

Future Trends in Migration, Remittances, Markets and Development to Latin America and the Caribbean ¹

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 migration patterns and how they affect the region can offer cues as to the direction countries will take on migration and remittance issues.

An outlook on international migration to 2022 from Latin America and the Caribbean requires addressing three main factors, namely: growth trends in migration from origin and destination of human mobility (labor migration, child migration, people escaping violence, among others), determinants of such growth, and possible consequences. Moreover, an outlook on transnational economic engagement requires looking at growth, the extent of payment modernization, marketplace competition, and impact on growth and development.

Through 2022, we expect migration to continue in the face of anti-immigrant sentiments. Similarly, we expect remittances to continue to flow through an increasingly modernized payment system.

A. Forecasting International Migration Patterns

Growth—The wave of international migration shaping the region is likely to continue its growth pattern through at least 2022. 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, the Dominican Republic, Ecuador, Panama, Peru, and the United States. It is likely that migration from other countries in the region which have , such as Guyana, Paraguay, and Bolivia, will also show increases in the near future.

We estimate that migration from Latin American and Caribbean countries will grow above 6% through 2022. This figure represents more than double the population growth rate in destination countries. The factors that determine migration and influence the intention to migrate, including transnational ties, are and will be strong factors of continued and growing migration.

Table 1: Migration growth from LAC countries

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

Source: UNDESA, 2018. Author's estimate.

Table 2 Intention to Migrate

	People who think of leaving (est.)	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

¹ MANUEL OROZCO, INTER-AMERICAN DIALOGUE. 2019.

Determinants—This growth is largely shaped by a continued deterioration of the [State in fragile countries](#). In most cases, this problem is associated with 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 by the worsening of all sources of potential economic growth. We observe a chronic deceleration of key indicators of economic growth such as exports of agricultural products and raw materials, 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 return 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. This matter will be partly resolved through agreements that restore funding based on the condition that countries reduce migration. Meanwhile Venezuelan, Haitian, and Nicaraguan migrations 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 in remittances relates to the increase in migration. Another contributing factor has to do with the fact that 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.

Table 3: Family remittances growth 2019

Countries	2019 e Remittances (,000,000 USD)	Remittance Growth				GDP 2018	Growth 2019	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%	2.9%	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%	3.0%	2.8%	2.4%	21%
Guatemala	10,614	14%	14%	13.4%	14.3%	2.7%	3.0%	12%
Haiti	3,378	7%	20%	15.7%	2.9%	1.6%		39%
Honduras	5,271	5%	12%	10.6%	10.7%	3.6%	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%	-2.0%	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: 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. <https://www.eluniverso.com/noticias/2018/12/26/nota/7113699/paises-america-latina-que-mas-creceran-2019>

Modernization of the Payments industry

While the demand for money transfers increases, the money transfer industry is adapting to changing demands by offering online transfer services in the origin and destination countries. The growth of online payments is extraordinary. Growth is over 30% for some corridors, like U.S. outbound transfers to Colombia, Guatemala and Mexico.

For other countries, market share for online services is projected to increase to at least 20% of all money sent by 2020 to the region. In 2009, less than 1% of all United States remittance transfers to the region originated online, but, by 2022, this figure is projected to reach 30%. Remittance pick-up 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 the entire population in the region and providing greater financial access.

Table 3: 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: 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 maintain its same pace, with limited levels of complexity and low diversification. For the 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 remittances to gain a 1% share of GDP for these countries. Moreover, despite this impact, no policies are foreseen that would capitalize on these flows. Yet, for at least Central American and Caribbean countries, remittances are responsible for at least half of their economic growth.

Table 4: Impact of remittances on GDP

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.