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FEATURED Q&A

Why Do Remittances to Mexico Continue Breaking Records?



Mexico's level of remittances grew in May to \$5.17 billion, a new monthly record. // File Photo: Mexican Government.

Q Remittances to Mexico hit a record level of \$5.17 billion in May, a 14 percent increase as compared to the same month last year, the country's central bank announced July 1. The total for May brought the amount of remittances Mexico has received for the first five months of this year to more than \$22 billion. What are the main factors driving the flow of remittances to Mexico, and will new records be reached in the coming months? How are economic conditions such as inflation affecting the flow of remittances? How important are remittances for Mexico's economic stability and growth?

A Manuel Orozco, member of the Financial Services Advisor board and director of the Migration, Remittances and Development Program at the Inter-American Dialogue: "Remittances to Mexico will increase 18 percent in 2022, almost as much as the region's 14 percent projected growth. The case of Mexico is one about a continued migration uptrend that has shown signs of increase since 2018. By 2022, the U.S. Department of Homeland Security is expected to reach nearly 900,000 apprehensions of Mexicans, with the first six months of this year showing a 30 percent increase from 2021. Overall new migration, additional to legal authorized entries through H2 visas and family unification, will add 350,000 Mexicans, 70 percent of whom will send money, in 2022. In addition, the average amount sent among all Mexican migrants is at least 3 percent more than the year before. Together with new migrants, they are contributing more than \$60 billion annually, or 4.75 percent of Mexico's national income, in remittances. Finally, many Mexicans who would have returned to Mexico are staying

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TOP NEWS

REMITTANCES

Guatemala's Remittances Grow 25% in Year's First Half

Guatemala's level of remittances for the first half of this year grew 25 percent as compared to the first half of last year, to \$8.7 billion, the central bank announced.

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DIGITAL CURRENCIES

El Salvador's Bukele Buys \$1.5 Million More in Bitcoins

Salvadoran President Nayib Bukele's government on June 30 bought an additional \$1.5 million in Bitcoins, each worth \$19,000.

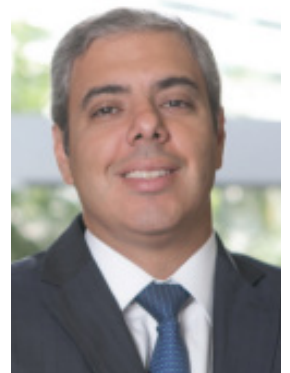
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BANKING

Brazil's Itaú to Acquire Control of Avenue Brokerage

Brazil's Itaú Unibanco Holding, led by CEO Milton Maluhy Filho, said it has agreed to take control of brokerage Avenue. Itaú will initially spend \$92 billion for a 35 percent stake in Avenue. It will later buy an additional 15.1 percent.

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Maluhy Filho // File Photo: Itaú Unibanco Holding.

BANKING NEWS

Brazil's Itaú to Acquire Control of Avenue Brokerage

Itaú Unibanco Holding, Brazil's largest private lender, has agreed to take control of brokerage Avenue, Itaú announced July 8, Reuters reported. In the agreement, Itaú will initially spend 493 million reais (\$92 million) for a 35 percent stake in Avenue, which provides customers with access to foreign markets, the wire service reported. That amount will include a 160 million-real cash injection, as well as a secondary share purchase, Itaú said in a securities filing. Two years after that transaction, Itaú will buy an additional 15.1 percent stake for an amount that has not yet been determined. That purchase will give the Brazilian bank a controlling stake of 50.1 percent, and it will later have the ability to exercise a call option that would allow it to acquire the remainder of Avenue shareholders' equity interest, according to the terms of the agreement, Reuters reported. Avenue, whose formal name is Avenue Holding Cayman Ltd., owns a digital securities brokerage in the United States, the wire service reported. It also has more than 229,000 active clients and 6.4 billion reais under custody, according to Itaú. After the transaction, Avenue's operation and management will remain separate from that of Itaú Unibanco, the lender said.

REMITTANCES NEWS

Mexico's Level of Remittances Hits \$5.17 Billion in May

Mexico's remittances hit a monthly record of \$5.17 billion in May, a 14 percent increase from the same month last year, the Mexican central bank, known as Banxico, announced July 1, Agencia EFE reported. From January to May

of this year, Mexico received more than \$22 billion in remittances, a 16 percent increase from the approximately \$19 billion in the first five months of 2021. The new record follows an upward trend in Mexican remittances that began in March 2020, when the country received \$4 billion in a single month for the first time, EFE reported. The majority of remittances is

From January to May of this year, Mexico received more than \$22 billion in remittances.

attributable to Mexican migrants who live in the United States. Nearly five million households and more than 11 million adults receive remittances from family members outside of Mexico, according to data from the Center for Latin American Monetary Studies, EFE reported. "Solid workers' remittance flows have been adding support to the current account and to private consumption," Alberto Ramos, managing director and head of Latin America economic research at Goldman Sachs, said in a research note. Low-income families, Ramos said, "have a high propensity to consume and are the overwhelming recipients of such transfers." He expects that there will be a moderation in remittance flows to Mexico in the coming quarters, given the United States' moderating activity and income growth profile.

Guatemala's Remittances Grow 25% in First Half

Guatemala's income from remittances during the first half of this year increased by 25 percent as compared to the same period last year, according to a report by the country's central bank, Prensa Libre reported July 9. From January to June of this year, remittances from family members abroad reached \$8.7 billion, \$1.75 billion more than the first six months of last year. Since March 2021, Guatemala has received more than \$1 billion in remittances

NEWS BRIEFS

El Salvador's Bukele Buys \$1.5 Million More in Bitcoins

Salvadoran President Nayib Bukele's government on June 30 purchased 80 more Bitcoins, each worth \$19,000, totaling more than \$1.5 million, the Associated Press reported. "Bitcoin is the future! Thank you for selling cheap," Bukele said in a Twitter posting following his announcement of the purchase. While El Salvador's Bitcoin investments have reportedly fallen in value by 56 percent, or about \$59 million, Finance Minister Alejandro Zelaya has said that the country has not suffered any losses as it has not sold any of its Bitcoins.

Authorities in Puerto Rico Suspend Operations of Euro Pacific Bank

Authorities in Puerto Rico said June 30 that they suspended the operations of Euro Pacific Bank amid allegations that the bank is involved in facilitating money laundering and offshore tax evasion, the Associated Press reported. The bank did not respond to a message from the AP seeking comment. The Office of the Commissioner of Financial Institutions of Puerto Rico suspended the bank's operations, saying it did not have adequate capital levels and compliance controls, The New York Times reported. "Euro Pacific has a long history of noncompliance," the office's commissioner, Natalia Zequeira Díaz, said in a statement.

Bid by Colombia's Gilinski for Argos Stake Fails

Colombian billionaire Jaime Gilinski's bid for a major stake in industrial conglomerate Grupo Argos has failed after it did not receive the required support of Argos shareholders, Reuters reported July 6. Gilinski, who owns GNB Sudameris Bank, had sought to acquire between 26 percent and 32.5 percent of Grupo Argos for \$4.28 per share.

from abroad each month, benefiting more than 6.2 million people, Prensa Libre reported. Most remittances to the Central American country come from Guatemalan nationals who live in the United States, Canal Antigua reported. The majority of the money coming from remittances goes to consumption, and a smaller proportion goes to the construction of improved livelihoods for those who receive the money from abroad, the television station reported. "Guatemalan migrants have one characteristic, and it is that they constantly send money to their family members to maintain them," said José Alfredo Blanco Valdés, the vice president of the Bank of Guatemala, Prensa Libre reported. Salvador Paiz, president of FUNSEPA and board member of FUNDESA in Guatemala City, told the Financial Services Advisor in a **Q&A** published Feb. 23 that increased remittances can lead to currency overvaluation. "Most of the income is dedicated to expenses, with little going toward savings, higher level education or other long-term investments," he said. "The outflow of migrants represents a talent drain for the country," he added.

Western Union, MercadoLibre Team Up on Remittances

Money transfer firm Western Union and e-commerce company MercadoLibre on July 6 announced that they have formed a new partnership for sending remittances digitally to Mexico, Reuters reported. "We are excited to announce more choices for customers sending money to Mexico," Western Union said in a tweet. "Our new partnership will allow families abroad to send money through us, while those in #Mexico can collect payments through @MercadoPago," it added. The agreement will allow senders outside of Mexico to use Western Union to transfer money to recipients in the country, who would then be able to collect the money through Mercado Pago, the digital finance unit of MercadoLibre, the two companies said, Reuters reported. "The amount of time we save people who don't have to go to a physical location to pick up the remittance,

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longer in the United States and continue to send money. Altogether, these three factors explain the increased inflow of remittances. The logic behind these numbers stride from internal dynamics in Mexico due to slow modernization and growth, continued polarization and family unification. Other intervening factors include the increased cost of living. Mexico, like other countries in Latin America, is experiencing continued remittance growth, partly as migration is resulting as a factor of family economic necessity in light of poorly performing economies and governments in these countries. Countries such as Nicaragua, Guatemala and Honduras are also leading with two-digit growth in remittances, which dovetails with deteriorating conditions in those places."

A **Julia Yansura, program director for Latin America & the Caribbean at Global Financial Integrity:**

"Remittance growth is being driven by economic need and inflation in Mexico, coupled with a relatively strong dollar and more frequent sending patterns among migrants in the United States. May is typically one of the biggest months of the year for remittances to Mexico due to Mother's Day, but this year has broken all previous records. To understand what is going on, it helps to analyze factors such as migration flows, economic conditions in home and host countries, as well as the sending method, frequency and principal (the average amount per transaction). In this case, data from Mexico's central bank indicates that from May 2021 to May 2022, the principal grew by 4 percent and the number of transactions by 10 percent. In a context of low migration, this suggests that Mexican migrants are sending nearly the same amount per transaction, but much more frequently. This corresponds with an increased use of online and mobile remittance platforms, which make sending more convenient. Meanwhile, Mexico's annual inflation rate is nearly 8 percent while salaries have struggled to keep

up, meaning that the increase in remittances will help recipient families meet basic living expenses. At the same time, the dollar was quite strong against the peso for much of May, allowing recipients to receive slightly more pesos for every dollar sent. All of this has contributed to the historic high of \$5.17 billion."

A **Nicolás Mariscal, member of the Advisor board and chairman of Grupo Marhnos in Mexico City:**

"There are three possible reasons remittances to Mexico have soared: more Mexicans are sending remittances, the same number of Mexicans are sending more remittances or a combination of both. Around half of those trying to cross illegally into the United States are Mexicans, and the economic situation in Mexico is likely incentivizing Mexicans in the United States

“ **In the coming months, remittances will continue to increase, as poor economic conditions will push more Mexicans to reach the 'American dream'...**

— Nicolás Mariscal

to send more money to their families back home. Therefore, in the coming months, remittances will continue to increase, as poor economic conditions will push more Mexicans to reach the 'American dream,' and rising inflation will cause an increase in money sent to the country. Let's not forget that over the last 12 months, consumer prices increased by 7.99 percent, according to INEGI, and that the Bank of Mexico in June increased its key interest rate by 75 basis points to 7.75 percent. Inflation is here to stay for the foreseeable future. Remittances are crucial for the country, as they represent 4 percent of GDP, the second-largest source

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we think that's an important advantage, and ... you don't have to carry that cash from one place to another," said Pedro Rivas, the director of Mercado Pago in Mexico. Chains such as McDonald's, Domino's Pizza and Starbucks are among the stores that accept Mercado Pago in Mexico, the wire service reported. More than 70 percent of remittances sent to Mexico are collected in cash. Some 126 million inhabitants of Mexico lack a bank account, the companies said.

POLITICAL NEWS

Biden Administration Extends Status for Venezuelans in U.S.

The administration of U.S. President Joe Biden on July 11 extended legal immigration status for more than 340,000 Venezuelans in the United States until at least March 2024, The Hill reported. "As one of my first actions as secretary, I designated Venezuela for [Temporary Protect-

The extension will apply only to Venezuelans who arrived in the United States before March 8, 2021.

ed Status]," U.S. Homeland Security Secretary Alejandro Mayorkas said in a statement. "After careful consideration, and in consultation with the secretary of state, today I am extending that designation. This action is one of many ways the Biden administration is providing humanitarian support to Venezuelans at home and abroad, together with our regional partners. We will continue to work with our international partners to address the challenges of regional migration while ensuring our borders remain secure," Mayorkas added. The extension of Temporary Protected Status will apply only to Venezuelans who arrived in the United States before March 8, 2021. That leaves some

250,000 other Venezuelans who arrived later in the United States at risk of being sent back to Venezuela, the Associated Press reported. The Catholic Legal Immigration Network was one of about 200 organizations that had petitioned the Biden administration to expand TPS to include the more recently arrived Venezuelans, the AP reported. Its executive director, Anna Gallagher, called the administration's decision "misguided." The move "will put hundreds of thousands of Venezuelans who fled seeking refuge at risk—in violation of humanitarian principles as well as what we, as Catholics, believe is our

duty to shelter those in need," she said. Some five million Venezuelans have fled their country in recent years amid political and economic crises, the wire service reported. Venezuela is beset by high prices for food and medication as well as low wages and high inflation, the AP reported. While many Venezuelans have fled to neighboring countries in South America, others have gone to the United States, many to Florida. Many Venezuelans who have gone to the United States have applied for asylum, and their cases are still working their way through the courts, the AP reported.

Subscriber Notice

Cancer & Covid: New Challenges to Controlling Cancer in Latin America & the Caribbean

SPEAKERS

Anselm Hennis

Director, Department of Noncommunicable Diseases and Mental Health, PAHO

Cristian Herrera

Senior Health Specialist in the Health, Nutrition and Population Global Practice, World Bank

Mariana Rico

Regional Medical Director, Americas Health Foundation

MODERATOR

Alessandra Durstine

Board Member, Union Latina Americana para la Lucha Contra Cancer de la Mujer

Online Event

**Tuesday, July 26
11 a.m. - 12 p.m. EDT**

To RSVP, click [here](#).

NEWS BRIEFS

Bolsonaro, Lula Condemn Killing of Party Official

Brazilian President Jair Bolsonaro and former President Luiz Inácio Lula da Silva, who will face each other in the country's October presidential election, condemned the July 9 killing of a local official of Lula's Workers' Party, allegedly by a federal prison guard who supports Bolsonaro, the Associated Press reported July 11. The party official, Marcelo Arruda, was fatally shot as he celebrated his birthday in Paraná state. The alleged attacker, Jorge José da Rocha, remains hospitalized after Arruda returned fire.

Argentina's New Economy Minister Vows 'Order and Balance'

Silvina Batakis, Argentina's newly appointed economy minister, said July 11 that she is focusing on cutting the country's high fiscal deficit in an effort to stem heightening inflation, growing pressure on the peso and collapsing markets, Reuters reported. Pledging "order and balance," Batakis said Argentina will continue to follow through with commitments in its \$44 billion restructuring deal with the International Monetary Fund, including cutting energy subsidies and moving toward positive interest rates.

U.S. Border Agents Face Disciplinary Action After 'Unnecessary Use of Force'

U.S. Customs and Border Protection, or CBP, on July 8 released a report saying that Border Patrol agents on horseback last September engaged in "unnecessary use of force" against nonviolent and nonthreatening Haitian immigrants at the Rio Grande, along the Texas-Mexico border, the Associated Press reported. Four Border Patrol employees have been recommended for disciplinary action, CBP officials told journalists.

Nicaragua Jails Two Employees of La Prensa Newspaper

A court in Nicaragua has ordered two employees of daily newspaper La Prensa to be jailed for 90 days, and it was unclear what crime they were accused of committing, the newspaper reported July 9. The employees were taken to the El Chipote prison, where several opponents of President Daniel Ortega's government are being held. The jailing of the two employees came after La Prensa was one of the few local newspapers to report on the Ortega government's expulsion of the Mothers of Charity organization, which was established by Mother Teresa, the Associated Press reported. The two jailed employees work as drivers for the newspaper, and police also raided the homes of two reporters, according to the AP. The reporters had covered Nicaragua's outlawing of the charity and the expulsion of 18 of its nuns. Ortega's government ordered the charity closed in late June amid a broad crackdown against the government's opponents and virtually every nongovernmental organization not allied with Ortega, the wire service reported.

U.S. Imposes Visa Restrictions on 28 Cuban Officials

The U.S. State Department announced July 9 that it was imposing visa restrictions on 28 Cuban officials whom it said were involved in repression of the peaceful antigovernment protests that began on July 11, 2021. The sanctioned officials include high-ranking Cuban Communist Party members who are responsible for setting policies on national and provincial levels, the State Department said in a statement. "Instead of ensuring the safety of the Cuban people and respect for their freedoms of expression and peaceful assembly, these officials permitted or facilitated violent and unjust detentions, sham trials and prison sentences spanning decades for hundreds of

protesters," the State Department said. "Also covered are multiple officials who work in the state communications and media sectors who formulate and implement policies that restrict Cubans' ability to freely access and share information and who engage in the spread of disinformation," the State Department added. Following the protests, Cuban authorities arrested more than 1,400 people; 700 of them remain behind bars, The Washington Post reported, citing U.S.-based human rights groups Cubalex and Justicia 11J. Thousands of people have also fled Cuba since the protests.

ECONOMIC NEWS

Chilean Government Announces \$1.2 Bn Economic Aid Plan

Chilean President Gabriel Boric's administration on July 11 announced a \$1.2 billion economic aid plan to address the country's struggles with an economic slowdown and surging inflation, Reuters reported. Boric, who presented the plan alongside Finance Minister Mario Marcel, said the economic aid plan includes a one-time \$120 payment that would go to 7.5 million of Chile's inhabitants. The plan includes a program to boost formal employment, as well as a benefit for mothers of newborns. "We are making every effort to support the sectors most affected by this crisis without abandoning our commitment to fiscal responsibility," Boric said. Marcel said that the new measures "won't have an impact on inflation" because of their limited scope. The announcement of the new aid package came weeks after Boric's administration introduced a tax reform proposal for the South American country. Kathleen C. Barclay, the director of AmCham Chile, told the daily Latin America Advisor in a [Q&A](#) published July 11 that the plan is in line with Boric's commitment to social reforms and increased spending for regional development. "There is concern that the reform's timing ... will be detrimental to employment creation and investment," she said.

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of foreign exchange after the automotive industry. Millions of Mexican families depend on them.”

A **Tara Hariharan, managing director of global macro research at NWI Management LP:** “Mexico is the world’s second-largest recipient of remittances. Roughly 95 percent of remittances to Mexico originate from the United States, a fact that supported remittances through 2020 and 2021 as the U.S. economy quickly rebounded from the pandemic and Mexican immigrants were often essential workers who stayed employed throughout it. But this reliance on the United States may now temper future remittances to Mexico as U.S. recession risks loom, doubly prompted by aggressive Federal Reserve rate hikes to quell inflation and the end of pandemic-era consumer stimulus. Economic malaise also regrettably tends to spur U.S. xenophobia. Still, remittances should remain fairly robust as the U.S. labor market is still tight and Mexican immigrants often work in the services sector, which is still benefiting from pent-up consumer demand. Additionally, ascending U.S. interest rates have strengthened the dollar; remittances to Mexico increase when the dollar can buy more pesos. Furthermore, digital remittances are helping make transfers more convenient. Strong family ties should continue to bolster Mexican remittances; inflows seasonally surge every May for Mother’s Day and typically rise to support Mexican households whenever Mexican growth declines. Remittances help alleviate poverty in Mexico by smoothing basic consumer expenses such as food, clothing and health care. However, these flows cannot compensate for limited Mexican fiscal support for households or for declining domestic investment. In the long run, Mexico can reduce its reliance on remittances through structural reforms to support

its growth, productivity and competitiveness. Crucially, Mexico must ease the cost of doing business, improve governance and promote education.”

A **Hugo Cuevas-Mohr, director of Mohr World Consulting and IMTC Conferences:** “The increase in remittances to Mexico, as well as to Guatemala and Honduras, is at the top of every industry participant’s agenda. Inflation in Mexico weighs heavily on this volume increase. Factoring in inflation, the increase drops almost 50 percent to slightly below 10 percent. Jesús Cervantes of CEM-

“**World Bank data shows that Mexico has become the number two remittance-receiving country, bypassing China for the first time...**”

— Hugo Cuevas-Mohr

LA points out that the economic downturn of the Mexican economy also plays a role, as the need for financial support from families in Mexico is greater. Alberto Guerra, the CEO of Uniteller, points out that the increase in U.S. employment, both in the number of jobs and salary amounts, is also a contributing factor in the increase. World Bank data shows that Mexico has become the number two remittance-receiving country, bypassing China for the first time, while India remains in the top spot. The importance of remittances to Mexico has never been greater.”

The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org.

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