



The Continued Growth of Family Remittances to Latin America and the Caribbean in 2015

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The Continued Growth of Family Remittances to Latin America and the Caribbean

This memo offers an overview of family remittances to Latin America and the Caribbean, which grew 6% in 2015. The growth in remittances is taking place in countries that are experiencing violence, conflict and/or poor governance, as well as those with increases in international migration.

The memo explores trends with regards to migration, remittances and determining factors of remittances. It also touches on country-specific trends for Mexico, Guatemala, Colombia, Haiti, Ecuador, and Cuba. These findings point to conflict and lagging economic development as some of the primary drivers of international migration. Moreover, in the context of the slowdown in 2016, it is important to monitor continued migration as well as mechanisms that can bolster economic performance by leveraging remittances for development.

Remittances to Latin America and the Caribbean in 2015

Family remittances to Latin America and the Caribbean surpassed \$65 billion in 2015, registering 6% growth over the previous year. Among those countries with the highest levels of year-to-year growth are Colombia, Guatemala and Haiti. Mexico grew 4.8%, which also drives overall regional growth. Some other countries registered negative remittance growth, including Panama, Costa Rica, Uruguay and Guyana. The following table provides more detail on a country by country basis.

Table 1: Remittances to Latin America and the Caribbean, 2015 – US\$ Millions

Country	Annual Remittances US\$ millions ¹			Growth %		Remittances as % of GDP ²
	2013	2014	2015	2013-2014	2014-2015	
Guatemala	5,379	5,456	6,285	1.40%	15.20%	9.9
Colombia	4,450	4,093	4,639	-8.00%	13.30%	1.1
Haiti	1,781	1,980	2,198	11.20%	11.00%	22.7
Honduras	3,098	3,353	3,719	8.20%	10.90%	17.4
Paraguay	623	422	458	-32.30%	8.50%	1.6
Dominican Republic	4,485	4,571	4,952	1.90%	8.30%	7.5
Cuba	1,200	1,260	1,323	5.00%	5.00%	-
Mexico	23,432	23,646	24,771	0.90%	4.80%	1.9
Nicaragua	1,081	1,136	1,190	5.10%	4.80%	9.7
Peru	2,707	2,639	2,739	-2.50%	3.80%	1.3
El Salvador	3,971	4,154	4,280	4.60%	3.00%	16.8
Bolivia	1,201	1,163	1,195	-3.20%	2.80%	3.6
Jamaica	2,172	2,159	2,217	-0.60%	2.70%	16.3
Argentina**	534	502	502	-6.00%	-	0.1
Belize	-	156	156		0.00%	4.7
Brazil**	2,537	2,645	2,645	4.30%	-	0.1
Suriname**	113	150	150	32.70%	-	0.2
Trinidad & Tobago**	129	138	138	7.00%	-	-
Venezuela**	803	803	803	0.00%	-	0.0
Panama	452	652	645	44.20%	-1.10%	1.6
Guyana	328	330	317	0.60%	-3.90%	10.6
Ecuador	2,459	2,462	2,358	0.10%	-4.20%	2.4
Costa Rica	596	558	527	-6.40%	-5.60%	1.2
Uruguay	123	113	106	-8.10%	-6.20%	0.2
		64,541	68,313		5.80%	

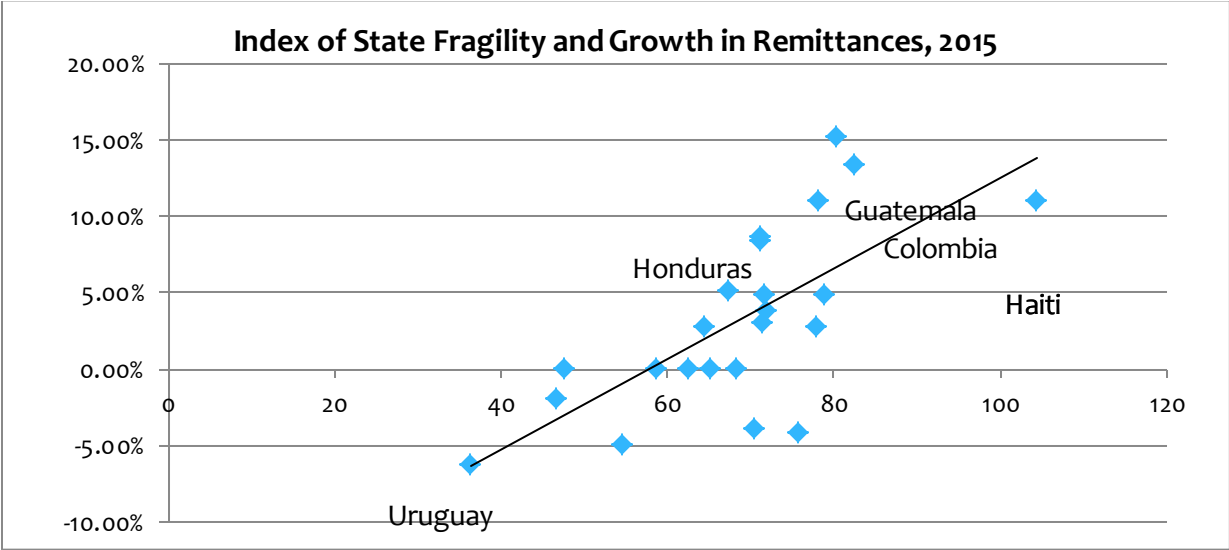
** No 2015 data available; Included for totaling purposes using 2014 data.

¹ Sources: For 2014 and 2015 remittances, sources are Central Bank remittance volumes for El Salvador, Mexico, and Nicaragua. Haiti is Central Bank data on year over year growth (11%). Suriname and Cuba are authors' estimates. Brazil is World Bank data. All others are Central Bank Data and Fourth quarter estimates by Authors. For 2013 remittances, the source is World Bank data, included for reference purposes for most countries.

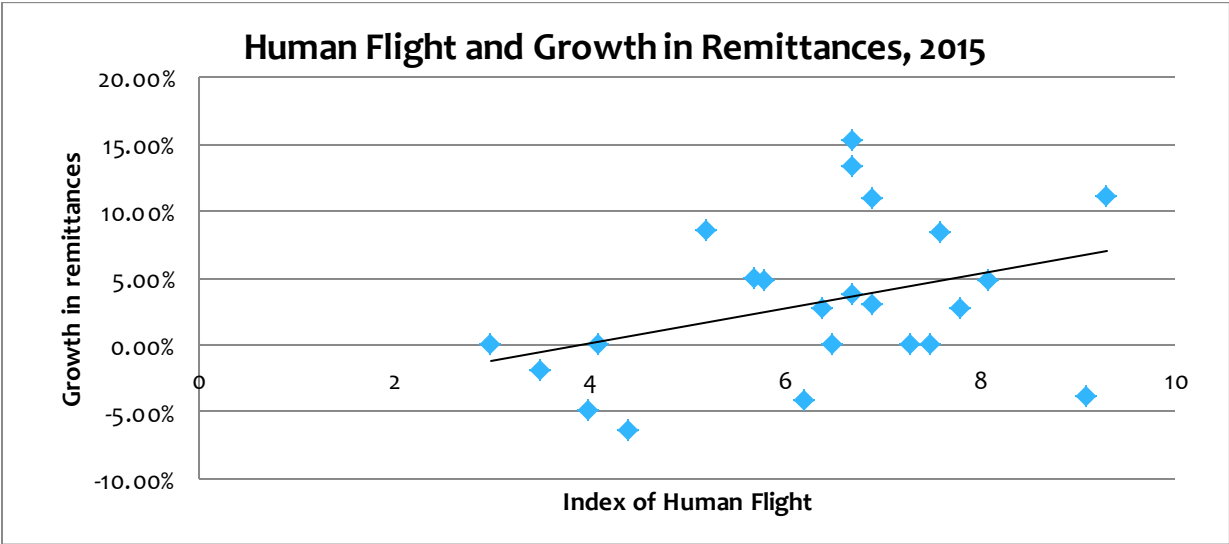
² Based on World Bank Data; Most recent value (2014 for all countries except Venezuela, which is 2012).

At first glance, these increases are predominantly taking place in countries that display conflict, violence or poor governance, accompanied by slow economic growth in some cases. In fact, the 2015 remittance growth rate correlates with state fragility.³ What comes across is that growing state fragility seems to be a factor driving migration and in turn increasing remittances. The next sections examine the remittance trends in some of these countries in greater detail.

Graphic 1: Remittance Growth and State Fragility



Source: Central Bank data and authors' estimates for remittance growth; the 2015 Fragile States Index by the Fund for Peace for state fragility.



Source: Central Bank data and authors' estimates for remittance growth; the 2015 Fragile States Index by the Fund for Peace for human flight.

³ As measured by the 2015 Fragile States Index, a project of the Fund for Peace. For more information, see <http://fsi.fundforpeace.org/>

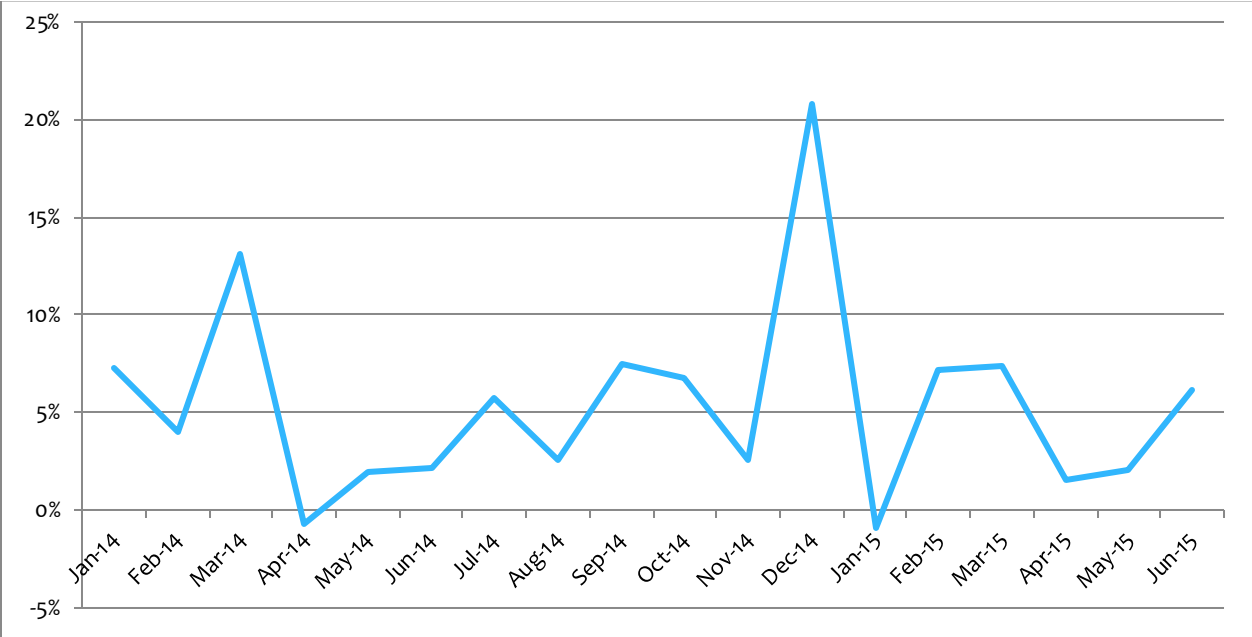
Remittances to Mexico and Central America

Remittances to Mexico and Central America have experienced important increases over the past ten years, and particularly during the 2008-2009 economic recession. The factors affecting this growth are diverse, but generally relate to US economic performance, increases in migration, and slow economic growth in the region. These remittances to Mexico and Central America represent nearly two thirds of all flows to Latin America and the Caribbean.

GROWTH IN MEXICO

In the Mexican case, growth has been related to increases in the frequency of sending, exchange rate fluctuations, and continued migration. Remittances to Mexico have continued to increase over the past three years. In May 2015, Mexico registered the highest number of transactions recorded in its balance of payments. Moreover, March, April, and July 2015 surpassed those of the past 5 years. Moreover, 6 of the ten highest transaction volumes ever were registered in 2015.⁴

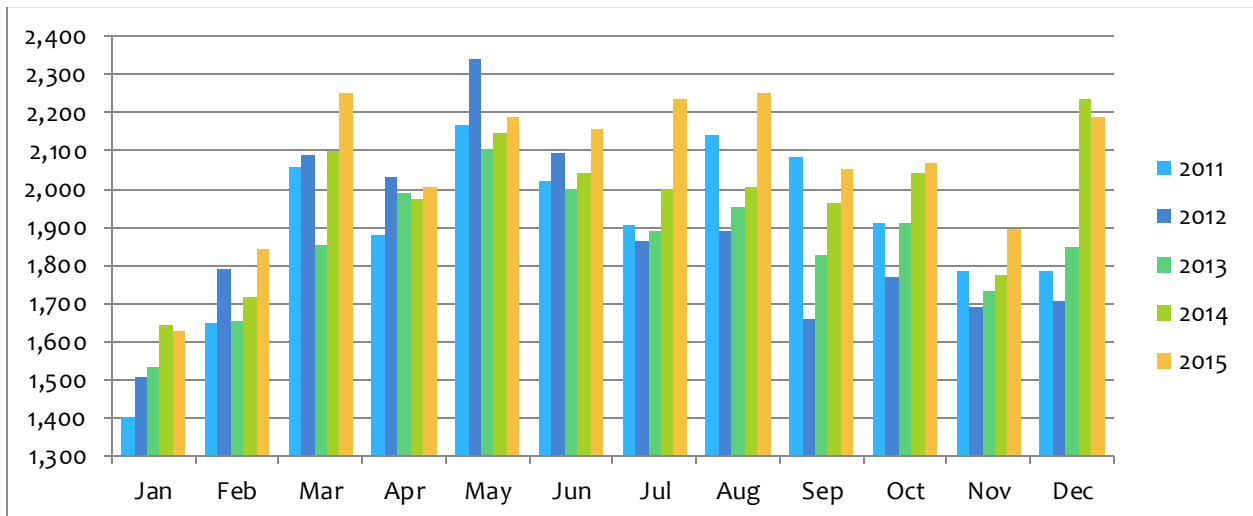
Graphic 2: Remittances to Mexico: YOY Monthly Growth Comparison, US \$ Millions



Source: Banxico

Graphic 3: Remittances to Mexico: Month over Month Comparison, US \$ Millions

⁴ Year over year volume comparisons. Banxico 1995.

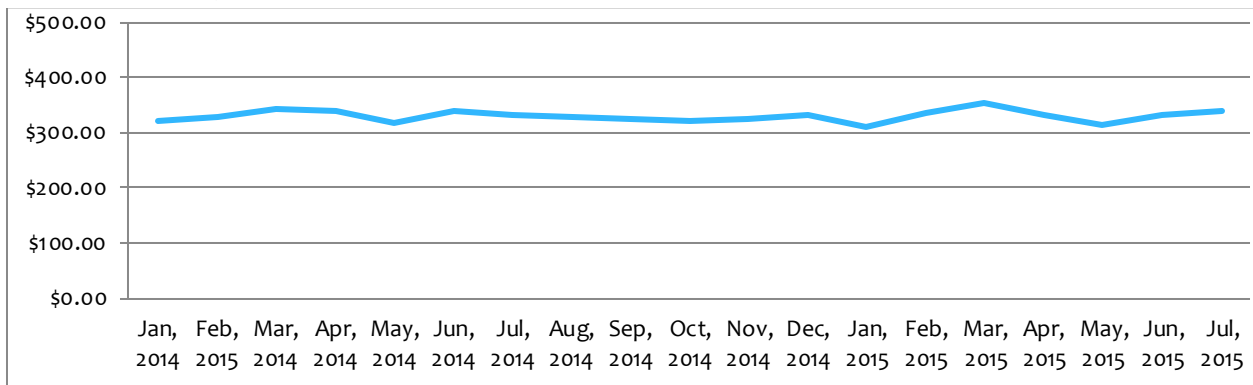


Source: Banxico

This growth can occur through increases in transactions and/or increases in the average amount remitted. Our statistical analysis of monthly flows between 2010 and July 2015 shows that the increase is predominantly explained by changes in the number of transactions, rather than the average amount remitted.⁵ The average amount remitted is not statistically significant, whereas the number of monthly transactions is positively correlated to the volume.

Overall, the average remittance transaction amount (principal sent) does not change over time. The standard deviation for average amounts sent to Mexico is under US\$35 for industry data and even lower using Banxico’s numbers. Previous research, in fact, has shown that when more money is available, people tend to send more often, instead of increasing the amounts sent.⁶

Graphic 4: Average Amounts Sent to Mexico – Industry Data



Source: Industry data.

⁵ The model used observations of the total remittance volumes, the increase of transactions and industry data regarding the average amount sent over a period of 66 months, ending July 2015.

⁶ See Orozco and Jewers, 2014. Some literature points to people being more concerned with amounts that will meet the needs of their relatives back home, rather than remitting a percentage of their income or “either as much or as little” as they can.

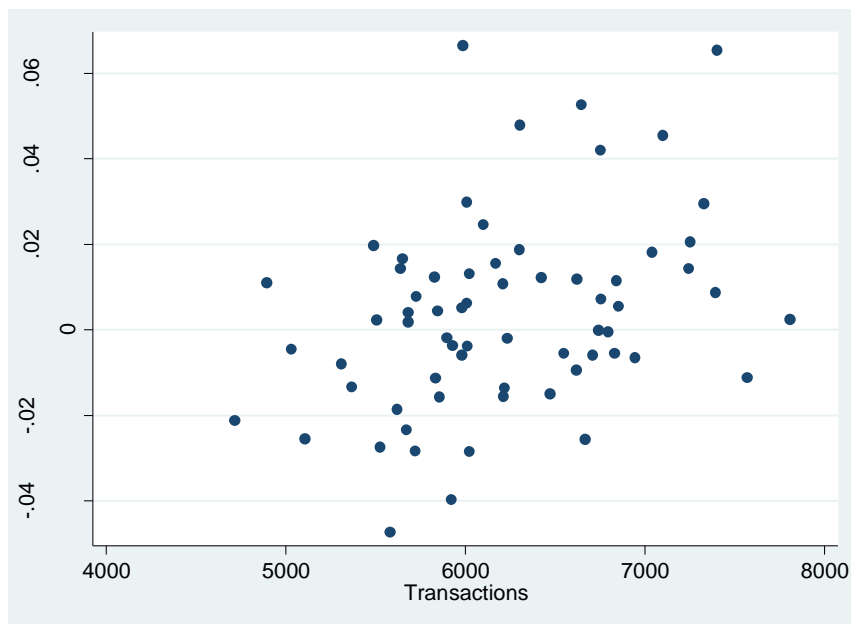
THE ROLE OF THE EXCHANGE RATE AND UNEMPLOYMENT

These increases in transactions can also be explained by factors such as depreciation of a local currency or more migrants sending money (due to increased migration or an increased percentage of migrants sending more money). In order to measure if more migrants are sending money, the unemployment rates of Hispanic and Latino populations might serve as a proxy. This proxy would account for more migrants working in the US and more of them sending money (both because they arrived to do so⁷ or were already here and started sending.)

The unemployment rate among Latinos in the U.S. and the Mexican peso exchange rate were used to analyze changes in remittances. In the first case, a decline in the unemployment rate among Latinos (of which Mexicans are a majority) would signal an increase in remittances. Moreover, a depreciation of the peso would invite more transactions.

Using a regression model, which checks the impact of the exchange rate and the unemployment rate upon transfers, we are able to shed more light on the relationship. The statistical results show that both the exchange rate and unemployment are statistically significant and negatively correlated to the total number of transfers. Specifically, a depreciation of 1% of the peso entails a transfer increase of 0.39%, and a decline in unemployment is only slightly, but positively, correlated to an increase in transfers.

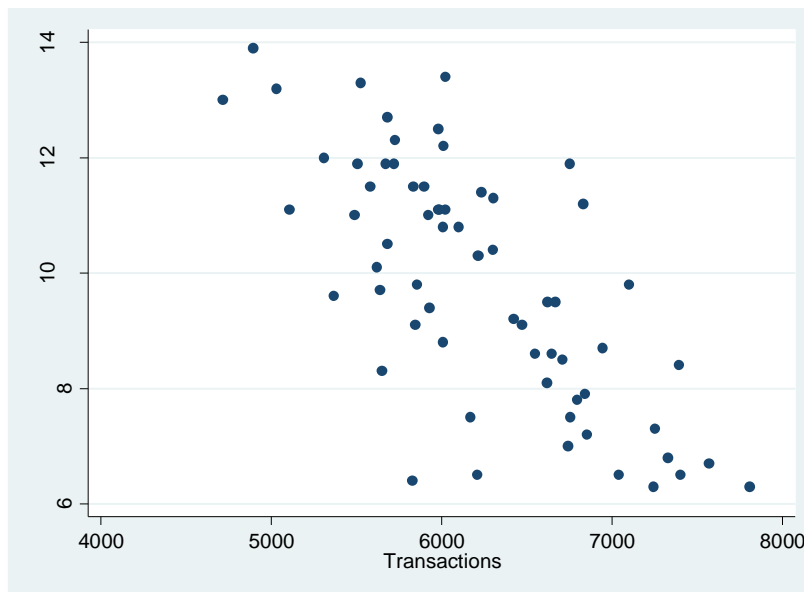
Graphic 5: Correlation between Total Number of Transactions and Changes in the Exchange Rate - Mexico



Source: Banxico, 1995 to mid-2015

⁷ Previous research by the Inter-American Dialogue's Remittance Industry Observatory has found that the number of migrants from Mexico and Central America to the United States is most likely still growing. The impact this has on remittance volumes is not as easily measured due to lack of reliable data, thus this approach.

Graphic 6: Correlation between Total Number of Transactions (Remittances/Mexico) and Unemployment rates in the US (Hispanic/Latino)



Source: Banxico and US Bureau of Labor Statistics, 2007 to 2015

A statistical regression including the three variables (transfer volumes, unemployment, and changes in the exchange rate) together suggests that although both unemployment and changes in the exchange rate influence the total number of transactions, the impact of changes in the exchange rate is greater.⁸

Thus, increases in the growth of remittances are associated with increases in the growth of transactions, which in turn are influenced by both the exchange rate and by the drop in the unemployment rate of Latinos in the US.⁹

The statistical model also shows that these two variables account for only part of the total changes in remittance volumes. Other factors influencing increases in transactions relate to demographic aspects among migrants, specifically skilled migration influences the frequency and amount remitted, for example, and increased migration.

MIGRATION TRENDS

Although net annual migration from Mexico has declined due to deportations and border apprehensions, there has also been a continued inflow of migrants entering after the recession. This

⁸ Here the statistical model used total volumes(log) from Banxico, changes in the exchange rate(log) from Banxico, and unemployment rates for Latinos and Hispanics(lagged one month to allow for “first payment” to recently employed)from the Bureau of Labor Statistics, over a period of 66 months ending July 2015. Results show these two variables may account for close to half the change in remitting, while other factors are at play (this might include migrant profiles, changes in type of employment, and/or others).

⁹ Although Hispanic and Latinos are a wider population, Mexicans constitute an important percentage of the whole population.

increase is associated with small and controlled temporary work visas mostly in agriculture (H2 visas), as well as with undocumented migration (see also our 2014 report). New remitters in 2013 may have amounted to 120,000, considering estimates of between 117,000 and 106,000 in 2012. This increase is mostly linked to temporary work, fewer undocumented border crossers and fewer visa overstayers. However, transaction growth in 2014 and 2015 grew sharply to an average of more than 400,000 net transactions. These increases point to greater migration, some of which may be related to more Mexican immigrants sending than before (above the 60% reported in previous research), and more Mexican immigrants entering the country but not accounted for by official statistics.

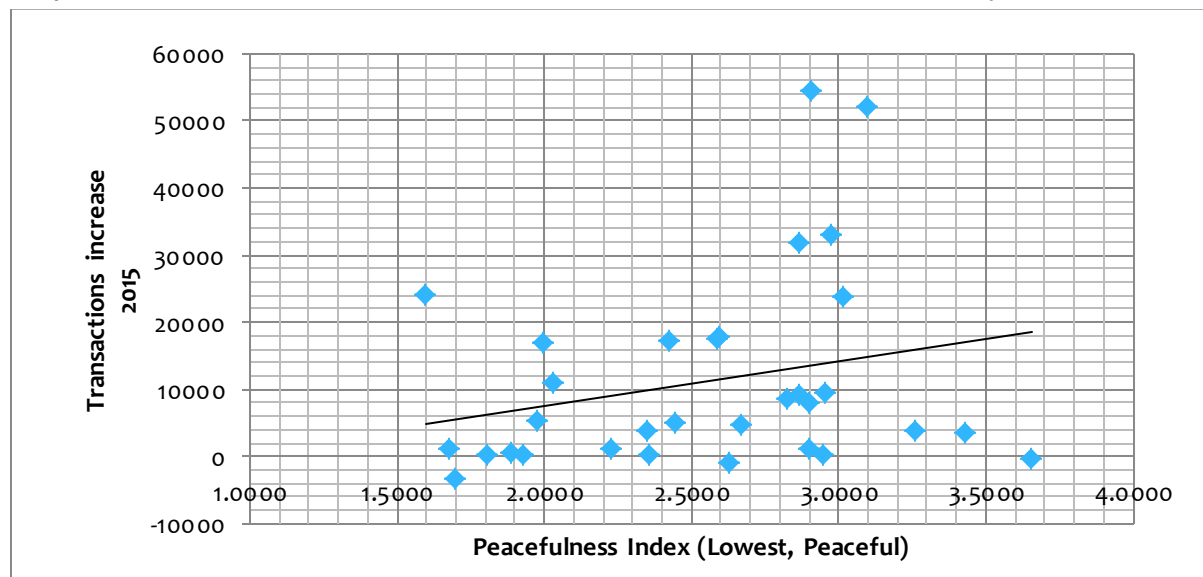
Table 2: Migration from Mexico to US, 2012

Source of entry of Mexican immigrants	2012	2013(*)
H2 visas	237,790	244,790
Visa over-stayers (7% of all tourist and BCC visas)	75,250	77,507
Cross border entry	425,208	437,964
Apprehensions	(265,755)	(273,728)
Deportations	(366,292)	(377,281)
Estimated total Mexican annual migration (*)	106,200	109,386
Number of new P2P transactions (*)	117,000	120,000

Sources: US Department of State, US Immigration and Custom's Enforcement Agency, Border Patrol and (*) estimates by the author.

Moreover, a look at remittances by Mexican state shows that the increase in transactions was correlated with security-related factors. Two indicators, the index of peace and homicides, were positively correlated with increases in the number of remittance transactions. As violence increases, so do remittances.

Graphic 7: Index of Peace in Mexico and Increases in Remittance Transactions by State, 2015

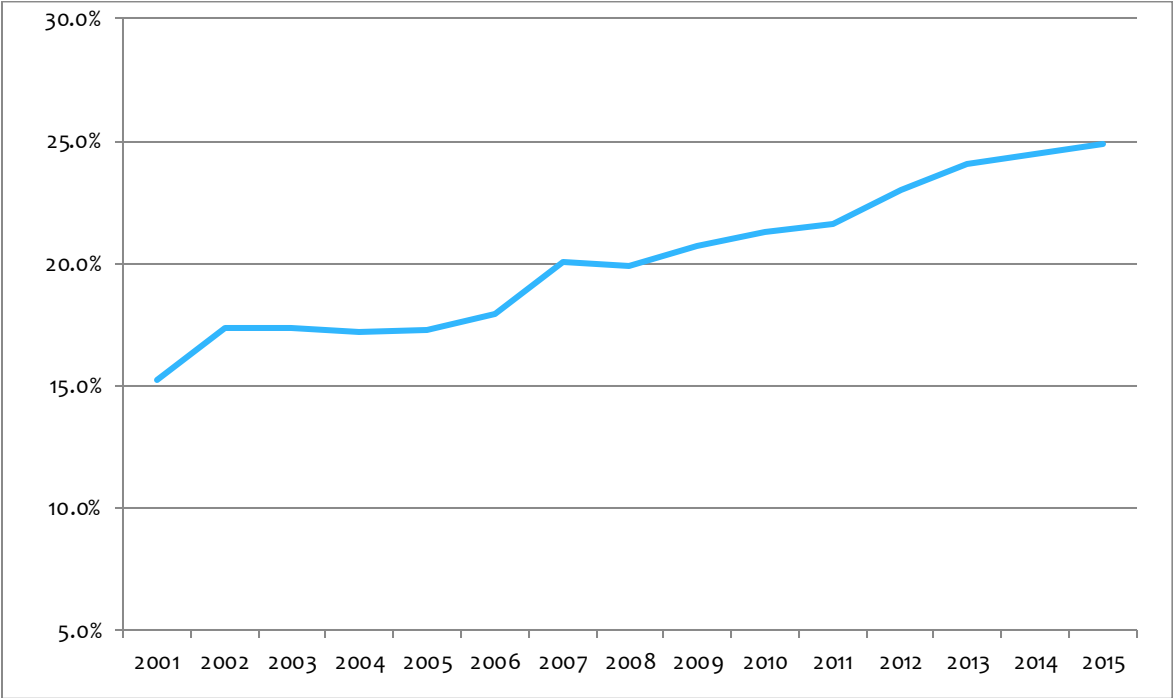


Source: Mexico Peace Index by the Institute for Economics and Peace, 2015.

CENTRAL AMERICAN REMITTANCES

Central American countries are among those that have the highest continual remittance flows in Latin America and the Caribbean, and Guatemala was the country with the largest remittance growth from 2014 to 2015 at 15%. In fact, their share from the entire Latin American region increased from 17 to 25% in 15 years. Most growth is related to Central American flows, specifically Guatemala, El Salvador, Honduras and Nicaragua.

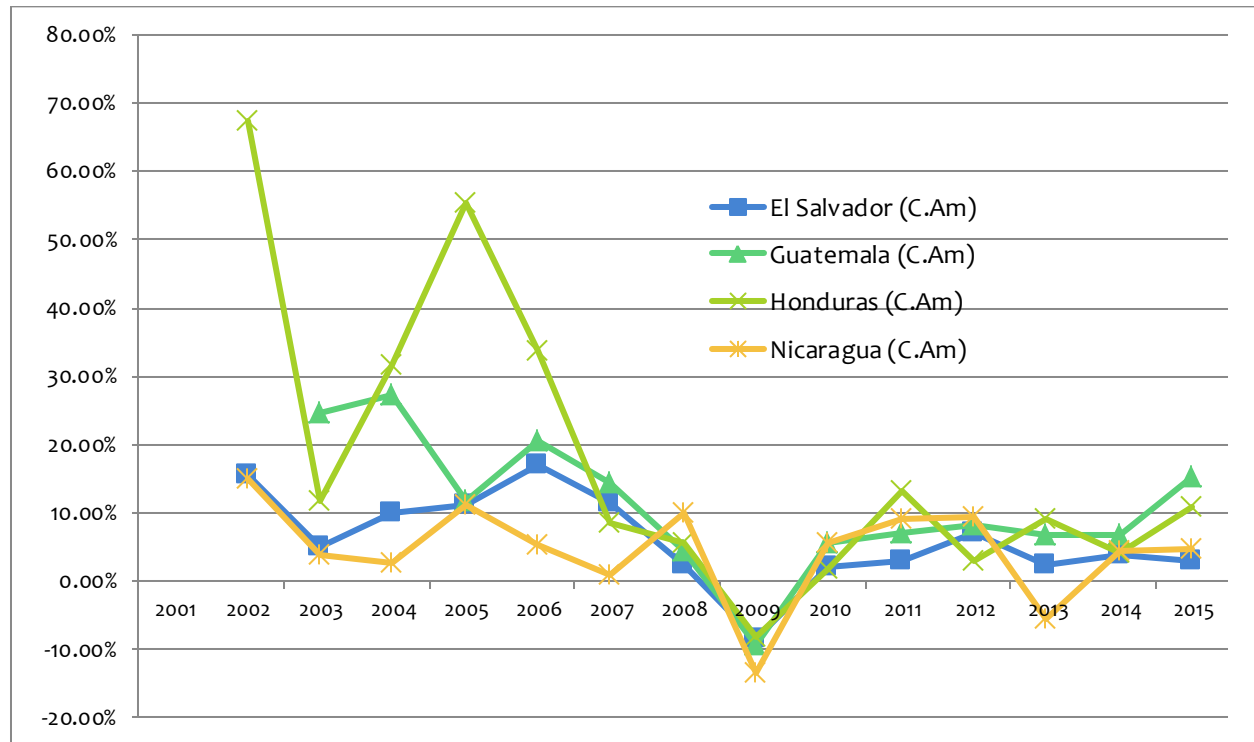
Graphic 8: Remittances to Central America as % of Total Remittances to Latin America and the Caribbean



Source: Authors' Estimates using Central Bank Data.

These flows reflect sustained growth since the decade of the 2000s. Aside from statistical improvements in measuring flows, these countries have experienced annual growth over 7% and only in one year (2009) they were negative. In total, these flows amount to nearly US\$17 billion annually.

Graphic 9: Remittances to Central America, % Growth



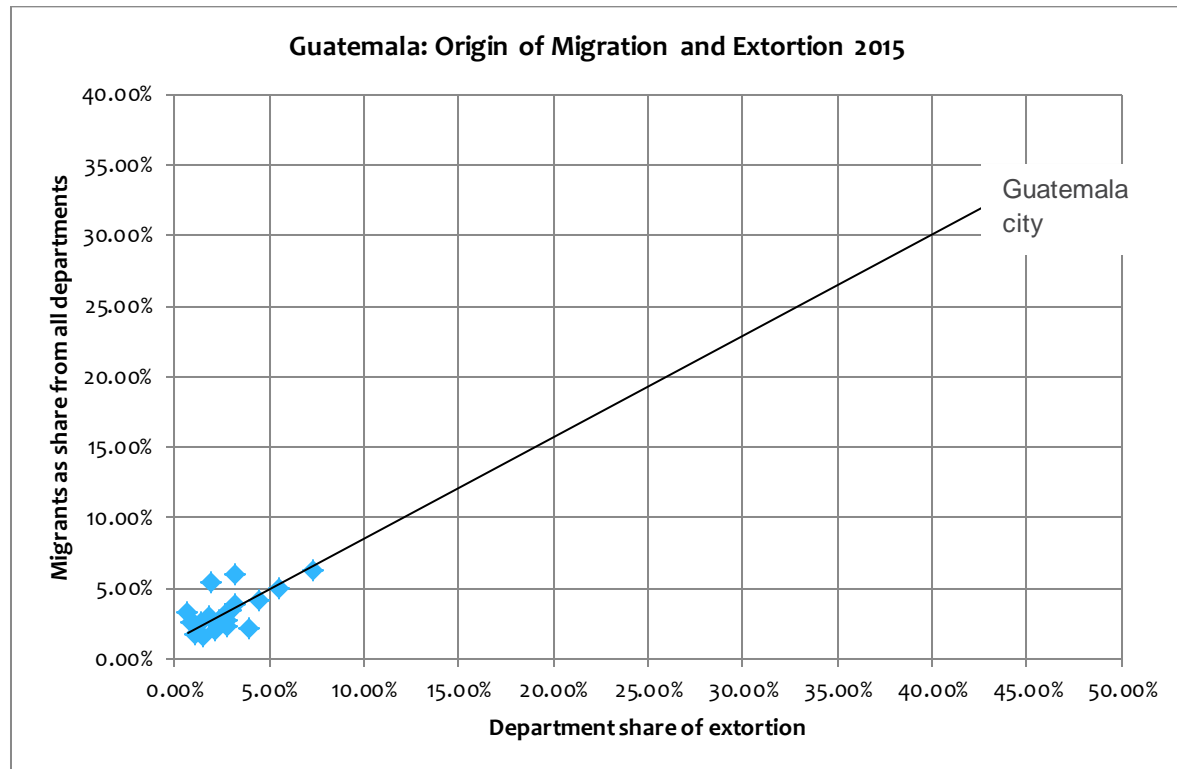
Source: Authors' Estimates using Central Bank Data.

Guatemala showed the largest remittance growth of any Latin American or Caribbean country from 2014 to 2015, reaching US\$6.2 billion. Remittances to Guatemala increased steadily since the early 2000s, and have continued to do so, with the exception of a dip during the 2009 economic recession. This growth is at least partly due to the fact that the Guatemalan migrant population is still growing. According to US census data, the foreign-born Guatemalan population in the United States increased 10% from 2010 to 2014.¹⁰

While each country is slightly different, increases in remittances to Central America are generally related to migration from the region caused in large part by poor economic performance and violence. Violence is generally measured in terms of intentional homicides. However, our research shows that other forms of violence, including extortion, may be equally if not more important in terms of driving international migration. For example, we find a strong correlation between violence in Honduras and Guatemala and migration from places where such violence takes place. In the case of Guatemala, for example, four departments comprise 50% of all of emigration and 60% of all cases of extortion for the entire country.

¹⁰ American Community Survey 1 – year estimates show that the Guatemalan foreign-born population increased from 830,824 in 2010 to 915,595 in 2014, which is the most recent year available.

Graphic 10:



Source: Orozco and Yansura, 2014 and Memoria de Labores 2014 – Ministerio Público de Guatemala.

These trends help explain why the number of Central Americans migrating out of the region steadily increased from one hundred thousand to one hundred and thirty thousand in five years. Of those, at least one third started sending money the same year they arrived in the United States.

Table 3: Central American Migrants Entering US via Border Crossing

Country of Origin	2010	2011	2012	2013	2014
Honduras	27,733	31,385	32,350	35,311	38,480
Nicaragua	4,662	5,082	4,895	5,253	5,502
Guatemala	36,772	39,377	42,614	38,759	42,264
El Salvador	34,619	35,694	38,247	42,435	44,676
Sub-region	103,786	111,539	118,106	121,758	130,922

Source: Authors' estimates.

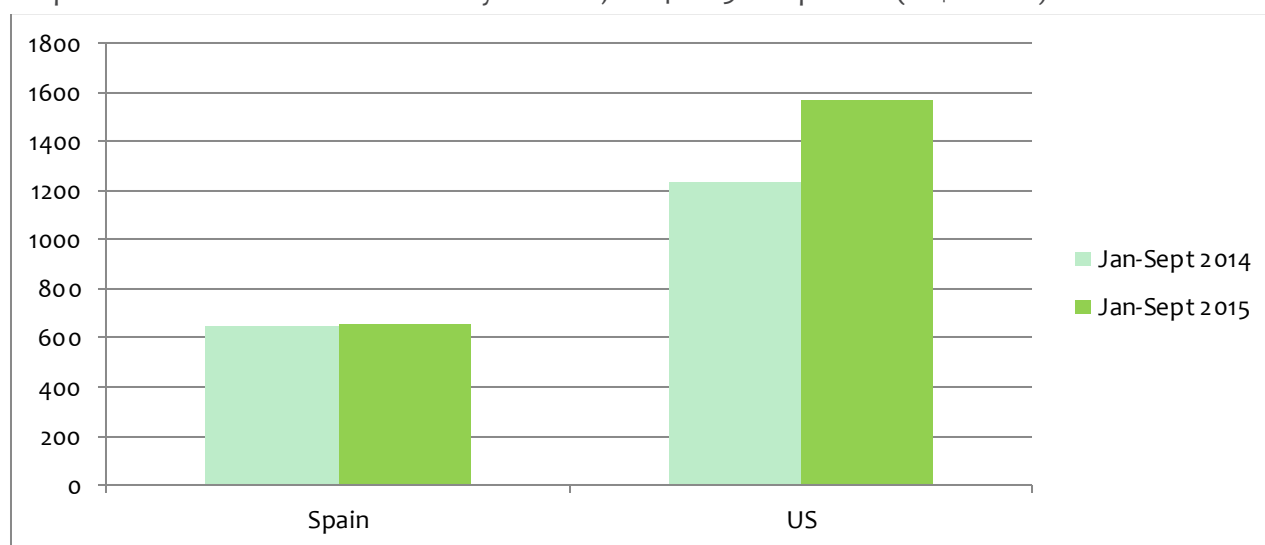
OTHER CORRIDORS AND REMITTANCE GROWTH

COLOMBIA

Unusually large remittance growth in 2015 put Colombia in second place for the fastest-growing remittance recipient in the region. At least two factors are driving this trend: a larger migrant population in the US and the impact of exchange rates.

In the first nine months of 2015, remittances from Spain to Colombia remained almost unchanged (1.3% growth over the previous year) while remittances from the US to Colombia increased substantially (26.7% growth).

Graphic 11: Remittances to Colombia by Corridor, 2014-2015 Comparison (US\$ millions)



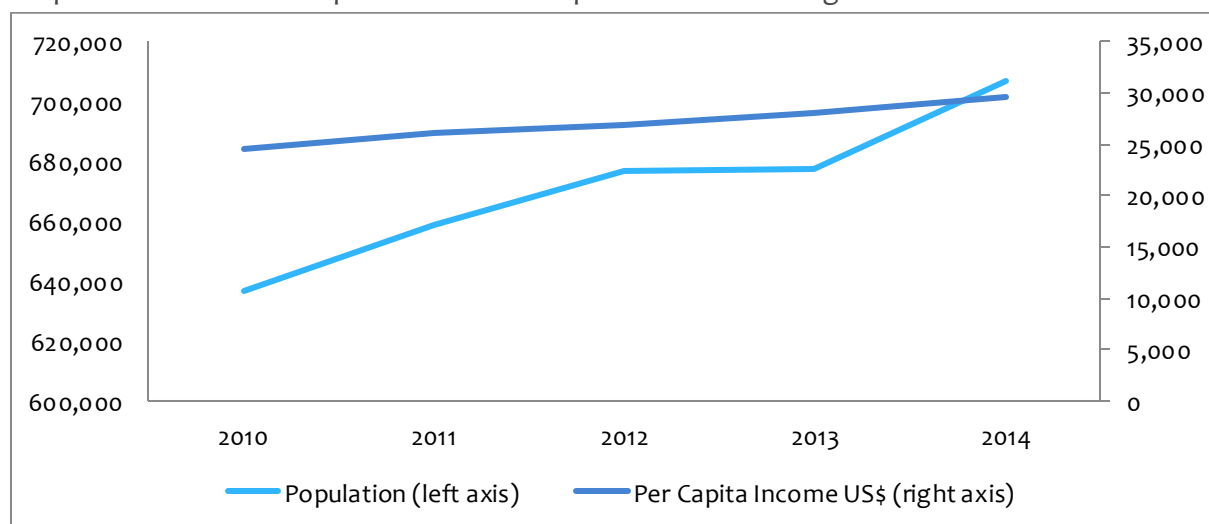
Source: Central Bank Of Colombia. Data accessed February, 2016.

Other remittance corridors, although smaller, also reflect changes. Remittances from Venezuela to Colombia have all but disappeared, amounting to just US\$2.2 million (from US\$492 million in 2013). Other neighboring countries saw increases, including Panama (35.3%), Chile (14.3), and Ecuador (71.6%). Remittances from Costa Rica to Colombia, on the other hand, dropped 44.6%.¹¹

Remittances from the United States to Colombia are clearly driving the overall growth trend. In the United States, this growth appears to be connected to growth in the foreign-born Colombian population as well as improvements in employment and income. Specifically, the foreign-born Colombian population in the United States grew 4.4% from 2013 to 2014, according to US Census data.

¹¹ Also a year-to-year comparison for Jan-Sep 2014 to 2015.

Graphic 12: Increases in Population and Per Capita Income of Foreign-born Colombians in the US



Source: US Census Bureau, ACS 2014 1-year estimates.

The exchange rate may also help to explain Colombian remittance growth. The exchange rate was primarily affected by the strengthening of the U.S. dollar and devaluations associated to falling oil prices. From August 2014 to August 2015, the Colombian peso was the most depreciated¹² currency in Latin America with 36%¹³ depreciation against the dollar.

Graphic 13: Colombian Pesos per USD Exchange rate



Source: TradeEconomics.com

The impact of the exchange rate, in terms of remittances, is that those receiving money get an extra 55% of Colombia pesos, in comparison to the previous year, for the same amount of dollar originally sent.¹⁴

¹² It was followed by Brazil, 35% and Mexico, 19%.

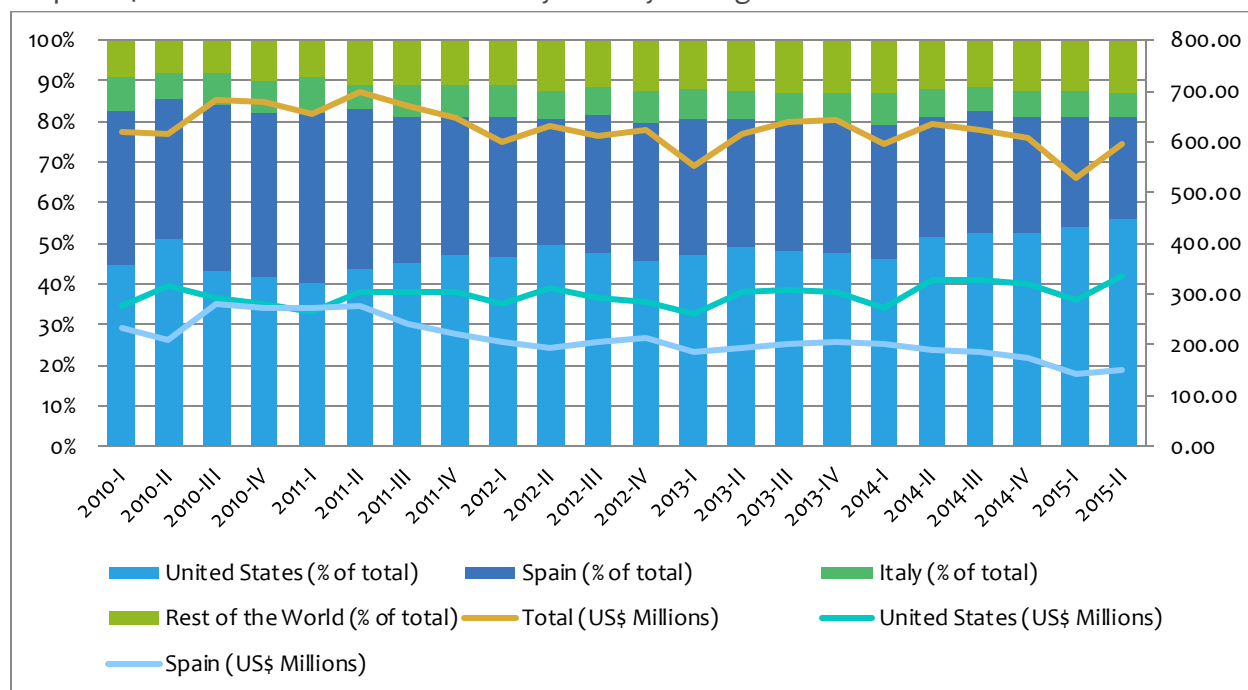
¹³ http://www.bbc.com/mundo/noticias/2015/08/150818_economia_america_latina_devaluacion_dolar_colombia_ng

¹⁴ <http://www.portafolio.co/economia/remesas-pesos-aumentaron-55-el-2015>

ECUADOR

Ecuador experienced negative remittance growth, the product of a decline in remittances from Spain, which is only partially balanced out by growth in remittances from the US.

Graphic 14: Total Remittances to Ecuador by Country of Origination



Source: Central Bank of Ecuador

While remittances from Spain were 40% of total remittances received by Ecuador in 2007, they decreased to around 30% in 2014. For the first nine months of 2015, remittances from Spain to Ecuador amounted to only 25% of total incoming remittances. Foreign born Ecuadorians in both Spain and the US have decreased in the past years, and especially so in Spain.

Table 4: Foreign born Ecuadorians in the US and Spain

	Foreign Born Ecuadorians in the US	Foreign Born Ecuadorians in Spain
2012	420,910	462,437
2013	427,906	440,549
2014	423,576	422,238
2015	-	411,997
2012 to 2014 Change	-2,666	-40,199

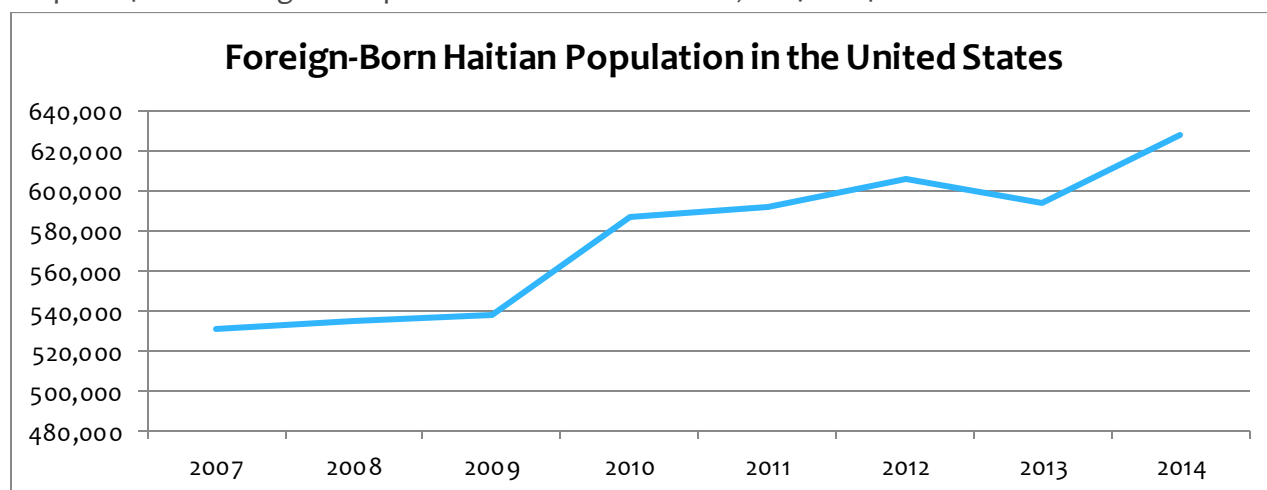
Source: US Census Bureau, ACS 1-Year estimates, 2014 for US populations. INE Household Survey, 2015 provisional data for Spanish populations.

HAITI

The Haitian Central Bank has reported 11% growth in remittances from 2014 to 2015,¹⁵ which places the country third in the Latin American and Caribbean region for remittance growth this year. Haitian remittance growth may be driven by a combination of factors, including changing migration trends, increases in the amounts remitted, and new remitting products available.

As has been discussed, state fragility is closely linked to growth in emigration, and, by extension, remittances. Haiti's ongoing political and economic crises¹⁶ have made migration the choice for many Haitians. The past few years have seen growth in the foreign-born Haitian population in the United States, which is the primary destination of Haitian migrants. From 2013 to 2014, US Census data shows a 5.7% increase in the Haitian migrant population living in the United States, for example.

Graphic 14: Haitian Migrant Population in the United States, 2007-2014



Source: American Community Survey, 1 year estimates, 2007-2014.

Increases in economic wellbeing among the Haitian migrant populations in the United States and Canada may also help to explain its remittance growth. Among Haitian migrants in the United States, the unemployment rate decreased from 8.7% in 2013 to 7.0% in 2014, while average per-capita income increased 5 percent, from \$22,424 in 2013 to \$23,547 in 2014. In Canada, on the other hand, Haitian migrants received higher than average approval rates for permanent residency applications in 2015,¹⁷ which is important because legal status is often linked to earnings potential. These conditions place Haitian migrants in a better position to send more money since their own economic situation is more secure.

¹⁵ http://www.ihsi.ht/pdf/comptes_economiques_en_2015.pdf

¹⁶ <http://www.miamiherald.com/news/nation-world/world/americas/haiti/article28980235.html>

¹⁷ <http://ici.radio-canada.ca/regions/montreal/2015/06/12/001-haitiens-deportation-demande-canada-residence-permanente.shtml>

Indeed, surveys suggest that the average Haitian remitter may be sending slightly more. A 2013 study found that, on average, Haitians remit \$97/month¹⁸ whereas a 2014 study showed a slight increase, with 57% of women and 72% of men remitting more than \$100 a month for an overall average of US\$120.¹⁹

Finally, innovations in mobile money,²⁰ energy services²¹ and bill payment²² to Haiti may also play a role by expanding the products available to senders and recipients.

CUBA

Cuban migration abroad, and to the United States specifically, has increasingly followed a trend of traveling by land from Havana to Quito, Ecuador then Mexico via Central America.

What has changed in recent years is migration from Cuba to the United States using third countries. This movement is not new, but reflects the fact that Cubans are using the same migratory networks as other nationalities to reach their destination. This is a journey that costs at very minimum US\$7,000 and in some cases more than US\$12,000.

Table 5: Cuban Emigration, 2010-2015

Year	Emigration by Destination		Emigration by Method	
	Total Emigration	Emigration to the United States	Emigration to Mexico	Via Emigration via residency visa from Havana
2010	58,439	53,890	-	3,236
2011	59,128	46,036	5,316	2,934
2012	62,235	41,535	10,315	4,584
2013	57,464	41,487	11,932	4,827
2014	-	45,000 (est)	17,459	5,992
2015	-	60,000 (est)	45,000+	6,000 (est)

Source: Demographic Yearbook of Cuba, 2014; US Department of Homeland Security; <http://www.elnuevoherald.com/noticias/mundo/america-latina/cuba-es/article42109152.html#storylink=cpy>; US Department of State, Visa Statistics, 2015.

The magnitude is quite significant. To put things into perspective, Cubans leaving their country may amount to 60,000 this year alone, one of the highest of outflows in recent history. With 45,000

¹⁸ The survey showed that the average remittance size was \$106 and that the average frequency of sending was 11 times per year. For more detail, See Orozco with Jewers, “Economic Status and Remittance Behaviors among Latin American and Caribbean Migrants in the Post-Recession Period,” Multilateral Investment Fund, 2014. Available at: http://www.thedialogue.org/wp-content/uploads/2015/04/EconomicStatusRemittanceBehaviorFINAL_Eng.pdf

¹⁹ For more detail, see “Haitian Diaspora Engagement and Investment in Haiti: New Findings and Recommendations,” Haitian Hometown Associations Resource Group, 2015.

²⁰ <https://www.telegeography.com/products/commsupdate/articles/2015/08/18/digicel-haiti-revamps-mobile-money-as-mon-cash/>

²¹ <http://ir.westernunion.com/News/Press-Releases/Press-Release-Details/2015/Western-Union-and-Sogexpress-Innovate-Remittances-to-Fund-Renewable-Energy-in-Haiti/default.aspx>

²² http://www.metropolehaiti.com/metropole/full_poli_fr.php?id=26731

entering through Mexico, and over 10,000 apprehended at sea plus those entering legally, the outflow is quite large for a population of 10 million people: 0.5% of Cubans left the country in 2015.

Many Cubans are clear about the reasons they are leaving: the worsening economic situation in Cuba and the loss of legal access to the US once diplomatic relations are fully established.

Within that context, and given the urgency to help their relatives back home, sending money is a priority as soon as they are employed. All else equal, and only considering the new entry of Cuban migrants in 2014 and 2015, remittances from the U.S. may have increased by more than US\$50 million in 2015.

Table 6: US-Cuba Remittances: Current Context and Estimated 2015 Growth

	2014	2015 Scenario 1	2015 Scenario 2	2015 Estimate
Cuban remitters	594,000	650,000	702,000	702,000
Migrant adults remitting (%)	55%	55%	65%	-
Annual average	\$1,250	\$1,300	\$2,400	[66% send US\$2400; 33% US\$1250]
Annual volume from the U.S.	\$750,000,000	\$845,000,000	\$1,747,200,000	\$ 1,401,543,000

Source: Orozco, Manuel. Based on surveys carried out in 2005, 2010 and 2013.