

Trends in Migration, Remittances, Markets and Development to Latin America and the Caribbean



Both social and economic trends in Latin American and Caribbean countries are increasingly shaped by migration and its intersection with development and economic growth. Therefore, understanding future of migration and how its affect the region can offer cues as to the direction countries will take.

Manuel Orozco

Director, Migration, Remittances and Development

morozco@thedialogue.org

www.thedialogue.org

An outlook of migration in Latin America and the Caribbean in five years depends on assessing three main factors, namely, growth trends in the origin and destination of human mobility, including labor and others (children, or people escaping violence), determinants of such growth and possible consequences. Moreover, an outlook in transnational economic engagement requires looking at growth, the extent of payment modernization, marketplace competition and impact on growth and development.

For the next five years, we expect migration to continue, facing anti-immigrant sentiments. Similarly, we expect remittances to continue to flow through an increasingly modernized payment system.

A. Forecasting Migration patterns

Growth—The migration wave that is shaping the region is likely to continue its growing pattern for at least five more years. Specifically, migration from Haiti, Cuba, Central America, Venezuela, and Colombia show signs of continued mobility within the Americas, specifically towards countries like Brazil, Colombia, Costa Rica, Dominican Republic, Ecuador, Panama, Peru, and the United States). It is likely that people from other nationalities, like Guyana, Paraguay, or Bolivia, will also show increases in emigration in the near future.

We estimate that Latin American and Caribbean migration will grow above 6% in the next five years. This figure represents more than double the demographic growth rate of the migrant host countries. The determinants of migration and the intention to migrate among people, as well as the transnational ties, are and will be strong factors of continued and growing migration.

Table 1: Migration growth

	2005	2010	2017	2022est	2010-2017	2010-2022
Growth LAC	3.4%	0.1%	4.8%			
Growth Fragile/unstable countries	3.6%	4.3%	5.0%	6%		
Growth 2017-2010 LAC migration			3.0%	3%		
Fragile / Unstable countries					4.3%	6%

Source: UNDESA, 2018. Author's estimate.

Table 2 Intention to Migrate

	People who think of leaving	2014	2019
El Salvador	380,767	24%	26%
Honduras	678,868		33%
Guatemala	667,881		19%
Northern Triangle (2018)	1,727,516		25%
2019 (est.)	1,727,516		

Source: Saliendo-adelante.com

Determinants—This growth is largely shaped by a continued deterioration of the [state in fragile countries](#). In most cases this problem is associated to a chronic malperformance of governance and linked to systematic abuses of authority, social fragmentation, mushrooming of organized crime networks, and corruption. Moreover, these factors are accompanied to an economic worsening of all sources of potential growth. We observe a chronic deceleration of key indicators of economic growth such as agricultural and raw materials exports, tourism, or free trade zones.

In the case of Central America, migration will continue to be driven by three broad dynamics: [victimization, transnational ties, and an inability to earn decent incomes](#). In the case of Haiti, migration is driven dramatically by state failure and transnational ties. Nicaragua and Venezuela are continuously pushing people out because of direct state threats to people, as well as due to economic crises

Consequences—This mobility is creating a network of people connecting other people. For example, our work on [Venezuelan migrants](#) in four host countries showed that more than half of Venezuelans were planning to stay in those countries and not returning home. The same pattern was observed among Haitians and Nicaraguans. In turn, these transnational networks ensure a pattern of continuity in short term migration, at least during the subsequent three years.

As a critical mass of foreign-born people increases, one of the resulting realities is resistance among host societies to tolerate their visitors to the extent to externalize anti-immigrant, nativist sentiments, reducing visa entry, residency or temporary permanency permits.

As migrants arrive to countries like Panama, Ecuador, or Chile, which historically are not migrant host countries, the challenges of making inclusive public policies are shaping the political discourse. Moreover, border control across the Americas has turned into a major migration management issue. The critical issues under discussion are not likely to be addressed.

One of the controversial issues of 2019, the cutting of foreign assistance, will be partly resolved through its restoration with conditionality to reducing migration. Meanwhile Venezuelan, Haitian, and Nicaraguan migration will continue to grow with few responses from states. Some countries like the United States will offer a humanitarian approach but foreign labor integration will not be addressed through special programs.

B. Family Remittances

Transnational economic engagement results from various activities through which migrants maintain links with their home countries, sending family remittances being the most known. Consuming nostalgic goods is another important activity.

The three critical issues particularly associated with remittances are growth in money flows, [the modernization of the payments industry, and the economic impact of these flows](#). For the next five years, we foresee continued growth but at a slower pace than what has been observed for the 2015-2019 period. During this latter period remittances experience an annual 9% growth. For 2020-2025, the future of remittances will show a smaller but strong growth of around 7%.

The main factor explaining the continued growth relates to the increase in migration, but not exclusively. Migrants are also sending more frequently to their relatives. Their decreasing expectations of returning home have shaped their intention to remit, causing them to send higher amounts annually by remitting more frequently. In the case of the Northern Triangle countries, where the highest growth was observed, the “Trump fear factor” explains why remittances have increased despite restrictions on entry.

Remittances to Latin America and the Caribbean

Countries	2019 e Remittances (,000,000 USD)	Remittance Growth				GDP Growth 2018	Remittances / GDP 2018
		2016	2017	2018	2019 e		
Bolivia	1,296	2%	7%	-1.6%	-5.4%	4.5%	3%
Brazil	2,747	9%	-3%	11.5%	7.2%	1.2%	0%
Colombia	6,999	5%	13%	15.3%	10.6%	2.7%	2%
Costa Rica	519	0%	3%	-6.0%	4.0%	2.7%	1%
Dominican Republic	6,833	6%	12%	10.0%	5.1%	5.8%	8%
Ecuador	3,179	9%	9%	6.7%	4.9%	1.0%	3%
El Salvador	5,523	7%	10%	8.5%	1.0%	2.8%	21%
Guatemala	10,614	14%	14%	13.4%	14.3%	2.7%	12%
Haiti	3,378	7%	20%	15.7%	2.9%	1.6%	39%
Honduras	5,271	5%	12%	10.6%	10.7%	3.6%	20%
Jamaica	2,366	3%	1%	2.4%	0.2%	1.7%	16%
Mexico	35,137	9%	12%	10.5%	5.0%	2.1%	3%
Nicaragua	1,660	6%	10%	7.9%	6.5%	-3.8%	11%
Panama	469	-10%	4%	2.9%	2.6%	4.0%	1%
Paraguay	548	19%	7%	-3.0%	-3.7%	4.0%	1%
Peru	3,354	6%	6%	5.7%	4.0%	3.9%	1%
Total selected countries	89,893	7.9%	8.2%	7.3%	6.2%	1.9%	2%
Venezuela**	3,400	-	-	-		-18%	1%

Source: [Intereamerican Dialogue](#). Central Bank Data and INEC data for Panama; e= Estimates ** Venezuela 2018 remittance data is Inter-American Dialogue estimate based on survey data; previous years are unavailable. For GDP growth and Remittances GDP, Inter-American Dialogue estimates based on World Bank figures for GDP and economic growth.

Modernization of the Payments industry

While the demand for money transfers increases, the money transfer industry is adapting to changing demands offering online transfer services in the origination and destination. The growth of online payments is extraordinary. In some cases, such as the U.S. outbound transfers to Colombia, Guatemala, and Mexico, growth is above 30%.

The projection for other countries is that the market share for online services will increase to at least 20% of all sending money by 2020. In 2009 less than 1% of all United States transfers of remittances to the region were originated online,

by 2022 the projection is that this figure will reach 30%. Collection of remittances in home countries via digital wallets, mobile banking or account deposits will also grow to 10% of all transfers. The impact of this modernization is quite substantive insofar as the payment's ecosystem is reaching out the entire population in the region and providing greater financial access.

Market Share Participation by Type of Payment Method

Payment method	Colombia		Guatemala		Mexico	
	2015	2018	2015	2018	2015	2018
Cash	72%	54%	77%	66%	82%	67%
Digital*	28%	46%	23%	34%	18%	33%
Total monthly transactions	489,000	598,000	760,000	850,000	6,393,600	6,880,000

Source: [Interamerican Dialogue](#) - Authors' estimates based on data collected from news sources, company annual reports, and expert interviews. **We include here transaction amounts from Xoom, Remitly, WorldRemit, and WesternUnion.com

Economic impact

The extent of economic growth in the region will continue its same pace with limited levels of complexity, maintaining low diversification. For 17 countries in the Americas that represent one third of the region's GDP, income dependence on few sources of growth (remittances, tourism, maquila, energy and mining and agricultural exports) will remain unchanged, limiting economic growth. However, [the role of remittances will increase as other sources of growth may not improve due to global economic recessionary trends and competition](#). We expect a 1% increase of remittances in the share of GDP for these countries. Moreover, despite the impact, no policies are foreseen to capitalize on these flows.

COUNTRIES	REMITTANCES (2017)	REMITTANCES (2022)	ECONOMIC DEPENDENCE 2017	ECONOMIC DEPENDENCE 2022
BOLIVIA	4%	5%	29%	30%
COLOMBIA	2%	3%	20%	21%
COSTA RICA	1%	2%	28%	29%
DOMINICAN REPUBLIC	8%	9%	40%	41%
ECUADOR	3%	4%	28%	29%
EL SALVADOR	17%	18%	32%	33%
GUATEMALA	11%	12%	30%	31%
GUYANA	9%	10%	60%	61%
HAITI	28%	33%	34%	40%
HONDURAS	18%	20%	50%	52%
JAMAICA	17%	18%	43%	44%
NICARAGUA	10%	12%	62%	65%
PARAGUAY	2%	3%	35%	36%
PERU	2%	2%	24%	24%
SURINAME	1%	1%	17%	17%
TRINIDAD AND TOBAGO	1%	1%	38%	38%
GRAND TOTAL	3%	4%	22%	23%

Source: Central Banks and projections.