



# Economic impact of remittances during the global pandemic

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# *The economic impact of the pandemic in Latin America and the Caribbean migrants and remittances*

- **Pandemic and Migration:** There are 36 countries in the world that experience 94% of all COVID-19 cases as of May 15, and these same countries host 80% of all migrants worldwide.
- Migrants are 20% of the labor force in the US and Europe.
- Migrants living in these countries send 90% of all remittances;

COVID-19 Case Categories	COVID-19 Cases 5-15	Number of Migrant Hosts	Remittances 2019
Under 50	689.00	3,434,521	35,362,960,920.00
Fifty to 500	9,113.00	10,347,455	37,883,900,880.00
500 to 5000	106,684.00	34,273,508	112,054,713,120.00
Over 5000 (36 countries)	4,121,129.00	220,552,157	491,589,680,400.00
Total	689.00	268,607,641	676,891,255,320.00
China	82,249	1,030,871.00	
Share among main countries		82%	
<b>United States (foreign labor force)</b>	<b>605,354</b>	<b>33,000,000.00</b>	<b>148,665,000,000.00</b>

# Migrants financial and health vulnerabilities

- **Migrants are financially** and health vulnerable and their recovery is critical to remittance sending and economic growth both in their countries of origin as well as the countries in which they are currently living in which counts on them for labor and consumption;
- **Economic effect of the pandemic affecting migrants** has several facets:
  - Economic costs of medical treatment and recovery is higher by virtue of their income and lack of medical care/coverage;
  - Unemployment effect on them is severe: loss of jobs in certain categories ranges from 30 to 80%, those working are at risk of getting exposed, and the use of their limited liquid assets is to be exhausted in the short term—six months top;
  - So far we are estimating a minimum 10 to 20% job losses, 1 to 2.5 million;
  - Estimated job losses by quarter in 2020:
    - *Q1: 7%; Q2: 40%; Q3: 20%; Q4: 10%*
  - Critical occupations in the US economy were the most affected: service industry

# Migrants' occupations in the United States

Occupation-	Nationality	Mexico	South and East Asia	Europe/Canada	Caribbean	Central America	South America	Middle East	Sub-Saharan Africa	All other
<b>Total</b>		100	100	100	100	<b>100</b>	100	100	100	100
<b>Management and business</b>		5.68	16.53	20.02	8.64	<b>5.93</b>	12.91	16.15	10.79	20.92
<b>Office and administrative support</b>		6.59	9.02	10.01	11.03	<b>7.60</b>	10.80	9.22	9.31	11.20
<b>Education, arts and media</b>		2.61	6.97	10.37	4.89	<b>2.64</b>	7.34	9.83	5.77	9.41
<b>Installation, repair and production</b>		14.89	7.63	6.61	9.07	<b>12.29</b>	7.76	5.83	7.40	8.26
<b>Sales</b>		5.98	9.51	8.91	8.27	<b>6.16</b>	10.04	14.18	8.09	8.23
<b>Health care</b>		2.34	10.59	8.63	13.57	<b>3.32</b>	6.21	8.64	18.07	7.66
<b>Science and engineering</b>		1.23	16.00	9.63	2.72	<b>1.48</b>	4.79	10.22	6.07	7.13
<b>Other services</b>		4.07	7.03	5.51	8.30	<b>4.17</b>	6.15	5.39	8.79	5.59
<b>Transportation and material moving</b>		9.40	3.96	4.84	10.40	<b>9.49</b>	6.82	8.24	11.22	5.59
<b>Food preparation and serving</b>		10.32	6.37	4.00	5.69	<b>9.69</b>	6.40	5.05	4.09	4.79
<b>Building and grounds cleaning and maintenance</b>		13.14	2.34	3.35	7.71	<b>16.84</b>	9.69	1.85	4.24	4.65
<b>Legal, community and social services</b>		0.76	1.52	2.47	2.17	<b>1.23</b>	2.00	1.73	2.89	2.57
<b>Construction and extraction</b>		16.20	1.26	4.75	5.70	<b>16.44</b>	7.87	1.99	1.55	2.50
<b>Farming, fishing and forestry</b>		5.83	0.25	0.24	0.39	<b>1.65</b>	0.26	<0.05	0.25	0.90
<b>Unemployed</b>		0.89	0.87	0.55	1.30	<b>1.01</b>	0.83	1.61	1.39	0.50
<b>Military</b>		0.06	0.13	0.12	0.16	<b>0.06</b>	0.13	<0.05	0.11	0.10

# Assumptions informing a drop in flows...

- At least 13% of the total Latin American and Caribbean migrant labor force in the U.S. will be unemployed at the end of 2020 (3,009,365 million workers).
- Because job losses will fluctuate by quarter in 2020: Q1: 7%; Q2: 40%; Q3: 20%; Q4: 10%, then,
- Throughout 2020 and on balance among the unemployed: only 10% will use their savings (a stock of \$6000) to send money back home (in 2009 it was 25%).
- Thirty-five percent (35%) of those with jobs but still affected by the recession due to a two-month temporary loss of work will send 10% less.
- This is a less drastic situation than what occurred in 2009; 45% of those in this same category sent 10% less. Remittances are 5<sup>th</sup> priority among migrants financial obligations (housing, food, bills, debts, remittances).
- Sixty-five percent (65%) of those with jobs who are somewhat affected by the recession will continue to send as they would prior to the pandemic.
- Working less hours or days during an extended period.

# ESTIMATES OF REMITTANCES FROM THE US IN 2020 (75% of all flows to Latin America and the Caribbean)

Age group	Ages 16-60	Over 60	Total
Pop. Numb.	19,139,450	3,377,550	23,192,510
Pop.	82%	12%	94%
At Risk	15%	70%	
Labor force	12,361,607.83	1,809,015.78	15,075,131.50
exepcted Job loss	2,557,961	451,405	3,009,365
Unemp.rate resulting from the pandemic and recession (excluding those already unemployed)	13%	13%	27%
Migrant remitters in 2020 (excluding the unemployed)	10,717,514	1,568,417	12,285,930.67
Average remitted	385	385	385
Remittances sent in 2019	\$ 66,019,886,170	\$ 9,661,446,757	\$ 75,681,332,926
Remittance behavior (% unemployed who would stop remitting)	1,841,732	325,011	2,166,743.08
Among among those unemployed who would try to send	\$ 70,906,667	\$ 12,512,941	\$ 83,419,609
Remittance behavior (others, 35% of people would send 10% less)	3,751,130	548,946	\$ 4,300,076
Amount among those sending less	\$ 20,796,264,143	\$ 3,043,355,728	\$ 23,839,619,872
Amount among all others	\$ 42,912,926,010	\$ 6,763,012,730	\$ 49,675,938,740
Total 2020	\$ 55,271,296,752	\$ 8,317,328,446	\$ 63,588,625,197
Remittance behavior (amount lost among unemployed who would stop remitting)	8,508,800,070	1,501,552,953	10,010,353,023
Growth in 2020 from the US			-16%

# Global impact of the crisis on remitting

- The drop will be drastic considering the potential that unemployment may last more than 9 months since March.
- More than 60% of all migrants worldwide are living in countries that are most affected by the pandemic.
- Their job losses, which now are above 40% may drop to 20% unemployment by the end of 2020.

COVID-19 Case Categories	Under 50	Fifty to 500	500 to 5000	Over 5000 (36 countries)	Total 4/14	United States (foreign labor force)
Remittances 2019	35,362,960,920	37,883,900,880	112,054,713,120	491,589,680,400	676,891,255,320	148,665,000,000
Expected 10% unemployment	1,262,963	811,798	2,401,172	10,534,065	14,504,813	1,887,202
Expected 20% unemployment	2,525,926	2,705,993	8,003,908	35,113,549	48,349,375	5,800,000
Drop in Remittances A	30,571,279,715	34,046,261,721	100,703,570,681	441,791,645,775	608,322,171,156	138,301,916,178
Drop in Remittances B	<b>27,547,746,557</b>	<b>29,511,558,786</b>	<b>87,290,621,520</b>	<b>382,948,361,032</b>	<b>527,298,287,894</b>	<b>128,393,600,000</b>

The countries of origin where these migrants come from are not in the best of their place to face the pandemic.

Economically, in particular the most remittance dependent countries (over 5% of GDP), are facing severe structural weaknesses:

- \* These countries are poorer,
- \* less democratic,
- \* with lower growth and higher inflation,
- \* with very informal economies
- \* with lower health care capacity and
- \* less competitive in the global economy.

	Under 1%	Between 1 and 5%	Over 5%	Latin America and Caribbean
Global Health Index <sup>a</sup>	51.2	41	38.2	39.9
Population ages 65 and above (% of total population) <sup>b</sup>	11.53	9.76	7.03	8.32
Democracy Index <sup>c</sup>	6.59	5.59	5.06	6.43
Tourism % of total exports <sup>b</sup>	12.73	18.17	25.78	23.53
Personal remittances, received (% of GDP) <sup>b</sup>	0.32	2.62	11.61	6.23
Economic Complexity Index <sup>d</sup>	0.32	0.04	-0.31	-0.15
Government measures addressing COVID-19	121	102	79	71
Per Capita GDP <sup>b</sup>	28,959	11,005	3,221	8,366
Share of rural areas <sup>b</sup>	28.82	46.13	49.57	38.19
Share of migrants to pop. <sup>b</sup>	6%	10%	16%	19%
Social Progress Index	59.94	49.66	48.43	47.27
Govt. Expenditure <sup>b</sup>	17%	17%	13%	12%

Source: data compiled by the author. a Global Health Security Index 2019, Economist Intelligence Unit; b World Bank Development Indicators; c Democracy Index, Economist Intelligence Unit; d The Atlas Of Economic Complexity.



# Impact in Latin America and the Caribbean

- The outflow of money is expected to decline and affect countries with the most economic dependence on the flow.
  - A -20% drop of remittances translates into a USD 17 billion decline in remittances not sent and 4-5 million households not receiving.
  - It is important to consider that flows to LAC originate from the US (75%, 50% of migrants); IAC (10%, 30% of migrants) Europe and rest of world (15%; 20% of migrants);
  - **Fragile states** will be most affected and are also countries that will take longer to recover from the pandemic, therefore will take much longer to recover.
  - Currently we are looking at a GDP drop from -3 to -8% for many countries, those in Central America and the Caribbean will be hardest hit because of their dependence on remittances, tourism, agricultural trade, all of which are 50% of GDP and are expected to conservatively drop from 15 to 30%.

<b>Indicators</b>	<b>Migrant remitters</b>	<b>Job losses among remitters (12% + Unemployment)</b>	<b>Increase of new migrants in 2020 (1.3%)</b>	<b>Remittance behavior (90% of the unemployed who would stop remitting)</b>	<b>Net remitters in 2020</b>	<b>Remittances sent in 2019</b>	<b>Average remitted</b>	<b>Remittance Behavior (others, with jobs, of which 35% of people would send 10% less)</b>	<b>Amount among all others sending same as last year but no more</b>	<b>Expected volume in 2020</b>
<b>Nicaragua</b>	750,000	135,000	757,500	121,500	636,000	1,700,000,000	2,267	454,104,000	937,040,000	1,391,144,000
<b>El Salvador</b>	1,040,673	166,508	1,051,079	149,857	901,222	5,650,270,000	5,429	1,541,337,153	3,180,536,983	4,721,874,136
<b>Guatemala</b>	1,500,000	240,000	1,515,000	216,000	1,299,000	10,508,307,400	7,006	2,866,561,176	5,915,126,235	8,781,687,411
<b>Honduras</b>	850,000	136,000	858,500	122,400	736,100	5,424,037,908	6,381	1,479,623,301	3,053,190,938	4,532,814,239
<b>R. Dom.</b>	897,793	143,647	906,771	129,282	777,489	7,103,181,292	7,912	1,937,676,825	3,998,380,749	5,936,057,574
<b>Ecuador</b>	681,803	122,724	688,621	110,452	578,169	3,250,250,092	4,767	868,206,805	1,791,537,851	2,659,744,655
<b>Costa Rica</b>	125,000	15,000	126,250	13,500	112,750	518,197,025	4,146	147,235,321	303,818,916	451,054,237
<b>Mexico</b>	7,399,547	1,183,928	7,473,543	1,065,535	6,408,008	36,045,524,000	4,871	9,832,858,492	20,290,025,460	30,122,883,952
<b>Haiti</b>	1,585,681	317,136	1,601,538	285,423	1,316,115	3,346,270,000	2,110	874,882,292	1,805,312,665	2,680,194,957
<b>Colombia</b>	2,869,032	516,426	2,897,722	464,783	2,432,939	6,772,510,000	2,361	1,809,072,871	3,733,007,512	5,542,080,383
<b>Jamaica</b>	913,896	146,223	923,035	131,601	791,434	2,376,130,000	2,600	648,184,503	1,337,523,577	1,985,708,080
<b>Venezuela</b>	2,835,000	567,000	2,863,350	510,300	2,353,050	3,115,900,211	1,100	815,331,825	1,682,430,750	2,497,762,575
<b>Bolivia</b>	570,837	102,751	576,546	92,476	484,070	1,318,220,000	2,309	352,122,926	726,602,864	1,078,725,790
<b>Brazil</b>	1,047,000	167,520	1,057,470	150,768	906,702	7,962,000,000	7,605	2,171,953,980	4,481,809,800	6,653,763,780
<b>Paraguay</b>	697,310	111,570	704,284	100,413	603,871	568,430,000	815	155,062,020	319,969,247	475,031,267
<b>Peru</b>	1,210,336	193,654	1,222,439	174,288	1,048,151	3,325,920,000	2,748	907,277,717	1,872,160,368	2,779,438,085
<b>Other nationalities</b>	3,121,576	499,452	3,152,791	449,507	2,703,284	4,054,926,576	1,500	1,277,301,871	2,635,702,274	3,913,004,145
<b>All migrant remitters</b>	28,095,484	4,764,538	28,376,438	4,288,084	24,088,354	103,040,074,504	3,667	28,138,793,076	58,064,176,189	86,202,969,266

# The remittance market so far, differences between the two first months of the pandemic

- In March the industry trends showed a sudden drop of offline transfers from 30 to 80%, for a -50% average and increases in over 150% in online transfers;
- This means that those that are still able to remit are turning towards online methods to do so.
- Moreover efforts to ensure money collection were taking place but difficult.
- However the pattern has been uneven: Mexico 18% growth in March, El Salvador -7%; Guatemala -10%.
- In April, offline companies reported a different trend to -10%% instead of the sudden drops;
- Online companies continued to grow to over 150%
- Interviews with migrants show that they are still coping with sending but uncertain in the short term;
- On average for the two months, considering that 75% of transfers are offline, a -25% drop in offline (12 million transactions) and a 150% increase in online yields (5.5 million transactions): -18% drop

# Digital transfers to Latin America and the Caribbean

País	Promedio de transferencia	p2p	Proporcentaje de cuentas bancarias en EEUU (%)	Mercado potencial de remesas digitales outbound	Mercado activo digital outbound	Depósitos en cuentas (offline-online) en el país de origen	2020
Region	387	21,230,999.51	72%	15,239,518.01	3,610,000.00		
Mexico	325	7,013,542.44	70	4,909,480	2,812,000	20%-35%	4,000,000
Colombia	220	1,797,970.31	87	1,564,234	267,000	40%-70%	500,000
Guatemala	420	968,507.59	53	513,309	220,000	30%	350,000
El Salvador	305	907,370.22	67	607,938	165,000	35%	
Dom. Republic	260	1,170,854.06	76	889,849	146,000	10%	
Honduras	260	953,676.99	45	429,155	120,000	15%	
Argentina	320	111,010.70	80	88,809	NA		
Belize	220	29,435.87	80	23,549	NA		
Bolivia	235	376,500.19	80	301,200	NA		
Brazil	541	360,066.44	80	288,053	NA		
Costa Rica	301	114,772.32	80	91,818	NA		
Cuba	150	816,820.20	90	735,138	NA		
Ecuador	293	739,533.58	72	532,464	NA		
Guyana	179	133,978.41	90	120,581	NA		
Haiti	180	1,165,420.84	45	524,439	NA		
Jamaica	209	792,989.39	90	713,690	NA		
Nicaragua	133	681,639.63	70	477,148	NA		
Panama	196	173,305.90	90	155,975	NA		
Paraguay	263	144,089.53	90	129,681	NA		
Peru	250	889,614.92	70	622,730	NA		
Suriname	220	165.15	90	149	NA		
Trinidad and Tobago	200	48,547.91	90	43,693	NA		
Uruguay	198	34,867.95	90	31,381	NA		
Venezuela, RB	138	1,806,318.96	80	1,445,055	NA		

Los datos de los corredores de los seis países que tienen información disponible muestran que el 25% de las transferencias en línea se depositaron en cuentas bancarias.

Las transferencias 'offline' originadas por agentes también realizan depósitos en cuentas bancarias, a un mínimo del 10% de las cuentas de los beneficiarios

En Nicaragua, una empresa pagadora creció de 3% a 10% en depósito a billetera móvil

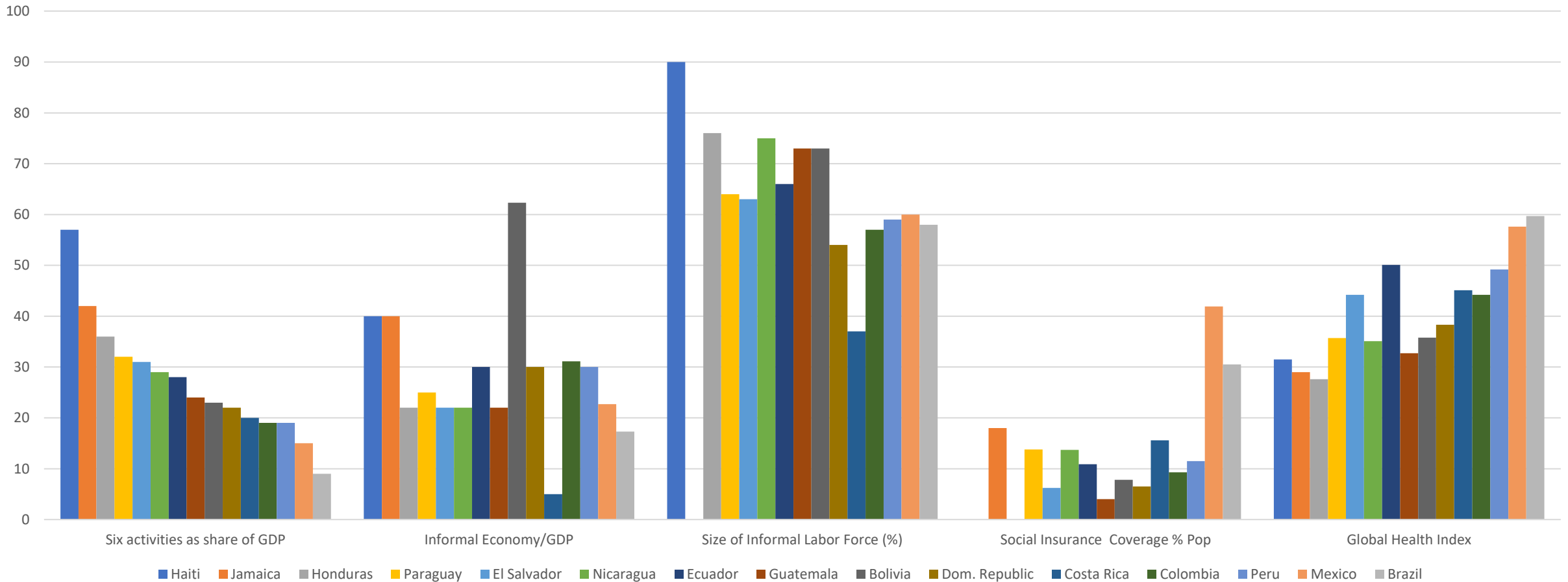
# Remittances as of April 2020

US-LAC	Market share	February	March	April
Offline, C2c	75%	16,672,500.00	8,336,250.00	11,670,750.00
Online	25%	4,000,000.00	6,000,000.00	7,200,000.00
	P2P Transactions	20,672,500.00	14,336,250.00	18,870,750.00
			-31%	-9%
USA-LAC	Principal	February	March	April
Offline, C2c	320	5,335,200,000.00	3,167,775,000.00	3,734,640,000.00
Online	350	1,400,000,000.00	2,400,000,000.00	2,520,000,000.00
	Volume	6,735,200,000.00	5,567,775,000.00	6,254,640,000.00
Growth			-17%	-7%

US-Mexico	Market share	February	March	April
Offline, C2c	63%	4,410,000.00	2,205,000.00	3,087,000.00
Online	37%	2,812,000.00	4,218,000.00	4,218,000.00
	P2P Transactions	7,222,000.00	6,423,000.00	7,305,000.00
			-11%	1%
USA-LAC	Principal	February	March	April
Offline, C2c	320	1,411,200,000.00	771,750,000.00	987,840,000.00
Online	350	984,200,000.00	1,518,480,000.00	1,476,300,000.00
	Volume	2,395,400,000.00	2,290,230,000.00	2,464,140,000.00
Growth			-4%	3%

## The economic challenge:

Fiscal fixes are limited given the structural weaknesses in the region  
For more than 10 LAC countries 80% of GDP consists of informality and six globally connected activities (remittances, tourism, maquila, energy/mining, agr. exports);  
These countries also face very weak social insurance and health capacities



# *Economic crisis in Central America:*

## -6% regional growth

- The crisis shaping the world is not structural in nature, but its weakness is;
- It therefore directly affects household consumption across all social sectors;
- In Latin America and the Caribbean household consumption is shaped by the labor force composition vis a vis the economic growth models: low economic complexity and high informal economies;
- The crisis will affect household consumption in at least 60 days loss of income (18% drop annual) among those in the informal labor force or businesses (65%+; 70%):
  - [80% of remittance recipients include households in the informal economy]
  - The informal sector contributes 20% of GDP
  - As of May 15, average day loss of work was 39 for all of Latin America and the Caribbean
- More than 70% of the labor force and businesses in the formal sector are tied to the global economy (tourism, free trade zones, agricultural exports, predominantly); and the rest in government jobs (10% of the formal labor force works in government):
  - a drop in 20% in external factors (exports, tourism, remittances) will affect consumption consequently among those in the formal sector of the economy (which contributes 80% of GDP)
- In turn the Central American region will experience at least -6% growth

# Economic growth projections

Country	Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua	Central America
Households Final Consumption Expenditures % of GDP	63	83	88	79	71	78%
Labor force (%)	62	60	61	66	65	62
Size of Informal Economy %	42	63	73	76	75	74%
Informal labor force	1,039,090	1,754,333	5,277,046	3,486,742	2,283,746	13,840,956
Households	1,428,412	1,834,498	4,927,945	2,739,292	1,847,289	12,777,436
HHY	26,728	11,809	13,979	6,945	5,038	12,292
Inf.Labor x HH	32%	43%	48%	57%	55%	48%
Informal contribution	8,979,312,045	8,805,385,045	35,107,700,620	13,698,725,531	6,321,124,121	72,912,247,361
Share of hh consumption of informal workers	24%	41%	51%	72%	68%	46%
80% loses 60 days income weighted with emergency income	1,122,414,006	1,100,673,131	4,388,462,577	1,712,340,691	790,140,515	9,114,030,920
Informal sector losses relative to GDP	2%	0.7%	3%	3%	4%	3%
Net remitters (controlling for 15% drop in senders)	112,750	901,222	1,299,000	736,100	636,000	3,685,072
Households informal	90,200	720,978	1,039,200	588,880	508,800	2,948,058
Losses within hh	(67,142,788)	(928,395,864)	(1,726,619,989)	(891,223,669)	(308,856,000)	(3,922,238,310)
Total losses informal economy	1,055,271,218	172,277,267	2,661,842,588	821,117,022	481,284,515	5,191,792,610
Labor formal force	1,434,934	1,035,636	1,973,635	1,127,792	764,907	2002854483%
HH Consumption formal sector	29,199,814,740	12,858,764,955	33,778,922,957	5,325,183,902	2,984,619,829	84,147,306,383
20% drop external sector	2,452,782,225	949,929,043	1,884,334,136	1,003,464,714	909,350,059	7,199,860,177
Relative to GDP loss within the formal economy	4%	4%	2%	4%	7%	4%
Two external sector factors	3,270,376,300	1,266,572,058	1,884,334,136	1,003,464,714	909,350,059	8,334,097,267
Govt Consumption (no change assumption)	21,950,979,331	4,392,850,000	9,573,824,343	4,945,980,998	3,812,101,467	44,675,736,139
GDP 2020	56,622,052,673	24,934,793,690	73,914,271,195	22,145,308,694	11,727,210,843	189,343,637,096
Expected Growth 2020	-6%	-4%	-6%	-8%	-11%	-6%



# Issues to address as mode of solution

- Economic recovery depends on 3 key issues: *stimulus package, consumption resuming, control of the pandemic*;
- With slowed growth among the informal sector, migration will resume in late 2021 and depends on which regulatory environment will be in place to prevent foreigners to enter the US.
  - In Central America being informal increased the likelihood of a person migrating.
- Strategic short-term Solutions
  1. Because most subsidy beneficiaries are household led by someone in the informal economy, any support should include a basic minimum business registration;
  2. The time to establish equivalents for Community Reinvestment Act in the region is important as it will secure some minimum investments in economically less productive sectors;
  3. Increasing credit to registered microenterprises can lead to increases in household consumption and demand
  4. Bankarization and financial Access through digital technologies is in its momentum: digital financial services (digital point of sale terminals for kiosks, pulperías, tiendas, mobile wallets to remittance recipients and people on payroll) will help reduce inequality: those with financial access are over 15% wealthier than their counterparts in the same cohort.
  5. Invest in new markets in the knowledge economy, reducing the size of the informal economy and diversifying global dependence;
  6. Strengthen the link between migration and development:
    1. Savings formalization;
    2. Increase financial services to remittance recipients
    3. Invest in nostalgic trade and other innovative activities