

# Growth at a crossroads:

measuring the cost of financial  
fragmentation



# Foreword

## **An integrated financial ecosystem is paramount to economic growth**

Understanding the impact of financial fragmentation on countries, economies, businesses, and people's lives is central to our role as a global public good at the heart of the financial ecosystem. This comprehensive research by Economist Impact, commissioned by Swift, provides new data insights into the challenges and impacts countries and their economies could face in a fractured financial landscape.

As the research shows, no matter how you look at it, nobody benefits from fragmentation. It increases friction in international trade and reduces economic growth across the board, with projected global GDP losses ranging from -1.2% by 2030 in the best-case scenario, to almost -6% – equivalent to \$6.5trn – in the worst case. Fragmentation has a significant impact on individual countries too, not just in terms of lower economic growth, but it also leads to fewer jobs being created, slows innovation, negatively impacts financial inclusion, and adds risk and uncertainty.

These costs are not insignificant, and we hope this report helps to raise awareness about the urgent actions public and private sector stakeholders can take to mitigate the impact. The future payments landscape will see multiple models, networks, providers, and technologies continue to proliferate and coexist. By fostering international collaboration, cooperation, and interoperability, we can advance a resilient and interconnected global economy that benefits as many people as possible.

**Rosemary Stone**  
Chief Corporate Officer, Swift

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# About this report

*Growth at a crossroads: measuring the cost of financial fragmentation* is an Economist Impact report, sponsored by Swift. It explores the future of financial fragmentation and its impacts on the global economy, based on an economic modelling study and expert interviews. Economist Impact thanks the following individuals for their time and insights:

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# Executive summary

The steady march of globalisation over the last several decades has transformed economies across the globe. While its impacts may be debated, globalisation has seeded the belief that international markets and enterprise have the potential to impact lives and livelihoods. The global financial system provides the foundation for trading everything from consumer goods to real estate to complex derivatives across continents and oceans. In low- and middle-income economies across the world, it has opened doors and unlocked opportunities, although its benefits have not always been evenly distributed. Nevertheless, it has fostered global interdependence, creating a more connected world.

Yet the rich tapestry of global economic integration is now under threat. **Financial fragmentation—defined as a reduction in international financial integration and the disruption of cross-border payments, credit and investment that ultimately reduces cross-border capital flows—threatens to untie the complex linkages that drive employment, business growth and countries’ development.**

## What could be lost due to fragmentation?

Fragmentation harms cross-border capital flows, such as foreign direct investment (FDI), which

support consumption, investment financing, risk diversification and resource allocation. Foreign capital enhances productivity by bringing in new knowledge and technology while strengthening domestic financial sectors. Additionally, fragmentation raises the risk of financial instability by increasing funding costs, reducing bank profitability and depressing lending. Without the ability to seamlessly transfer assets and capital, these risks could compound and flare up. Fragmentation can also set back financial inclusion, advancing a world of ‘haves and have nots’. With investment flows impeded, the gains from decades of globalisation will be put at risk, and further progress on sustainable development and poverty reduction will be increasingly difficult.

This study attempts to predict how financial fragmentation could play out to 2030 and quantifies its potential effects on global and national GDP and employment. The analysis is grounded in a robust scenario-building exercise that examines probable drivers of fragmentation in the short- to medium-term and maps out three potential futures. These qualitative scenarios are integrated into a comprehensive modelling and quantitative analysis, further enriched by in-depth interviews with experts in global and regional finance.

### Key research findings

The table below lays out how much lower GDP and jobs would be in each of the three future scenarios of differing levels of fragmentation, compared with the current 2030 forecast set out by The Economist Intelligence Unit.<sup>1</sup>

**The worst-case scenario in the decline of cross-border capital flows would see GDP roughly 6% lower and nearly 280 million**

**fewer jobs.** Looking at individual countries, no country included in our modelling benefits from fragmentation. However, the hit to GDP and jobs would be the greatest in China, Kenya and South Africa, underscoring the potential impacts on countries that are heavily reliant on FDI.<sup>2</sup> In employment, fragmentation would take a bigger bite out of the 2030 pool of high-skilled workers, compared with their lower-skilled counterparts.

**Figure 1: Scenarios**

Decline in pace of cross-border capital flow (in reference to recent norms)

Scenarios	GDP(%)	GDP (US\$)	Employment (%)
<p><b>New normal</b></p> <p>Pace of cross-border capital flow decline is <b>roughly in-line with recent norms</b></p>	<b>-2.6%</b>	<b>-2.8trn</b>	<b>-4.3%</b>
<p><b>Escalation</b></p> <p>Pace of cross-border capital flow decline is <b>2x recent norms</b></p>	<b>-5.9%</b>	<b>-6.5trn</b>	<b>-9.1%</b>
<p><b>Mitigation</b></p> <p>Pace of cross-border capital flow decline is <b>0.5x recent norms</b></p>	<b>-1.2%</b>	<b>-1.3trn</b>	<b>-2.1%</b>

## Manifest financial destiny

Ensuring that these scenarios do not come to pass means not just taking steps to reverse fragmentation, but also putting in place safeguards that ameliorate fragmentation's worst effects. Reducing fragmentation requires harmonised regulation, international co-operation to reduce risks for investors and strengthen the financial system's integrity, and continued market and regulatory innovation to leverage the digital tech revolution. A focus on establishing common standards and enhancing interoperability across financial systems will be essential to ensure these solutions work seamlessly and securely across borders.

Drivers of fragmentation may continue to fester, but a poorer, more divided world is not a given. Policymakers can ease access to financial services, notably via digital channels. Financial institutions can take more proactive measures to mitigate geopolitical risk. International organisations can foster co-operation and support national financial inclusion endeavours. And technology providers can integrate their solutions more deeply up and down the financial stack, from consumer-facing applications to back-end systems. Countering fragmentation will take hard work and dedication, but the rewards are undeniable.

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# Introduction: cracks in the global order

In the lead up to the 2008-09 global financial crisis, the US was the globe’s unquestioned financial hegemon. Other countries looked up to the world’s largest economy as an exemplar of sound macroprudential management. Its banks were considered the gold standard of strong, stable growth, underpinning a financial system that seemed invulnerable.

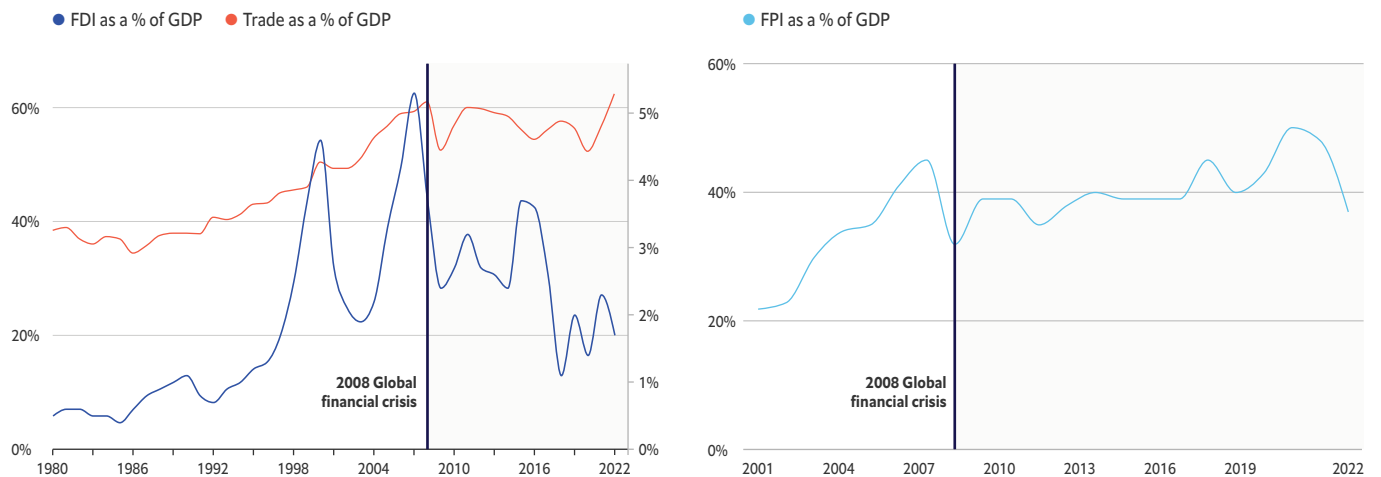
Much of that unravelled when bad debts linked to the country’s housing market nearly toppled its entire economy. The scars of that shock

remain embedded in the global financial system. Cross-border flows remain subdued, including investors’ portfolio positions, banks’ lending books and companies’ FDI, all of which fell following the crisis and have yet to fully recover.<sup>3</sup>


The aftermath of the crisis saw the implementation of varied regulatory measures to safeguard against future financial instability, including the adoption of the Basel III framework, which aims to prevent systemic risks from toppling the banking system as a whole.<sup>4</sup>

**Figure 2: If I could turn back time**

Trade and FDI as a % of global GDP (left) and foreign portfolio investment (FPI) as a % of global GDP (right)







In addition, this period also saw efforts to increase international oversight of and compliance with anti-money laundering and counter-terrorist financing (AML/CTF) principles to maintain the system's integrity.

These multilateral efforts were essential in addressing the root causes of the crisis and aimed to ensure the liquidity, integrity and stability of the financial system. But even as the crisis fostered co-operation on the one hand, it also encouraged countries to cultivate financial architectures less dependent on the US.<sup>5</sup> These economies have reaped the benefits from their efforts, deepening financial markets outside of the US and Europe and increasing levels of investment originating and staying in other national or regional markets. Yet, as with many things, the result is a double-edged sword: a more fragmented global financial system rife with inefficiencies and reduced cohesion.

### The bits and bytes of booms and busts

Simultaneously, the 2010s saw the emergence of fintech, new digital technologies and banking business models that led to the 'great unbundling' of finance.<sup>6</sup> This was a paradigm shift that fundamentally altered the banking landscape, led mostly by innovations in the payments sector and the development of digital assets. Fintech widened the cracks in the architecture of the financial system. On the one hand, it led to the widespread adoption of digital wallets and mobile money, such as Kenya's M-PESA. Mobile-money services enable digital payments, which reduces the cost and enhances the speed and reliability of transactions, thereby boosting access to financial services. As a result of these kinds of innovations, over two billion people around the world have opened a formal financial account over the last decade.<sup>7</sup> On the other hand, this era also saw the development of bitcoin and other digital assets that have enabled an alternative global financial network

outside of the formal financial system and the purview of regulators.

While many of these innovations have strengthened and deepened financial systems at the national level, patchwork regulations have led to a complex global landscape for the financial services industry and investors. A major hurdle in this evolving ecosystem is the lack of interoperability—the ability for different financial systems and platforms to seamlessly communicate and exchange data. Designed as closed loops lead to inefficiencies, increase transaction costs, and hinder the creation of a unified, secure, and inclusive financial network. Without standardisation and co-operation across borders, the benefits of these innovations remain unevenly distributed.

### Crisis management

If the financial crisis began to reverse decades of integration, the shocks of the last half-decade have only accelerated the unravelling. Between 2018 and 2022 FDI flows amounted to only 1.3% of global GDP, compared with 3.3% in the early 2000s.<sup>8</sup> Over the past five years, policymakers and businesses have had to navigate a series of compounding crises, including the covid-19 pandemic, growing debt, accelerated inflation and a precipitous rise in geopolitical tensions, including those sparked by Russia's invasion of Ukraine.

The outbreak of the latter conflict sent Western economies scrambling to isolate Russia, financially, with sanctions similar to those that have been imposed on Iran and North Korea over the years. The growing use of sanctions has contributed to increasing fragmentation within the global financial ecosystem. Between 2000 and 2021 sanctions originating in the US ballooned by over 900%, tangling the financial system in ways that can be difficult to undo.<sup>9</sup>

Emerging economies have long looked askance at this kind of financial weaponisation, the

acceleration of which in recent years has further prompted many economies to explore alternative capital markets, currencies or financial infrastructures. This is only intensifying fragmentation. To take one example, transactions in emerging-market currencies have increased significantly over the last two decades, such that they now represent over 25% of global forex turnover, up from about 7% in 2001.<sup>10</sup>

### Trading away the advantage

It is now dogma that the covid-19 pandemic exposed vulnerabilities in economies overly reliant on international, just-in-time supply chains and infrastructure. This dependency in turn heightened the call to onshore (or 'friend-shore') essential markets, especially in supply chains for technologies that will drive growth in the 21st century, like renewable energy and artificial intelligence. Nowhere is this more apparent than in the relationship between the US and China, where trade tensions have led to tariffs and restrictions on technological transfers.

They are not the only ones throwing up new trade barriers—3,000 were rolled out in 2022 alone, nearly threefold that in 2019.<sup>11</sup> With the World Trade Organization's dispute resolution

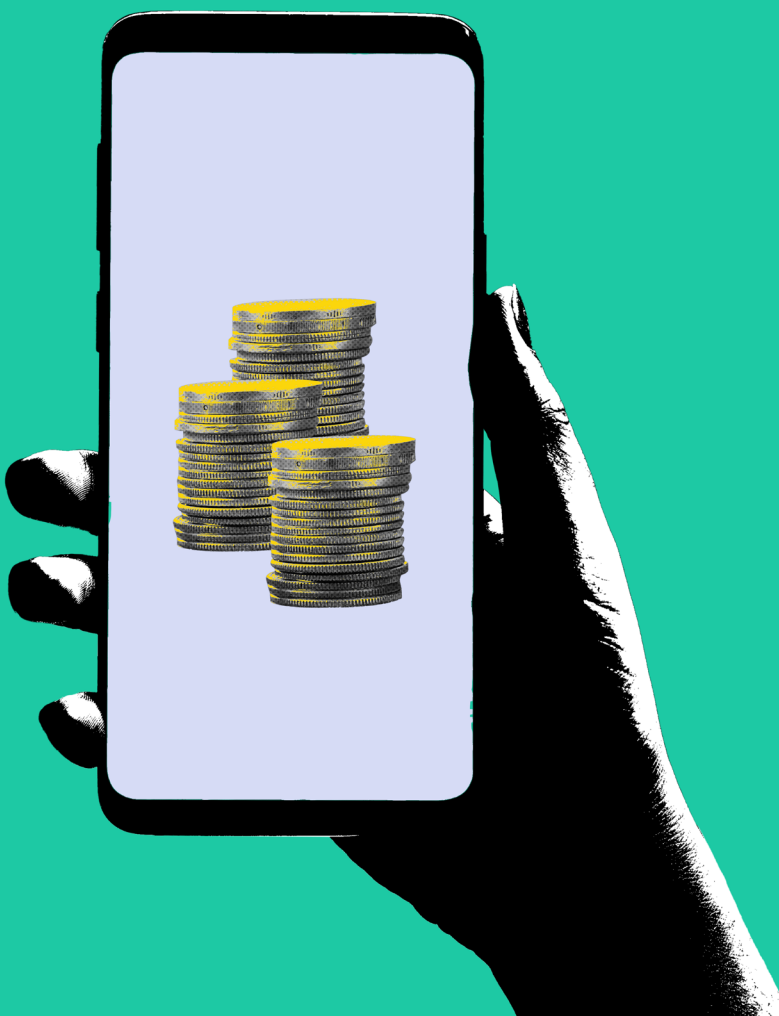
mechanism rendered defunct, barriers are left intact.<sup>12</sup> As goes trade, so goes finance. "Trade wars have significant ripple effects on global financial flows, impacting everything from currency stability to investment patterns," says Arpita Mukherjee of the Indian Council for Research on International Economic Relations. "These trade and supply-chain disruptions will negatively impact cross-border financial flows, furthering financial fragmentation."

Dr. Mukherjee's point about trade underscores the tensions that the shifting geopolitical landscape and various crises of the last 15 years have given rise to. Although the trends continue to move in the right direction on many metrics of living conditions, the pursuit of international co-operation is no longer as robust. There are limited mutual recognition agreements. This is a state worth lamenting, given all that is lost when countries retrench to their corners.



**“The paradox that lies at the heart of the global financial system is that transactions are global, but money remains national.”**

Thomas Puschmann, Stanford University Global Center for Sustainable Digital Finance



### **BOX 1: SHELTER FROM THE STORM**

#### **Charting the relationship between regulatory divergence and digital finance**

Growth in regulatory divergence and arbitrage, where regulatory differences are exploited to cut costs or evade stringent requirements, has thrown sand in the gears of cross-border transactions.<sup>13</sup> According to estimates by the OECD and the International Federation of Accountants, regulatory divergence costs the global economy US\$780bn each year.<sup>14</sup> As Thomas Puschmann of the Stanford University Global Center for Sustainable Digital Finance observes, “the paradox that lies at the heart of the global financial system is that transactions are global, but money remains national.”

Indeed, the question of whether money should be an asset controlled and regulated by a national central bank remains a topic of discussion in some circles. This discussion has gained prominence with the rise in cryptocurrencies, stable coins and central bank digital currencies (CBDCs). CBDCs come in two main forms: retail, designed for public use through apps or mobile wallets; and wholesale, primarily used by financial institutions to facilitate interbank transactions.<sup>15</sup>

CBDCs are still in their infancy. China’s e-CNY is the most

widespread, while others are small and limited in scope, or still only on the drawing board. But the use and reach of CBDCs will likely expand in the years to come: the exploration of CBDCs surged from 2020 to 2024, with the number of countries exploring these currencies rising from 35 to 130, encompassing 98% of global GDP.<sup>16</sup>

### Financial infrastructure for the 21st century

CBDCs represent one potential manifestation of so-called digital public infrastructure (DPI),<sup>17</sup> which the UN defines as “a combination of (i) networked open technology standards built for public interest, (ii) enabling governance, and (iii) a community of innovative and competitive market players working to drive innovation, especially across public programmes”.<sup>18</sup> In financial services, DPI has particularly strong knock-on effects. The UN estimates that implementing DPI in the financial sector in low- and middle-income countries could boost GDP by an average of US\$200bn-280bn, equivalent to growth of 1-1.4% in projected GDP levels by 2030.<sup>19</sup> Beyond CBDCs, other digital currencies and assets also play a critical role in this ecosystem. For instance, decentralised finance platforms are emerging as alternatives that can enhance financial inclusion and create new opportunities. India is the starkest example of the benefits of financial DPI: the roll out of its Aadhaar system of unique digital identification numbers lifted the proportion of people with a bank account from only 27% in 2008 to 78% in 2021.<sup>20</sup>

Digitalisation is not a panacea, however, and in some instances may increase fragmentation. Digital systems are often inoperable between countries, leading to ‘walled gardens’ that exclude foreign participation.<sup>21</sup> Many alternative methods of cross-border finance, such as cryptocurrencies, flourish on digital channels, deepening the risk of fraud and bad behaviour, in addition to creating friction when such methods are not compatible with one another. Cyn-Young Park of the Asian Development Bank, for one, sees this risk all too clearly: **“[If financial services] develop without standardisation or harmonisation across different digital platforms, then digitised financial transactions will be similarly fragmented.”**



# Brave new fragmented world: modelling three potential futures

Given the decades-long push towards integration that has only recently begun to shift into reverse, the consequences of financial fragmentation may feel distant and mild. But they are real and will compound over time. “The trend towards integration has been such that marginal increases in integration are not that impactful, but going backwards makes a big difference,” says Michael Plummer of Johns Hopkins University’s SAIS Europe division. “There is a lot more to lose than there is to win.”

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Michael Plummer, Johns Hopkins University’s SAIS Europe division

This programme was designed to answer one question: what would happen to the global economy in 2030 if cross-border capital flows decreased between different country blocs? Overall, we included 141 countries in our

modelling and divided them into three broad categories: those that are strategically west leaning, those that are strategically east leaning, and those that are in the middle. Alignment metrics encompass free trade agreements, sanctions, military imports, participation in China’s Belt and Road Initiative<sup>22</sup> and various other factors. The core assumption of our model is that flows of capital (specifically, FDI and FPI) will decline between blocs, with the largest declines occurring between east-leaning and west-leaning blocs.

The modelling reflects the fact that the China-US divergence has become the most significant fault line in geopolitics since the end of the cold war. The spheres of influence that this rupture has given way to, however, are in many ways more subtle than their cold war counterparts, given China’s high degree of integration into the world economy relative to the Soviet Union at its peak; China is also less inclined to explicitly export its political ideology abroad and more likely to pursue trade and investment of all stripes. Few countries can afford to wholly alienate either China or the US, but several are casting chips in either direction, creating novel sources of geopolitical tension.

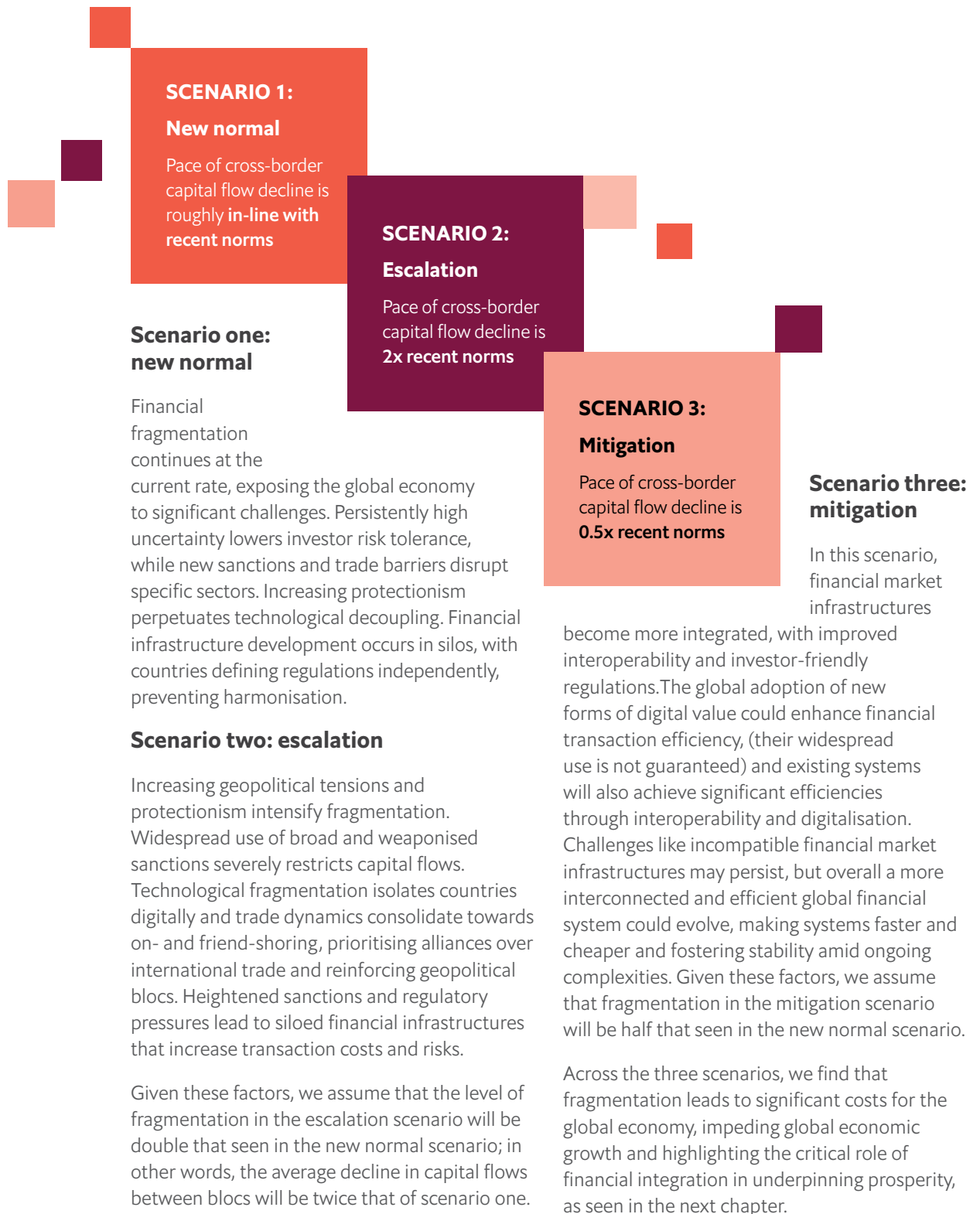


### Mapping three future scenarios

Following the country groupings, we then used a rigorous assumption-building process to inform the corresponding quantitative shocks associated with each scenario in the model. With expert input, we conducted a qualitative scenario-building exercise to identify the potential triggers of financial fragmentation that may arise in the near future, such as trade wars, economic protectionism, technological decoupling, financial system reconfiguration and fragmented financial market infrastructure. To assess the macroeconomic impacts of these potential shocks, we developed an econometric model designed to capture the complex interactions that drive financial fragmentation. This model provides a comprehensive understanding of how these forces could influence global economic stability and financial integration. An analysis of historical changes to capital flows supplemented our findings, to ensure that assumptions were realistic and representative of each region-region/country-country relationship.

The three potential futures that emerged from our modelling each represent different levels of fragmentation: one in which the status quo persists as a **new normal**, one in which fragmentation **escalates** and one in which stakeholders come together to **mitigate** the effects of fragmentation. The latter scenario assumes that the drivers of fragmentation persist but multiple stakeholders within countries take proactive steps to connect financial mechanisms, rather than encouraging divergence or remaining neutral.

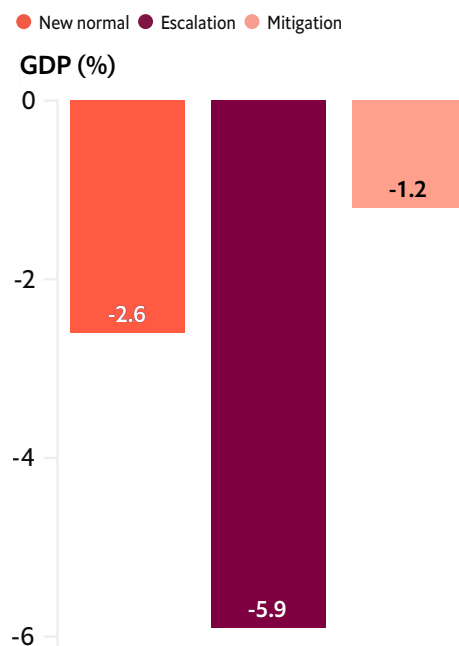




# Making the world go 'round: the impact of financial fragmentation on economic growth

The conclusions of our study leave no room for ambiguity: financial fragmentation makes the world worse off. As Cyn-Young Park of the Asian Development Bank, emphasises, “overall, no country truly benefits” from fragmentation. Carolina Moehlecke of Brazilian university and think-tank Fundação Getulio Vargas, meanwhile, lays out the consequences in stark terms: “A more fragmented world in terms of trade and finance is a poorer world, especially for emerging markets. Even if governments try to navigate this new landscape, it’s quite tricky in the long run.”

**Figure 3: Breaking up is hard to do**  
Global GDP impacts across the three scenarios



Our modelling reflects this, as declines in private consumption and investment largely drive GDP losses, demonstrating the importance of stable investment flows to a prosperous world. The complex domino effects of these declines will compound and influence different sectors of the economy, ultimately delivering blows to economic growth that differ in severity based on the level of fragmentation.

## Can't we all just get along?

Under the new normal scenario, where current levels of fragmentation persist, global GDP in 2030 would be 2.6% lower than it would be in the baseline Economist Intelligence Unit forecast. Losses of nearly 6% of global GDP in the escalation scenario demonstrate the compounding effects of fragmentation: capital flows decline by twofold that in the new normal scenario, but the GDP loss is more than double.

**“A more fragmented world... is a poorer world”**

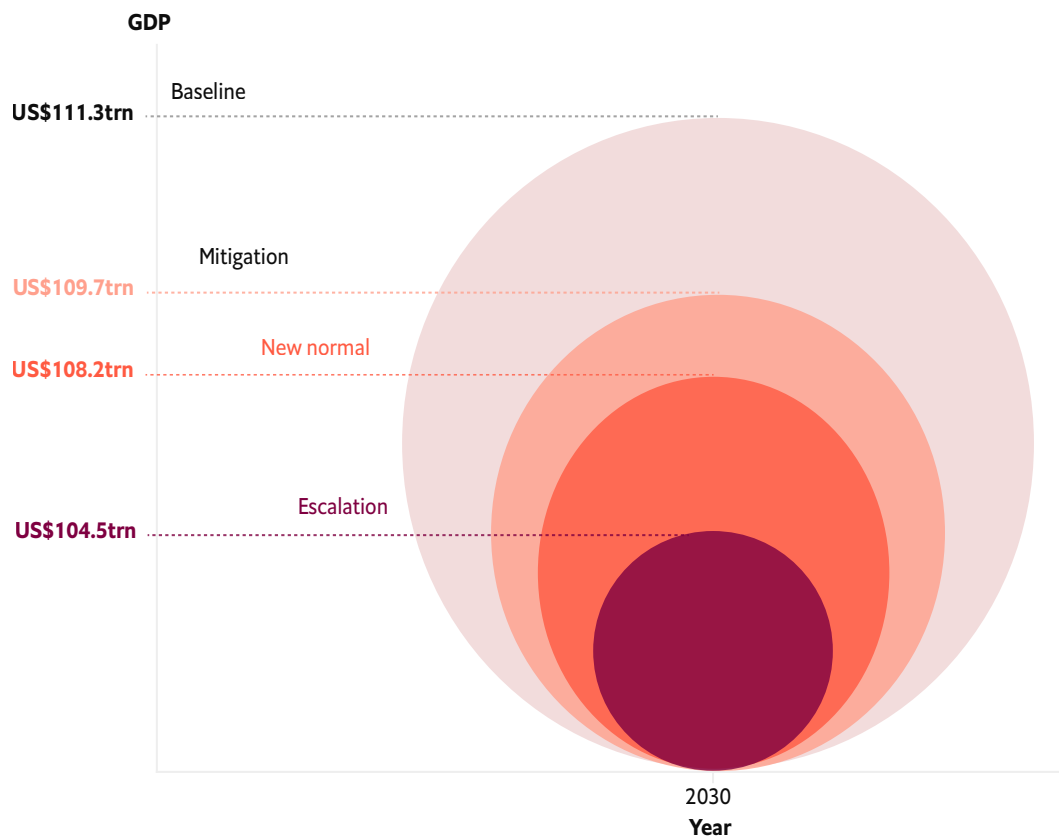
Carolina Moehlecke, Brazilian university



We see the lowest impact on global GDP in the mitigation scenario, where some of the current symptoms of fragmentation begin to reverse and capital flows do not decline nearly as much in the first two scenarios. This reflects the benefits of pursuing international co-operation and regulatory harmonisation, resulting in 2030 global GDP that is only 1.2% lower than it would be otherwise. Although this would still negatively impact the global economy, it demonstrates that de-escalating fragmentation should be the priority, even in an increasingly polarised world.

Results for scenarios are presented for the year 2030. They show the deviation from the EIU's current forecast for that year. The 2.6% decline in scenario one, for example, denotes that global GDP will be 2.6% below the baseline trajectory in 2030, not an absolute decline below current levels.

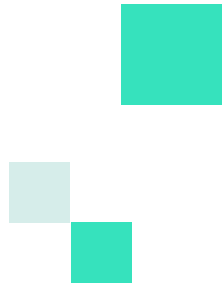
**Figure 4: Global GDP in 2030**  
Divergence from EIU baseline forecasts



**BOX 2: WHEN IT RAINS, IT POURS**

**The SDGs and fragmentation’s impact on the climate battle**

The Sustainable Development Goals (SDGs) emerged in 2012 as guiding principles for development work and funding.<sup>23</sup> With 2030 largely considered the deadline for implementation,<sup>24</sup> work towards meeting them must accelerate. A 2023 analysis from the UN Trade and Development agency (UNCTAD) underscores the challenge: as a result of underinvestment and additional investment needs that have materialised since 2015, the investment gap for reaching the SDGs has expanded by US\$1.5trn—60% more than the original estimate.<sup>25</sup>



**“All the desirable economic goals of... climate mitigation will be impacted and made more costly due to financial fragmentation.”**

Hung Tran, Atlantic Council’s GeoEconomics Center



UNCTAD cites energy and water/sanitation as the two sectors suffering from the largest gaps.<sup>26</sup> Both are intrinsically linked to climate change, a challenge that knows no national boundary. A tonne of carbon dioxide emitted anywhere will affect the atmosphere everywhere; fragmentation is a scientific impossibility. Yet fragmentation in trade and finance may stymie the world’s ability to fight this existential threat. Few sectors are more enmeshed in the protectionist turns roiling the global economy than clean- and climate tech, notably renewable energy kits like solar panels, wind turbines, electric vehicles and batteries.<sup>27</sup>

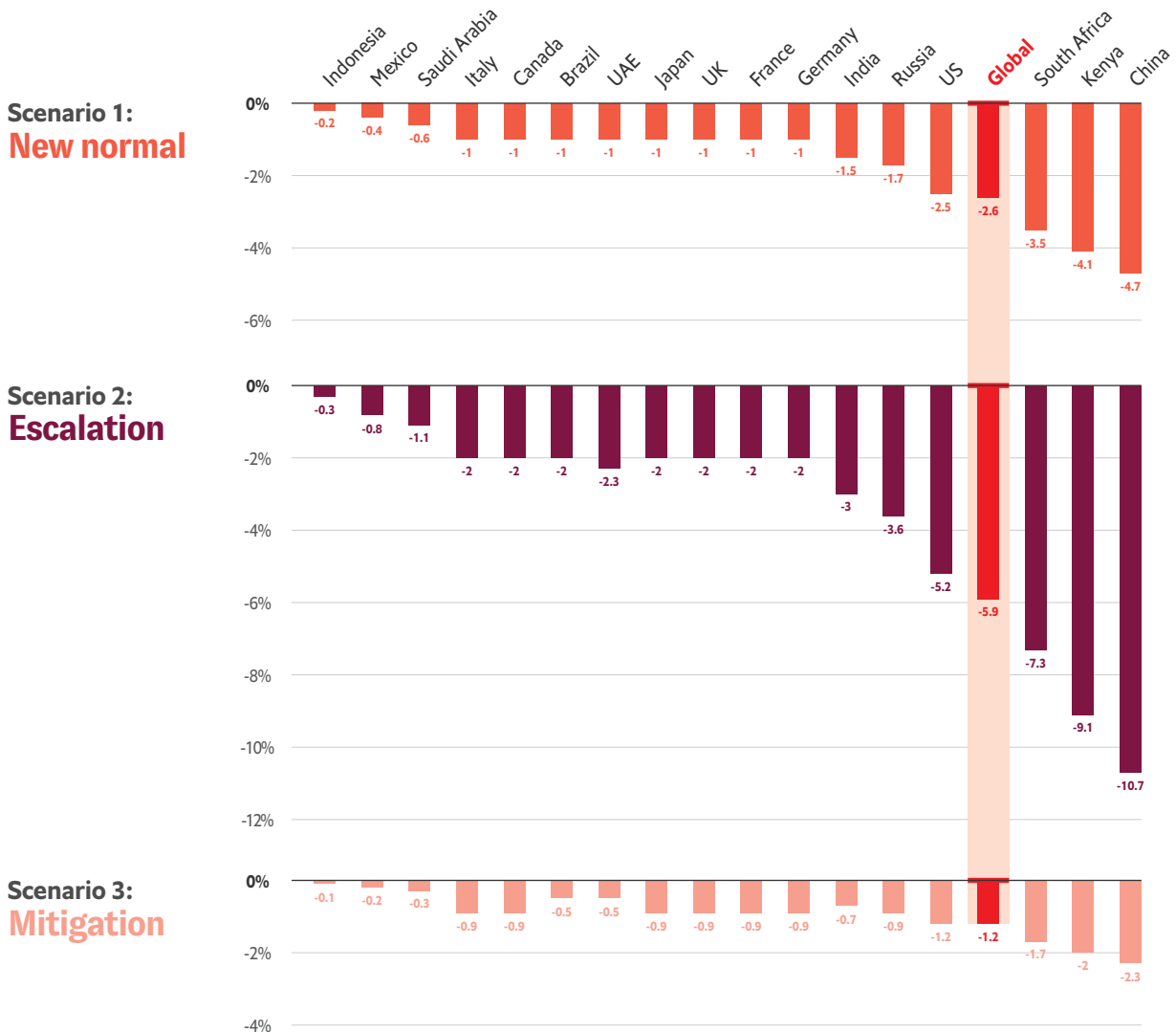
Experts lament this state of affairs, calling greater international co-operation a vital lever in the climate battle. “All the desirable economic goals of ... climate mitigation will be impacted and made more costly due to financial fragmentation,” says Hung Tran of the Atlantic Council’s GeoEconomics Center. Similarly, the International Energy Agency exhorts major economies, especially those with high concentrations of polluting industries, to strengthen collaboration to boost growth of the technologies that can clean up these sectors.<sup>28</sup> The alternative will leave the world woefully behind on meeting its agreed-upon goal of net-zero emissions by 2050—a deadline that is moving closer by the day.

### Nobody wins

The irony of fragmentation is that even as countries see the development of national financial infrastructures as an unalloyed good, failing to consider the global context and smooth out interlinkages makes the whole weaker than the sum of its parts. Our modelling demonstrates that no country as a whole benefits from fragmentation; the best they can hope for is a relatively small hit. The worst-affected, meanwhile, will suffer mightily.

Divergence in national outcomes reflects countries' differing abilities to absorb shocks and spur domestic investment to counteract declines in inbound foreign investment. In addition, more developed economies, particularly the G7, can spur growth through public spending and consumption (the US may be an exception—see below). The structure of each economy and what most tends to drive economic activity determines much of this. Additionally, geopolitical schisms and the formation of blocs will play a part in determining each country's

**Figure 5: Free fallin'**  
GDP impact in key regional economies across the three scenarios



economic outcome, as various relationships and alliances shape our new financially fragmented global economy.

In middle-income countries like Brazil, Russia, India, China and South Africa (BRICS), investment makes up a disproportionately large share of the economy: equivalent to 36% of GDP, compared with an average of roughly 25% in the other countries modelled. Consequently, BRICS are particularly exposed to a breakdown in investment flows. South Africa, for example, relies heavily on external capital flows to hold up national investment levels and capital stocks. The real economy would falter in the event of a withdrawal of foreign equity and real-asset investment. As capital stocks shrink and business activity contracts, declining private consumption will weigh down real GDP.

### Stuck in the middle

South Africa demonstrates why newly emerging economies stand to lose the most from financial fragmentation. These places have the broad components of a thriving economy but rely heavily on consistent inbound capital flows to catalyse growth and development. Importantly, they are also often led by governments that tend to contribute less to the economy as a share of GDP. These governments often operate tight fiscal budgets, which leave little room to intervene and lessen declines in private

consumption. Lower levels of economic growth in these countries as a result of fragmentation will make it more difficult for them to reach their development goals and lift their populations out of poverty.

Ms Park explains the plight of middle-income countries as a function of their position at the bottom of a u-curve, with low- and high-income countries on the upper ends of the curve. “Emerging markets that have slightly more developed capital markets are more adversely affected by shocks coming from abroad, because their markets are very shallow and potential overseas investors are going to have greater influence in domestic capital markets,” she notes. “When capital flows suddenly stop, this has a disproportionately large impact on mid-level, emerging financial markets.”

At the same time, some middle-income countries will remain relatively insulated from the effects of fragmentation; Mexico and Indonesia, for instance, both fall on the resilient end of the spectrum. For Mexico, this could be due to its advantageous position as a friend-shoring destination for US manufacturing. Indonesia’s strategic location in the Indo-Pacific, large workforce and fast-growing economy also make the country well-positioned to take advantage of shifting patterns of investment and reconfigured supply chains in the region.

Gulf economies are also less likely to suffer as much from geopolitical elements of financial fragmentation. In fact, Saudi Arabia and the UAE are well-placed to make some changes to the structure of their economies, and a fragmenting global financial system could catalyse this. These countries have had prolonged periods of high investment, benefitting from the steady development of professionalised human capital, maturing domestic financial sectors and increasing levels of innovation and productivity.<sup>29</sup> Traditionally, they have relied on external capital flows, but as global systems fracture, deepening regional and sub-regional linkages could foster growth in some sectors, reducing the overall negative impacts of the shifting global financial order.



## Don't mind the outlier

The G7,<sup>30</sup> meanwhile, is less exposed to the economic disruptions wrought by financial fragmentation. In comparison to BRICS, G7 countries tend to rely more on private and government consumption than on investment to drive growth. The US is an outlier, partly because it boasts the most sophisticated financial system in the world, enabling it to receive capital inflows from across the globe as foreign direct and portfolio investors seek safety, stability and growth opportunities.

America's perch atop the global financial pecking order means that US investment is expected to equal the combined total investment from the remaining six countries in the G7 by 2030. Therefore, any disruptions to

the international financial order, and cash flows more broadly, are likely to have an impact on the US. Government consumption as a share of GDP is also smaller in the US than in other G7 countries, and because countries with higher government consumption levels as a share of total GDP are more likely to have the fiscal space (and willingness) to dampen the negative impacts of financial fragmentation on their economies, the US is exposed in this regard.

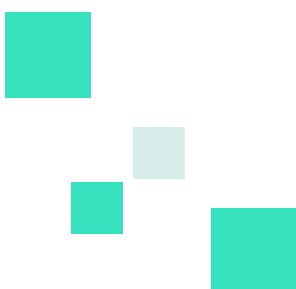
### BOX 3: REMITTANCES AT RISK

#### How fragmentation dampens transfers

The walled gardens discussed in Box 1 can have an especially outsized impact on remittances,<sup>31</sup> one of the most significant forms of cross-border transactions and a pillar of growth and prosperity in many developing economies. Remittance flows tend to be less volatile than capital flows like foreign direct investment and foreign portfolio investment (as migrants tend to prioritise supporting their families<sup>32,33</sup>). Crucially, they also tend to be countercyclical—increasing during economic downturns or after a natural disaster, when private capital flows tend to decrease.<sup>34</sup>

But remittances are increasingly under threat. The cost of sending money abroad is already ticking up: according to the World Bank, as of March 2024, on average people must pay an additional US\$12.70 on every US\$200 they send overseas,<sup>35</sup> slightly higher than the same quarter a year earlier.<sup>36</sup> The UN believes that remittances should cost no more than 3% of the amount sent; the current figure is 6.35%.<sup>37</sup> Higher costs may throttle growth as a whole; indeed, the growth in remittances to low- and middle-income countries slowed in 2023 compared with the previous two years and is expected to dip further in 2024.<sup>38</sup>

Increased anti-money laundering and counter-terrorism financing (AML/CTF) requirements are a key culprit in the middling outlook for remittances. These regulations disproportionately affect low-value accounts, which are too expensive for banks to maintain, and poor migrants and recipients, who may only have a tenuous connection, at best, to formal financial services. Financial sanctions are an especially steep hurdle to remittances; an IMF study of 18 countries from 1980 to 2022 found that financial sanctions increased the cost of remittances to sanctioned countries by three percentage points.<sup>39</sup> The volume of remittances also dropped by 17% after six quarters of sanctions. In countries like Somalia and Yemen, sanctions and stringent AML/CTF regulations are causing genuine hardship among people who depend on remittances to pay for basics like food.<sup>40,41</sup>





Sabine Mensah of the AfricaNenda Foundation, which supports payments innovation across the continent, laments the drag that fragmentation imposes on remittances in African economies. “So much of the African population relies on remittances to get lifted out of poverty—not just for putting food on the table, but for financing to invest in small businesses,” she says.

**“So much of the African population relies on remittances to get lifted out of poverty—not just for putting food on the table, but for financing to invest in small businesses ”**

Sabine Mensah, AfricaNenda Foundation



Many organisations are pushing a number of potential fixes that could sand off some of these rough edges. FSD Africa, a think-tank, has published numerous suggestions, including removing proof of address requirements, encouraging interoperability on ATMs and other point-of-service devices, and adopting consumer protection guidelines.<sup>42</sup> The Brookings Institution, meanwhile, recommends lowering barriers to co-operation between remittance service providers and banks.<sup>43</sup> Efforts to harmonise global transactions more broadly, such as via data-sharing agreements or even the global adoption of central bank digital currencies, could also brighten prospects for remittances.

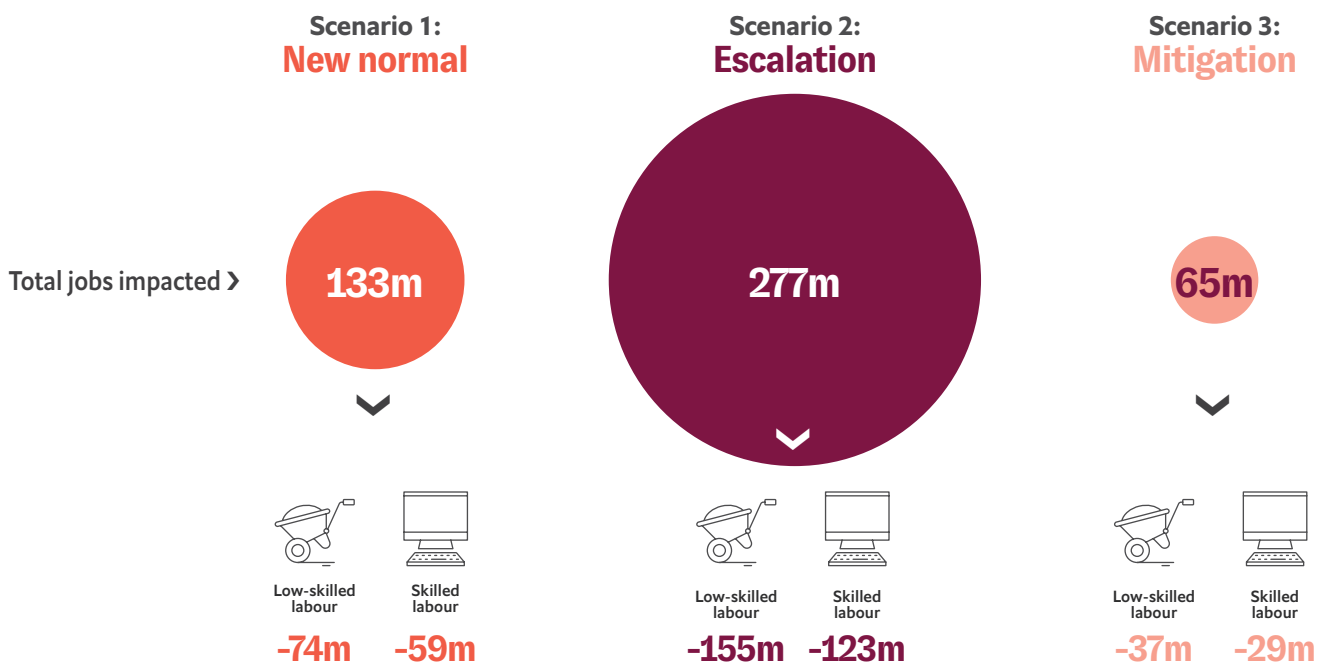
# Job detours: fragmentation is throwing employment off-course

Labour markets worldwide also suffer the effects of fragmentation. Less job opportunities materialise and some types of work might disappear entirely. Small and medium-sized enterprises, major engines of job growth, bear particularly onerous impacts. Poverty alleviation and economic welfare as a whole will suffer, leading to real hardship for working people.<sup>44</sup>

Mr Plummer singles out fragmentation’s effect on trade as a key thorn in the side of economic growth. “To the extent that fragmentation inhibits FDI and inhibits trade, it’s going to have a negative effect on employment,” he says. “It’s going to have a negative effect on families. It’s going to have a negative effect on income distribution.”

**Figure 6: Wasted potential**

Global employment impact (millions of jobs) across the three scenarios



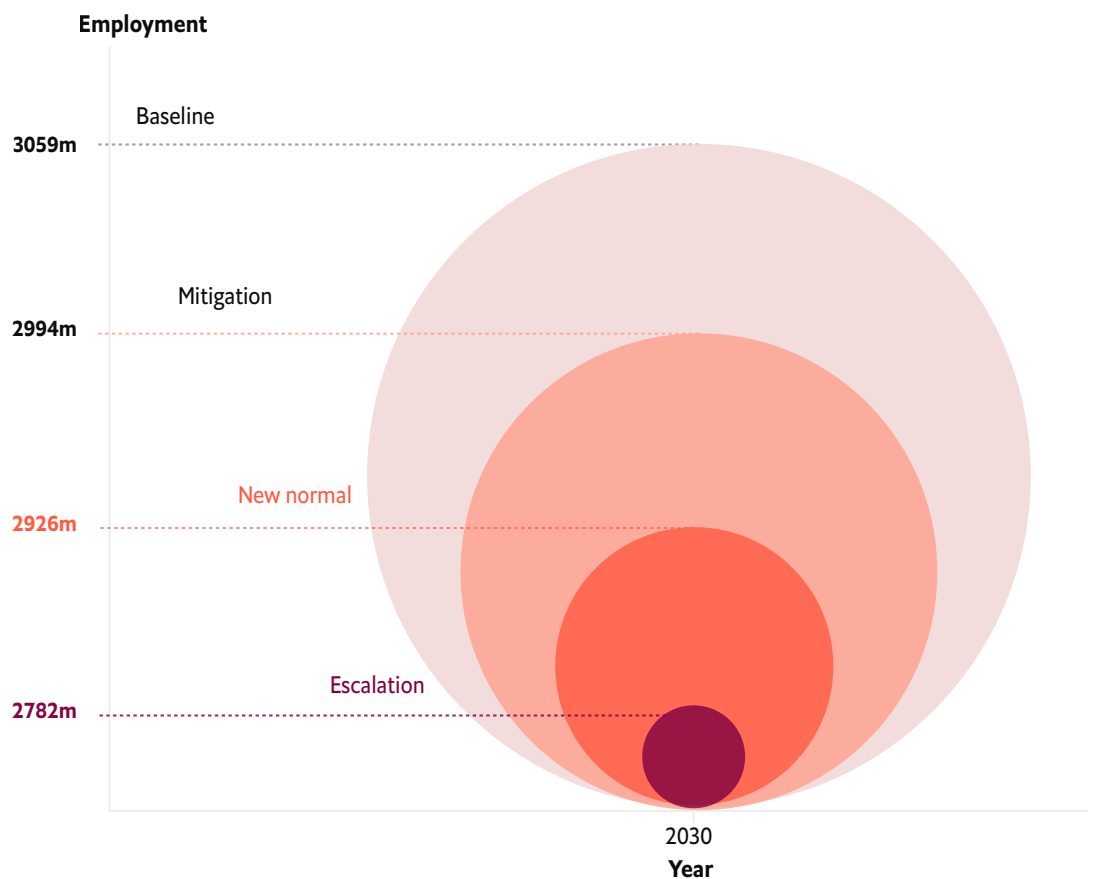
\*Numbers may not add up due to rounding

**“To the extent that fragmentation inhibits foreign direct investment and inhibits trade, it’s going to have a negative effect on employment, It’s going to have a negative effect on families. It’s going to have a negative effect on income distribution.”**

Michael Plummer, Johns Hopkins University’s SAIS Europe division

The numbers at risk are significant: in both the new normal and escalation scenarios, employment impacts of -4.3% and -9.1% respectively would lead to the level of total employment worldwide in 2030 being lower than it is today. In other words, fragmentation of this severity would lead to net job losses over the course of the next decade. In the mitigation scenario, this would reduce net new jobs by 65 million compared with baseline projections.

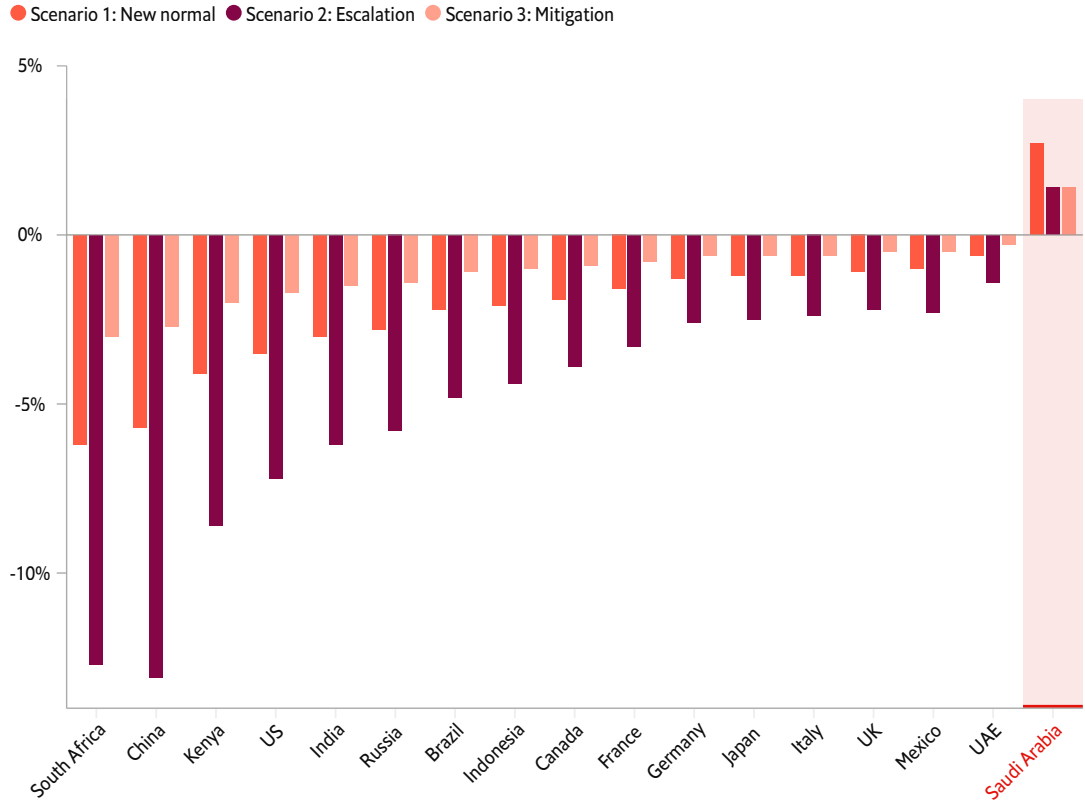
**Figure 7: Employment 2030**  
Divergence from baseline forecast





**Figure 8: The Saudi exception**

Service-sector impact in key regional economies across the three scenarios



**Mind the skills gap**

Globally, the distribution of impact across the three scenarios roughly mirrors the distribution of skilled versus unskilled employment overall. Low-skilled workers face a much larger impact in absolute terms compared with skilled workers, which reflects their larger share of the global labour force. As a share of the overall labour pool, however, fragmentation puts more skilled workers at risk.

Although the impacts across sectors vary considerably,<sup>45</sup> the net effect is negative across the board. The services sector, largely made up of higher-skilled workers,<sup>46</sup> takes a hit in every country save Saudi Arabia, while employment in the agricultural, transport and communications

sectors also falls nearly everywhere (with Saudi Arabia again the exception). Negative impacts on the agricultural sector in particular will be passed on to low-skilled and informal workers, which make up a large share of the workforce in this sector.<sup>47</sup>

The impacts of fragmentation on manufacturing and energy and utilities sectors are more mixed, with some countries seeing gains. The energy and utilities sector in Indonesia, the US, Mexico, Brazil and Russia gains from fragmentation, as does manufacturing in Kenya, Mexico, Saudi Arabia, South Africa, Indonesia, India, Brazil and Russia. As inflows of foreign investment decrease under fragmentation, domestic investment in these sectors may surge to fill these gaps, leading to some small gains.



#### BOX 4: SMALL GIANTS

##### The impact of financial fragmentation on SMEs

Small and medium-sized enterprises (SMEs) account for the majority of companies worldwide and drive job creation and economic development, accounting for 70% of total employment.<sup>48</sup> They are pillars of local communities and a source of social stability, resilience and enrichment, elevating local commerce from informal and less productive modes into higher-skilled, higher-productivity realms. Their role in international financial flows may not be as obvious as their larger, globe-spanning counterparts, but it is a crucial one nonetheless.

Carolina Moehlecke of Fundação Getulio Vargas sees several risks to SMEs from fragmentation. “Participating in the global economy brings benefits to businesses but is a costly engagement,” she says. “If fragmentation is hard for large businesses, it will be even harder for small businesses, increasing costs and uncertainty.” She specifically cites the disruption in trade flows that could emerge from fragmentation as a threat to SMEs. “On the one hand, in a less globalised economy, production might happen more locally, so small businesses can win from that,” she says. “But a lot of small businesses depend on imports of raw materials and technology, and if those are harder to get under fragmentation, they will suffer.”

They could also take a more direct hit from reduced access to international funding. Two in five formal SMEs already struggle with an unmet financing need—a gap equating to US\$5.2trn every year.<sup>49</sup> Even if fragmentation stretches this gap further, governments can step in to foster links between SMEs and foreign direct investment (FDI), so that domestic SMEs can take full advantage of the opportunities offered by FDI inflows. On the flip side, governments can also provide incentives for SMEs to pursue direct investments abroad, through incentivising SME linkages and removing obstacles like onerous regulations and investment approvals.



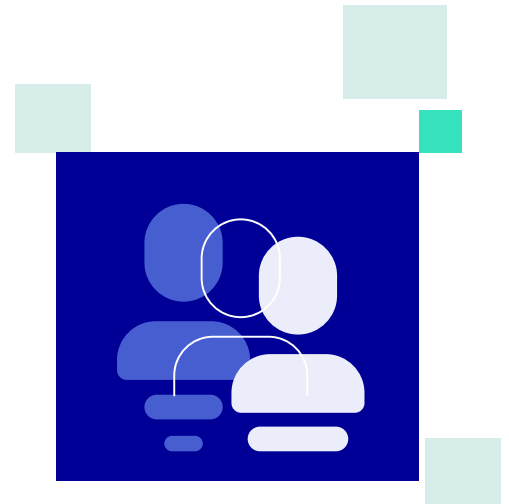
# Down but not out: strategies to navigate a fragmented world

None of the worst outcomes of fragmentation are inevitable. Even if fragmentation persists or intensifies, there are several specific actions that policymakers and other stakeholders can and should take to help people and businesses adapt and thrive:

## Regulators and policymakers

Regulators and policymakers should focus on enhancing international co-operation by strengthening collaboration through multilateral forums and developing common financial regulations and standards. This approach reduces regulatory arbitrage and inconsistencies across jurisdictions, preventing the concentration of financial activities in less regulated areas, thus mitigating fragmentation.

A crucial aspect of this regulatory framework should be the promotion of interoperability and digital financial inclusion. Regulators should mandate or incentivise interoperability between different digital financial service providers, establish technical standards for seamless integration and promote the development of shared financial



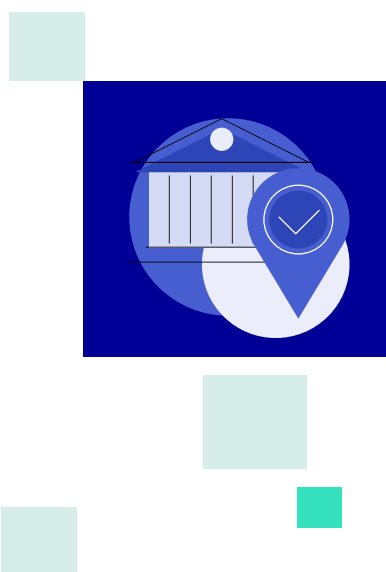
infrastructure. To foster digital financial inclusion, they should implement tiered know your customer (KYC) requirements, develop regulatory sandboxes for innovative fintech solutions and promote the use of alternative data for credit scoring. These measures can significantly reduce fragmentation by creating a more inclusive and interconnected financial ecosystem.

Stronger international co-operation to root out bad actors must advance even if fragmentation persists or accelerates in other areas. The UN, for one, calls for greater accountability

among countries that have agreed to international pacts focused on reducing illicit financial flows, to ensure they meet their commitments.<sup>50</sup> The Financial Action Task Force, an international body focused on combating money laundering and the financing of criminal activity and contraband, places the exchange of information between national governments on rules and laws high on its list of AML/CTF recommendations.<sup>51</sup> Ms Mensah, for one, cites a cross-border KYC “library” in Africa as an example of this kind of co-ordination.

Additionally, adopting a ‘soft law’ approach in developing international standards—referring to agreements that are meant to serve as guideposts but are not legally binding<sup>52</sup>—can provide a balance between expertise, flexibility and accountability, reducing fragmentation due to rigid regulations.

Finally, in terms of sanctions, policymakers and regulators should consider a judicious approach. The key lies in precision—sanctions should be designed to apply pressure on specific actors or sectors without destabilising broader economic systems.



### Financial institutions

Financial institutions play a crucial role by enhancing their risk management practices, particularly in identifying and mitigating geopolitical risks. Strengthening capital and liquidity buffers, especially in emerging markets and developing economies, and diversifying funding sources can increase the resilience of individual institutions and the overall financial system. These measures reduce the likelihood of fragmentation during periods of stress.

Fragmentation in regulatory frameworks complicates cross-border operations for financial institutions, increasing risks like fraud and money laundering. At the same time, overly strict measures, such as complex KYC requirements,



can exacerbate fragmentation, hindering efficiency and innovation. Striking a balance between transparency and operational effectiveness is crucial. Addressing data silos to enhance fraud detection and streamline compliance can reduce the reliance on burdensome practices, fostering financial inclusion and supporting innovation.

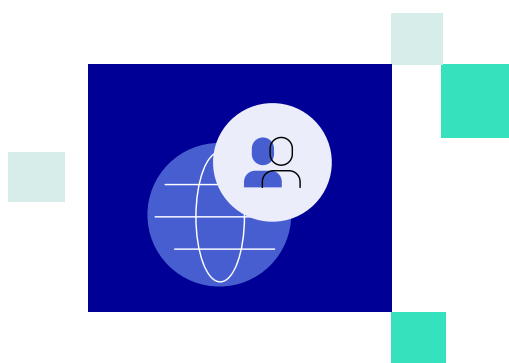
Collaboration and cost-sharing can reduce integration costs, ease regulatory burdens, and advance financial inclusion by fostering interoperability and shared infrastructure.

### International organisations

International organisations should focus on promoting open markets to improve competition and keep financial services affordable. They should also facilitate cross-border co-operation by encouraging regulatory reliance and recognition between jurisdictions.

Beyond maintaining existing systems, the development of new financial infrastructures presents an opportunity to address deeper challenges, such as streamlining AML processes, reducing cross-border liquidity frictions, and improving currency controls.

By aligning support mechanisms like precautionary credit lines and financial assistance with these innovations, international organizations can strengthen global financial stability while solving persistent inefficiencies.





### Technology providers

Technology providers can contribute significantly by developing integrative solutions that enable financial institutions to become comprehensive financial hubs for their customers. Creating open technology stacks and application programming interfaces to facilitate account aggregation and open banking can provide a more holistic view of customers' financial lives. Additionally, addressing structural silos by developing solutions that bridge gaps between different banking functions can create a seamless customer experience and reduce fragmentation.

# Conclusion: a real concern for the real economy



Financial fragmentation may seem like an abstract concern in this era of wars, pandemics, creeping nationalism and rapid technological change. But the promise of a richer, safer, more connected world hinges on a financial system that runs smoothly across national borders. Closing the door to deeper integration of the global financial architecture is a risk that stakeholders take at their peril.

The future trajectory of the global financial system depends on countries' ability to address the underlying drivers of fragmentation and ameliorate its worst impacts. While geopolitical tensions are likely to not only persist but intensify, countries must acknowledge the importance of creating a more interconnected and harmonised global financial system that prioritises stability, security, integrity, inclusion and growth. The alternative will be penury, division and an ocean of missed opportunity.

# Appendix A — Methodology

## Methodological approach: Global Trade Analysis Project (GTAP)

The following section outlines how we estimated the global economic impact under three hypothetical scenarios of financial fragmentation for the report. After conducting a literature review and preliminary expert consultation, we chose the static GTAP model to conduct our analysis, a computable general equilibrium model developed by researchers and economists at Purdue University. For more information about GTAP, see: <https://www.gtap.agecon.purdue.edu/>.

GTAP allows the user to build custom region and sector aggregations, input bespoke shocks and observe the impacts across the global economy. As it is not possible to directly shock capital flows, trade flows were used as a proxy measure. To maximise the specificity and credibility of the shocks to input into the GTAP model, Economist Impact designed a theory of change for modelling the impact of financial fragmentation on key global economic outcomes.

## Aggregations

The GTAP model accounts for 141 countries and 68 different sectors. For coherence and clarity of analysis and insights, Economist Impact aggregated these relevant regions and broad sectors.

## Regions

We divided the global economy into three blocs according to geopolitical alignment. Since the drivers of financial fragmentation tend to be geopolitical in nature, geopolitically aligned blocs were best suited to simulate the dynamics of fragmentation. This approach was discussed and agreed during our expert consultations, with the resounding conclusion being that it was more relevant than geographic divides.

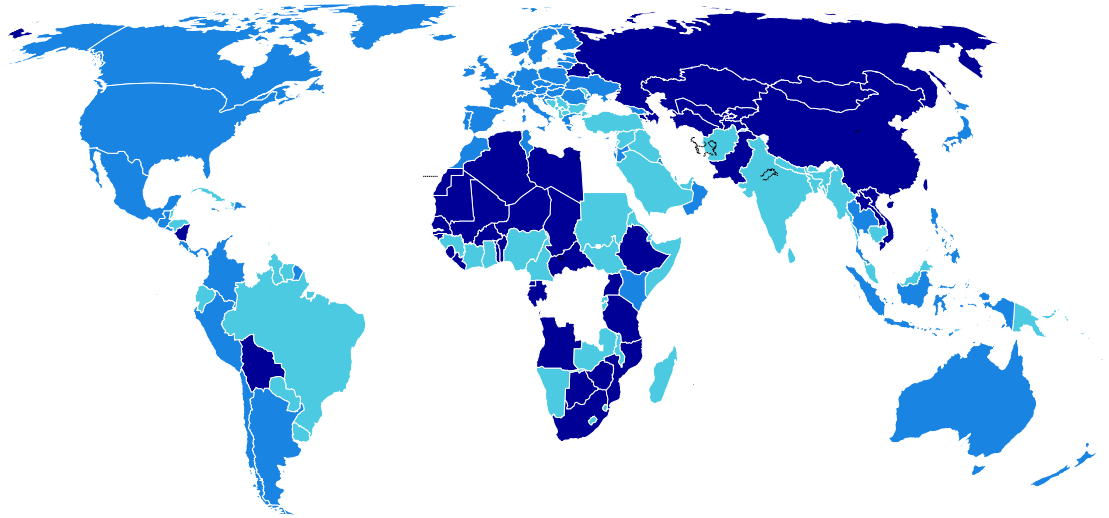




**Chart: In (mis)alignment**

Country groupings for fragmentation modelling

● East leaning ● Middle ● West leaning



A custom geopolitical aggregation scheme was used to sort countries into three distinct blocs: countries that are west leaning, countries that are east leaning and countries that are in the middle. A weighted average approach, detailed in the table below, was used to categorise each country into one of the three geopolitical groups. For a complete list of countries included in each bloc, see Appendix B.

Weight	Indicator
0.3	EIU Closeness to Russia index
0.3	Bilateral arms trade with the US, China and Russia
0.2	Existence of free trade agreement with the US
0.1	Participation in China's Belt and Road Initiative
0.1	Subject to US sanctions

**Sectors**

Financial fragmentation will likely have an effect on most industries, therefore we input each shock uniformly across the relevant sectors. The 68 available industries were aggregated into five broad sectors for analysis: agriculture and processed goods; energy and utilities; manufacturing; transport and communication; and services.

## Scenario formation

A rigorous assumption-building process was used to build three qualitative scenarios and inform the corresponding quantitative shocks associated with each scenario in the model. With expert input, we conducted a qualitative scenario-building exercise to identify potential triggers of financial fragmentation that may arise in the near future, including trade wars, economic protectionism, technological decoupling, financial system reconfiguration and fragmented market infrastructure. The three potential futures that emerged from this exercise each represent different levels of fragmentation: one in which the status quo persists as a **new normal**, one in which fragmentation **escalates** and one in which stakeholders come together to **mitigate** the effects. The latter scenario assumes that the drivers of fragmentation persist but that countries take proactive steps to connect financial mechanisms rather than encouraging divergence or remaining neutral.

The core quantitative assumption of each scenario is that capital flows (specifically foreign direct investment and foreign portfolio investment) will decline between blocs. To build these assumptions, we analysed data from the IMF's Coordinated Direct Investment Survey and Coordinated Portfolio Investment Survey as well as the European Commission's FinFlows database. Each scenario specified a certain level of decline in capital flows between each region in the model, with the largest declines occurring between Chinese-led and US-led blocs.

<p><b>SCENARIO 1:</b> <b>New normal</b></p> <p>Pace of cross-border capital flow decline is roughly <b>in-line with recent norms</b></p>	<p><b>SCENARIO 2:</b> <b>Escalation</b></p> <p>Pace of cross-border capital flow decline is <b>2x recent norms</b></p>	<p><b>SCENARIO 3:</b> <b>Mitigation</b></p> <p>Pace of cross-border capital flow decline is <b>0.5x recent norms</b></p>
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## Designing the shocks and running the GTAP model

In order to be inputted as a shock to the GTAP model, the expected change in capital flows associated with each scenario had to be translated into a change in trade flows. To do so, we relied on a similar methodology used in a 2021 study on the trade-finance nexus.<sup>9</sup> In the study, Belke and Domnick find that trade and financial flows are complementary: a one euro increase in bilateral financial flows is associated with a 0.25 euro increase in exports.

The study was limited to 42 countries between 2002 and 2012. Because the dataset used in the study has since been expanded with improved geographic and time coverage, we conducted our own empirical analysis on the expanded dataset from the European Commission using a gravity model. The dataset covered 63 countries from 2001 to 2018, after excluding aggregates, territories and offshore financial centres. The updated gravity model showed a smaller but still significant relationship between capital flows and trade flows: a one dollar increase in bilateral financial flows is associated with a 0.18 dollar increase in exports. The coefficient of 0.18 was then used to translate the expected declines in capital flows under each scenario into a corresponding trade flow shock that could be input into the GTAP model.

<sup>9</sup> <https://onlinelibrary.wiley.com/doi/epdf/10.1111/roie.12521>

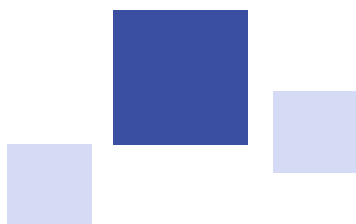
The key trade variables to shock in the simulation of the global economy are import tariffs between our chosen regions. Other changes were made to the model for representative purposes, including allowing the free movement of labour between countries, to better understand how changing capital flows could impact the movement of people. Economist Impact always uses the Gragg 2-4-6 solution method, with automatic accuracy programmed, when running trade models in GTAP. It is the most effective at rendering accurate and representative results for trade analyses.

**Result analysis**

The scenario results show the deviation from The Economist Intelligence Unit’s current forecast for 2030 if financial fragmentation were to occur at the level hypothesised under each scenario. The primary indicators included in the analysis of the mode outputs were real GDP and employment, which were broken down into impacts on the skilled and lower-skilled labour forces.

The model results were analysed first at the global level, with additional country deep dives conducted to parse out differing impacts across certain key economies. The following countries were singled out for individual analysis:

Brazil	Japan	Saudi Arabia
Canada	Kenya	South Africa
China	India	United Arab Emirates
France	Indonesia	United Kingdom
Germany	Mexico	United States
Italy	Russia	



# Appendix B — Country groupings for GTAP model

West leaning countries			
Argentina	Finland	Kuwait	Puerto Rico
Australia	France	Latvia	Rest of EFTA
Austria	Georgia	Lithuania	Rest of South Asia
Bahrain	Germany	Luxembourg	Romania
Belgium	Greece	Malta	Singapore
Canada	Guatemala	Mexico	Slovakia
Chile	Hungary	Morocco	Slovenia
Colombia	Indonesia	Netherlands	Spain
Costa Rica	Ireland	New Zealand	Sweden
Croatia	Israel	Norway	Switzerland
Cyprus	Italy	Oman	Taiwan
Czech Republic	Jamaica	Panama	Thailand
Denmark	Japan	Peru	Tunisia
Dominican Republic	Jordan	Philippines	Ukraine
El Salvador	Kenya	Poland	United Kingdom
Estonia	Korea	Portugal	United States

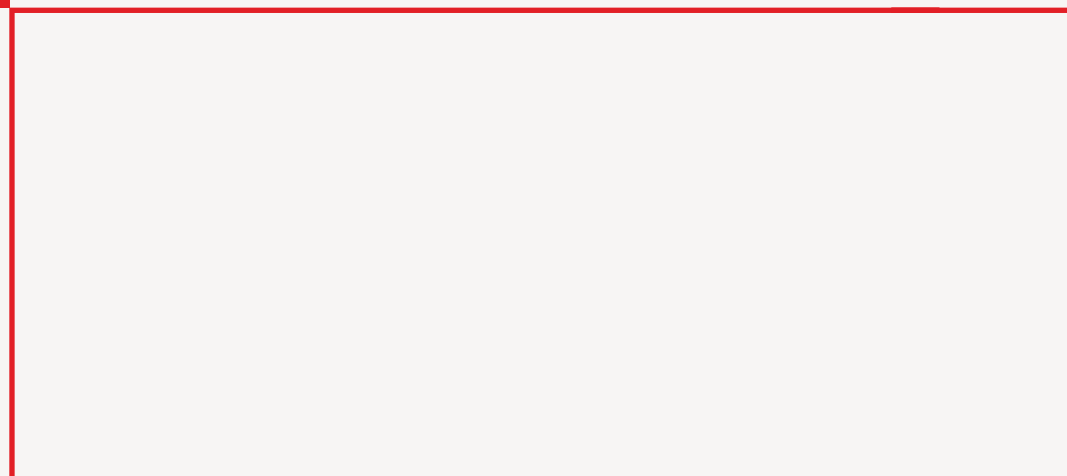
Middle countries			
Albania	Guinea		Rest of Southeast Asia
Bangladesh	Honduras	Rest of Central America	Rest of Western Asia
Brazil	India	Rest of Eastern Africa	Rwanda
Brunei	Madagascar	Rest of Eastern Europe	Saudi Arabia
Bulgaria	Malawi	Rest of Europe	Sri Lanka
Cambodia	Malaysia	Rest of North America	Trinidad and Tobago
Cameroon	Mauritius	Rest of Oceania	Turkey
Caribbean	Namibia	Rest of South African Customs	United Arab Emirates
Côte d'Ivoire	Nepal	Rest of South America	Uruguay
Ecuador	Nigeria	Rest of South Asia	Zambia
Egypt	Paraguay		
Ghana	Qatar		

East-leaning countries			
Armenia	Ethiopia	Pakistan	South Central Africa
Azerbaijan	Hong Kong	Rest of East Asia	Tanzania
Belarus	Iran	Rest of Former Soviet Union	Togo
Benin	Kazakhstan	Rest of North Africa	Uganda
Bolivia	Kyrgyzstan	Rest of Western Africa	Venezuela
Botswana	Laos	Russia	Viet Nam
Burkina Faso	Mongolia	Senegal	Zimbabwe
Central Africa	Mozambique	South Africa	
China	Nicaragua		

# Endnotes

1. Although some fragmentation is factored into each baseline EIU country forecast, our model takes a more global view, also capturing the secondary and tertiary impacts of fragmentation and aggregating the likely impact at the global level.
2. [https://data.worldbank.org/indicator/BX.KLT.DINV.WD.GD.ZS?most\\_recent\\_value\\_desc=true](https://data.worldbank.org/indicator/BX.KLT.DINV.WD.GD.ZS?most_recent_value_desc=true)
3. <https://www.economist.com/special-report/2024/05/03/the-movement-of-capital-globally-is-in-decline>
4. <https://www.bis.org/bcbs/basel3.htm>
5. <https://www.economist.com/special-report/2024/05/03/the-global-financial-system-is-in-danger-of-fragmenting>
6. <https://www.cgap.org/research/slide-deck/great-unbundling-how-technology-making-financial-services-modular>
7. <https://www.worldbank.org/en/publication/globalindex>
8. <https://www.elibrary.imf.org/display/book/9798400224119/CH004.xml>
9. <https://home.treasury.gov/system/files/136/Treasury-2021-sanctions-review.pdf>
10. <https://www.project-syndicate.org/onpoint/making-global-monetary-system-work-for-global-south-by-hippolyte-fofack-2023-02>
11. <https://www.imf.org/en/Blogs/Articles/2023/08/28/the-high-cost-of-global-economic-fragmentation>
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17. <https://www.gi-de.com/en/spotlight/currency-technology/empowering-digital-public-infrastructure-with-cbdc>
18. <https://www.undp.org/digital/digital-public-infrastructure>
19. <https://www.undp.org/sites/g/files/zskgk326/files/2023-07/undp-the-human-and-economic-impact-of-digital-public-infrastructure-final.pdf>
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21. <https://www.economist.com/special-report/2024/05/03/national-payment-systems-are-proliferating>
22. <https://www.cfr.org/background/chinas-massive-belt-and-road-initiative>
23. <https://www.undp.org/sdg-accelerator/background-goals>
24. <https://sdgs.un.org/2030agenda>
25. [https://unctad.org/system/files/official-document/wir2023\\_en.pdf](https://unctad.org/system/files/official-document/wir2023_en.pdf)
26. Ibid
27. <https://www.whitehouse.gov/briefing-room/statements-releases/2024/05/14/fact-sheet-president-biden-takes-action-to-protect-american-workers-and-businesses-from-chinas-unfair-trade-practices/>
28. <https://www.iea.org/news/stronger-international-cooperation-in-high-emissions-sectors-crucial-to-get-on-track-for-1-5-c-climate-goal>
29. <https://gulfnnews.com/business/markets/boom-in-the-gulf-five-reasons-why-the-gcc-is-a-magnet-for-foreign-investment-1.1720432666613>
30. A grouping made up of Canada, France, Germany, Italy, Japan, the UK and the US
31. The World Bank defines remittances as “the sum of personal transfers and compensation of employees”, encompassing “all current transfers in cash or in kind between resident and nonresident individuals” and “income of border, seasonal, and other short-term workers who are employed in an economy where they are not resident and of residents employed by nonresident entities”; see <https://datahelpdesk.worldbank.org/knowledgebase/articles/114950-how-do-you-define-remittances>
32. <https://www.imf.org/en/Publications/fandd/issues/Series/Back-to-Basics/Remittances>
33. [https://documents1.worldbank.org/curated/en/698051468128113998/310436360\\_20050014094932/additional/multi0page.pdf](https://documents1.worldbank.org/curated/en/698051468128113998/310436360_20050014094932/additional/multi0page.pdf)
34. <https://www.imf.org/en/Publications/fandd/issues/Series/Back-to-Basics/Remittances>
35. [https://remittanceprices.worldbank.org/sites/default/files/rpw\\_main\\_report\\_and\\_annex\\_q124\\_final.pdf](https://remittanceprices.worldbank.org/sites/default/files/rpw_main_report_and_annex_q124_final.pdf)
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37. Ibid
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39. <https://www.imf.org/en/Publications/GFSR/Issues/2023/04/11/global-financial-stability-report-april-2023>
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42. [https://www.fsdafrica.org/wp-content/uploads/2019/08/Vol-7\\_Removing-the-barriers-to-remittances-in-SSA\\_-recommendations\\_FINAL.pdf](https://www.fsdafrica.org/wp-content/uploads/2019/08/Vol-7_Removing-the-barriers-to-remittances-in-SSA_-recommendations_FINAL.pdf)
43. <https://www.brookings.edu/articles/keep-remittances-flowing-to-africa/>
44. <https://www.mdpi.com/1911-8074/14/7/292>
45. The five aggregate sectors explored in the modelling were agriculture and processed goods; energy and utilities; manufacturing; transport and communications; and services.
46. The services sector includes financial services, insurance, business services, recreational services, and other government services including public administration and defence, education, health and social work, sewage and refuse disposal, and sanitation and other similar activities.
47. <https://www.ilo.org/publications/women-and-men-informal-economy-statistical-picture-third-edition>
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51. <https://www.fatf-gafi.org/content/dam/fatf-gafi/recommendations/FATF%20Recommendations%202012.pdf.coredownload.inline.pdf>
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