



Economic impact of remittances during the global pandemic 2.0

Manuel Orozco

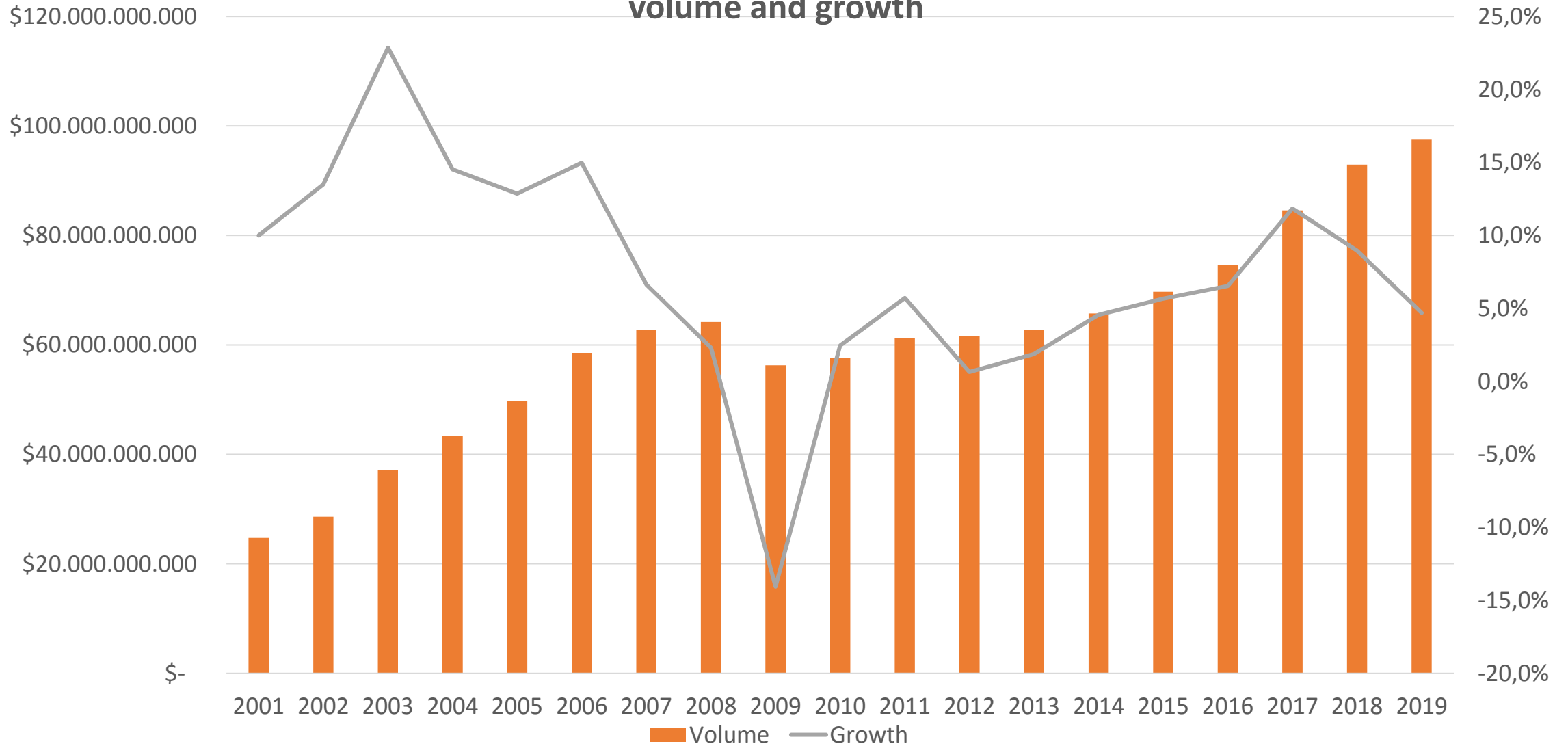
Creative Associates International

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Family Remittances to Latin America and the Caribbean, 2019

- Remittances reached nearly \$100 billion in 2019 (if Brazil is revised, remittances were over 100 billion)
- These flows grew less than 6%, and show slowing trend
- The main countries growing are places where political problems are driving migration
- Venezuela registers the highest growth followed by Honduras, Nicaragua, Guatemala and Haiti
- Despite the slowdown, these flows contributed to prevent greater economic shocks from the regional slowdown
- Relative to regional GDP, remittances are 2% for a second consecutive year in 2019 against near 0 GDP growth in the Americas
- Central America and the Caribbean are among the most income dependent on remittances
- 40 million households receive money in the Latin America and Caribbean region, of which 2.3 million are Venezuelans

Annual flows of Remittances to Latin America and the Caribbean: volume and growth

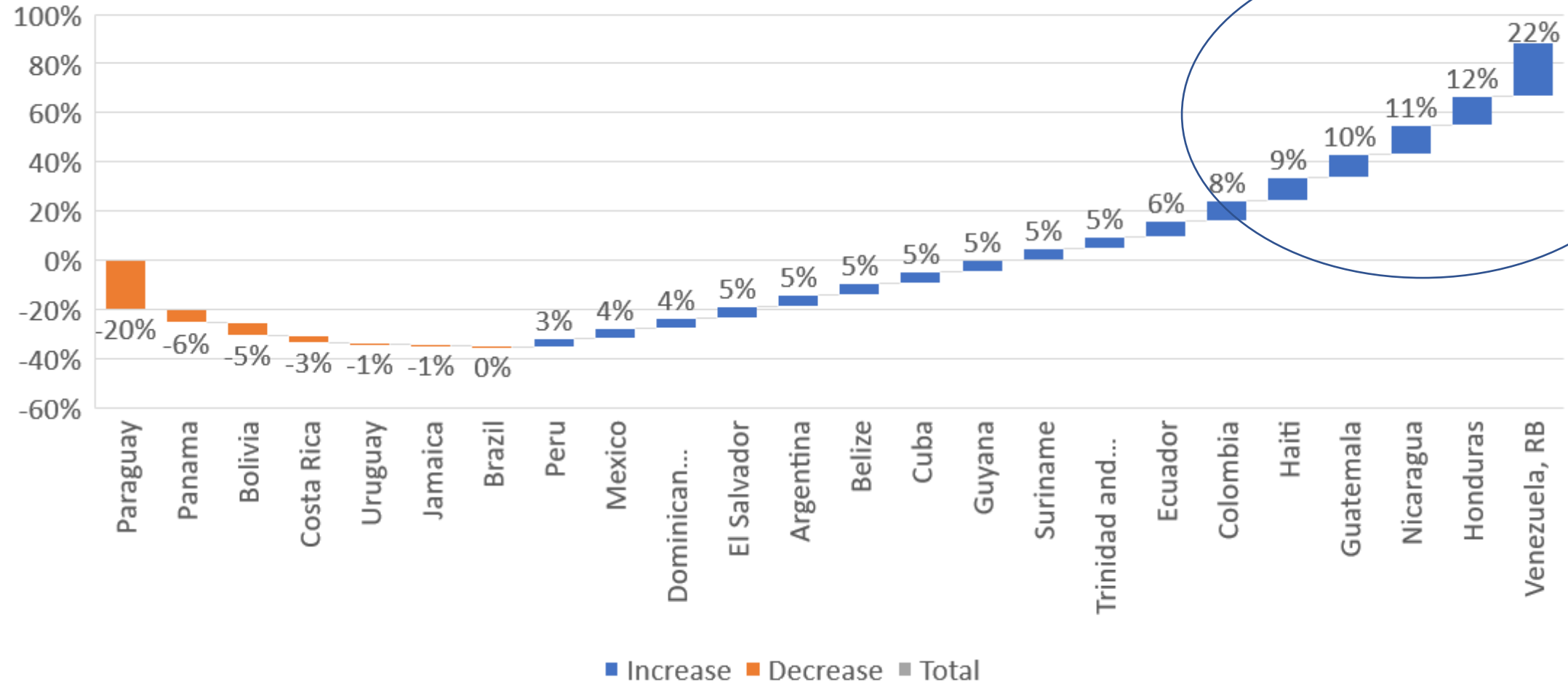


Remittances to Latin America and the Caribbean

Country Name	Volume 2019	Growth 2015	Growth 2016	Growth 2017	Growth 2018	Growth 2019	R/GDP 2019
Argentina	\$ 532,851,342	-2%	-26%	13%	11%	5%	0.1%
Belize	\$ 97,138,376	5%	12%	-7%	2%	5%	5.0%
Bolivia	\$ 1,327,163,177	1%	4%	11%	-1%	-5%	3.3%
Brazil *	\$ 2,921,939,191	9%	-6%	-2%	8%	0%	0.2%
Colombia	\$ 6,922,185,706	11%	5%	11%	13%	8%	2.0%
Costa Rica	\$ 518,197,025	-8%	-1%	3%	-5%	-3%	0.8%
Cuba	\$ 1,531,537,875	5%	0%	5%	5%	5%	1.5%
Dominican Republic	\$ 7,103,181,292	7%	6%	11%	9%	4%	7.9%
Ecuador	\$ 3,250,250,092	-4%	9%	8%	6%	6%	3.0%
El Salvador	\$ 5,650,270,000	3%	6%	9%	7%	5%	21.2%
Guatemala	\$ 10,508,307,400	11%	12%	12%	11%	10%	13.0%
Guyana	\$ 299,776,693	-9%	-12%	0%	6%	5%	7.4%
Haiti	\$ 3,471,982,906	10%	7%	13%	13%	9%	36.2%
Honduras	\$ 5,424,037,908	8%	5%	11%	10%	12%	22.0%
Jamaica	\$ 2,486,021,740	4%	3%	1%	2%	-1%	15.6%
Mexico	\$ 37,040,270,994	5%	9%	11%	9%	7%	3.0%
Nicaragua	\$ 1,699,838,818	5%	6%	9%	7%	11%	13.7%
Panama	\$ 509,519,333	-36%	-10%	6%	1%	-6%	0.8%
Paraguay	\$ 568,433,190	8%	16%	7%	-3%	-20%	1.4%
Peru	\$ 3,336,055,951	3%	6%	5%	5%	3%	1.5%
Suriname	\$ 545,007	-32%	-349%	-127%	-27%	5%	0.0%
Trinidad and Tobago	\$ 145,643,739	7%	-7%	-7%	3%	5%	0.6%
Uruguay	\$ 103,557,798	-8%	0%	14%	6%	-1%	0.2%
Venezuela	\$ 3,115,900,211				18%	22%	4.2%
Region...	\$ 97,488,650,606	6%	7%	12%	9%	5%	1.9%

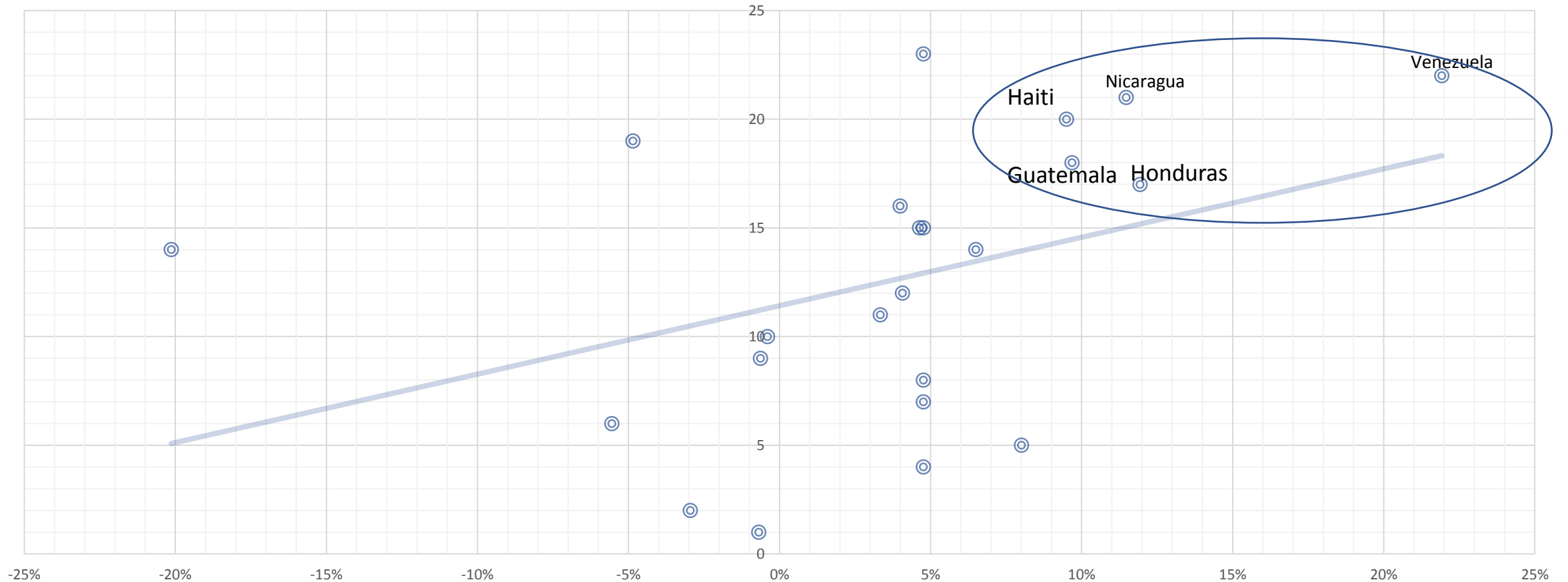
* author's estimate is US\$8 billion

2019 growth of remittances to Latin America and the Caribbean



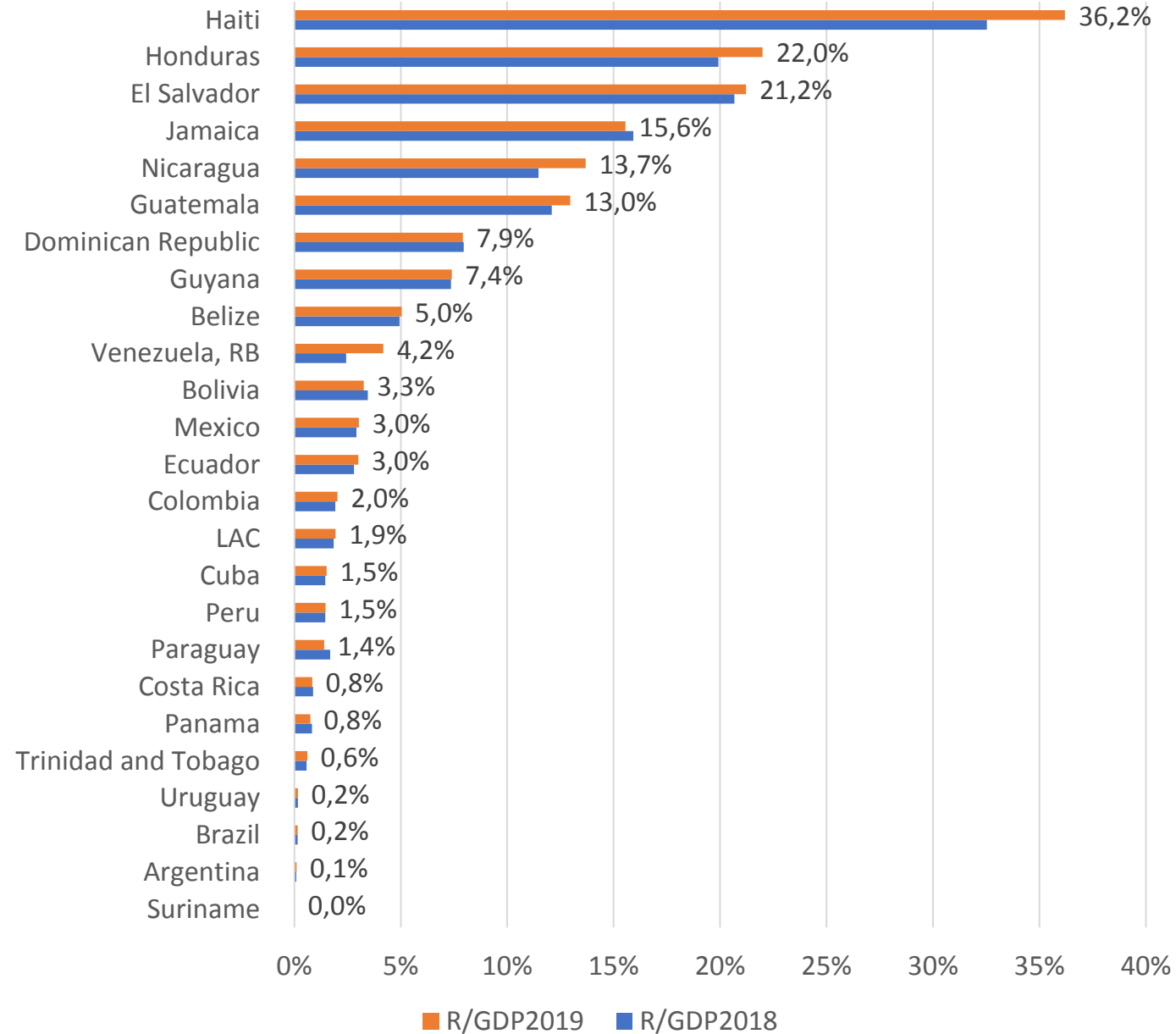
Most troubled countries in Latin America and the Caribbean are a key US foreign policy interest:
countries with the highest growth are also countries ranked highest (least democratic)

Growth of Remittances and Ranking in Democracy Index for Latin America and the Caribbean, 2019



The contribution of remittance growth impacts local economies

Income dependence on remittances: Remittances as share of GDP in 2019



Modernization of the payments industry in 2019

- Market share for **online payments** projected to increase to **at least 20%** of all money sent to the region by 2020.
- In 2009, less than 1% of all U.S. transfers to the LAC originated online. By 2022, this figure is projected to reach 30%.
- Remittance pick-up via digital wallets, mobile banking or account deposits were to grow transfers.

Market Share by Type of Payment Method	Colombia			Guatemala			Mexico		
Payment method	2015	2018	2019	2015	2018	2019	2015	2018	2019
Cash	72%	54%		77%	66%		82%	67%	
Digital*	28%	46%	50%	23%	34%	39%	18%	33%	37%
Total monthly transactions	489,000	598,000		760,000	850,000		6,393,600	6,880,000	7,100,000

Source: Authors' estimates based on data collected from news sources, company annual reports, and expert interviews.

** Includes transaction amounts from Xoom, Remitly, WorldRemit, and WesternUnion.com

Transferencias digitales Fintech basadas en LAC

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
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%
Colombia	220	1,797,970.31	87	1,564,234	267,000	40%-70%
Guatemala	420	968,507.59	53	513,309	220,000	30%
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

COVID 19 and Remittances

Migrants financial and health vulnerabilities

- **Many challenges were already being faced by migrants:**
 - Economic, social and labor vulnerability
 - Regularization
 - Anti-immigrant sentiment
- **Under Covid 19 financial** and health vulnerabilities heightened
- 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:
 - In the U.S. loss of jobs in certain categories has ranged from 10 to 30%; in Latin America and the Caribbean, migrant job losses are above 40%.
 - those working are at risk of getting exposed, and the use of their limited liquid assets is to be exhausted in the short term—nine months top;
 - So far in the U.S. we are estimating a minimum 10 to 20% job losses, 1 to 2 million, and 2 million for the rest.
 - In the US unemployment climbed from 4% in March to 18% in April, 13.5% in June and 12.9% in July;
 - Estimated job losses by quarter in 2020:
 - **Q1: 7%; Q2: 20%; 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
Total	100	100	100	100	100	100	100	100	100
Management and business	5.68	16.53	20.02	8.64	5.93	12.91	16.15	10.79	20.92
Office and administrative support	6.59	9.02	10.01	11.03	7.60	10.80	9.22	9.31	11.20
Education, arts and media	2.61	6.97	10.37	4.89	2.64	7.34	9.83	5.77	9.41
Installation, repair and production	14.89	7.63	6.61	9.07	12.29	7.76	5.83	7.40	8.26
Sales	5.98	9.51	8.91	8.27	6.16	10.04	14.18	8.09	8.23
Health care	2.34	10.59	8.63	13.57	3.32	6.21	8.64	18.07	7.66
Science and engineering	1.23	16.00	9.63	2.72	1.48	4.79	10.22	6.07	7.13
Other services	4.07	7.03	5.51	8.30	4.17	6.15	5.39	8.79	5.59
Transportation and material moving	9.40	3.96	4.84	10.40	9.49	6.82	8.24	11.22	5.59
Food preparation and serving	10.32	6.37	4.00	5.69	9.69	6.40	5.05	4.09	4.79
Building and grounds cleaning and maintenance	13.14	2.34	3.35	7.71	16.84	9.69	1.85	4.24	4.65
Legal, community and social services	0.76	1.52	2.47	2.17	1.23	2.00	1.73	2.89	2.57
Construction and extraction	16.20	1.26	4.75	5.70	16.44	7.87	1.99	1.55	2.50
Farming, fishing and forestry	5.83	0.25	0.24	0.39	1.65	0.26	<0.05	0.25	0.90
Unemployed	0.89	0.87	0.55	1.30	1.01	0.83	1.61	1.39	0.50
Military	0.06	0.13	0.12	0.16	0.06	0.13	<0.05	0.11	0.10

Unemployment
rates among
immigrants and
US-born adults
over 16 years old
(April 2020)

	Immigrants	US born
Leisure and hospitality	39.1%	37.6%
Personal and other services	26.0%	21.1%
Transportation and utilities	20.8%	10.2%
Retail trade	19.8%	17.9%
Construction	16.8%	15.1%
Education and social assistance services	15.7%	14.3%
Manufacturing	13.0%	13.1%
Wholesale trade	12.5%	8.8%
Information	11.7%	12.1%
Agriculture	11.6%	5.5%
Professional and business services	10.5%	9.4%
Health services	8.1%	8.1%
Mining, quarrying, and oil and gas extraction	7.9%	10.2%
Financial activities	6.0%	5.3%
Public administration	3.8%	4.8%

Remittance Transfer Trends According to Official statistics:

decline seems to be occurring more outside the U.S.

- Data between January to June pointed an average -6.6% drop in remittances so far.
- Money transfer companies registered drops in their transactions of at least -30% in March and April then recovering positively after May.
- Transfers from Latin America and the Caribbean (Chile, Panamá, Costa Rica, the D.R., Colombia) fell dramatically.
- Transfers from Europe are also lower than those from the U.S.
- Remittances to Haiti and Nicaragua from Europe and LAC fell -20% and -5% respectively;

Central Bank Inbound Worker Remittances between 01-06 2020

Country	YoY Growth (first six months 2020)	Migrts.US	Europe	Rest (mostly LAC)
Brazil	-28%	26%	70%	4%
Colombia	-5%	28%	38%	33%
Dominican Republic (July)	1%	70%	24%	6%
El Salvador	-8%	89%	7%	4%
Guatemala (July)	1%	90%	5%	5%
Haiti*	5%	46%	11%	42%
Honduras	-4%	90%	6%	4%
Jamaica	-1%	68%	30%	2%
Mexico	10%	96%	2%	2%
Nicaragua*	3%	44%	10%	46%
Paraguay	-20%	4%	18%	78%
Peru	-15%	35%	51%	14%
Selected countries	-6.6%			

*reported from companies

Remittances as
of May 2020
Data from
Money Transfer
Companies

US-Mex	Market share	February	March	April	May
Offline, C2C	63%	4,410,000.00	2,205,000.00	3,087,000.00	3,550,050.00
Online	37%	2,812,000.00	4,218,000.00	4,218,000.00	4,428,900.00
	Transactions	7,222,000.00	6,423,000.00	7,305,000.00	7,670,250.00
			-11%	1%	1%
US-Mex	Principal	February	March	April	May
Offline, C2C	320	1,411,200,000.00	771,750,000.00	987,840,000.00	1,037,232,000.00
Online	350	984,200,000.00	1,518,480,000.00	1,476,300,000.00	1,550,115,000.00
	Volume	2,395,400,000.00	2,290,230,000.00	2,464,140,000.00	2,587,347,000.00
Growth			-4%	3%	3%

US-LAC	Market share	February	March	April	May
Offline, C2C	75%	16,672,500.00	8,336,250.00	11,670,750.00	12,254,287.50
Online	25%	4,000,000.00	6,000,000.00	7,200,000.00	7,560,000.00
	Transactions	20,672,500.00	14,336,250.00	18,870,750.00	19,814,287.50
			-31%	-9%	-3%
USA-LAC	Principal	February	March	April	May
Offline, C2C	320	5,335,200,000.00	3,167,775,000.00	3,734,640,000.00	4,126,777,200.00
Online	350	1,400,000,000.00	2,400,000,000.00	2,520,000,000.00	2,721,600,000.00
	Volume	6,735,200,000.00	5,567,775,000.00	6,254,640,000.00	6,886,358,640.00
Growth			-17%	-7%	2%

Migrant Findings Informing a drop in flows...

- Survey with migrants point that 20% have lost their jobs
- Because job losses are fluctuating by quarter in 2020: Q1: 7%; Q2: 20%; Q3: 20%; Q4: 10%, then,
- A minimum threshold points that 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).
- Throughout 2020 and on balance among the unemployed:
 - only 66% will use their savings (a stock of \$6000) to send money back home (in 2009 it was 25%).
- Forty one percent (41%) of those with jobs but still affected by the recession due to a two-month temporary loss of work will send 13% less.
- This is a less drastic situation than what occurred in 2009: 45% of those in this same category sent 10% less.
- Remittances are 5th priority among migrants financial obligations (after housing, food, bills, and other debts comes remittances).
- Sixty-five percent (59%) 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.
- In turn, and on balance between U.S. and other outbound remitting countries the expectation is a -9.3% drop

Estimates for Remittance transfers to Latin America and the Caribbean in 2020: -9.3% drop:

- People have learned from 2009;
- Savings have increased
- Shared understandings of the effects

Country	Migrant Remitters, 2019	Net remitters in 2020	Expected volume in 2020
All migrant remitters	28,182,734	26,672,322	93,799,065,411
Bolivia	570,837	541,610	1,196,570,651
Brazil	1,134,250	1,083,889	7,279,039,704
Colombia	2,869,032	2,722,138	6,147,522,189
Costa Rica	125,000	121,150	480,489,714
Dom. Rep.	681,803	646,894	2,950,307,133
Ecuador	1,040,673	994,467	5,165,604,078
El Salvador	1,500,000	1,433,400	9,606,931,272
Guatemala	1,585,681	1,493,712	3,015,696,671
Haiti	850,000	812,260	4,958,777,605
Honduras	913,896	873,319	2,172,311,556
Jamaica	7,399,547	7,071,008	32,953,629,786
Mexico	750,000	714,150	1,548,648,558
Nicaragua	697,310	666,350	519,671,507
Paraguay	1,210,336	1,156,597	3,040,630,964
Peru	897,793	857,931	6,493,888,301
Venezuela	2,835,000	2,500,470	1,988,623,791
Other nationalities	3,121,576	2,982,978	4,280,721,931

Issues to address as mode of solution

- Economic recovery depends on 3 key issues: *stimulus package, strengthen consumption resuming, control of the pandemic*;
- With slowed growth among the informal sector and drastic drops in external markets, outmigration will resume in late 2021 and depends on which regulatory environment will be in place to prevent foreigners.
 - 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. Financial education for resilience;
 5. 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.
 6. Invest in new markets in the knowledge economy, reducing the size of the informal economy and diversifying global dependence;
 7. 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
 8. Focus on industries related to health care and risk mitigation services

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 90% 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	27,547,746,557	29,511,558,786	87,290,621,520	382,948,361,032	527,298,287,894	128,393,600,000

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:

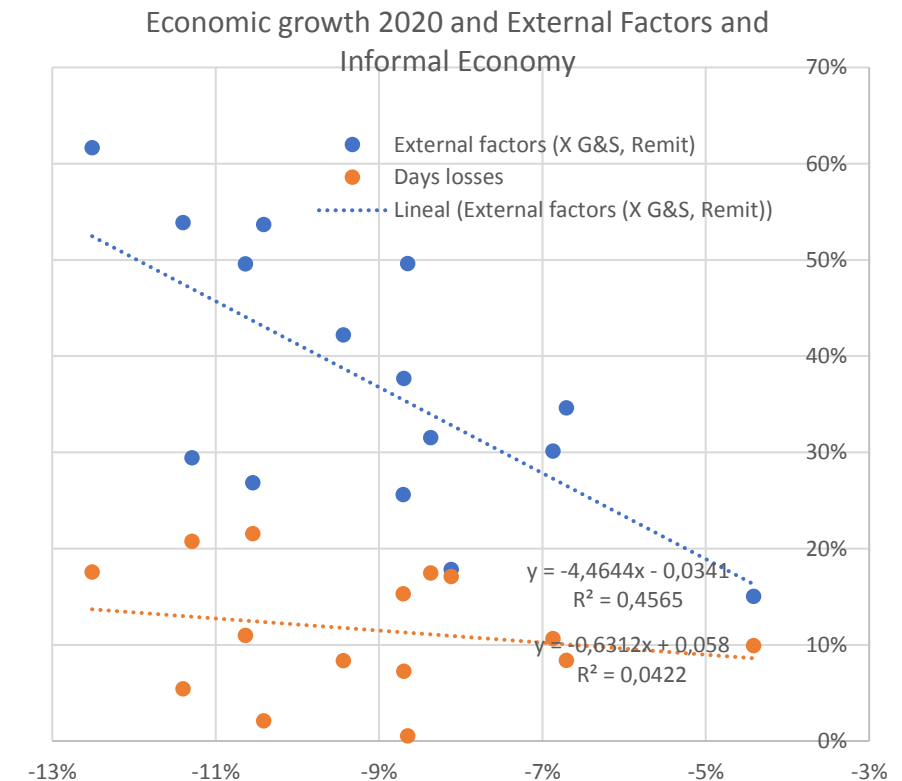
- * These countries are poorer,
- * less democratic,
- * with lower growth and higher inflation,
- * with very informal economies
- * with lower health care capacity and
- * less competitive in the global economy.

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

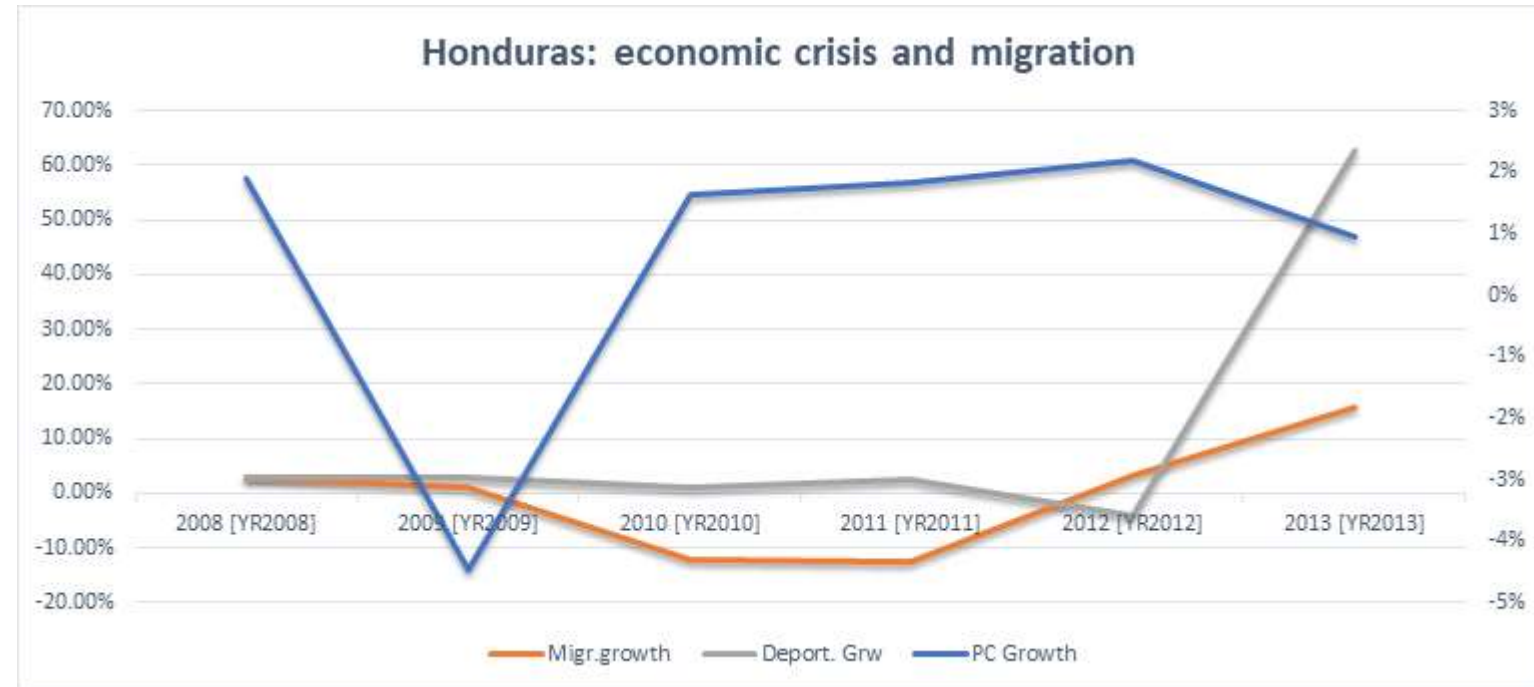
Impact of Remittances in Latin America and the Caribbean

- The outflow of money is expected to decline and affect countries with the most economic dependence on the flow.
- A -10% drop of remittances translates into a USD 9 billion decline in remittances not sent and 3.5 million households not receiving.
- It is important to consider that flows to LAC originate from the US (75%, 50% of migrants); LAC (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 reactivate economically
- Currently Latin America and the Caribbean will experience a GDP drop from -3 to -14% 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%.



ECONOMIC GROWTH 2020, LATIN AMERICA AND THE CARIBBEAN

Country	Growth 2020 (a)	WB Growth projection (b)	ECLAC growth projection (c)	IMF growth projection (d)	PC INCOME (e)
Bolivia	-11%	-3%	-3%		2,630.55
Brazil	-5%	-5%	-5%	-9%	8,397.12
Colombia	-8%	-2%	-3%		5,226.94
Costa Rica	-7%	-3%	-4%		10,326.78
Dominican Republic	-9%	0%	0%		6,457.62
Ecuador	-9%	-6%	-7%		5,021.30
El Salvador	-9%	-4%	-3%		3,240.72
Guatemala	-6%	-2%	-1%		3,785.25
Haiti	-5%	-4%	-3%		718.18
Honduras	-11%	-2%	-3%		2,095.79
Jamaica	-12%	-3%	-5%		4,438.77
Mexico	-9%	-6%	-7%	-10%	7,216.96
Nicaragua	-10%	-4%	-6%		1,832.37
Paraguay	-9%	-1%	-2%		4,821.33
Peru	-11%	-5%	-4%		5,419.92



A blue ribbon graphic with a 3D effect, featuring a dark blue shadow on the left side. The ribbon is horizontal and has a folded appearance at the ends.

Thank you



Economic impact of remittances during the global pandemic 2.0

Manuel Orozco

Inter-American Dialogue

6/11/2020

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 90% 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	27,547,746,557	29,511,558,786	87,290,621,520	382,948,361,032	527,298,287,894	128,393,600,000

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:

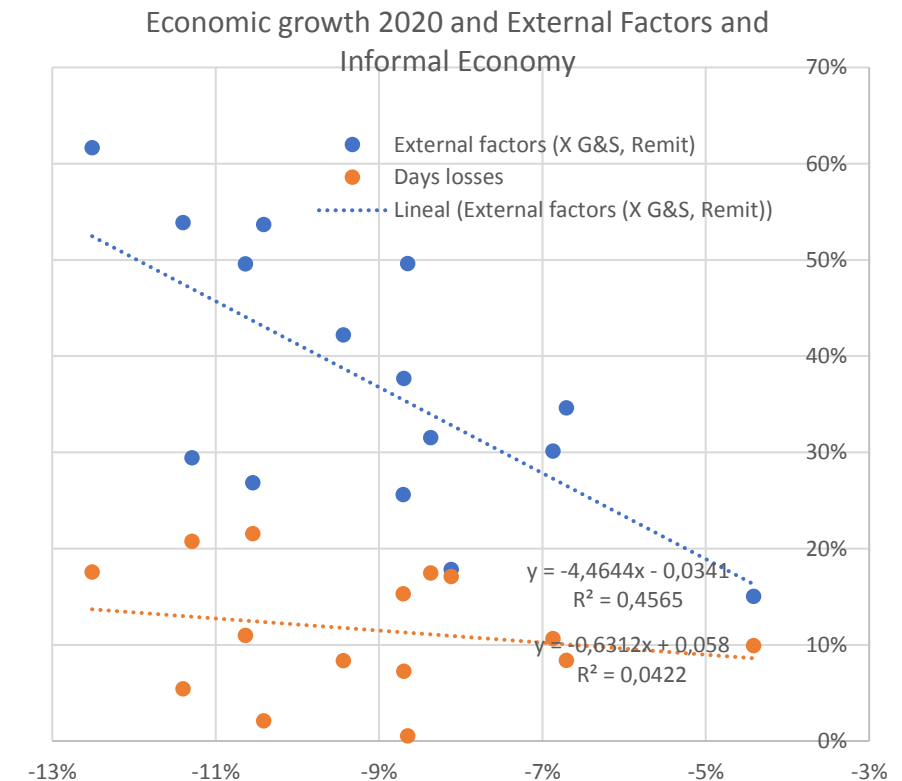
- * These countries are poorer,
- * less democratic,
- * with lower growth and higher inflation,
- * with very informal economies
- * with lower health care capacity and
- * less competitive in the global economy.

	Under 1%	Between 1 and 5%	Over 5%	Latin America and Caribbean
Global Health Index ^a	51.2	41	38.2	39.9
Population ages 65 and above (% of total population) ^b	11.53	9.76	7.03	8.32
Democracy Index ^c	6.59	5.59	5.06	6.43
Tourism % of total exports ^b	12.73	18.17	25.78	23.53
Personal remittances, received (% of GDP) ^b	0.32	2.62	11.61	6.23
Economic Complexity Index ^d	0.32	0.04	-0.31	-0.15
Government measures addressing COVID-19	121	102	79	71
Per Capita GDP ^b	28,959	11,005	3,221	8,366
Share of rural areas ^b	28.82	46.13	49.57	38.19
Share of migrants to pop. ^b	6%	10%	16%	19%
Social Progress Index	59.94	49.66	48.43	47.27
Govt. Expenditure ^b	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 of Remittances 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); LAC (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 reactivate economically
- Currently Latin America and the Caribbean will experience a GDP drop from -3 to -14% 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%.



Indicators	Migrant remitters	Job losses among remitters (12% + Unemployment)	Increase of new migrants in 2020 (1.3%)	Remittance behavior (90% of the unemployed who would stop remitting)	Net remitters in 2020	Remittances sent in 2019	Average remitted	Remittance Behavior (others, with jobs, of which 35% of people would send 10% less)	Amount among all others sending same as last year but no more	Expected volume in 2020
Nicaragua	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
El Salvador	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
Guatemala	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
Honduras	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
R. Dom.	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
Ecuador	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
Costa Rica	125,000	15,000	126,250	13,500	112,750	518,197,025	4,146	147,235,321	303,818,916	451,054,237
Mexico	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
Haiti	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
Colombia	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
Jamaica	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
Venezuela	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
Bolivia	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
Brazil	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
Paraguay	697,310	111,570	704,284	100,413	603,871	568,430,000	815	155,062,020	319,969,247	475,031,267
Peru	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
Other nationalities	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
All migrant remitters	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 four months of the pandemic

- Between March and June industry trends showed a sudden drop of offline transfers from 30 to 80%, for a -20% average and increases in over 150% in online transfers (20% of the market);
- 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
- Interviews with migrants show that they are still coping with sending but uncertain in the long term;
- On average for the six months, considering that 75% of transfers are offline, a -20% drop in offline (from 16.7 to 13.4 million transactions) and a 150% increase (from 4 to 6 million transactions) in online yields (1.5 million transactions loss): -7.7% drop.
- These numbers are still at odds with official figures that point to -2% (March-June)

COUNTRY= CENTRAL BANK DATA	GROWTH, JAN-MAY 2020
MEXICO	10%
EL SALVADOR	-10%
GUATEMALA (JUNIO)	-0%
COLOMBIA	-7%
R. DOM	-5%
HONDURAS	0%



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

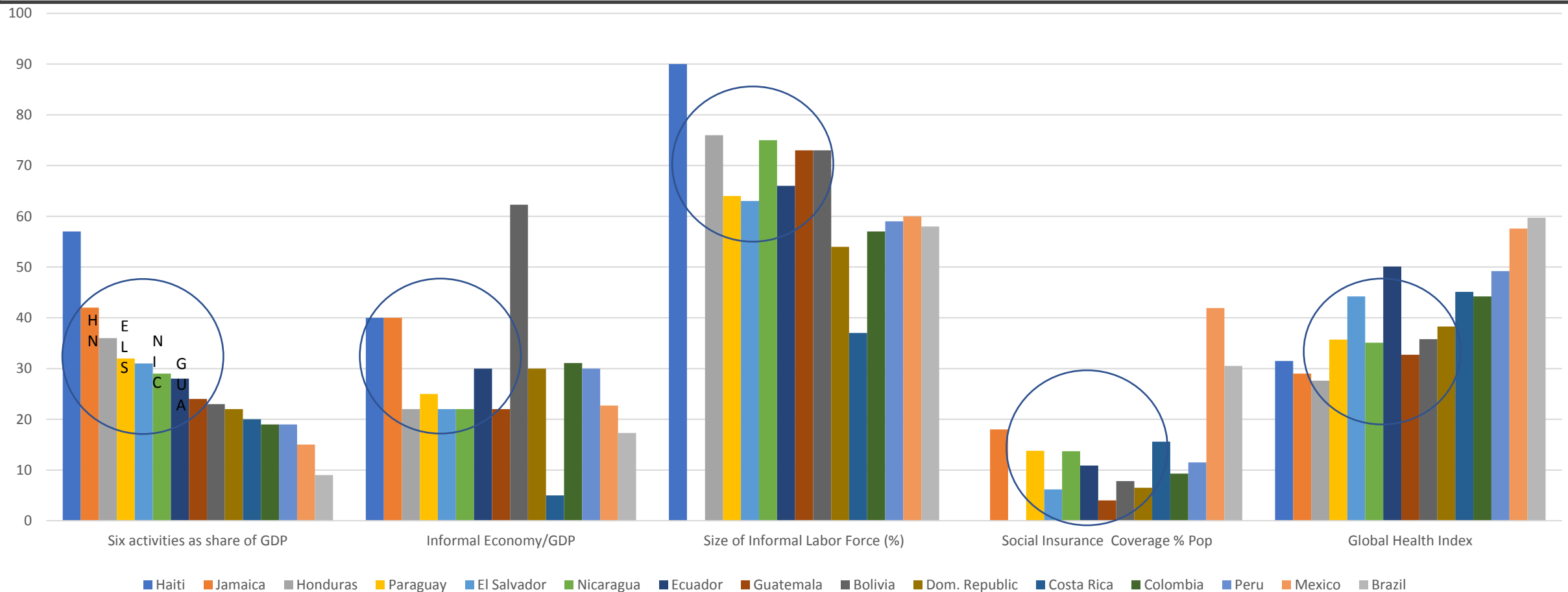
Remittances as
of May 2020
Data from
Money Transfer
Companies

US-Mex	Market share	February	March	April	May
Offline, C2C	63%	4,410,000.00	2,205,000.00	3,087,000.00	3,550,050.00
Online	37%	2,812,000.00	4,218,000.00	4,218,000.00	4,428,900.00
	Transactions	7,222,000.00	6,423,000.00	7,305,000.00	7,670,250.00
			-11%	1%	1%
US-Mex	Principal	February	March	April	May
Offline, C2C	320	1,411,200,000.00	771,750,000.00	987,840,000.00	1,037,232,000.00
Online	350	984,200,000.00	1,518,480,000.00	1,476,300,000.00	1,550,115,000.00
	Volume	2,395,400,000.00	2,290,230,000.00	2,464,140,000.00	2,587,347,000.00
Growth			-4%	3%	3%

US-LAC	Market share	February	March	April	May
Offline, C2C	75%	16,672,500.00	8,336,250.00	11,670,750.00	12,254,287.50
Online	25%	4,000,000.00	6,000,000.00	7,200,000.00	7,560,000.00
	Transactions	20,672,500.00	14,336,250.00	18,870,750.00	19,814,287.50
			-31%	-9%	-3%
USA-LAC	Principal	February	March	April	May
Offline, C2C	320	5,335,200,000.00	3,167,775,000.00	3,734,640,000.00	4,126,777,200.00
Online	350	1,400,000,000.00	2,400,000,000.00	2,520,000,000.00	2,721,600,000.00
	Volume	6,735,200,000.00	5,567,775,000.00	6,254,640,000.00	6,886,358,640.00
Growth			-17%	-7%	2%

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 40 days loss of income (8% 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 June 15, average day loss of work was 30 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

Country	Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua	Central America
PC Income	10,327	3,241	3,785	2,096	1,832	4,511
GDP (Current USD)	60,130,106,116	26,057,000,000	78,460,447,920	23,969,890,431	13,117,845,417	201,735,289,883
Households Final Consumption Expenditures % of GDP	63	83	88	79	71	78%
Households Final Consumption Expenditures USD	38,179,126,785	21,664,150,000	68,886,623,577	19,023,909,433	9,305,743,950	157,059,553,744
Informal Economy Contribution to GDP	5%	22%	22%	23%	25%	23%
Labor force (%)	62	60	61	66	65	62
Labor Force Total	2,474,024	2,789,969	7,250,681	4,614,534	3,048,653	20,177,861
Size of Informal Economy %	37	63	73	76	75	74%
Informal labor force	911,678	1,754,333	5,277,046	3,486,742	2,283,746	13,713,544
Population	4,999,441	6,420,744	17,247,807	9,587,522	6,465,513	44,721,027
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	28%	43%	48%	57%	55%	48%
Informal contribution	6,912,249,915	8,805,385,045	35,107,700,620	13,698,725,531	6,321,124,121	70,845,185,232
Share of hh consumption of informal workers	18%	41%	51%	72%	68%	45%
Share of GDP	11%	34%	45%	57%	48%	35%
Loss days of income weighted with emergency income	138,244,998	440,269,252	1,404,308,025	958,910,787	189,633,724	8,855,648,154
Days losses	2%	5%	7%	4%	3%	4%
Relative to GDP	0%	5.3%	4%	8%	4%	2%
Net remitters	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
Remittances	(67,142,788)	(928,395,864)	(1,726,619,989)	(891,223,669)	(308,856,000)	(3,922,238,310)
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	205,387,786	1,368,665,116	3,130,928,014	1,850,134,456	498,489,724	4,933,409,844
Labor formal force	1,562,346	1,035,636	1,973,635	1,127,792	764,907	2002854483%
HH Consumption formal sector	31,266,876,870	12,858,764,955	33,778,922,957	5,325,183,902	2,984,619,829	86,214,368,512
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 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)	23,048,528,298	4,612,492,500	10,052,515,560	5,193,280,048	4,002,706,540	46,909,522,946
GDP 2020	58,569,485,071	23,958,048,341	73,923,876,987	21,363,590,311	11,900,610,707	189,715,611,417
Expected Growth 2020	-3%	-8%	-6%	-11%	-9%	-6%

Issues to address as mode of solution

- Economic recovery depends on 3 key issues: *stimulus package*, *strengthen consumption resuming*, *control of the pandemic*;
- With slowed growth among the informal sector and drastic drops in external markets, 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
 7. Focus on industries related to health care and risk mitigation services