittances and Tourism Receipts

Remittances and Tourism Receipts

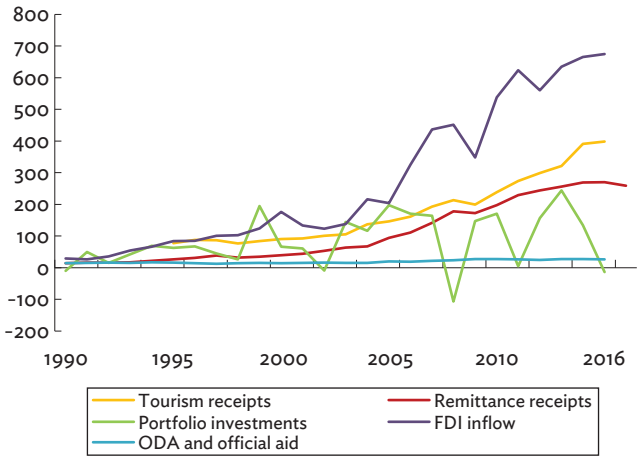
Remittance Flows to Asia

Remittances are an important and stable source of external finance.

Along with foreign direct investment (FDI), tourism receipts, and portfolio investments, remittances are an important source of capital inflows for many economies in Asia (Figure 5.1). Close to half (45%) of global remittances flowed to Asia—the world's largest source of international migrants (United Nations 2015).

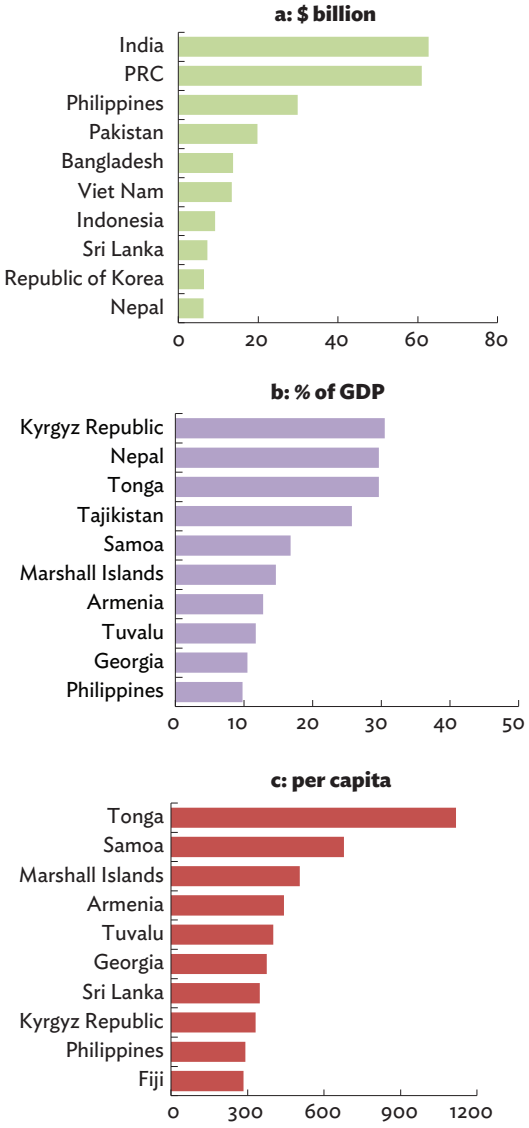
By value, India, the People's Republic of China (PRC), and the Philippines receive the most remittances in the region (Figure 5.2a). Remittances to the Kyrgyz Republic, Nepal, and Tonga are proportional to about 30% of gross domestic product (GDP) (Figure 5.2b). In per capita terms, Tonga, Samoa, and the Marshall Islands receive the most (Figure 5.2c). Large proportions

Figure 5.1: Financial Inflows to Asia by Type ($ billion)



FDI = foreign direct investment, ODA = official development assistance.
Note: Portfolio investments include net equity inflows only.
Source: ADB calculations using data from World Bank. World Development Indicators. http://databank.worldbank.org (accessed June 2017).

Figure 5.2: Top 10 Remittance-Recipient Economies—Asia (2016)



GDP = gross domestic product, PRC = People's Republic of China.
Sources: ADB calculations using data from International Monetary Fund. World Economic Outlook April 2017 Database. https://www.imf.org/external/pubs/ft/weo/2017/01/weodata/index.aspx (accessed June 2017); United Nations. Department of Economic and Social Affairs, Population Division. World Population Prospects 2015. https://esa.un.org/unpd/wpp/Download/Standard/Population/ (accessed April 2017); and World Bank. World Development Indicators. http://databank.worldbank.org (accessed June 2017).

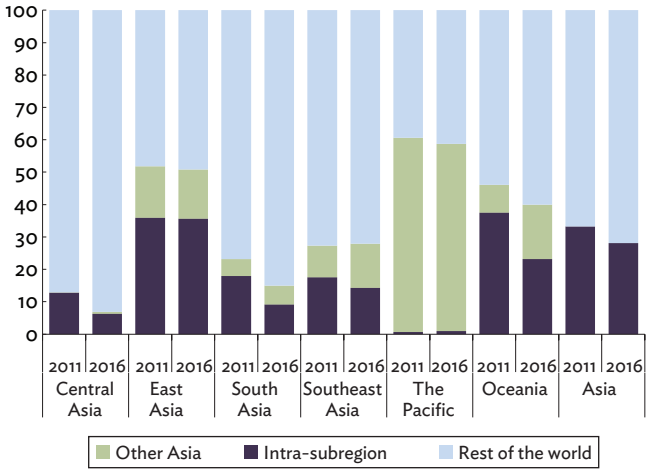
of people from the Pacific migrate to Oceania and North America. For example, 50% of Tonga's population resides in Organisation for Economic Co-operation and Development countries.

Sources of Remittances to Asia

In 2016, some 28% of remittances to Asia were intraregional—down from 33% in 2011.

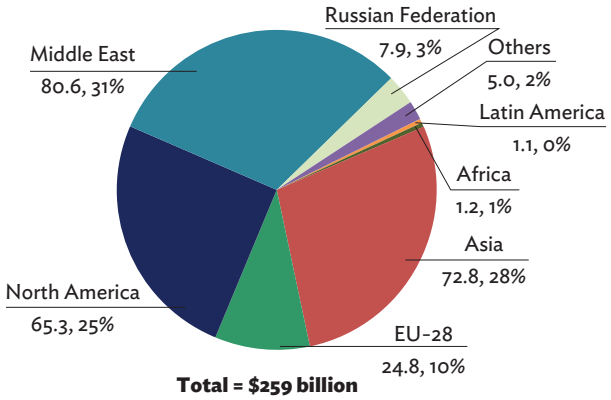
Subregional data show East Asia and Oceania sourced a substantial portion of remittances from economies within the same subregion (Figure 5.3). The Hong Kong, China-PRC corridor was the largest. The bulk of remittances to the Pacific came from other subregions, primarily Oceania. South Asia, Central Asia, and Southeast Asia subregions received most remittances from outside Asia. The Middle East was the largest source of remittances to Asia (Figure 5.4).

Figure 5.3: Subregional Remittance Share by Source—Asia (%)



Notes:
(i) Intra-subregional share refers to the remittances within subregion *i* as a percentage of remittances from the world to subregion *i*.
(ii) Other Asia share refers to the remittances from other Asian subregions to subregion *i* as a percentage of remittances from the world to subregion *i*.
(iii) Rest of the world share is remittances from non-Asian economies to subregion *i* as a percentage of remittances from the world to subregion *i*.
(iv) 2016 numbers are estimated using 2015 remittance data and methodology used by Ratha and Shaw (2007).
Source: ADB calculations using data from World Bank. World Bank Migration and Remittances Data. http://www.worldbank.org/en/topic/migrationremittancesdiasporaissues/brief/migration-remittances-data (accessed June 2017).

Figure 5.4: Remittance Inflows to Asia by Source, 2016 ($ billion, % share)



EU = European Union.
Sources: ADB estimates using data from World Bank. World Bank Migration and Remittances Data.http://www.worldbank.org/en/topic/migrationremittancesdiasporaissues/brief/migration-remittances-data (accessed June 2017); and the methodology used by Ratha and Shaw (2007).

Remittances to Asia in 2016

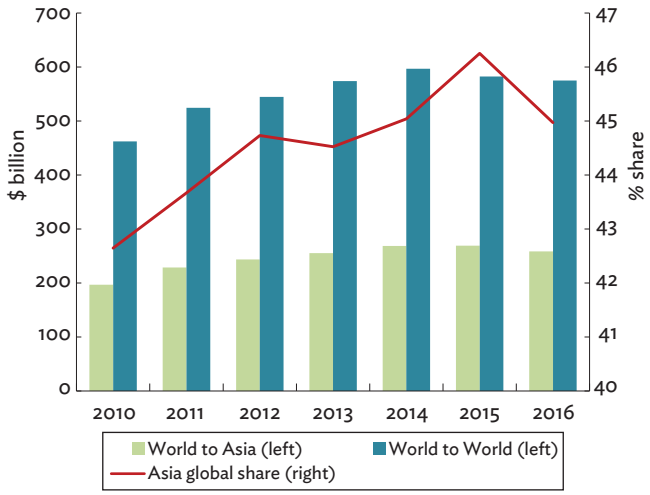
Remittances to Asia declined in 2016 for the first time since the global financial crisis; down 4.0% to $259 billion, lowering its global share from 46.3% to 45.0%.

Remittances to the region fell 4.0% from $269 billion in 2015 to $259 billion in 2016. The $10-billion drop was actually larger than the $6-billion decline in 2009. Total global remittances contracted for the second consecutive year—falling first by 2.4% to $582 billion in 2015 and again by 1.2% to $575 billion in 2016 (Figure 5.5).

The recent fall in remittances is generally attributed to the slow recovery of major economies and low commodity prices—including crude oil—reducing employment demand for international migrants. But the effect has been uneven across subregions.

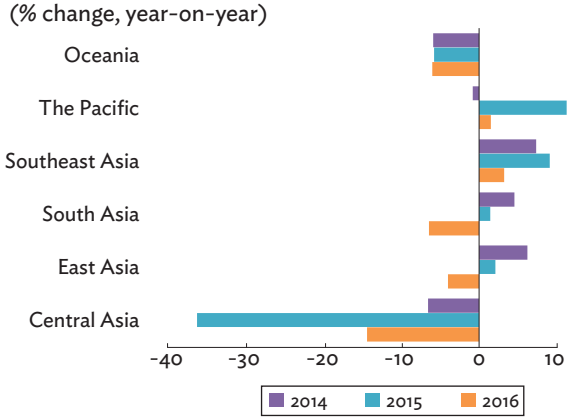
Central Asia continued to see a sharp decline in remittances for the third year running (Figure 5.6). In 2016, remittances to Azerbaijan were down 49%; those to Uzbekistan and Tajikistan fell 25.9% and 21.3%, respectively. Overall, remittances to Central Asia dropped 14% less than the 35% fall in 2015.

Figure 5.5: Remittance Inflows—Asia and World
($ billion, % share)



Note: Asia global share refers to the remittance inflows from world to Asia as a percentage of total global remittance inflows.
Source: ADB calculations using data from World Bank. World Bank Migration and Remittances Data. http://www.worldbank.org/en/topic/migrationremittancesdiasporaissues/brief/migration-remittances-data (accessed June 2017).

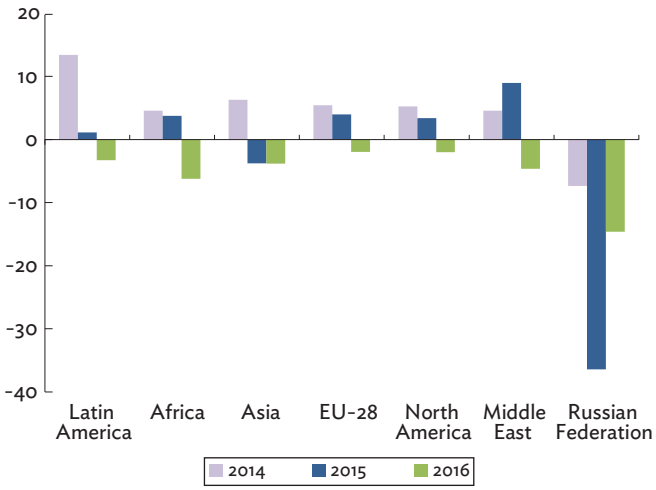
Figure 5.6: Remittance Inflows to Asia Subregions
(% change, year-on-year)



Note: 2016 numbers are estimated using 2015 remittance data and methodology used by Ratha and Shaw (2007).
Source: ADB calculations using data from World Bank. World Bank Migration and Remittances Data. http://www.worldbank.org/en/topic/migrationremittancesdiasporaissues/brief/migration-remittances-data (accessed June 2017).

The decline in remittances to Central Asia derives from the weak economy in the Russian Federation—the top migrant destination for all eight Central Asian economies (Figure 5.7). For example, the number of workers leaving Tajikistan—mostly for seasonal and temporary work in the Russian Federation—declined 11.5% between 2014 and 2015 (Statistical Agency of Tajikistan 2016).

Figure 5.7: Remittance Inflows to Asia by Source
(% change, year-on-year)



EU = European Union.
Notes: 2016 numbers are estimated using 2015 remittance data and methodology used by Ratha and Shaw (2007).
Sources: ADB calculations using data from World Bank. World Bank Migration and Remittances Data. http://www.worldbank.org/en/topic/migrationremittancesdiasporaissues/brief/migration-remittances-data (accessed June 2017); and the methodology proposed by Ratha and Shaw (2007).

Remittances to South Asia dropped for the first time since the global financial crisis (GFC). India's remittances contracted 8.9% ($6.2 billion), along with Bangladesh (11%) and Nepal (6.7%). Low global oil prices resulted in reduced remittances from the Middle East to these countries. Large proportions of workers from South Asia in the Middle East are employed in sectors susceptible to economic cycles—such as construction and transport. As a result, departures of unskilled workers from India fell from 781,000 in 2015 to 506,000 in 2016 (Ministry of External Affairs, India 2016). Remittances to Pakistan grew 2.8%, but departures of overseas workers from Pakistan to major Gulf destinations such as Saudi Arabia and United Arab Emirates declined in 2016, and remittances from these countries began to decline in early 2017.

A sharp decline in remittances can place a recipient economy and its households at risk, particularly for those highly dependent on remittances (see Figure 5.2). Remittances increase and smooth consumption, stimulate spending on physical and human capital, and allow construction of more disaster-resistant homes (Matsumoto et al. 2006, Mohapatra et al. 2012, and Yang 2008). Reduced remittances can have symmetric, damaging effects. If a large proportion of migrants come from the poor, a reduction can increase the poverty ratio

(ADB 2012). If the decline is only temporary, better-off migrants and their families may be able to minimize the shock by using savings and assets.

In contrast, remittances to Southeast Asia continued to grow.

Remittance inflows continued to grow in 2016 across much of Southeast Asia. Remittances to Viet Nam rose 2.9%, along with Lao People's Democratic Republic (2.7%), and Myanmar (2.3%). The Philippines remained the largest recipient in the subregion, receiving a record $29.9 billion, a 4.9% increase. Still, departures from the Philippines to the Middle East—largely housemaids; service workers; and skilled workers in medicine, engineering, and management—remained unaffected. Labor demand in these sectors is less susceptible to business cycles (Box 5.1).[23]

Box 5.1: Understanding the Sources of Fluctuations in Remittance Inflows

Remittance inflow trends have diverged across economies in Asia, with sharp declines in some economies and continued growth in others. The sources of remittance volatility are examined from the perspective of variations in migration patterns across economies, while controlling for key economic and social indicators that may also cause remittance fluctuations (following Jackman 2013). Variables include: (i) changes in migrant stock, (ii) the proportion of female workers (often employed in sectors less affected by business cycles and who remit regularly), (iii) the degree of concentration of migrants in a single destination (diversifying sources of shocks), and (iv) the proportion of migrants working in Organisation for Economic Co-operation and Development destinations (where wages are generally higher and longer-term contracts are more frequent).

Results suggest that the high proportion of female migrants among migrant populations contribute to lowering fluctuations. Having a moderate concentration of migrants in one destination country can stabilize remittance inflows, but excessive concentration (above 49%) will result in losing the benefit. The change in size of migrant population also generates volatility as expected. The analysis also shows that providing assurance of property rights can mitigate fluctuations.

Sources of Volatility in Remittance Inflow (Dependent Variable = 3 year rolling SD of remittance annual growth)

	Coefficients
Migrant population (% growth)	0.046*
	(0.027)
Ratio (%) of migrants in top destination (TOP)	-0.970**
	(0.427)
TOP_squared	0.010**
	(0.005)
Female migration dummy (= 1 if % female migration>55)	-10.214**
	(4.387)
Natural disaster occurrences	0.253
	(0.819)
Property rights assurance at origin country (= rule of law index)	-4.052*
	(2.285)
Proportion of migrants against total population (%)	-18.459
	(15.817)
Proportion of migrants in OECD countries (%)	0.022
	(0.064)
Proportion of college graduates among migrants (%)	-1.335
	(3.259)
GDP, exchange rate, and interest rate volatilities of origin and destination countries	Yes
Year dummy	Yes
Subregion dummy	Yes
Constant	63.720***
	(-17.801)
Number of observations	378
R-squared	0.257

*** = significant at 1%, ** = significant at 5%, * = significant at 10%, GDP = gross domestic product, OECD = Organisation for Economic Co-operation and Development, SD = standard deviation.

Notes: Robust standard errors are shown in parentheses. The ordinary least square analysis uses data of 38 economies in Asia between the period of 2000–2016.

Sources: ADB calculations using data from Artuc et al. (2015); Centre for Research on the Epidemiology of Disasters. EM-DAT The International Disaster Database. http://www.emdat.be/ (accessed June 2017); International Monetary Fund. World Economic Outlook April 2017 Database. https://www.imf.org/external/pubs/ft/weo/2017/01/weodata/index.aspx (accessed June 2017); World Bank. World Development Indicators. http://databank.worldbank.org (accessed June 2017); World Bank. Migration and Remittances Data. http://www.worldbank.org/en/topic/migrationremittancesdiasporaissues/brief/migration-remittances-data (accessed June 2017); and United Nations. Department of Economic and Social Affairs, Population Division. World Population Prospects 2015. https://esa.un.org/unpd/wpp/Download/Standard/Population/ (accessed April 2017).

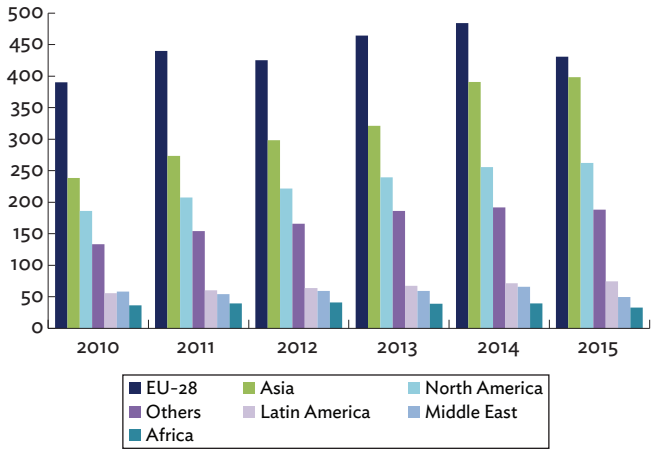
[23] Heterogeneous impacts of economic shocks on remittances inflows observed in 2016 are highly consistent with what occurred during the GFC in 2009. The impact may vary depending on the nature of migration such as destinations and sectors that employ foreign migrants, and workers' skill level (ADB 2012).

Remittances to most Pacific developing member countries (Pacific DMCs) grew moderately, with the exception of Tuvalu, where remittances fell 2%. In East Asia, remittances to the PRC fell 4.6% ($2.9 billion).

Remittances are expected to recover as global economic recovery gains momentum.

With the global economic outlook improving and crude oil prices appearing to bottom out, global remittances as well as inflows to Asia are expected to rebound in 2017. Departure statistics of migrant workers from key origin economies—including Central Asia and South Asia—indicate that labor migration to key destinations began gaining momentum in early 2017. However, stricter immigration policies, if enforced, can reduce remittances as the size of the migrant population could be limited.

Figure 5.8: Tourism Receipts by Region ($ billion)



EU = European Union.
Source: ADB calculations using data from World Bank. World Development Indicators. http://databank.worldbank.org (accessed June 2017).

Tourism Receipts

Trends in 2015

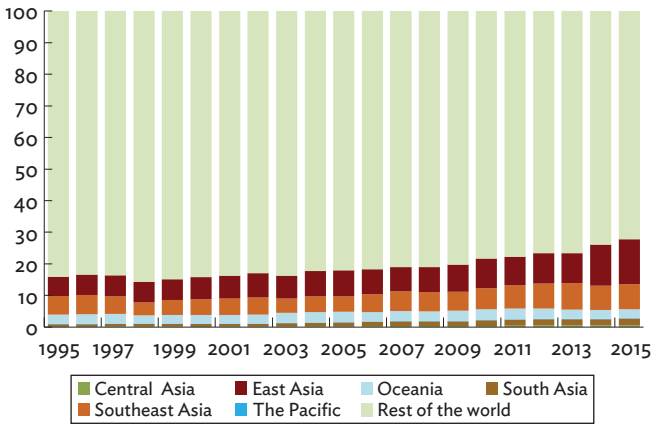
Tourism receipts reached $398.6 billion in 2015 after growing at an average 10.1% between 2012 and 2015. Growth is expected to continue.

Tourism is rapidly growing in Asia, with increasing numbers of outbound tourists from the region generating higher revenues. Tourism receipts—the sum of expenditures by international visitors to pay for goods and services—contribute significant financial flows to the region (see Figure 5.1).

Worldwide, Asia is the second-largest beneficiary of tourism receipts ($398.6 billion) after Europe ($431 billion) (Figure 5.8). Overall, receipts grew 10.1% between 2012 and 2015. But, in 2015, Europe and the Middle East suffered substantial declines of 11% and 25%, respectively. These declining trends elsewhere resulted in Asia's increased share of world tourism receipts—from 24% in 2014 to 28% in 2015 (Figure 5.9).

Brunei Darussalam (77%), Timor-Leste (46%), Myanmar (34%), Japan (31%), Sri Lanka (21%), Palau (19%), Thailand (15%), and Samoa (13%) are some of the countries that had robust annual growth in tourism receipts in 2015.

Figure 5.9: Tourism Receipts (% of world total)

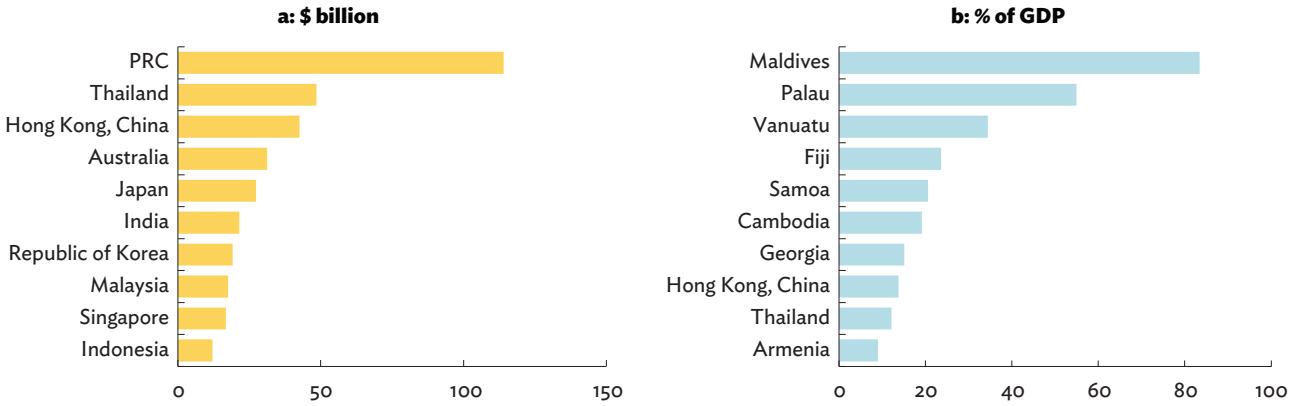


Source: ADB calculations using data from World Bank. World Development Indicators. http://databank.worldbank.org (accessed June 2017).

In 2015, outbound tourists from the PRC—which has had double-digit growth since 2004 except during the GFC—increased 12% to 90.0 million. Some 61% of PRC tourists visited Asian destinations.

By value, the PRC; Thailand; and Hong Kong, China are the top three tourist economies (Figure 5.10a). Economies that depend on tourism for GDP are the Pacific DMCs and Maldives—which derives 83.5% of its GDP from tourism (Figure 5.10b). Palau (54.9%), Vanuatu (34.4%), and Fiji (23.6%) also receive proportionately large amounts from tourism.

Figure 5.10: Economies by Tourism Receipts—Asia (2015)



GDP = gross domestic product, PRC = People's Republic of China.
Sources: ADB calculations using data from World Bank. World Development Indicators. http://databank.worldbank.org (accessed June 2017); and International Monetary Fund. World Economic Outlook April 2017 Database. https://www.imf.org/external/pubs/ft/ weo/2017/01/weodata/index.aspx (accessed June 2017).

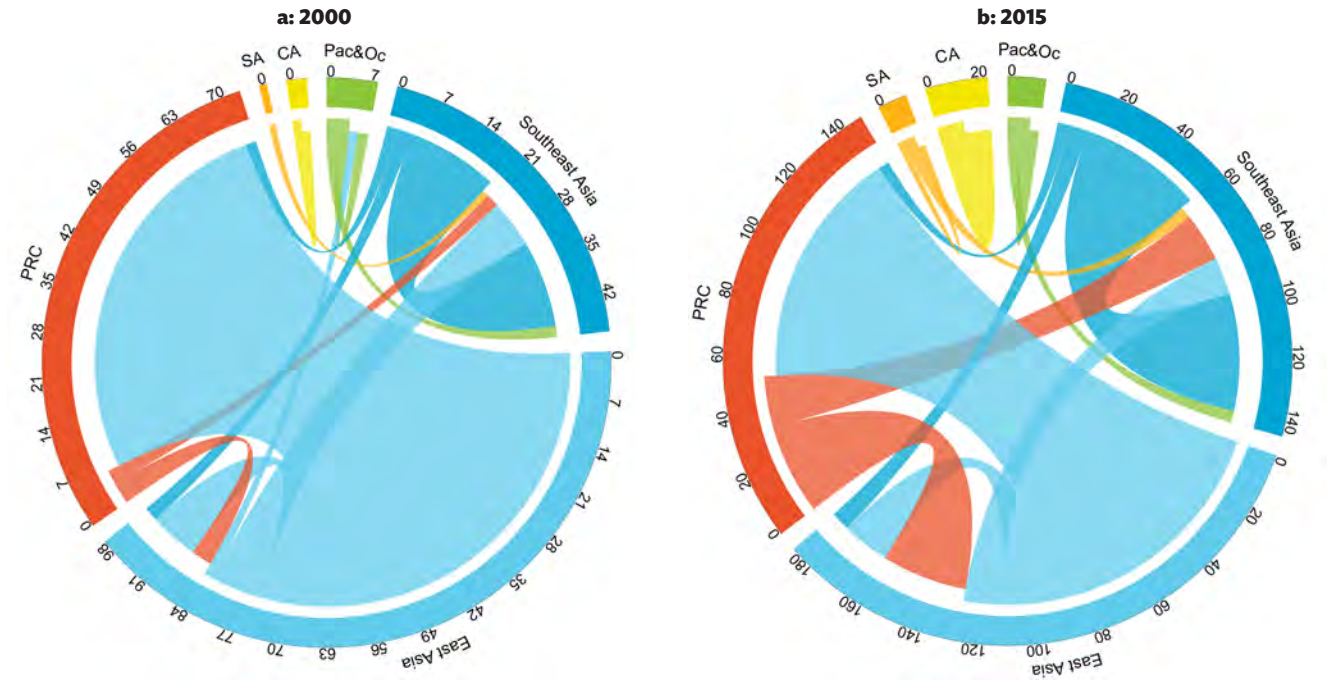
Regional Share of Tourism Receipts

International tourism in Asia is largely intraregional.

In 2015, the share of Asian tourists among total visitors from the world to Asia was 78%, up from 75% in 2010. About 72% of Asian outbound tourists visited destinations in Asia.

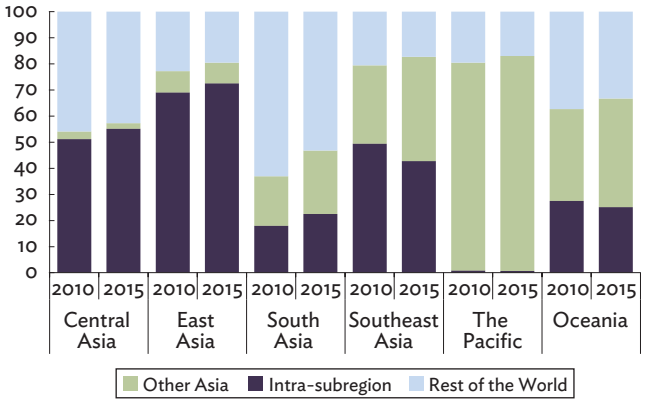
Flows of international tourists in the region have considerably diversified over the past decade (Figures 5.11a, 5.11b). In East Asia, outbound tourism from the PRC has grown substantially, while Southeast Asia has come to accommodate a greater number of inbound and outbound tourists within Asia.

Figure 5.11: Tourism Flows—Asia (million)



CA = Central Asia, Pac&Oc = the Pacific and Oceania, PRC = People's Republic of China, SA = South Asia.
Note: Figures are produced following Abel et al. (2014).
Source: ADB calculations using data from World Tourism Organization. 2017. Tourism Statistics Database.

Figure 5.12: Subregional Tourism Share—Asia
(% of total tourist arrivals to each subregion)



Notes:
(i) Intra-subregional share refers to the tourist arrivals within subregion *i* as a percentage of tourist arrivals from the world to subregion *i*.
(ii) Other Asia share refers to the tourist arrivals from other subregions to subregion *i* as a percentage of tourist arrivals from the world to subregion *i*.
(iii) Rest of the world share is tourist arrivals from non-Asian economies to subregion *i* as a percentage of tourist arrivals from the world to subregion *i*.
Source: ADB calculations using data from World Tourism Organization. 2017. Tourism Statistics Database.

At the subregional level, East Asia is the largest market in number of receiving visitors, mostly intra-subregional tourists (Figure 5.12). In contrast, South Asia has a relatively small subregional tourism market with more than half of its visitors arriving from outside its subregion. The Pacific DMCs receive large majority of tourists from other subregions, particularly Oceania (42%).

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