With $125bn, India retains top spot in remittance chart: WB

Says Strong Labour Mkts In Source Countries Key Drivers

TIMES NEWS NETWORK

New Delhi: Remittances to India are estimated to rise over 11% to $125 billion in 2023, helping it retain the top spot ahead of Mexico ($67 billion) and China ($50 billion), data released on Monday showed.

A strong base of skilled and unskilled workers in the US, the UK, Singapore and Gulf nations is expected to result in an 8% increase in flows to around $135 billion in 2024, World Bank's latest migration and development brief showed.

Driven by remittances to India, flows to South Asia are estimated to have grown 7.2% in 2023 to reach $189 billion, tapering off from the over 12% increase in 2022. These flows are significant for a country like India as it helps reduce the impact of falling foreign direct investment and higher trade deficit.

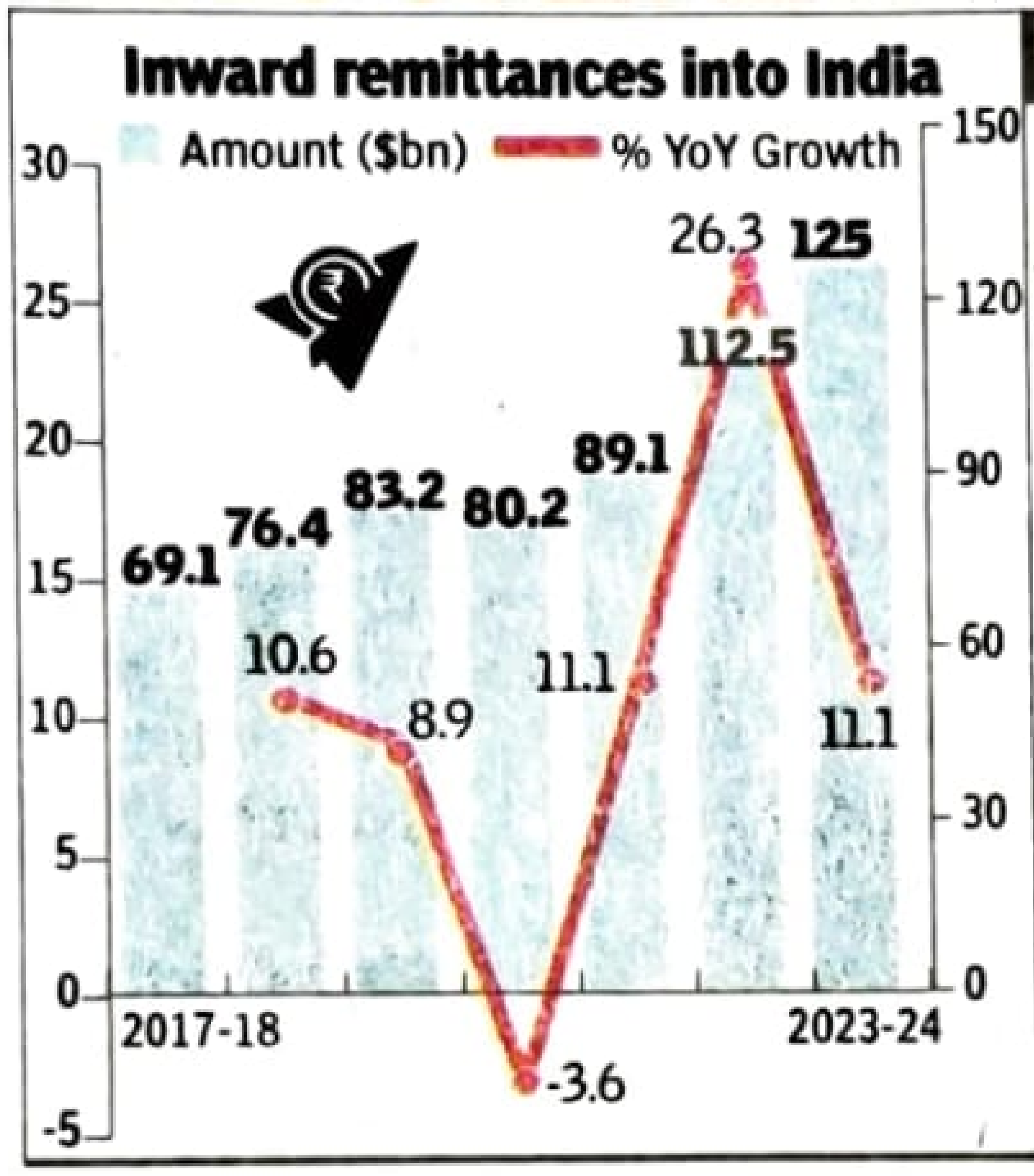
It said the key drivers of remittance growth in 2023 are a historically tight labour market in the US, high employment growth in Europe reflecting extensive leveraging of worker retention programmes, and a dampening of inflation in high-income countries. The US has continued to be the largest source of remittances, followed by Saudi Arabia. As a share of GDP, however, Saudi Arabia has a significantly larger volume of outward remittances than the US. Top remittance source nations include several countries of the Gulf Cooperation Council (GCC).

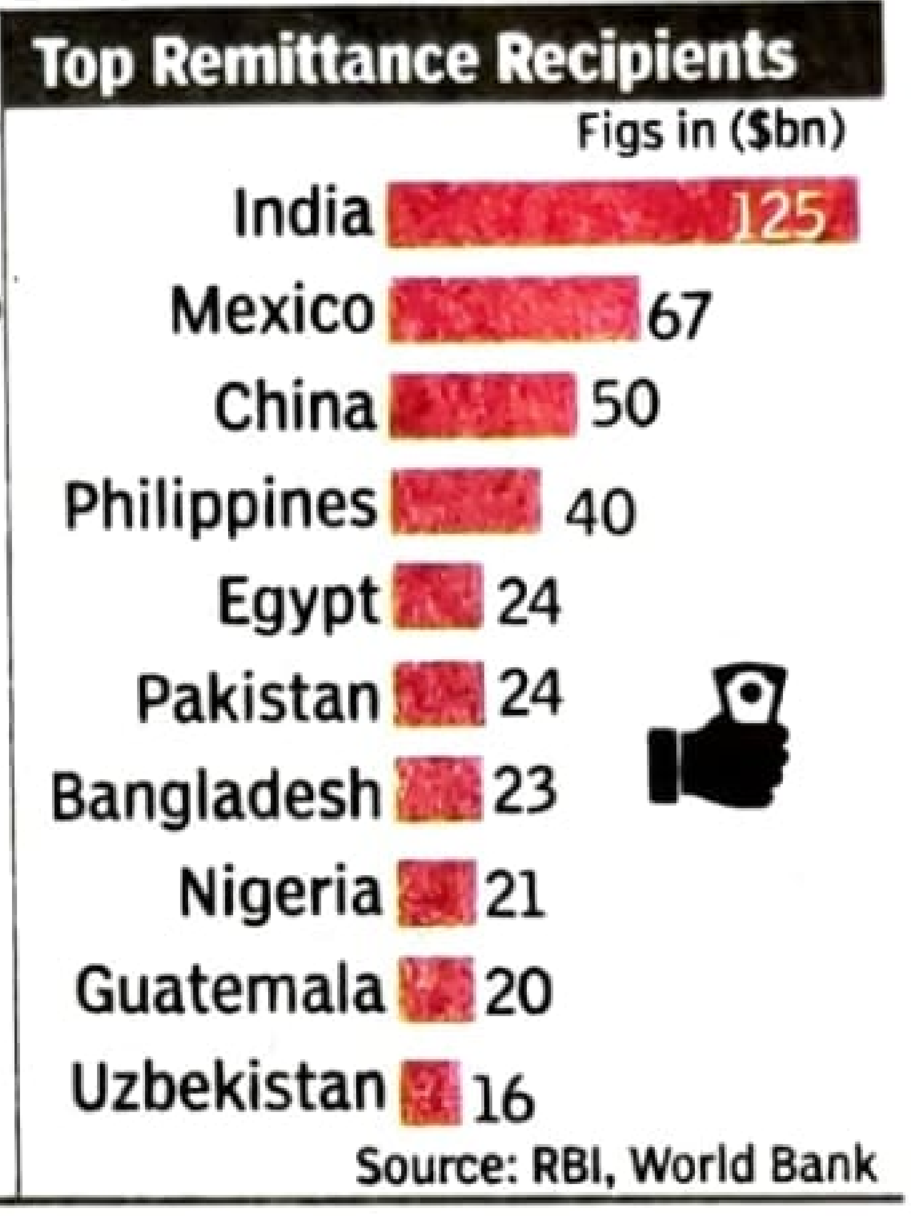
The main contributing factors are declining inflation and strong labour markets in high-income source countries, which boosted remittances from highly skilled Indians in the US, the UK, and Singapore, which collectively account for 36% of total remittance flows to India.

The report said that remittance flows to India were also boosted by higher flows from the GCC, especially the UAE, which accounts for 18% of India's total remittances and is the second-largest source of them after the US. Remittance flows to India benefited particularly from its February 2023 agreement with the UAE for setting up a framework to promote the use of local currencies for cross-border transactions and cooperation for interlinking payment and messaging systems.

"The use of dirhams and rupees in cross-border transactions would be instrumental in channelling more remittances through formal channels. More generally, despite low oil prices and production cuts, and a near collapse in GDP growth in the GCC from 8% in 2022 to 1.5% in 2023, lower inflation (2.6% in 2023 compared with 3.3% in 2022) orchestrated by domestic policy played a key role in sustaining Indian migrants' ability to continue to send remittances to India," said the report.

RISES OVER 11% FROM FY23





Source: RBI, World Bank