

Remittances to Latin America and the Caribbean in 2017



Manuel Orozco

Senior Fellow & Program Director, Migration, Remittances

morozco@thedialogue.org

www.thedialogue.org

Introduction

Family remittances to 17 Latin American and the Caribbean countries grew over 8% from 2016 to 2017, reaching over US\$75 billion. This increase is substantial and far exceeds the World Bank's forecasted 1.2% economic growth for the entire region. In terms of scale, remittance growth has been nearly as large as export growth (9%) in 2017.

Growth in remittances is being driven predominantly by migration patterns in countries such as Haiti, the Dominican Republic, Guatemala, Honduras, El Salvador, and Colombia, which represent 45% of flows in remittances and experienced growth of over 10% last year. In fact, for Central America and the Caribbean, the projected 3.5% economic growth for these countries is due largely to the combined 15% increase in remittances.

Other drivers of remittance growth include the continued demand for foreign labor in the United States economy, and to a lesser extent the dollar devaluations in countries like Mexico, the Dominican Republic, and Costa Rica.

Table: Remittances to Latin America and the Caribbean, 2017 growth (US\$,000,000)**

Country	Remittance inflows			Percentage Growth		Remittances as Percentage of GDP***
	2015	2016	2017 est.	2016	2017	
Bolivia	1,178	1,204	1,278	2%	6%	3.6%
Brazil	2,175	2,365	2,285	9%	-3%	0.1%
Colombia	4,635	4,859	5,579	5%	15%	1.9%
Costa Rica	517	515	530	0%	3%	0.1%
Dominican Republic	4,963	5,261	5,895	6%	12%	7.8%
Ecuador	2,378	2,602	2,721	9%	5%	2.8%
El Salvador	4,284	4,576	5,021*	7%	10%	18.3%
Guatemala	6,285	7,160	8,192*	14%	14%	11.5%
Haiti	2,195	2,358	2,772*	7%	15%	33.6%
Honduras	3,651	3,847	4,331	5%	13%	19.5%
Jamaica	2,226	2,287	2,374	3%	4%	16.7%
Mexico	24,771	26,993	28,630	9%	6%	2.7%
Nicaragua	1,193	1,264	1,409	6%	11%	10.2%
Panama	473	426	442	-10%	4%	0.8%
Paraguay	461	547	582	19%	6%	2.0%
Peru	2,719	2,884	3,061	6%	6%	1.6%
Selected countries	64,106	69,149	75,052	7.87%	8.54%	1.9%

Source: Central banks data; INEC for Panama. Est. are author's estimates, except "**": Central Banks. Growth is 9% excluding Brazil (flows may also be over 8 billion). **Note: these countries are 97% of all flows to LAC. *** World Bank.

Determinants of Remittance Growth in 2017

Increases in remittances occur through more migration, more migrants sending more often, or more per transaction, and/or through a combination of these three activities. Intervening elements may include fluctuations in the exchange rate, inflationary increases, spikes in demand for foreign labor, or externalities such as political events in the home and host countries.

Countries with remittance growth of over 10% typically exhibit patterns associated with continued migration, particularly for the Northern Triangle countries and possibly the Dominican Republic.

Out migration from the Northern Triangle has been prevalent since the end of the 2009 recession, partly as a result of violence in the Central American region. These issues have continued in 2017. Indeed, while there has been a substantive decline in border apprehensions, there has also been an increase in migration from family units. This migration thus shapes outflows of remittances to the region.

Table 2: Apprehensions at the U.S. Border

Category	2016	2017	2018	Growth
Individuals	267,293	186,007	52,825	-44%
UAC	58,819	40,631	10,853	-45%
Family Units	73,888	73,362	19,812	-1%
Total apprehended	400,000	300,000	83,490	-33%
UAC+family units / all apreh.	0.33	0.38	0.37	13%

Source: <https://www.cbp.gov/newsroom/stats/usbp-sw-border-apprehensions>

For example, data collected for Guatemala illustrates this pattern. Fourteen percent of people in the Western Highlands of Guatemala had a relative migrate in 2017 and send money to them that same year. This figure coincides with a 17% reported growth in remittances from the Central Bank of Guatemala. Violence and family reunification may influence migration. In a 2017 survey of migrants, 16% said their reason for migrating was violence and insecurity, compared to 14% reporting these reasons in 2016.

Table 3: Year in which a relative from Guatemala left and started sending money (%)

Year	Percent
2017	14
2016	16
2015	18
2014	14
2013	8
2012	10
2011	4
2010	3
2009	4
Before 2008	10

Source: Inter-American Dialogue. Financial education program in Guatemala, 2017.

For El Salvador, the migration wave continues, with more than 25% of people wanting to leave their country according to a 2014 survey. In 2016, the Universidad Centro Americana reported that 40% of Salvadorans wanted to leave.¹

The case of the Dominican Republic has certain similarities. The growth in remittances there has been above 10% and is not explained by increases in the principal amount sent (see table below), but rather by large increases in the number of transactions. Those transactions could result from either an increase in individual transactions per year or from an increase in migration. However, the frequency remitting did not increase for Dominicans in the United States or Spain. Therefore, more migration may explain the growth in 2017, particularly in the case of the United States.

Table 4: Remittances to the Dominican Republic

Year	Remittances	Average	Transactions	Exchange rate
2010	\$ 3,682,932,483	219	1,122,419	36.8
2011	\$ 4,008,390,517	229	1,145,314	38.0
2012	\$ 4,045,371,584	215	1,216,028	39.2
2013	\$ 4,262,293,093	215	1,307,289	41.7
2014	\$ 4,571,321,147	213	1,452,010	43.4
2015	\$ 4,960,754,228	209	1,625,143	44.9
2016	\$ 5,261,463,095	214	1,711,081	46.0
2017e	\$ 5,895,173,577	216	1,936,764	47.4

Sources: Central Bank of the Dominican Republic (2017: author's estimate.)

The increase in Haitian remittances is predominantly the result of a significant outflow of migration to South America, Canada, and the United States. The growth between 2016 and 2017 reflects an increase of more than 100,000 migrants making transfers to Haiti.² This flow is influenced by an outmigration that has occurred years after the 2010 earthquake of people who went to Brazil and then over the past three years have gradually been moving to Chile.

Haitian migration to Chile has increased to an estimated of at least 100,000. Haitians in Chile were less than 5,000 in 2010, and the number has increased exponentially to more than 100,000.

Table 5: Haitian Migration to Selected Countries

Country of migration	1990	1995	2000	2005	2010	2015	2017	Estimated flows (2017)
Canada	38,271	45,292	53,390	66,504	80,100	137,000	137,000	\$258,930,000
Chile	36	41	45	37	28	53,630	107,630	\$86,793,025
Dominican Republic	187,210	207,931	228,652	271,273	311,969	329,281	336,729	\$271,538,265
France	26,253	27,102	27,950	67,078	68,723	75,616	75,467	\$190,176,840
United States	225,393	326,669	429,964	491,772	570,290	649,941	671,499	\$1,269,133,110
Rest of the world	50,144	56,437	63,879	74,969	88,502		50,000	\$88,200,000
World	527,307	663,472	803,880	971,633	1,119,612	1,245,468	1,378,325	\$2,164,771,241

¹ <http://www.uca.edu.sv/iudop/wp-content/uploads/Bolet%C3%ADn-Evaluaci%C3%B3n-A%C3%B1o-2016-10-01-2017.pdf>. In our 2017 survey, 2.3% of Salvadoran remitters arrived in 2017, a number that equaled some 25,000.

² <http://www.latercera.com/voces/la-migracion-haitiana-chile-estado-pasmado/>

Source: UN/DESA, 2017. Author's estimates from interviews and press sources. Differences between the official volume and this table relate to research that shows that upto 20% of transfers recorded are not family remittances, but more business transactions.

In some cases, increases in remittance flows may be related to the frequency of sending. Surveys done with migrants indicate that in some cases, certain nationality groups are remitting more often. Honduras represents one such case, as does Guatemala. For other countries the frequency has not changed dramatically, as is the case with Mexico and El Salvador.

Table 6: Number of Remittances Sent per Migrant per Year

Country	2016	2017
El Salvador	15	14
Honduras	13	18
Guatemala	14	15
Mexico	14	13
Dominican	15	13
Ecuador	15	
Colombia	13	

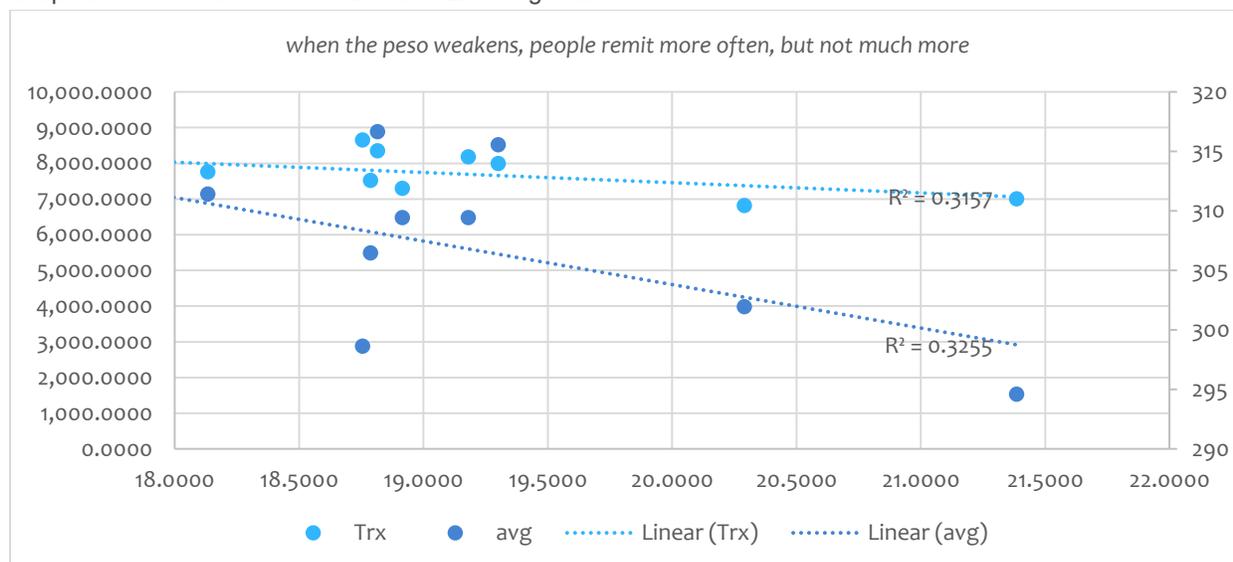
Source: Inter-American Dialogue, surveys with migrants in the U.S. databases.

The Exchange Rate as a Determinant

Some news reports have suggested that remittances increase when a country's exchange rate is devaluated. With a weakening dollar, exchange rates would appreciate in some cases. There were exchange rate fluctuations in the Dominican Republic, Mexico and Costa Rica. For the Dominican case the data does not suggest that the exchange rate influenced remitting behavior. The peso depreciated at a much slower rate than the weakening of dollar, and than the increase in transactions.

The flow of remittances to Mexico suggests a relatively stable growth at 6% in 2017, down from 8% in 2016. These fluctuations are possibly related to changes in the appreciation of the exchange rate. In 2017, a weaker dollar may have pushed Mexican migrants to send slightly less than in 2016, in turn slowing down growth.

Graphic 1: Remittances to Mexico and Exchange Rate



Source: Bank of Mexico

Changes in Principal Remitted

Data from various money transfer companies shows that in certain corridors, the average amount remitted did not grow with the same fluctuation and size as the increases in aggregate volumes reported through Central Bank statistics. This difference is an indication of different factors playing different roles on each corridor.

For example, Costa Rican migrants (table below) show a greater increase than what is reported by the Central Bank of Costa Rica (first table): 6% increase in the principal remitted, compared to 3% growth in aggregate volume. Honduras, Nicaragua, Bolivia, El Salvador, and Guatemala are countries whose migrants remitted more than 8% of the principal amount they sent the previous year.

In the case of Mexico, migrants sent 6% more than in 2016, an increase similar to the annual growth in 2017. Since Mexican migrants are sending less frequently than in 2016, the larger growth is mostly explained by changes in the principal and its effects on the exchange rate.

Table 7: Average Amount Sent by Migrant Nationality Group

Country	Average amount remitted (US\$)			Growth in principal (%)	
	2015	2016	2017	2016	2017
Honduras	238	251	281	5%	12%
Nicaragua	173	201	226	16%	12%
Bolivia	434	434	472	0%	9%
El Salvador	260	267	289	3%	8%
Guatemala	326	342	374	5%	9%
Costa Rica	285	288	308	1%	7%
Haiti	142	135	143	-5%	6%
Mexico	309	315	334	2%	6%
Region average	281	283	298	1%	5%
Colombia	235	226	232	-4%	3%
Dominican Republic	205	213	218	4%	2%
Peru	248	248	253	0%	2%
Ecuador	301	288	290	-4%	1%
Brazil	469	439	417	-6%	-5%

Source: Money transfer companies.

There may be other intervening elements about remitting. Fears of deportation may be one. For example, interviews with migrants show they are scared about the stance and rhetoric of the Trump administration. That may prompt them to spend less, to keep their savings with them in case they are caught and deported, and to continue their sending pattern or increase it. For example, in a survey conducted in the Spring and Summer of 2017, unauthorized workers who said they were scared of being deported or thought they would be deported were sending amounts that were above the population's average.

Table 8: Amount remitted per year and responses about deportation (US\$)

Undocumented	
Scared of being deported	5,287
Thinks he/she will be deported	4,680
Someone they know will be deported	3,888
Average remitted	3,900

Source: IAD. survey to 512 to migrants

A typical, common-sense approach in these circumstances of strain and perception of risk is to continue their remitting behavior until change is foreseen as imminent. The opportunity cost of remitting much more may be considered in relationship to the loss of expenditures in the host country for day-to-day needs, for example. Migrants may also weigh their decisions to send much more in relation to the loss of those funds in the short-term *vis a vis* an expected change in their migration status.

Overall, we find that the 8% growth is linked to a combination of factors, predominantly new migration and increases in the principal being sent.

Table 9: Factors Behind Remittance Growth

Country	2017 growth	Migration	Exchange Rate dev.	Principal increase	More frequent transactions
Dominican Republic	16%	↑			
Guatemala	16%	↑	↔	↑	↑
Haiti	16%	↑	↔	↑	↔
Colombia	15%	?	?	↔	↔
Honduras	13%	↑		↑	↑
Nicaragua	11%		↔	↑	
El Salvador	10%	↑	↔	↑	
Bolivia	6%			↑	
Mexico	6%		↑	↑	

Latin American and Caribbean Economies and the Impact of Remittances

Remittances continue to have substantial economic impacts in many Latin American and Caribbean countries. For one thing, remittances contribute between 5% and 34% of gross domestic product in the economies of eight countries.

These countries also operate on very few sources of economic activity, including tourism, food or agriculture exports, *maquilas*, energy or mining. Whenever the labor force is unable to work in those sectors, it joins the large informal economy (typically over 60% of the labor force), which for most cases contributes 20% to the GDP.

In turn, remittances play a key role sustaining these economies increasing total incomes that would otherwise be limited to minimum wages or underpaid work. Thus, continued migration may emerge as a response to the lack of economic opportunities in the home country.

Table 10: Latin American and Caribbean Economies

Country	Maquila	Remittances	Tourism	Energy	Food Exp.	Mining	Share of GDP*	Informal Labor force (non-agriculture except*)	Labor Force in Agriculture
Haiti		23%	7%	0%	NA	NA	34%	52	47
El Salvador	4%	17%	5%	2%	4%	0%	32%	69.5	19
Honduras		17%	3%	2%	22%	1%	50%	80.3	30
Jamaica		16%	16%	3%	2%	1%	43%	38.8*	18
Guyana		11%	3%	2%	26%	13%	54%	40%	19
Guatemala	4%	10%	3%	2%	8%	2%	30%	80.1	32
Nicaragua	11%	10%	4%	2%	22%	3%	61%	88*	25
Dominican Rep.	8%	7%	9%	9%	4%	2%	40%	55.5	13
Bolivia		5%	2%	2%	6%	11%	30%	84.1	30
Grand Total		3%	2%	2%	3%	6%	22%		
Ecuador		2%	1%	1%	9%	9%	28%	61	25
Paraguay		2%	1%	7%	20%	0%	35%	72.2	20
Colombia		1%	1%	3%	2%	8%	20%	61.7	14
Costa Rica	10%	1%	6%	2%	8%	0%	28%	42.4	12
Peru		1%	2%	2%	5%	10%	24%	68.7	25
Trinidad and Tob.		1%	0%	1%	0%	31%	38%		4
Suriname		0%	2%	2%	1%	7%	17%		3

Source: World Bank Development Indicators. Except for Maquila or Free trade zone. *For countries where maquila data is missing, we use a conservative 5% of GDP. Sources: Bolivia and Dominican Republic, ILOSTAT data, most recent value 2015. Jamaica: 2008-2012 average from Ministry of Labor National Employment Report ([link here](#)), Haiti: 2012 Worldbank Calculation for non-farm wage work ([link](#)), figure is likely higher, Nicaragua: Central Bank published study, as a reference, informality labor force in Managua is 68.2% ([link](#)). Guyana ([link](#)). All others ILOSTAT data most recent value 2016.

Thus, the effects of remittances are not negligible. A look at the flows in 2017 shows that the overall economic growth experienced in 2017 can be attributed mostly to the growth in remittances. In some countries like El Salvador, Honduras or Guatemala, remittances may be responsible for half of the overall economic growth: their increase in 2017 amounted to 50% - 78% of total growth in these three countries.

Table 11: Overall Economic Indicators

Central America	GDP 2017	Increment 2016-2017	Increase in remittances 2017-2016	Remitt/GDP increase	GDP Growth 2017	Remit effect of all growth	Growth contribution
El Salvador	27,413,811,810	616,341,810	474,000,000	77%	2.3	2%	78%
Honduras	22,226,973,559	710,058,207	484,000,000	68%	3.8	2%	60%
Guatemala	70,963,680,155	2,200,424,191	1,123,000,000	51%	3.3	2%	51%
Nicaragua	13,852,694,387	621,849,700	145,000,000	23%	4.5	1%	25%
Dominican Republic	75,377,481,823	3,793,928,335	843,000,000	22%	4.7	1%	25%
Colombia	288,111,799,867	5,649,250,978	720,000,000	13%	2	0%	13%
Mexico	1,066,918,030,018	20,919,961,373	1,637,000,000	8%	2	0.2%	8%
Costa Rica	59,618,056,486	2,182,549,274	15,000,000	1%	3.8	0%	1%
Ecuador	96,530,782,257	(1,271,428,743)	119,000,000	10%	1.2	0.1%	10%

Source: World Bank Development Indicators

About the impact of immigration policies in the United States and elsewhere

The current political landscape regarding migration policy in the United States, and even in countries like Chile, where a rhetoric to reduce immigration is translating in drastic policies, may have an adverse effect to several countries in the near future. For one, the debate over the termination of the Temporary Protected Status to four Latin American and Caribbean immigrants in the US would affect these country's economies. Salvadorans on TPS contribute 12% of all transfers to El Salvador, and these volumes equal to 2% of the country's GDP. One can think that the effect on Haiti, with an economy that is still in remedial shape, the impact would devastate its economy. Haitians on TPS are 6% of all Haitian migrants.

Table 12: Contribution of Migrants under TPS through remittance transfers

TPS Nationality	Remitters	Total volume	Share of all remittances	Share of GDP	GDP Growth
El Salvador	146,250	\$628,875,000	12%	2%	2.40%
Honduras	45,600	\$176,061,600	4%	1%	3.8%
Nicaragua	4,279	\$14,351,752	1%	0.1%	4.5%
Haiti	40,000	\$84,884,800	3%	1%	2%

Appendix --- Results from our Latest 2017 Survey to Latino Migrants

The following are results of survey to over 500 migrants in five cities (NY, DC, Chicago, Houston and LA) conducted in between March and August 2017.

The main finding is that while for the most part migrants continue to remit on patterns like previous years, their **remitting behavior is now hampered by great fears of deportation amid concerns about a remittance tax or fear of deportation.**

With regards to sending remittances we found that:

- On average, migrants send money to their home countries 13 times a year;
- 85% use cash to cash transfers and 9% uses the internet (mobile or online) based transfers;
- 90% knows the name of their remittance company, and typically includes the leading RSPs;
- 64% of migrants say that in the event of a tax on remittances they would change their sending behavior,
- of those, 41% would use informal services, and 26% would send less money.

Specifically, on migration related issues the findings show that:

- 55% believe that the current Trump administration may affect them through the deportation of people in their community, while 31% thinks he/she may be deported;
- Moreover 60% do not expect any support from their home country governments. Only 8% think these governments may offer immigration assistance or seek to negotiate with the U.S. government;
- In the event of an offer to regularize their status in some form of immigration reform, 55% said that they would be prepared to pay a fine, 14% would agree to formalize their status and commit to return in 5 years;
- 59% believed that the current administration biggest impact on work will be to make it harder for them to get jobs.
- 22% said they migrated due to insecurity and violence in their home country.
- With regards to migrant policy actions from the current administration, 70% believed that president Trump will stop accepting refugees, 50% that he will end TPS, DACA and DAPA.

Migrants perceive that these problems are aggravated by the fact that these fears are manifested among all migrants, regularized or not, and regardless of the causes that led them to migrate.