

[Back to previous page](#)



document 1 of 1

LATIN AMERICA: Remittances may reach new record

OxResearch Daily Brief Service. (Jun 11, 2015).



Find a copy



http://sfxhosted.exlibrisgroup.com/nps?url_ver=Z39.88-2004&rft_val_fmt=info:ofi/fmt:kev:mtx:book&genre=unknown&sid=ProQ:OxResearch&atitle=&title=LATIN+AMERICA%3A+Remittances+may+reach+new+record&issn=&date=2015-06-11&volume=&issue=&spage=1&au=&isbn=&jtitle=&btile=LATIN+AMERICA%3A+Remittances+may+reach+new+record&rft_id=info:eric/&rft_id=info:doi/

Abstract

Remittance inflows into Latin America.

Remittances to Latin America and the Caribbean (LAC) reached a record high in 2014, rising by 5.3% year-on-year. The increase was driven by larger amounts of money sent by migrant workers back to Mexico, Central America and the Caribbean; remittances to South America registered a small decrease compared to the previous year.

Full text

SUBJECT: Remittance inflows into Latin America.

SIGNIFICANCE: Remittances to Latin America and the Caribbean (LAC) reached a record high in 2014, rising by 5.3% year-on-year. The increase was driven by larger amounts of money sent by migrant workers back to Mexico, Central America and the Caribbean; remittances to South America registered a small decrease compared to the previous year.

ANALYSIS: Impacts.

Remittances growth will depend on economic and labour conditions in host countries, as well as migratory flows.

Stronger remittances growth will have a positive impact on millions of poor families.

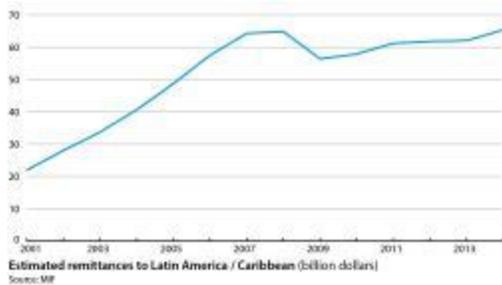
Economies where remittances represent a large share of GDP also benefit from increased private consumption.

A faster-growing remittances market offers opportunity for banks and financial institutions to incorporate new clients.

LAC is one of the regions that receive most remittances annually. They represent a significant share of GDP for a number of countries in LAC, and these flows are also larger than foreign direct investment (FDI) in several nations -- especially poorer countries (see LATIN AMERICA: Remittances set for strong recovery - May 20, 2014).

In 2014, remittances to LAC rose from 62.1 billion dollars in 2013 to a record high of 65.4 billion dollars, according to the Multilateral Investment Fund, a member of the Inter-American Development Bank (IDB) Group. The previous record of 64.9 billion dollars had been set in 2008.

Remittances had increased at a strong annual pace from 2001, when they totalled 21.9 billion dollars, until 2008. They then dropped sharply in 2009 due to the global financial crisis. The flow of money from LAC migrants began to recover in 2010 and 2011, but showed virtually no growth during 2012-13.



The return to faster remittances growth last year was driven by significant increases in the money sent to Mexico (8.0%), Central America (7.4%) and the Caribbean (6.3%), according to MIF:

Most of the migrant workers from these sub-regions live in the United States and benefitted from a better-performing economy and labour market.

MIF calculates that average weekly wages for LAC migrants in the United States reached the highest level -- 594 dollars -- for 14 years in 2014.

There were an estimated 21.8 million LAC migrants in the United States at end-2014, up 6.2% year-on-year, which may partially explain the rise in remittances. However, many migrants from South America still work in the troubled Spanish economy, and remittances to this sub-region saw a 1% drop.

MIF predicts that LAC remittances will grow at a similar or higher rate (7-8%) this year as economic and working conditions are expected to improve further in the United States, and gradually also in Spain.

Mexico leads the way.

Mexico is one of the largest recipients of remittances in the world, together with India, China and the Philippines -- and by far the largest in LAC.

Mexicans account for more than half of LAC migrants in the United States. In 2014, remittances to Mexico reached 23.6 billion dollars (more than a third of the regional total), followed by Guatemala (5.5 billion), the Dominican Republic (4.5 billion), El Salvador (4.2 billion) and Colombia (4.0 billion).

Remittances are one of the most important sources of foreign currency inflows for Mexico alongside oil exports, tourism and FDI (see MEXICO: Conservative 2015 budget sees FDI increase - September 9, 2014).

The region's second-largest economy is likely to benefit this year from continued remittances growth: the latest preliminary figures from the central bank show that remittances reached 5.7 billion dollars in the first quarter, up 5% year-on-year.

This may help to boost sluggish private consumption, as low-income families are the primary recipients and tend to use that money for consumption.

Cuba remittances could double.

The recent improvement in Cuba-US relations could result in a doubling of remittances due to the partial liberalisation of financial restrictions (see CUBA: 'Opening' will be gradual and limited - June 1, 2015).

Remittances from the United States to Cuba totalled some 770 million dollars last year and could increase to 1.4 billion dollars by end-2016, according to estimates by Washington-based Inter-American Dialogue (IAD).

These estimates show strong growth potential for both the number of Cubans sending money home and the average amount of money sent annually. According to IAD:

the number of US-based Cuban remitters could increase from the current 594,000 to 702,000 by end-2016; while

the annual average amount sent by remitters to Cuba could climb from 1,250 dollars at present to 2,400 dollars.

IAD expects this increase to be positive for the troubled Cuban economy, leading to greater private consumption, savings and investment. Higher disposable income would generate stronger demand for food and daily household items, in turn potentially boosting productivity and international trade.

More than 70% of households receiving remittances in Cuba have average savings of around 700 dollars -- and both savings and the number of people able to save are set to increase.

Surveys by IAD show that around 30% of Cuban recipients want to invest in a business and that more than half of these expect to use money sent by relatives in the United States for this purpose.

The estimated increase in remittances could see 25,000-35,000 new and existing businesses in Cuba receive up to 250 million dollars in fresh financing.

The promise of remittances.

Remittances are a vital source of additional income for millions of low-income families in LAC. Most of this money is spent on basic necessities, including food, clothing, housing and medicine.

However, there is potential for remittances to become the first contact with the formal financial system for many poor people. Through this contact they can start to build up savings and gain access to other products and services that could help reduce their financial vulnerability.

This could also help improve low levels of bank penetration and financial inclusion, as well as help to reduce high levels of cash usage in many economies.

MIF experts have recommended a number of steps to increase progress, including:

regulations to allow private sector innovation to facilitate greater inclusion of remittances clients into formal financial systems;

a stronger focus on creating products and distribution channels that consider the needs and preferences of the recipients of remittances;

increased financial education to help poor people make sound financial decisions; and

provision of more information on remittances so that financial institutions can better understand the dynamics of these large cross-border flows.

The lowering of costs for sending remittances through increased use of internet and mobile phones will also contribute to a greater development impact of these flows. The average cost of sending 200 dollars on a regional level dropped from 8.4% in 2008 to 6.0% in 2014.

This represents significant progress, but there is still room for lower costs -- especially through greater use of technology.

CONCLUSION: LAC could see similar or even higher growth in remittances this year due to the expectation of improving economic and labour conditions in the United States and Spain -- home to the majority of migrants from the region.

Copyright Oxford Analytica Ltd. 2015. No publication or distribution is permitted without the express consent of Oxford Analytica.

Details

Subject	Economic conditions; Industry; Social conditions & trends; Banking industry; Employment; Financial institutions; Immigration; Poverty; Wages & salaries
Location	Latin America, Caribbean area, Cuba, Mexico, Central America, Spain, United States, US
Classification	9173: Latin America 1110: Economic conditions & forecasts 1220: Social trends & culture
Identifier / keyword	Latin America, Caribbean area, Cuba, Mexico, Central America, Spain, United States, US, Economic conditions, Industry, Social conditions & trends, Banking industry, Consumer, Employment, Financial institutions, Immigration, Poverty, Wages & salaries
Title	LATIN AMERICA: Remittances may reach new record
Publication title	OxResearch Daily Brief Service

Pages	n/a
Publication year	2015
Publication date	Jun 11, 2015
Year	2015
Publisher	Oxford Analytica Ltd
Place of publication	Oxford
Country of publication	United Kingdom
Publication subject	Business And Economics
Source type	Reports
Language of publication	English
Document type	News
ProQuest document ID	1687391050
Document URL	http://libproxy.nps.edu/login?url=http://search.proquest.com/docview/1687391050?accountid=12702
Copyright	Copyright Oxford Analytica Ltd. 2015. No publication or distribution is permitted without the express consent of Oxford Analytica.
Last updated	2015-06-24
Database	ProQuest Central

Copyright © 2015 ProQuest LLC. All rights reserved. Terms and Conditions