

REMITTANCES TO LATIN AMERICA AND THE CARIBBEAN IN 2017: GREATER GROWTH DYNAMISM

Total Amount of Remittances Received in 2017

By country in millions of USD



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AMERICA AND THE CARIBBEAN
IN 2017: GREATER GROWTH
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REMITTANCES TO LATIN AMERICA AND THE CARIBBEAN IN 2017: GREATER GROWTH DYNAMISM

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REMITTANCES IN 2017

In 2017, the income of Latin America and the Caribbean (LAC) from remittances received from abroad rebounded, benefitting millions of recipient households and helping to fund their living, education and health expenditures, as well as investment in improvements to housing and family businesses. In general, the main aspects characterizing the evolution of said income and its determinants that year were the following: *i*) remittances reached USD 77.02 billion, with which they achieved increases for eight consecutive years (Figure 1); *ii*) the annual growth of this income was 9.0%, the highest annual rate observed in 11 years (Figure 2); *iii*) although the momentum of income from remittances was widespread throughout the different subregions, all of them recording significant annual rates, the double-digit rate of those received by Central America was outstanding; *iv*) remittances originating from the United States exhibited substantial growth, favoring the subregions with a large migratory presence in that country, as in the case of Central America and the Caribbean, as well as countries such as Mexico and Colombia; *v*) the rebound of income from remittances in the majority of LAC countries originated from, among other things, increased employment, average wages, and, consequently, the total wage bill of migrant workers from the region in their main destination countries; and *vi*) there are indicators suggesting that the levels of remittances originating from the United States also respond to uncertainty regarding immigration policy of that country and the number of deportations.¹

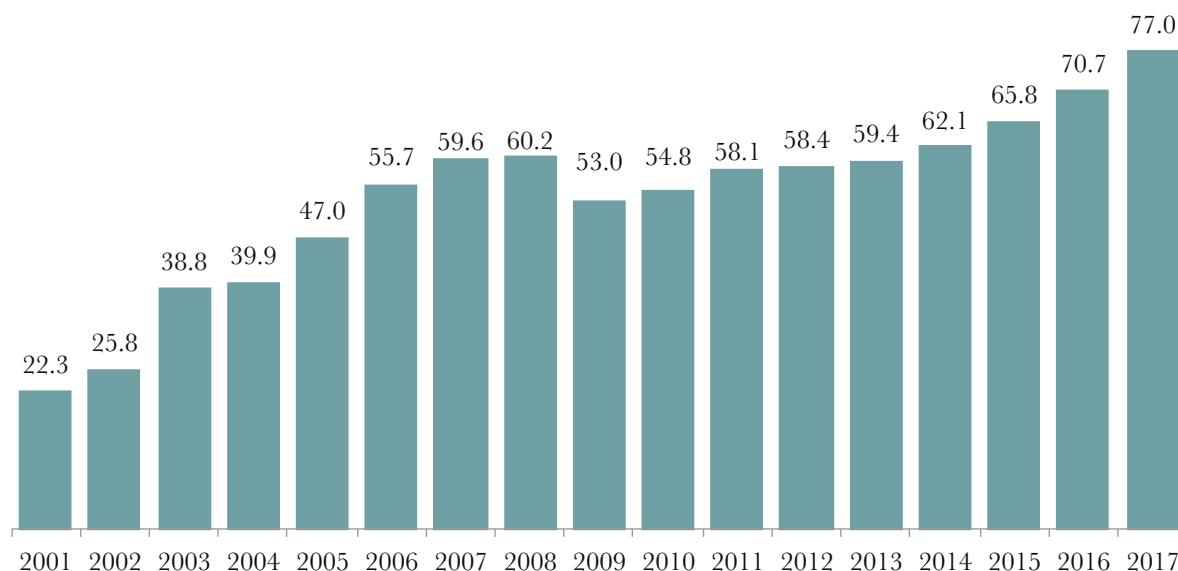
¹ See: Jesús A. Cervantes González (2017), *International Migration, Remittances and Financial Inclusion: The Case of Guatemala*, CEMLA, FOMIN/BID, October.

To perform the analysis of the evolution of income from remittances made in this document, the region of Latin America and the Caribbean is classified into four subregions: Mexico, Central America, the Caribbean and South America.

Figure 1

REMITTANCES TO LATIN AMERICA AND THE CARIBBEAN: 2001-2017

Billions of USD



Source: Authors' elaboration compilation based on data from central banks and the International Monetary Fund.

Figure 2

REMITTANCES TO LATIN AMERICA AND THE CARIBBEAN: 2008-2017

Annual growth rate



Source: Authors' elaboration compilation based on data from central banks and the International Monetary Fund.

Box 1

THE DIMENSION OF MIGRATION FROM LATIN AMERICA AND THE CARIBBEAN

Migration from Latin America and the Caribbean (LAC) is what underlies the flow of remittances to the region. By combining information from the United Nations and the U.S. Census Bureau we can obtain a full view of the size of migration from the region as a whole and from its different subregions; the dimension of said migration with respect to the population size of its originating country or subregion; as well as its geographic destination. The purpose of this box is to present an overview of the aforementioned aspects.

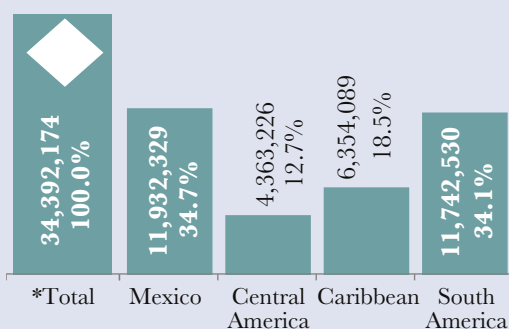
Figure 1 shows that, in 2015, the number of international migrants from the LAC region totaled 34.4 million people and that the main origin of said migration was Mexico with 11.9 million migrants, followed by South America (11.7 million individuals), the Caribbean (6.4 million) and Central America (4.4 million). Thus, that year the number of migrants originating from Mexico and South America accounted for 68.8% of the total from the LAC region as a whole.

Figure 2 illustrates the size of the referred migration as a proportion of the originating country or subregion's population, demonstrating how the strongest migration has originated from the Caribbean. This takes into consideration the fact that in 2015 total Caribbean migration was equal to 14.7% of the population of the group of countries making up said region. The Figure shows that the subregion with least intense migration with respect to its population size was South America, even though its total migration was very large in absolute terms.

Table 1 illustrates the migration originating from different LAC subregions in 2015. In the case of Mexico, practically all its migration was concentrated in the United States. Meanwhile, three quarters of the number of Central American migrants were living in the United States, followed by Latin America, mainly in other countries within their same region. In the case of migration originating from Caribbean countries, 65.6% of the number of migrants were

Figure 1

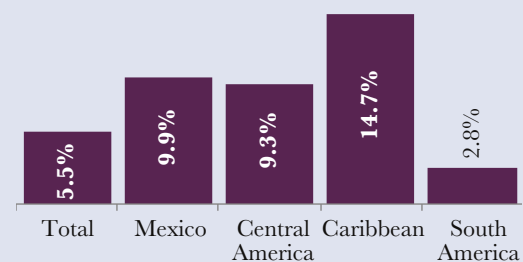
NUMBER OF LATIN AMERICAN MIGRANTS IN 2015¹



¹ The total uses a different scale.
Source: United Nations and U.S. Census Bureau.

Figure 2

NUMBER OF MIGRANTS AS A PERCENTAGE OF THE POPULATION OF THE REGION/COUNTRY OF ORIGIN IN 2015



Source: United Nations, U.S. Census Bureau and Mexico's National Institute of Statistics and Geography (INEGI).

Cuadro 1

LUGAR DE RESIDENCIA DE LOS EMIGRANTES LATINOAMERICANOS EN 2015

Número de personas por país/región de destino

<i>Migrantes de:</i>	<i>Estados Unidos</i>	<i>Canadá</i>	<i>Países Latinoamericanos</i>	<i>Europa</i>	<i>España</i>	<i>Otros Lugares</i>	<i>Suma</i>
México	11,643,298	93,557	66,494	118,767	46,867	10,213	11,932,329
Centroamérica	3,384,629	93,253	727,962	141,773	80,129	15,609	4,363,226
Caribe	4,165,453	396,216	845,753	909,708	279,577	36,959	6,354,089
Sudamérica	2,918,029	334,728	4,473,310	3,475,699	1,798,233	540,764	11,742,530
Total	22,111,409	917,754	6,113,519	4,645,947	2,204,806	603,545	34,392,174

Estructura Porcentual

México	97.6	0.8	0.5	1.0	0.4	0.1	100.0
Centroamérica	77.6	2.1	16.7	3.2	1.8	0.4	100.0
Caribe	65.6	6.2	13.3	14.3	4.4	0.6	100.0
Sudamérica	24.8	2.9	38.1	29.6	15.3	4.6	100.0
Total	64.3	2.7	17.8	13.5	6.4	1.7	100.0
Total sin México	46.6	3.7	26.9	20.2	9.6	2.6	100.0

Fuente: Naciones Unidas, excepto para los inmigrantes en Estados Unidos, cuya fuente es la American Community Survey de la Oficina del Censo de los Estados Unidos. Cabe señalar que la cifra de Naciones Unidas del número de migrantes de origen latinoamericano que residían en Estados Unidos difiere de la cifra de la Oficina del Censo de los Estados Unidos, lo que refleja principalmente que los inmigrantes puertorriqueños en Estados Unidos no son considerados inmigrantes en la estadística americana, pero sí en la de Naciones Unidas.

located in the United States, followed by Europe and other Latin American countries.

Table 1 highlights that migration originating from South America is the most diverse in terms of its destination, with intraregional migration, i.e. that aimed towards neighboring LAC countries, standing out as the most important, followed by those living in Europe, while the number of South American migrants living in the United States account for one quarter of the total. It is worth mentioning that Latin American migration to the United States is more significant in countries of the region that are geographically closer to that destination. Table 1 also highlights that, in 2015, the

United States was the destination country for 64.3% of the total number of migrants from the LAC region, followed by intraregional migration and those living in Europe.

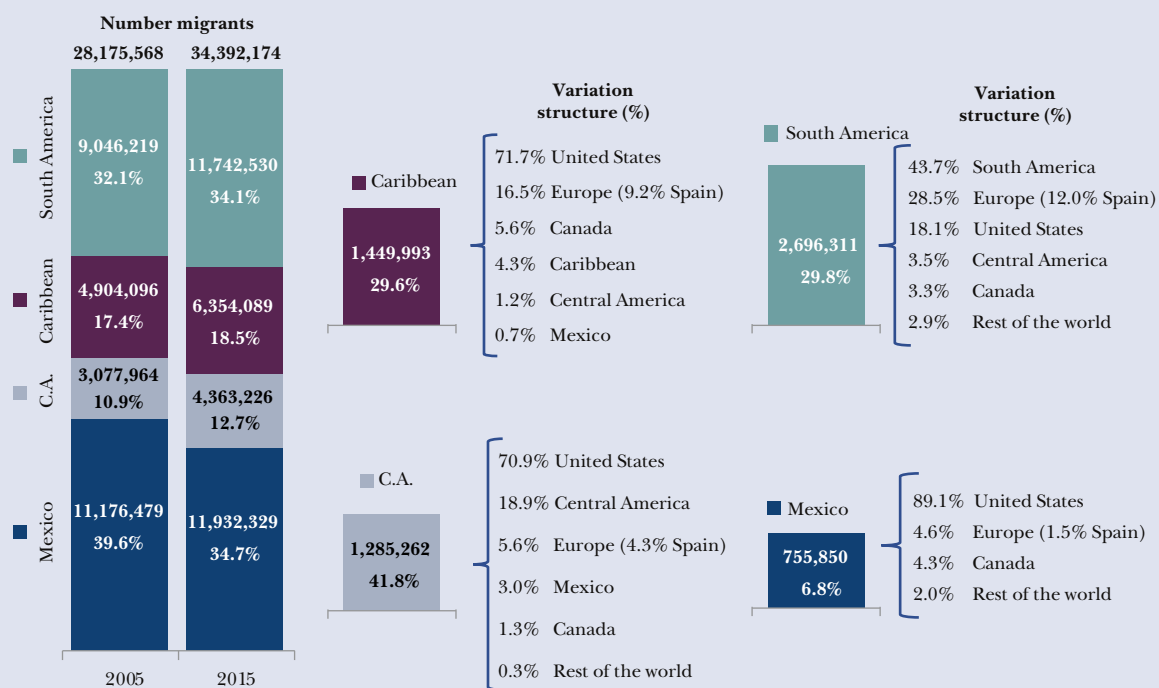
Figure 3 shows the behavior of migration flows from LAC and its different subregions for the period 2005-2015. It can be seen that during that timeframe the corresponding number of migrants rose from 28.2 million to 34.4 million individuals, which represented an increase of 6.2 million migrants or 21.9%. The dynamics of migration flows differed substantially across the different subregions, being higher in absolute terms in South America, whose total number of migrants increased by 2.7

million people, followed by that observed in the Caribbean, Central America and Mexico. The greater strength during that decade of migration flows measured in relative terms was also seen in the subregion of Central America with a 41.8% increase in its number of migrants, followed by South America and the Caribbean. In contrast, the least dynamic migration flow, in absolute as well as relative terms, was recorded by Mexico, which recorded an increase in its stock of migrants of just 6.8% during said period. The aforementioned implied changes in the share of the number of migrants from different subregions in the total number of migrants from LAC as a whole, with increases for South America, the Caribbean and Central America, and a reduction in Mexico's share of total migration from the region.

In addition, significant differences stand out when studying the destinations for migration flows from the various subregions of LAC for the period 2005-2015 (Figure 3). Thus, in the case of migration flows from the Caribbean, Central America and Mexico, the largest flow was towards the United States, while in the case of South America the main destination for new migration flows was that same region, followed by Europe. With regards to the destination for total migration flows from LAC during the decade studied, the United States stands out. That country took in half of the 6.2 million migrants, followed by South America and Europe with one fifth each of the migration flow. It is worth pointing out that in said decade Spain absorbed 8.5% of migration flows from the group of LAC countries.

Figure 3

LATIN AMERICAN MIGRATION FLOWS: 2005-2015



Notes: Spain has a different scale. C.A. indicates Central America.
Source: United Nations and U.S. Census Bureau.

Mexico

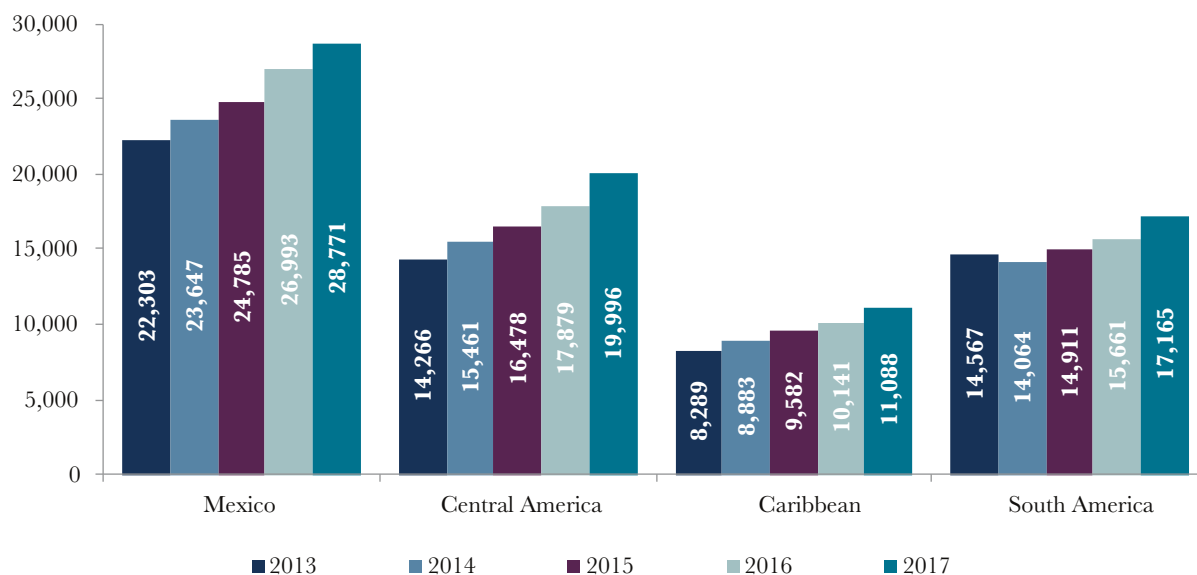
During 2017, Mexico's income from remittances totaled USD 28.77 billion, figure representing annual growth of 6.6% (Figures 3 and 4). This income stemmed from 93.4 million remittance transfers for an average amount of USD 308. The aforementioned meant remittances accumulated four consecutive years of significant annual growth. The favorable evolution of income from remittances was shared by the majority of states in that country. In fact, remittances posted annual increases in 31 of the 32 Mexican states, which contributed to improving living standards and levels of expenditure among recipient households. In 2017, Mexico received 37.4% of the income from remittances in Latin America and the Caribbean (Figure 5).

As described in Box 2, the recovery of Mexico's income from remittances recorded since 2014 has responded to major advances in the United States in employment among Mexican migrant workers, which were accompanied by increases in their average wages and, consequently, their total wage bill. It is important to mention that in 2017, at similar levels to previous years, 94.8% of total remittances received by Mexico originated from the United States.

Figure 3

REMITTANCES TO LATIN AMERICA AND THE CARIBBEAN: 2013-2017

Millions of USD



Source: Authors' elaboration compilation based on data from central banks and the International Monetary Fund.

Box 2

REMITTANCES IN MEXICO AND THE WAGE BILL OF MEXICAN MIGRANT WORKERS IN THE UNITED STATES

Mexico's Income from Remittances

During 2014, 2015 and 2016 Mexico's income from remittances measured in U.S. dollars recorded significant growth rates of 6%, 4.8% and 8.9%, respectively. This positive trend continued in 2017, with an annual increase of 6.6% (Figure 1). Thus, that year remittances amounted to USD 28.77 billion, figure 10.4% higher than the previous annual record level registered in December 2007. The positive evolution of such inflows during recent years is mainly explained by the favorable behavior of employment among Mexican migrant workers in the United States.

Employment among Mexican Migrant Workers in the United States

The recovery in Mexico's income from remittances registered since 2014 has responded to significant improvements in employment levels among Mexican migrant workers in the United States that have been accompanied by increases in their average wages and, consequently, in their total wage bill. The database of the Current Population Survey (CPS) prepared by the U.S. Census Bureau allows those variables for Mexican workers in the United States to be monitored. The CPS is conducted among households and is the official source used to measure the unemployment rate in the United States.

Figure 1

MEXICO: EVOLUTION OF INCOME FROM WORKERS' REMITTANCES

Million USD and Annual Percentage Variations



Source: Elaborated with information from Banco de México.

Figure 2

UNITED STATES: TOTAL NUMBER OF MEXICAN MIGRANT WORKERS IN EMPLOYMENT ACCORDING TO GENDER

Millions of USD\$ per year



Source: CEMLA calculations based on data from the Current Population Survey of the U.S. Census Bureau.

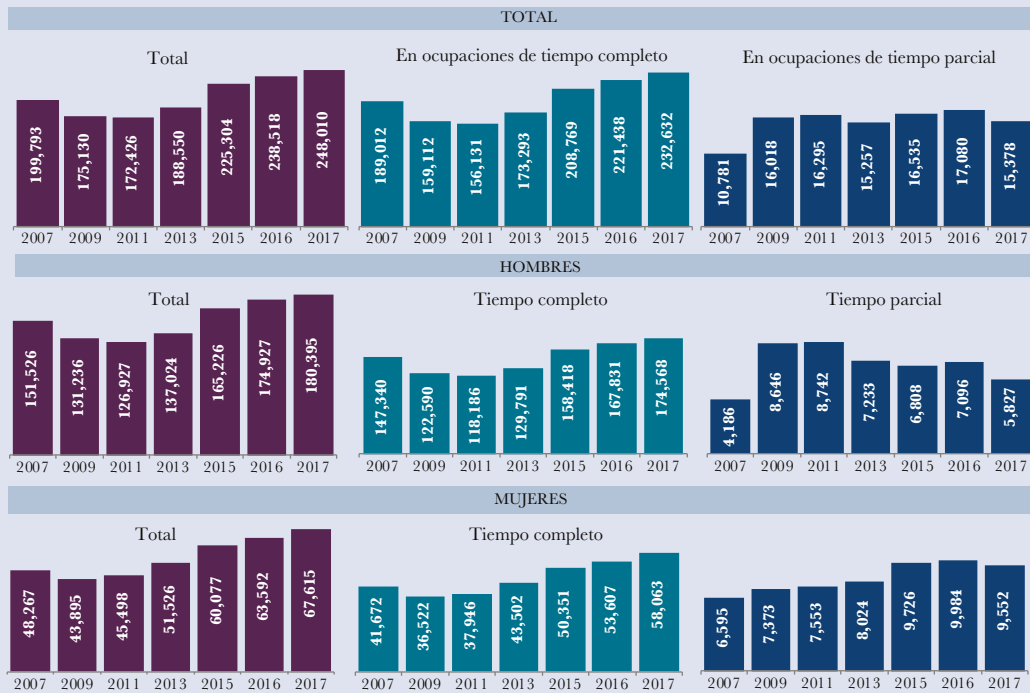
During 2017, average employment among Mexican migrant workers in the United States amounted to 7,425,712 individuals (Figure 2), figure representing an annual increase of 106,635 jobs and 1.5% (Figure 4). There was also an improvement in the composition of employment, given that the net increase stemmed from the combination of an increase of 185,436 full-time jobs or 3.0%, and a fall in part-time ones amounting to 78,801 jobs or 7.4%. The recovery of employment for Mexican migrant workers in the United States was more significant among females than males. Thus, the annual increase in employment among Mexican female migrants during the year

amounted to 75,975 jobs or 3.1%, while in the case of men the increase was 30,661 jobs or 0.6% (Figure 4). The aforementioned meant the trend towards an increasing share of women in the total employment of Mexican migrant workers observed throughout the last decade continued. Said participation was 34.5% in 2017 as compared to 29.2% and 34.0% in 2007 and 2016, respectively. It is important to recognize that in 2017 total employment in the United States among male Mexican migrants was still 226,000 jobs below the level it had reached in 2007 (Figure 2). In contrast, that of women registered an increase of almost 464,000 jobs from 2007 to 2017.

Gráfica 3

ESTADOS UNIDOS: MASA SALARIAL DE LOS TRABAJADORES INMIGRANTES MEXICANOS Y SEGÚN GÉNERO

Millones de dólares por año



Fuente: cálculos del CEMLA considerando información de la Current Population Survey de la Oficina del Censo de los Estados Unidos.

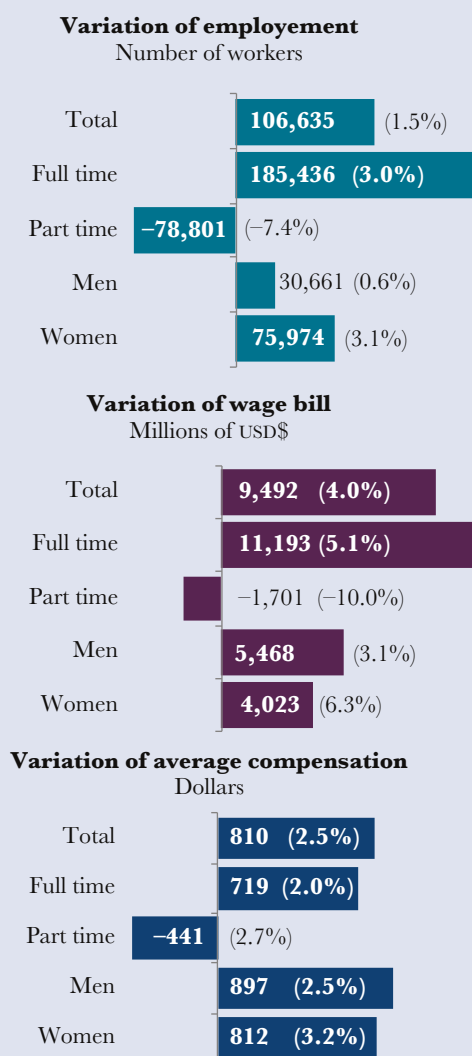
Average Wages and Wage Bill for Mexican Migrant Workers

In 2017, the average annual wage among Mexican migrant workers in the United States was USD 33,399, figure implying an annual increase of 810 dollars or 2.5%. It is worth mentioning that the increase in the average annual wage encompassed male as well as female workers.

The wage bill obtained during 2017 by Mexican immigrants in the United States reached USD 248.01 billion (Figure 3) meaning the upward trend it had started in 2013 continued.

In 2017, the annual increase in the referred wage bill amounted to USD 9.49

billion, representing annual growth of 4.0% (Figure 4). Said expansion stemmed from the combination of a USD 11.19 billion increase in earnings obtained from full-time jobs and a USD 1.7 billion decrease in those from part-time jobs. In the reference year, the total wage bill obtained by all Mexican migrant workers increased and, indeed, although the absolute increase in said wage bill was higher for men (USD 5.47 billion) than for women (USD 4.02 billion), its percentage growth was higher for women (6.3 %) than for men (3.1 %). The aforementioned helped the participation of Mexican women in the referred wage bill to increase once again in 2017 to 27.3%, while in 2016 it had been 26.7%.

Figure 4**UNITED STATES: ANNUAL VARIATIONS IN 2017 IN SELECTED VARIABLES FOR MEXICAN MIGRANT WORKERS**

Source: CEMLA calculations using data from the Current Population Survey of the U.S. Census Bureau.

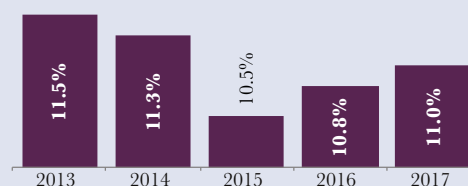
Final Remarks

The recovery exhibited by Mexico's income from remittances since 2014 has mainly responded to significant gains in employment levels among Mexican migrants in the United States that have been accompanied by increases in their higher average wages and in their total wage bill.

In 2015 and 2016, Mexico's income from remittances was boosted by the depreciation of the Mexican peso vis-a-vis the United States dollar, which only partially passed through to consumer prices. This implied a substantial increase in remittance income in real pesos, i.e., measured in the purchasing power obtained by recipient households. This additional benefit of remittances stemming from the depreciation of the peso was not present in 2017. In fact, that year the growth of remittances in dollars was 6.6%, while in constant pesos or in real terms it was just 1.4%.

It is also important to point out that there are some indicators suggesting that uncertainty regarding immigration policy in the United States and the number of possible deportations encouraged a larger flow of remittances towards Mexico during 2017.¹

Finally, in 2017, Mexico's remittance income from the United States amounted to USD 27.26 billion, which represented 94.8% of all remittances received by the country. Furthermore, remittances originating from the United States were equal to 11% of the total wage bill obtained by Mexican workers in that country (see Figure 5).

Figure 5**REMITTANCES FROM THE UNITED STATES AS A PERCENTAGE OF THE TOTAL WAGE BILL OBTAINED BY MEXICAN MIGRANT WORKERS IN THAT COUNTRY**

Source: CEMLA calculations using data from the Current Population Survey of the U.S. Census Bureau.

¹ See: Box 1; *Determinants of State Remittances: 2004-2017*, Banco de México (2017), Report on State Economies-October-December.

Central America

The highest growth of income from remittances in Latin America and the Caribbean was registered in the subregion of Central America. In 2017, this income reached USD 19.99 billion, which represented annual growth of 11.8%, the highest rate recorded during the last eleven years. This was the result of the combination of substantial growth in income from remittances in Guatemala (14.4%) Honduras (11.9%), Nicaragua (10.0%) and El Salvador (10.1%); and modest growth rates in Panama (4.3%) and Costa Rica (3.0%).

In 2017, Central America received 25.9% of the income from remittances in LAC (Figure 5). The important expansion over the last few years in this income from abroad has mainly reflected advances in the United States in employment, average wages and the total wage bill of migrant workers originating from Central America. This has enabled said workers to send more remittances to their countries of origin.

Figure 4

REMITTANCES TO LATIN AMERICA AND THE CARIBBEAN: 2013-2017

Annual percentage change



Source: Authors' elaboration compilation based on data from central banks and the International Monetary Fund.

The Caribbean

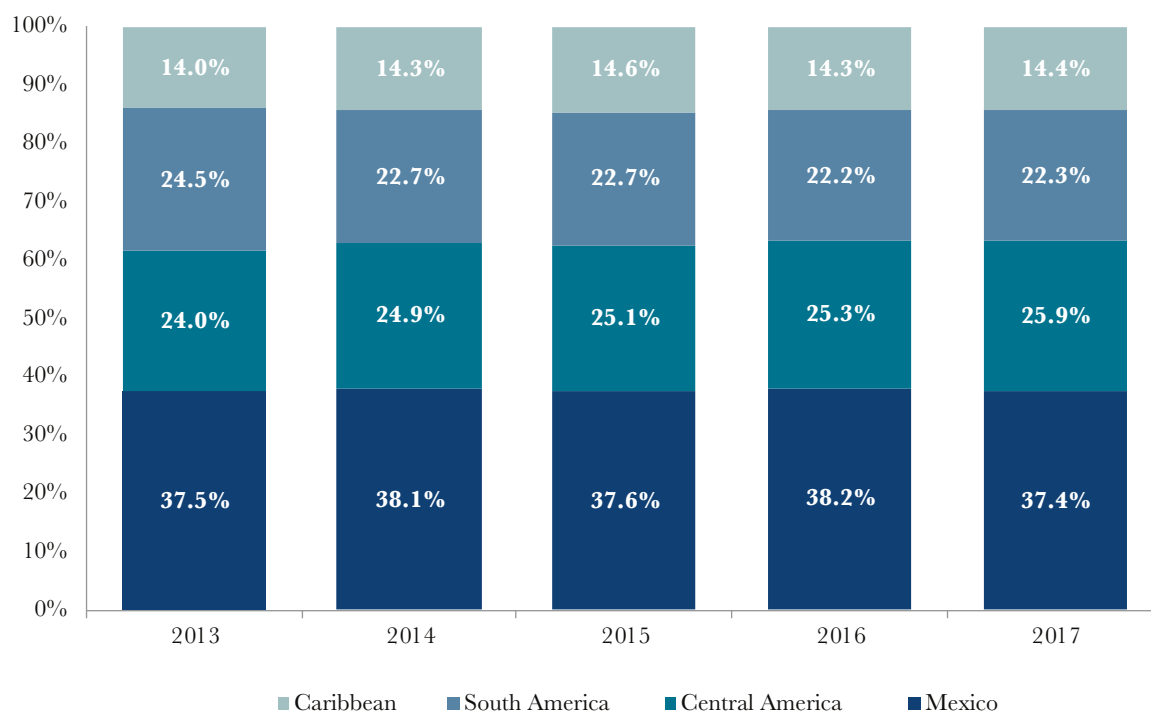
Since 2013, the remittances received by the Caribbean subregion have followed an upward trend. From 2013 to 2017, the accumulated increase in this income from abroad was 33.8%. In particular, in 2017, remittances amounted to USD 11.09 billion, implying an annual growth of 9.3%. These inflows accounted for 14.4% of the remittances received by the LAC region (Figure 5).

In 2017, the Dominican Republic was the Caribbean country where remittances exhibited the largest increase, with income from this item amounting to USD 5.91 billion, corresponding to an annual growth of 12.4%. The main source of remittances received by that country is the United States. Meanwhile, remittances recorded decreases in Jamaica and Trinidad and Tobago of 3.8% and 6.0%, respectively.

Figure 5

DISTRIBUTION OF INCOME FROM REMITTANCES IN LATIN AMERICA AND THE CARIBBEAN AT THE SUBREGIONAL LEVEL

Percentages



Source: Authors' elaboration compilation based on data from central banks and the International Monetary Fund.

South America

In contrast to Mexico and Central American countries, where the principal source of remittance income is the United States, the countries of South America also receive a significant share of their remittances from Spain and some other European countries, while those of intraregional origin also carry weight.

In 2017, the income from remittances of the South American subregion was USD 17.17 billion, which meant an annual increase of 9.6%, the highest in 10 years. These inflows represented 22.3% of all the remittance income received by LAC (see Figure 5). The amount of remittances sent to Colombia, the country that constitutes the main recipient of such income in South America, was particularly outstanding. In 2017, Colombia received USD 5.58 billion in remittances, 15.0% more than in the previous year, with high annual growth rates in those originating from the United States (14.5%), Chile (43.1%) and the United Kingdom (18.7%).

Throughout 2017, 76.3% of South America's income from remittances was received by the five Andean countries (Bolivia, Colombia, Ecuador, Peru and Venezuela). That year, remittances sent to this group of countries reached USD 13.1 billion, posting an annual increase of 11.0%, slightly higher than the rate registered by South America as a whole (9.6%). The most significant expansion of income from remittances in the Andean countries was observed in Colombia, followed by Bolivia, Peru and Ecuador.

THE DETERMINANTS OF REMITTANCES

Remittance flows received in Latin America and the Caribbean originate from the work and income earned by millions of migrants in the countries where they are living. Thus, in order to understand changes in these flows we must analyze variations in migration, employment and wages in the main destination countries of migrants -- the United States, Spain and, to a lesser degree, other countries of the region. Moreover, since these resources are mostly sent to supplement the day-to-day consumption of the families receiving them in the countries of origin, understanding the economic situation and the needs of such families also helps to explain the behavior of these flows. Under this framework, the referred variables and their relationship with remittances received by the region in 2017 will be analyzed below.

United States

Overall, in 2017, the number of migrants originating from the LAC region living in the United States remained unchanged from that observed the previous year. Mexico recorded only 1,524 additional migrants in the United States, which represents an annual growth rate of less than 0.01%. Likewise, the number of migrants in the United States originating from Central America and South America grew to 55,230 and 62,758 people respectively, with annual rates of 1.6% and 2.1% in each case. Meanwhile, the flow of migrants in the United States originating from the Caribbean decreased by 118,886 people, which meant a negative annual variation of 4.3%.

Box 3

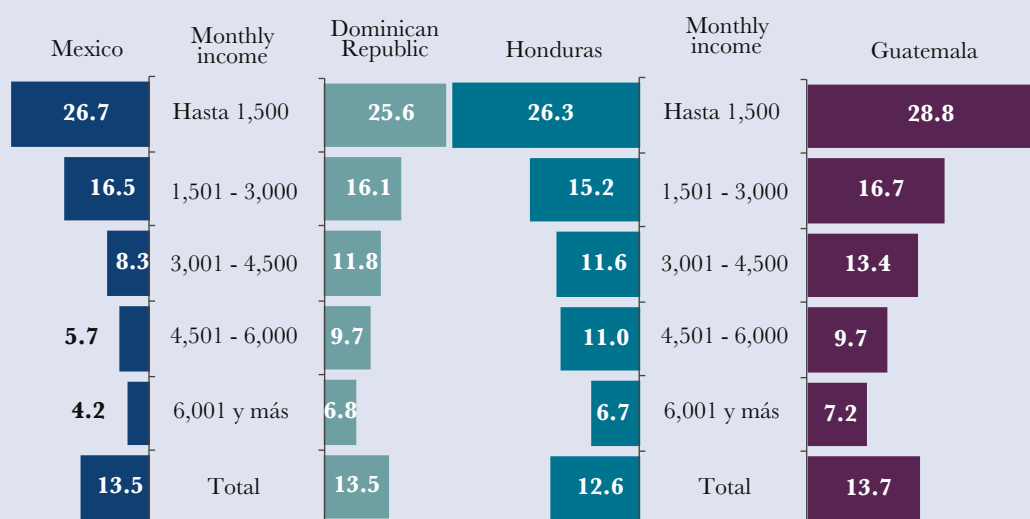
IMPORTANCE OF REMITTANCES IN THE INCOME OF SENDERS AND RECEIVERS

The results of surveys conducted among migrants from five Latin American and Caribbean countries (El Salvador, January 2016; Guatemala, December 2016–January 2017; Honduras, January 2015; Mexico, December 2015; and the Dominican Republic, December 2014) that are major recipients of remittances show how the remittances sent by their citizens living abroad account for 12% to 14% of the income of the senders surveyed. Thus, the approximately 85% remaining income

generated by senders is used to meet expenditures they make in the countries where they live. It is also important to mention that the percentage of a sender's income transferred as a remittance decreases significantly as their earnings increase. As a consequence, migrants who obtain the lowest earnings in the countries where they live send a larger percentage of them as remittances to family members in their countries of origin (Figure 1).

Figure 1

MONTHLY REMITTANCE AS A PERCENTAGE OF MONTHLY EARNINGS BY INCOME LEVEL



Source: Jesús A. Cervantes González (2017), *The Profile of the Latin American Migrant and His Sending of Remittances: Results of Surveys*, CEMLA.

One important aspect to take into consideration when analyzing the impact of remittances is their significance as a share of the income of recipient households. The results of our surveys suggest that the remittances sent by citizens living abroad constitute a major source of income for the households receiving them.

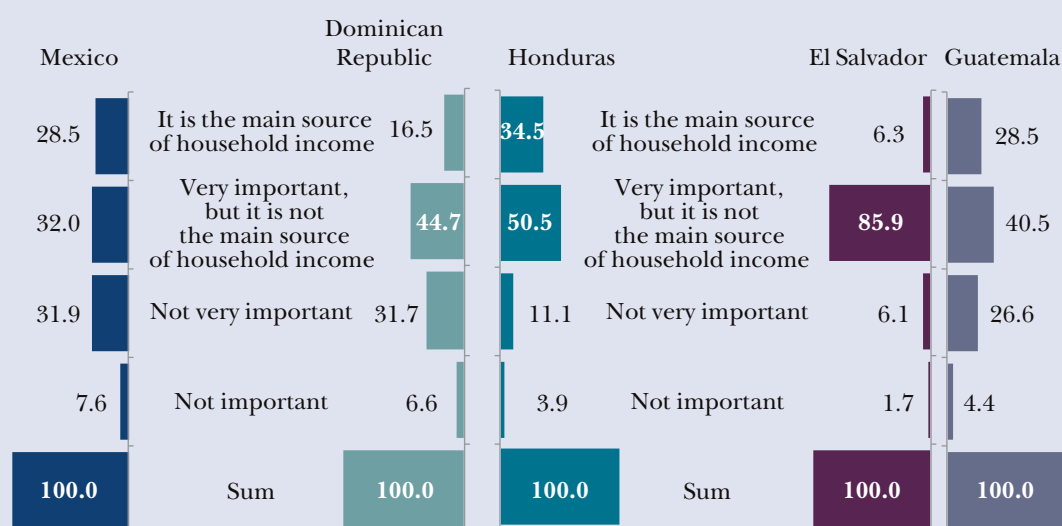
In particular, 61% of Mexican and Dominican migrants interviewed stated

that the remittances they send constitute either the main source of income for the recipient household or are very important even though they do not represent the main source of income. Said percentage rises to 69% in the case of the Guatemalan migrants interviewed, to 85% in that of Hondurans and 92% in that of Salvadorians (Figure 2).

Figure 2

IMPORTANCE OF REMITTANCES IN THE INCOME OF RECIPIENT HOUSEHOLDS

Percentage distribution of answers



Source: Jesús A. Cervantes González (2017), *The Profile of the Latin American Migrant and His Sending of Remittances: Results of Surveys*, CEMLA.

When studying the importance of remittances in household income according to the recipient of said transfers, it becomes clear that, in general, these most commonly constitute the main source of income for recipient households when sent to a spouse or spouse and children. For example, out of all the Mexican senders interviewed who identified their spouse as the recipient of the remittances they sent, 85.6% stated that said

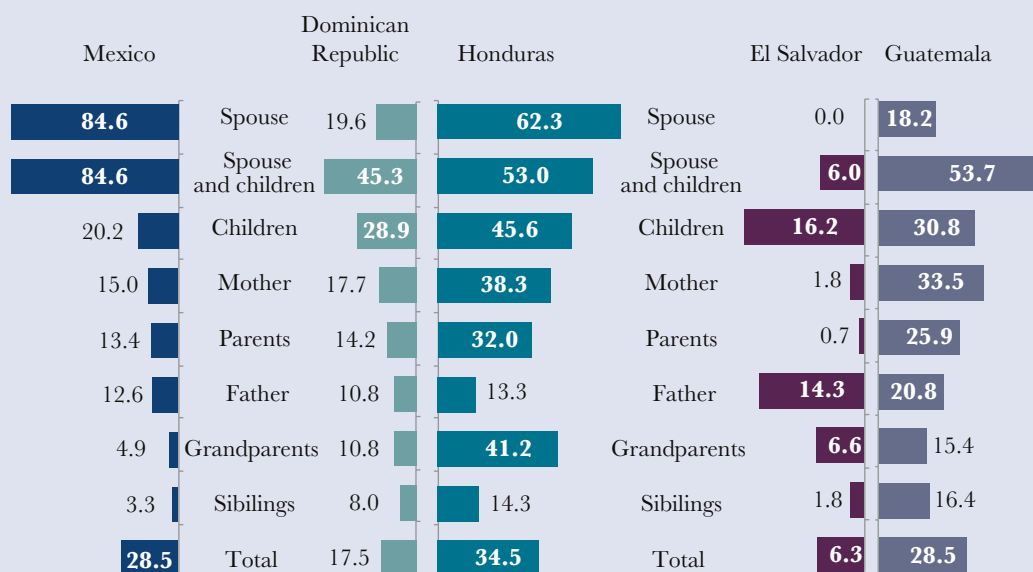
funds constituted the main source of household income (Figure 3).

Meanwhile, remittances are the main source of income for only a small percentage of households when they are sent to the mother, which might indicate that in many cases said recipient has alternative sources of income, possibly including other remittance senders.

Figure 3

**REMITTANCES ARE THE MAIN SOURCE OF HOUSEHOLD INCOME
BY TYPE OF RECIPIENT**

Percentage of answers according to recipient



Source: Jesús A. Cervantes González (2017), *The Profile of the Latin American Migrant and His Sending of Remittances: Results of Surveys*, CEMLA.

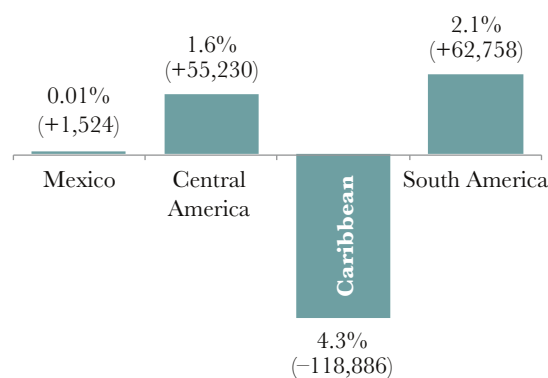
As a result, in 2017, on aggregate for the region as a whole, the number of migrants from LAC in the United States was similar to that in the previous year, amounting to 21.4 million individuals.² The latter implied a very small increase of just 626 migrants as compared to the number observed in 2016.

The labor market for Latin American and Caribbean migrants in United States during 2017 showed trends similar to those observed in recent years, with lower average unemployment rates of 9.5% compared to those of the previous year and expansion in employment of 2.7%, leading to an increase in the workforce of 2.1% with respect to the previous year. Thus, at the end of 2017, despite marginal migration growth, there was a total of 27,429 more migrants in the workforce.

Figure 6

MIGRATION FLOWS ORIGINATING FROM LATIN AMERICAN AND THE CARIBBEAN MIGRATORY FLOW TOWARDS TO THE UNITED STATES IN 2017

Number of migrants and average annual percentage variation

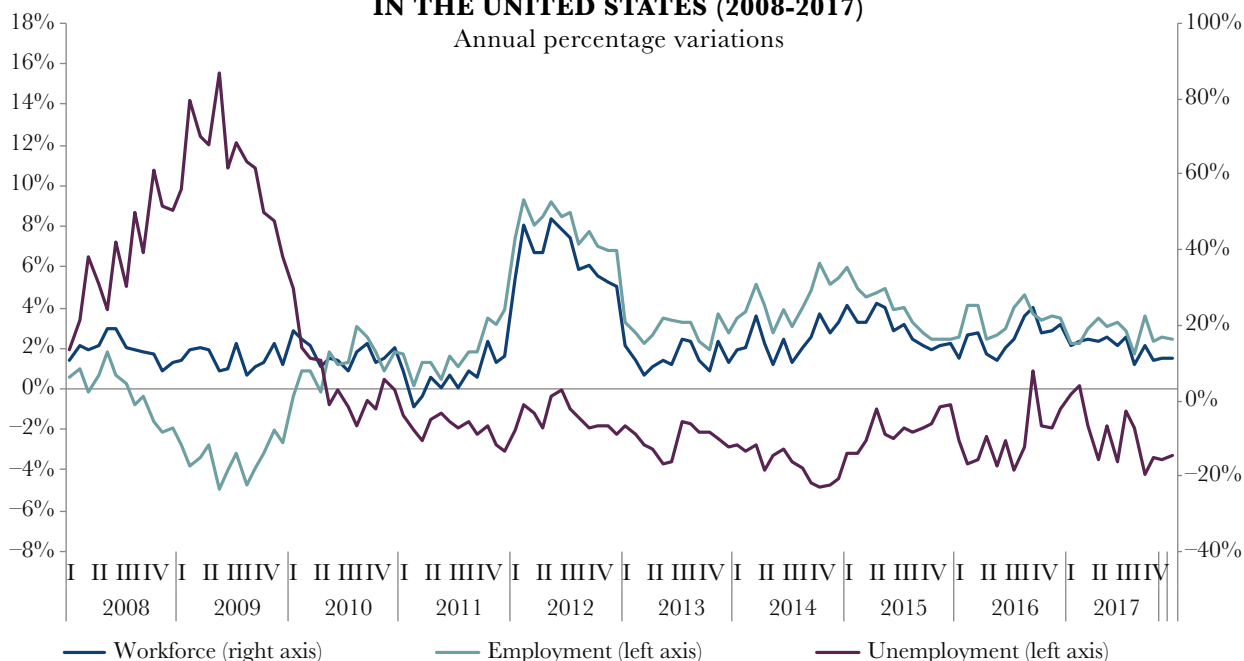


Source: Authors' elaboration compilation based on data from information for the Current Population Survey of the U.S. Census Bureau.

Figure 7

EMPLOYMENT AND LATIN AMERICAN EMPLOYMENT AND WORK FORCE IN THE UNITED STATES (2008-2017)

Annual percentage variations



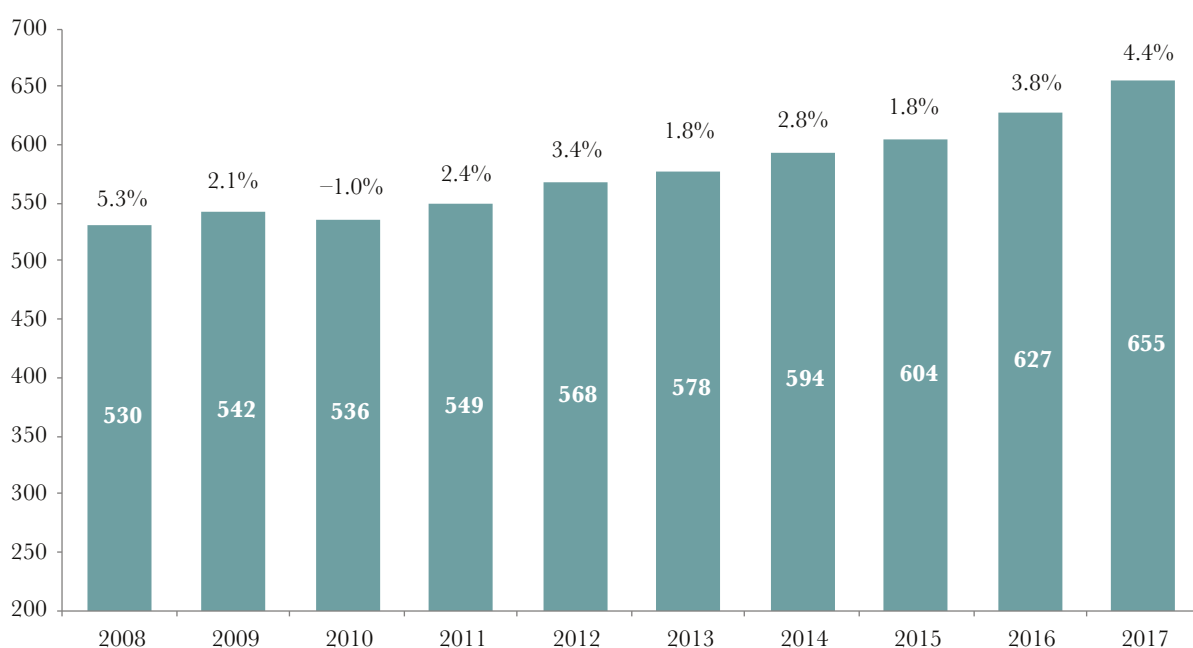
Source: Authors' elaboration compilation based on figures information from the Current Population Survey of the U.S. Census Bureau.

² Data from the Current Population Survey of the U.S. Census Bureau and the U.S. Bureau of Labor Statistics: <http://www.census.gov/cps/>

In addition, during 2017, the weekly average wage of LAC migrants in the United States reached USD 655, figure higher than those observed in the past fifteen years, with a 4.4% annual growth rate compared to the previous year, which is the highest rate registered since the 2008-2009 financial crisis.

Figure 8

AVERAGE WEEKLY WAGE OF WORKERS FROM OF LATIN AMERICA AND THE CARIBBEAN IN THE UNITED STATES (2001-2017)
Dollars and annual percentage variations



Source: Authors' elaboration compilation based on data from the U.S. Bureau of Labor Statistics of the United States.

The lack of growth of migration flows from Latin America and the Caribbean to the United States, and the improvements in the labor market for migrants in that country with average annual growth rates of 2.1% and wage growth of 4.4% largely help to explain the increase in remittances to the region observed for 2017.

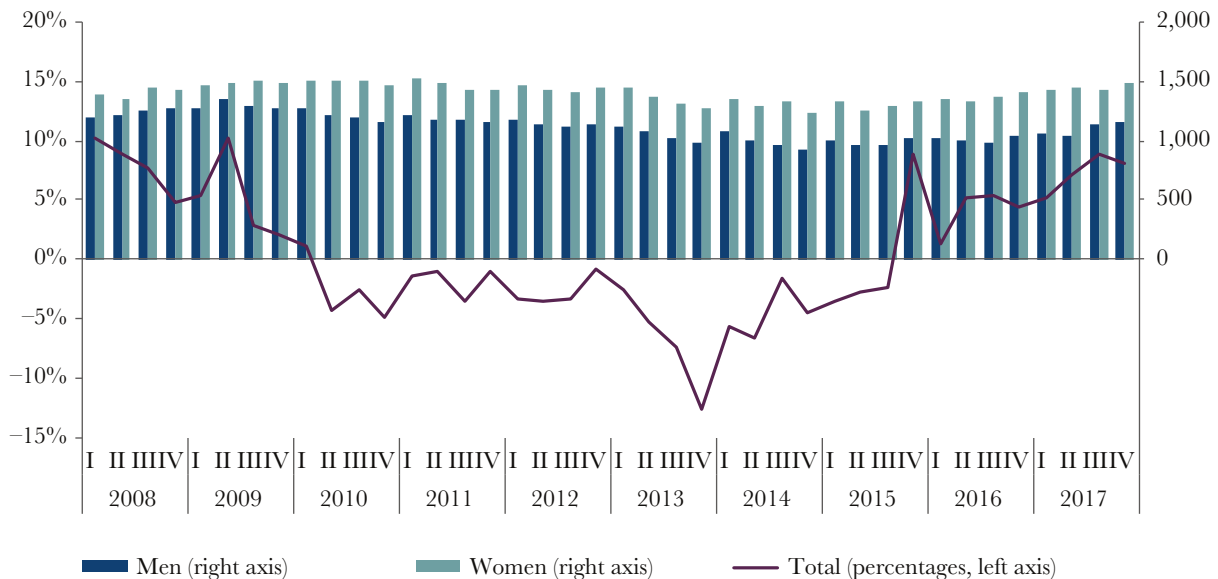
Spain

In 2017, the number of migrants from countries in Latin America and the Caribbean living in Spain increased for the third consecutive year. At the end of 2017, 2.6 million migrants from Latin America and the Caribbean were living in Spain, a figure below the historically high number (2.8 million) registered in 2009, but that is getting closer. The growth in 2017 represents an 8.1% increase compared to that observed the previous year and explains why remittance flows received in LAC countries originating from Spain continue to be the second most important for the region.

Figure 9

POPULATION FROM OF LATIN AMERICA AND THE CARIBBEAN IN SPAIN (2008-2017)

Thousands of people and the interannual growth rate



Source: Authors' elaboration compilation based on figures data from the Spanish National Statistics Institute (INE) of Spain.

The labor market for Latin American and Caribbean migrants in Spain has been showing signs of recovery since the end of 2015. During 2017, 39.0% of migrants from the region living in Spain were unemployed, i.e., 2.3% more on average than the previous year.

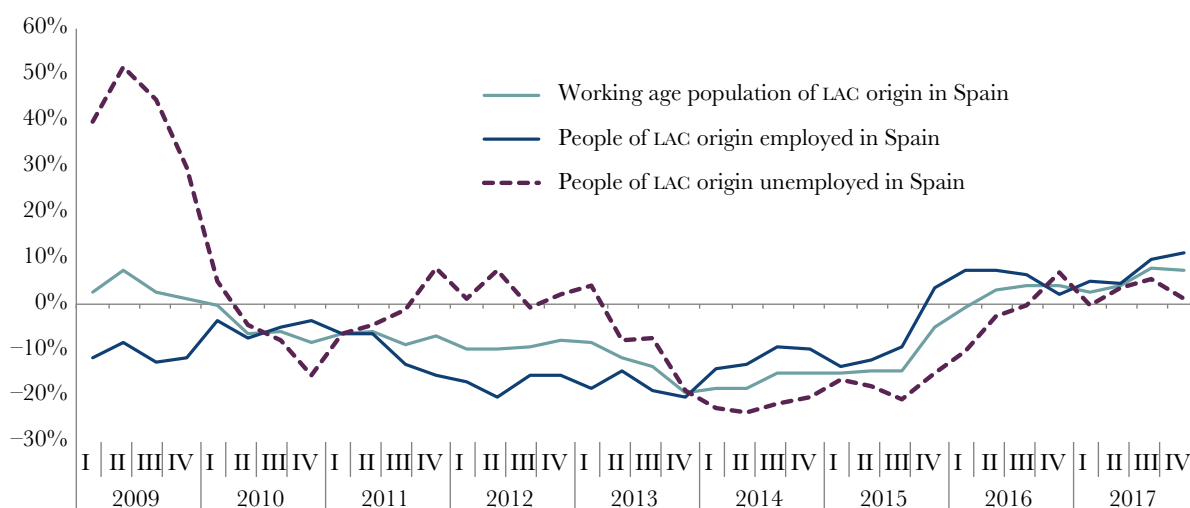
As for employment data, the number of migrants from that region employed in the Spanish labor market increased again for the fourth consecutive year, reaching 60.8% of the migrant population and slightly exceeding the levels exhibited the previous year. With this growth, in 2017, a total of 1.1 million migrants from the region were working in jobs in Spain, a figure still below the maximum observed in 2009 when there were around two million.

Although no data is available on the wages of Latin American and Caribbean migrants in Spain, it is known that they mostly work in the construction (men) and service (women) industries. Hence, wages in these sectors in Spain can provide a good approximation of the changes in income of LAC migrants in that country. In this regard, for the third consecutive year, wages in the construction industry in 2017 fell by 1.2% compared to one year earlier, while wages in the services industry fell 1.0%.

The recovery of migration levels and the improvement in employment rates among LAC migrant workers in Spain offset by wage decreases in the sectors where they work, largely explain the growth of remittances received by the Andean countries, which to a great extent come this part of the world.

Figure 10**EMPLOYMENT AND WORKFORCE IN SPAIN (2009-2017)**

Annual percentage variations



Source: Authors' elaboration. Compilation based on data from the Spanish National Statistics Institute (INE) of Spain.

Intraregional

The main destinations for Latin American and Caribbean migrants are on the whole the United States and Spain. However, migrants from some countries view migration to other countries, especially neighboring ones, as another attractive option. Such migration and the consequent flow of remittances that stems from it is referred to as intraregional migration or remittances.

Although there is little statistical information available on intraregional migration and remittances for countries in Latin America and the Caribbean, public entities in countries where remittances are received from a greater diversity of origins do recollect and disclose them. Thus, with the information available from the countries that present such figures (Colombia, Paraguay, Ecuador, Bolivia, and Nicaragua), it can be seen how out of the USD 11.66 billion they received in remittances during 2017, 2,423 originated from intraregional countries, accounting for 21.0% of the total.

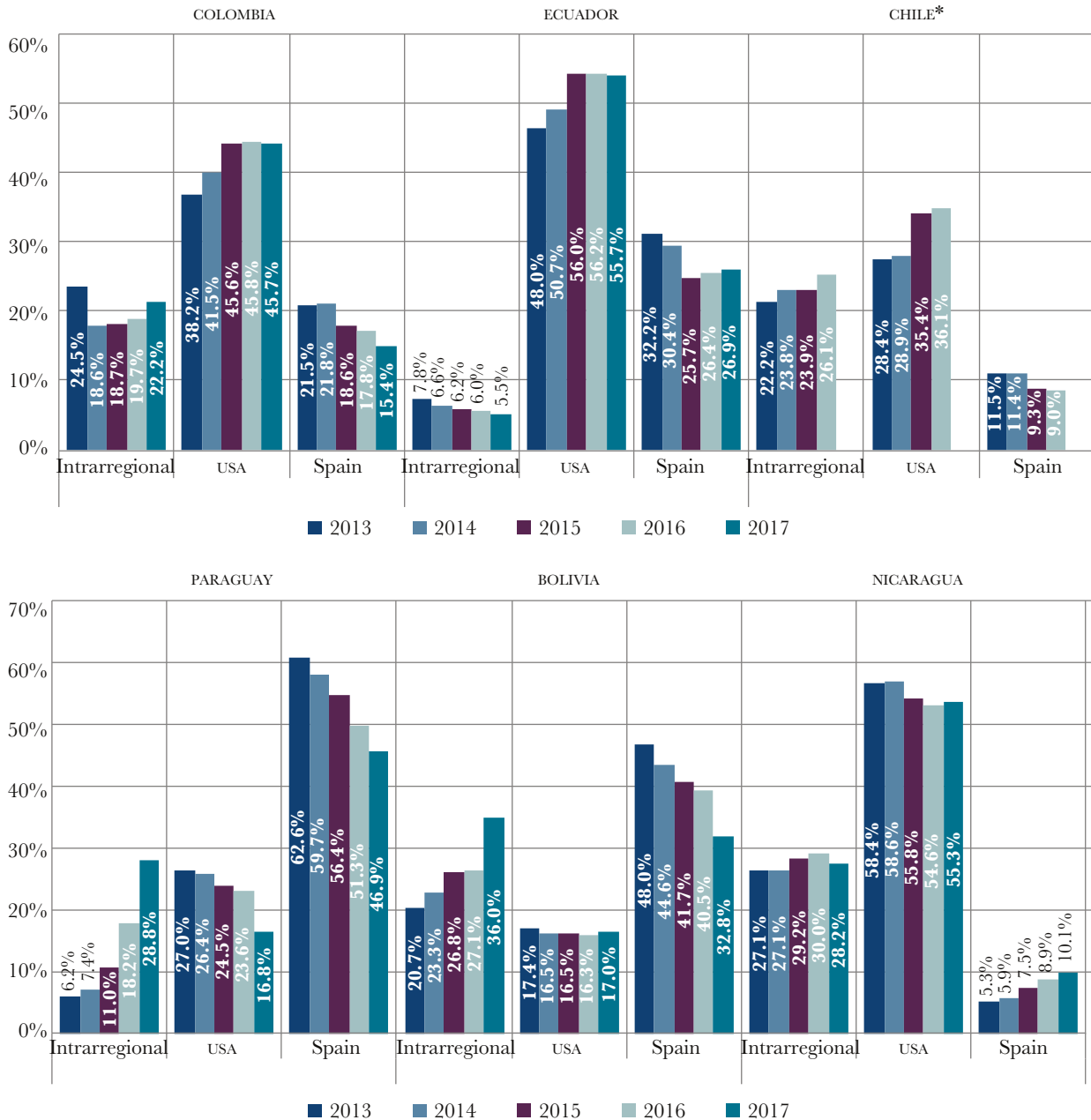
In countries such as Bolivia and Paraguay, the share of intraregional remittances they received (36.0% and 29.0% respectively) even exceeded those that originated from the United States (17.0% in each case), and for Colombia, Bolivia, and Nicaragua they also surpassed the remittances sent from Spain.

In 2017, most of the abovementioned countries, with the exception of Nicaragua and Ecuador, recorded an expansion in the share of intraregional remittances they received, while the importance of remittances originating from Spain decreased and the share of those from the United States remained unchanged.

Figure 11

INTRAREGIONAL REMITTANCES TO SELECTED COUNTRIES IN LATIN AMERICAN AND THE CCARIBBEAN COUNTRIES (2013-2015)

Percentages

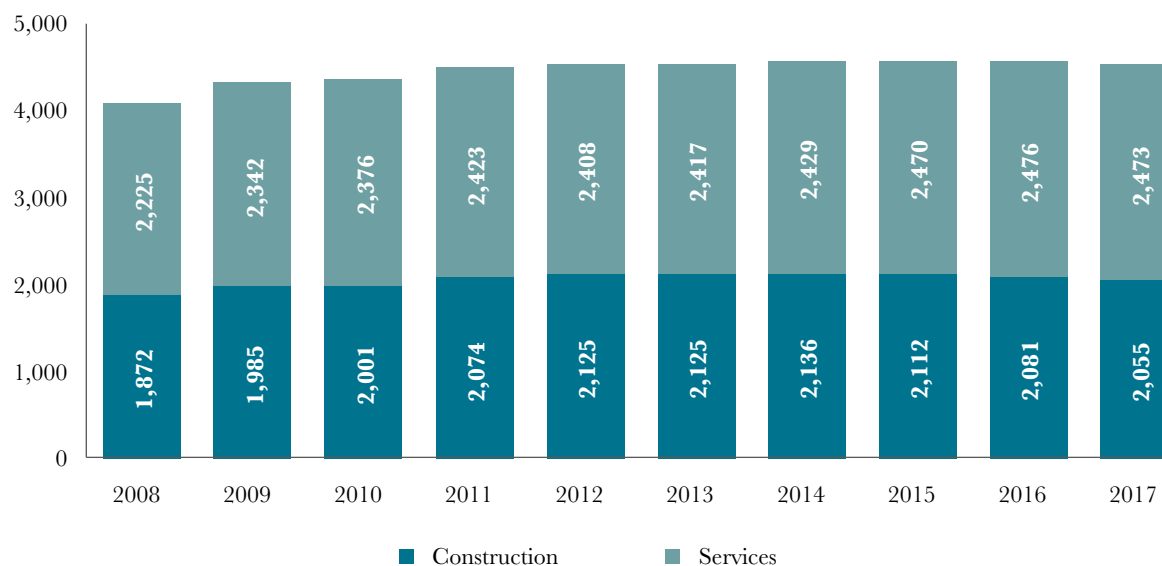


* Data available until 2016.

Source: Authors' elaboration. Compilation based on data from central banks.

Figure 12**MONTHLY WAGES IN SPAIN BY ECONOMIC SECTOR (2008-2017)**

Euros per month



Source: Authors' elaboration compilation based on data from the Spanish National Statistics Institute (INE) of Spain.

At the Origin - Latin America and the Caribbean

It is possible to mention at least three common factors that influence the economic situation and purchasing power of recipient families in the countries receiving remittances: exchange rates, inflation, and gross domestic product (GDP). The first two affect the purchasing power and consumption of the families benefitting from such flows since most of these transfers are used for everyday expenses.

With regards to exchange rates, remittances are sent in foreign currency –US dollars, Euros or others– and need to be exchanged into local currency³ before they can be used to cover the expenses of the recipients. Thus, changes in the exchange rate increase or reduce the amounts of remittances received in local currency, while changes in local prices affect the purchasing power of the families receiving these transfers.

In this regard, figures for exchange rates in the region indicate that the aggregate value⁴ of currencies in Latin America and the Caribbean might have depreciated by 0.5%. This, in combination with the growth observed in remittances, allowed beneficiaries to receive remittance amounts in local currency up to a 9.5% higher than those received in the previous year. The largest depreciations were registered in countries of the Caribbean (3.5%), where the highest earnings in remittances due to the depreciation of the exchange rate could be seen.

³ Except in those countries where the dollar is a commonly-used currency.

⁴ Regional and subregional figures for the depreciation or appreciation of local currencies were calculated by weighting variations in the value of remittances in local currency in each country, in regard to participation in regional and subregional remittance flows.

Furthermore, when prices in recipient economies rise, the purchasing power of consumers decreases. In this regard, aggregate inflation⁵ across the region was 3.6% in 2017, reducing the purchasing power of remittance receiving families. If the impact of inflation is combined with currency depreciation, the purchasing power of remittance recipients is 5.9% lower than the previous year. At the subregional level, the countries of Central America registered the largest growth in the purchasing power of families receiving remittances (16.1%), while in the Caribbean and Mexico, the growth of remittances, combined with the depreciation of their currencies and inflation, led to a net increase of 7.4% and 1.4% in purchasing power, respectively. Such increase was slightly less in South America, where purchasing power grew 0.6%.

Changes in a country's gross domestic product reflect shifts in the general economic conditions of output and employment. Therefore, when there is a fall in GDP, the demand for labor decreases and makes migration more attractive. Moreover, remittances are a very significant source of foreign exchange for many countries in the region, which is reflected by their importance as a percentage of gross domestic product and the role they play in improving standards of living among the millions of families that receive them. In El Salvador and Honduras one in five families, and one in six families, respectively, benefit from remittances⁶. In countries such as Haiti, Honduras, El Salvador, Jamaica, Guatemala and Nicaragua, income from remittances was between 10.0% and 34.0% of GDP in 2017.

At a regional aggregate level,⁷ between 2016 and 2017, the GDP of the countries of Latin America and the Caribbean expanded by 10.0%, while remittances grew a little less (9.0%), thereby slightly reducing their weight in GDP which represented 1.4% of GDP in 2017. In subregional terms, South America and Mexico exhibited decreases in the importance of remittances with respect to GDP of -1.7% and -0.5%, respectively, explained by the higher GDP growth as compared to that of remittances. Meanwhile, Central America and the Caribbean recorded growth rates of 7.3% and 6.7% in the importance of the remittances they received with respect to GDP.

⁵ Regional and subregional inflation figures were calculated by weighting variations in the consumer price indexes of each country in regard to participation in regional and subregional remittance flows.

⁶ Keller, Lukas and Rebecca Rouse (2016), *Remittance Recipients in Honduras: A Socioeconomic Profile*, FOMIN.

⁷ Regional and subregional GDP figures were calculated by weighting variations in each country in regard to participation in regional and subregional remittance flows.

Table 1**EFFECT OF THE EXCHANGE RATE AND INFLATION EFFECTS RATE ON REMITTANCES
(2016 - 2017)**

USD millions and interannual growth rates

	<i>Remittances in 2017 (USD millions)</i>	<i>Growth rates: 2016-2017¹</i>			<i>Remittances as a proportion of GDP</i>
		<i>Remittances in USD</i>	<i>In local currency</i>	<i>In local currency and adjusted for inflation</i>	
South America²	17,165	9.6%	8.2%	0.6%	0.4%
Argentina	425	21.8%	35.7%	1.3%	0.1%
Brazil	2,300	-2.7%	-9.2%	-13.8%	0.1%
Chile	329	32.7%	27.7%	24.1%	0.1%
Guyana	327	23.6%	23.5%	20.9%	9.1%
Paraguay	587	7.2%	6.0%	1.4%	2.0%
Uruguay	100	17.8%	12.1%	2.3%	0.2%
Bolivia	1,289	7.1%	7.1%	1.9%	3.4%
Colombia	5,585	15.0%	12.1%	7.3%	1.8%
Ecuador	2,813	8.1%	8.1%	6.1%	2.9%
Peru	3,051	6.0%	2.1%	-0.9%	1.5%
Central America	19,996	11.8%	11.5%	16.1%	7.9%
Belize	90	5.4%	5.5%	2.5%	4.9%
Costa Rica	530	3.0%	7.2%	4.8%	0.9%
El Salvador	5,043	10.1%	10.1%	9.8%	18.4%
Guatemala	8,192	14.4%	10.5%	6.1%	11.6%
Honduras	4,305	11.9%	14.9%	11.4%	19.0%
Nicaragua	1,391	10.0%	15.5%	122.3%	10.2%
Panama	444	4.3%	4.3%	2.9%	0.8%
Caribbean	11,088	9.3%	12.8%	7.4%	9.4%
Dominican Rep.	5,912	12.4%	15.9%	12.9%	7.9%
Haiti	2,836	16.1%	18.8%	8.2%	33.9%
Jamaica	2,205	-3.8%	-2.1%	-7.0%	15.4%
Trinidad and Tobago	136	-6.0%	-4.2%	-9.6%	0.7%
Mexico	28,771	6.6%	7.6%	1.4%	2.5%
Mexico	28,771	6.6%	7.6%	1.4%	2.5%
LAC	77,020	9.0%	9.5%	5.9%	1.4%

¹ The regional and subregional aggregates were calculated by weighing the individual variations with respect to their participation in the remittance subtotals.

² The total of the South American region also includes other aggregates of countries in this geographical area. Source: Author's elaboration based on data from central banks and the International Monetary Fund.

Box 4

TRENDS IN TRANSACTION CHANNELS AND PAYMENT INSTRUMENTS FOR REMITTANCES TO LATIN AMERICA AND THE CARIBBEAN

This section describes trends in the use of different transaction channels and payment instruments used for LAC-bound remittances based on interviews with remittance industry representatives and the authors' analyses. It also discusses the impact that selected cutting edge technologies might have on those trends.

In recent decades, a host of private and public-sector actors have attempted to enhance the positive impact of remittances in destination countries through a combination of strategies. The latter include helping to reduce the costs of sending remittances or encouraging migrants and their families to channel remittances towards productive uses such as saving and investing in businesses and housing. With respect to costs, efforts have given emphasis to increasing the use of electronic payments versus that of cash. On the sending side, funding¹ remittances electronically is less costly for migrants than doing so with cash, while on the receiving side, direct deposit into a bank account may encourage formal savings channeled to future investments in housing or in a business as opposed to the immediate consumption associated with cash receipts.

Against this background, interest in understanding the habits and preferred

channels and payment instruments of migrants for sending and receiving remittances in LAC corridors has grown substantially in recent years. In spite of this, there is still a lack of reliable data on these variables. The recent Global Findex of the World Bank², for instance, only reports the transaction channel and payment instrument used by senders and receivers of domestic remittances, and other payments whose data cannot be extrapolated to international remittances. Moreover, with few exceptions, central banks and statistics institutes in the region do not publish information on transaction volumes for international remittances disaggregated payment media, institution or channel, either at the origin or the destination. There is also a lack of recent surveys that distinguish between channel and payment instrument used in remittance transactions and draw on representative population samples.

Trends in Sending Remittances

The majority of LAC migrants opt for sending remittances in person and in cash. This preference responds to the socioeconomic circumstances and habits of LAC migrants in most of their host countries. The experts consulted for this review estimate that more than 80% of LAC migrants in the United

¹ “Funding” remittances refers to the process of delivering money to be sent to the recipient to the transfer operator. This process can be performed in cash or with an electronic payment instrument such as a debit card.

² World Bank (2017). Global Findex Database 2017. For further information visit <https://globalfindex.worldbank.org/>.

States and Spain prefer to use cash for sending remittances, most commonly approaching a money transfer operator (MTO) service point in person for this purpose. This preference is likely to be associated with the prevalence of receiving cash wages and the habit of using cash for most types of transactions. However, it is estimated that the percentage of senders who prefer to fund remittances with cash varies considerably by migrants' countries of origin. This in turn reflects differences in socioeconomic conditions and financial habits among the various Latin American and Caribbean communities living in the host countries.

The percentage of migrants who fund their remittances from a bank account or using a debit or credit card is expected to slowly increase over the next few years due to changes in financial habits among the migrant population. In Spain, it is estimated that around 86% of Latin American and Caribbean migrants have a bank account³, while in the United States approximately 81% of migrants from the region have one.⁴ Such circumstances might lead one to expect a growing percentage of LAC migrants that are using bank payments to fund their remittances. Nevertheless, this growth is slow, forecasted by the remittance experts to register 1% per annum on average over the next years. Nonetheless, the use of bank

payment instruments for sending remittances might grow faster if the cost of funding remittances from a bank account becomes significantly lower than doing so in cash at an MTO service point, or if senders find it more convenient to use the bank funding channel from a computer or Smartphone. This aspect is crucial given that convenience is one of the characteristics senders value most⁵ when it comes to choosing between different transaction channels and payment instruments.

Trends in Receiving Remittances

Habits and methods for receiving remittances in Latin American and Caribbean countries largely reflect those observed for sending them. In general, remittances are predominantly disbursed in cash at payout locations in bank branches or shops. Cash pickup of remittances accounts for approximately 85% of all incoming remittance transactions according to the experts interviewed. This payout method is particularly important for clients without a bank account or who live in remote areas far away from bank branches. The predominance of cash as a payment method for receiving remittances is likely to be caused rather by the preference of receivers than by the limitations of MTOs, which commonly also offer the option to directly deposit remittances in a recipient's bank account, as is the case of MoneyGram and Viamerica, for example. Notable exceptions to this generalized behavior are the Dominican Republic, where the custom is to receive remittances in cash, but at a person's domicile, and Brazil, where

³ Izaguirre Vizcaya, Maria; González-Ferrer, Amparo & Font, Joan (2016). Remittances and financial inclusion: Analysis of a survey of Latin American and Caribbean migrants in Spain. Washington, DC: Inter-American Development Bank (IDB).

⁴ Authors' calculations based on the 2015 National Survey of Unbanked and Underbanked Households of the Federal Deposit Insurance Corporation (FDIC). For further information see <https://www.economicinclusion.gov/surveys/>.

⁵ Several surveys published by CEMLA show that the convenience or ease of sending remittances is even more important to senders than differences in the costs of such services.

the habit of directly depositing into a bank account predominates.

In any case, the preference towards receiving remittances in cash is declining, albeit slowly. This is related to the fact that having a bank account is gaining ground in LAC thanks to the greater availability of “basic” or “simplified” accounts. These accounts, which often do not require a minimum balance or charge any maintenance fees, have grown in response to financial inclusion regulations that promote them, together with the possibility of performing financial transactions through bank agents, a channel that has been growing rapidly in LAC since the start of this decade. Challenges still remain, however: In countries receiving larger volumes of remittances such as Mexico, Colombia, Guatemala or El Salvador, only between 30% and 45% of the population have a bank account, a percentage that is even smaller among lower income groups⁶.

Some remittance industry experts interviewed for this study estimate that reception of international remittances in a bank account or electronic media will grow between 1% and 2% per annum over the next five years. Meanwhile, deposits in mobile money or digital wallets are still insignificant as a way to receive international remittances in Latin America and the Caribbean. The main reason for this is a lack of sufficiently developed digital or mobile financial ecosystems allowing recipients to perform electronic transactions with the payments (tokens) they receive. Even in markets where mobile money ecosystems have matured in recent years, such as Honduras and Paraguay, the majority of tokens still tends to be more or less instantly converted

into national currency as soon as they are received. Thus, the mobile money channel serves more as a notification of the arrival of a remittance than as a means for receiving and storing value.

Cutting Edge Technologies and International Remittances

In recent years, remittance industry observers have highlighted the potential of different cutting edge technologies to significantly impact and alter the way how money is sent internationally, with financial technologies or FinTech, artificial intelligence, machine learning, and cryptocurrencies mentioned most frequently in this regard.

According to a study carried out by the IDB and Finnovista⁷, although around 25% of Fintechs, or financial technology firms, in LAC are in the payments and remittances segment, it is still too early to know what impact they will have on the remittance market. In the short run, and due to the limited implementation of electronic payment ecosystems, the success of FinTech in the remittances market will depend on their ability to integrate with payment networks that allow users to interact with a payments-focused FinTechs, either by delivering or receiving money in cash (“cash in” and “cash out” points), or through extended electronic payment instruments. A remarkable fact in this regard is that 35% of FinTechs from outside the region that have set up shop in LAC are focused on the remittances and payments sector, demonstrating the substantial interest in the sector.

⁶ World Bank (2017). Global Findex Database 2017. For further information visit: <https://globalfindex.worldbank.org/>

⁷ Fintech Innovations you didn't know were from Latin America and the Caribbean. IDB, Finnovista, 2017

Given the complexity of the KYC/AML⁸ processes required for facilitating the sending and receiving of money through bank channels and MTOs, artificial intelligence and machine learning are expected to reduce costs and improve efficiency when it comes to complying with different regulations in sending as well as receiving countries. For example, the MTO TransferWise, which operates exclusively online, without any physical branches or agent network, already uses these technologies to comply more efficiently with currency controls and “know your customer” rules. With respect to the latter set of regulations, machine learning algorithms help to automatically detect suspicious account registration activities or other unusual client behaviors. Over the next few years, those technologies are expected to become even more effective as more customers progress towards digital channels for sending and receiving remittances. This will allow for using larger volumes of data and enhance the capabilities of technologies that automatically detect unusual transactions and may trigger an individualized analysis.

With respect to cryptocurrencies, our interview partners suggest that we are still relatively far away from them having a significant impact on worker’s remittances to LAC. One of the main reasons for this is that the process for sending remittances in cryptocurrencies is still complicated, which discourages migrants, who seek maximum convenience for frequent transactions. Furthermore, although remittance recipients could use cryptocurrencies to purchase certain products or services, the lack of local ecosystems for facilitating their use as a

means of exchange encourages recipients to convert cryptocurrencies into domestic currency almost immediately. This implies complexity and additional costs associated with making the convergence, cancelling out any savings from not using traditional intermediaries. Said situation represents an important obstacle to the adoption of cryptocurrencies in international payments and will probably take many years to overcome.

Where there do seem to be more business opportunities is in the use of cryptocurrencies to facilitate bulk settlement of remittances between entities in different countries⁹. This would constitute an opportunity for new FinTechs that could enter the remittance business without having to connect to traditional Central Bank settlement systems. Nevertheless, some remittance industry experts highlight that the costs of those settlements are relatively low compared to other operating costs for MTOs, such as those of developing and maintaining service point networks for receiving and disbursing remittances, and for complying with different regulations. Hence, the potential gains from using cryptocurrencies for bulk settlement might be limited, at least in the regulatory context and in the retail payments ecosystem in LAC where cash still predominates.

⁸ Refers to Anti-Money Laundering (AML) and Know Your Customer (KYC) regulations MTOs must generally comply with.

⁹ For further information on how remittances are performed see pages 41 and onwards of the General Principles for International Remittance Services, World Bank, Bank for International Settlements, 2007.

INCOME FROM REMITTANCES IN 2018

It is estimated that remittances received by LAC countries during 2017 amounted to USD 77.02 billion, resulting from an annual increase of 9.0%. The dynamism of remittances was generalized across the different sub-regions considered in this report and stemmed from the favorable evolution of their common determinants in LAC migrants' main destination countries (employment and wages among the migrant population, and the performance of exchange rates vis-à-vis home country currencies) as well as the effects of migration policies adopted in some of those countries, particularly in the United States, which is the destination of a substantial percentage of migrants from the LAC region. The latter factor may have influenced the decision of some migrants living in that country to bring forward remittance transfers, or even send some of their savings to their countries of origin.

For 2018, the growth rate of remittances received by LAC countries is expected to grow significantly, albeit at a more moderate rate than that observed the previous year. There are four major factors contributing to this trend: *i)* The forecasts of the International Monetary Fund (IMF) predict a higher growth rate for economic activity during 2018 in the United States, mainly stemming from the expansive fiscal policy adopted by the authorities of that country, as well as in the region of South America. On the other hand, the IMF forecasts slower rates of growth in the Spanish economy. However, as mentioned in Section 2 of this document, the United States is the main destination for migrants from LAC and, therefore, the main source of remittances received by the region. This, coupled with the favorable economic performance expected

for the countries of South America, could have a positive impact on the flow of intraregional remittances overall;⁸ and, *ii*) It can be reasonably expected that the migration policies implemented by the US authorities, characterized by an increase in the activities for identifying and deporting illegal immigrants and cancellation of the Temporary Protected Status program⁹ (the latter measure has already affected migrants from Central America and the Caribbean), will have the effect of increasing remittances originating from that country as said policies lead to the repatriation of a significant number of migrants still subject to the TPS and the advancement of remittances sent by them, as well as by those who feel more uncertain regarding the possibility of being repatriated to their countries of origin.

Based on the above, it is estimated that in 2018 income from remittances in the LAC region will amount to between USD 81.8 and 82.6 billion, as a result of an annual increase of between 6.2% and 7.2% (Figure 13). Said rate would represent slower growth compared to that observed in 2017 (9.0% increase).

Table 2

REAL GROSS DOMESTIC PRODUCT

Annual percentage variation

	2017	2018 ¹
United States	2.3	2.9
Spain	3.1	2.8
Canada	3.0	2.1
Mexico	2.0	2.3
South America	0.7	1.7
Argentina	2.9	2.0
Brazil	1.0	2.3
Colombia	1.8	2.7

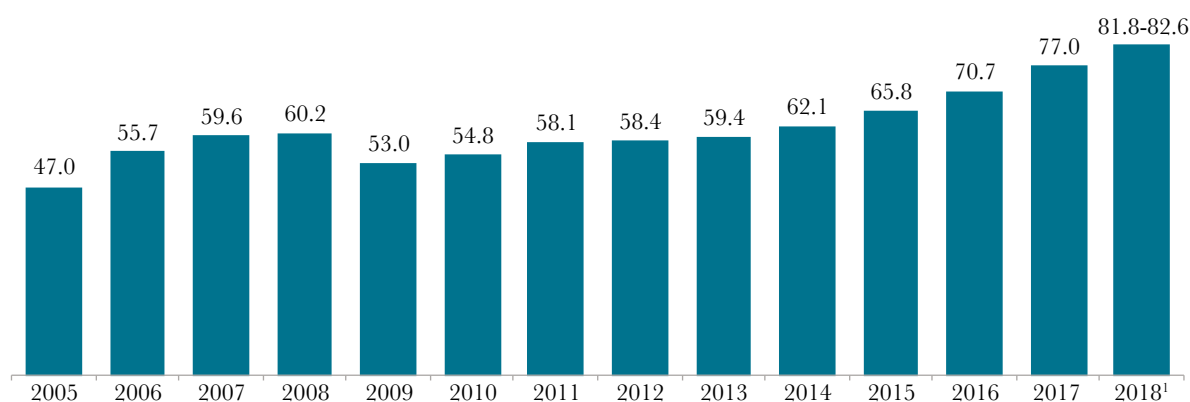
¹ Forecast.

Source: Author's elaboration created with information from the IMF (Prospects of the World Economic Outlook, April, 2018).

Figure 13

INCOME FROM REMITTANCES IN LATIN AMERICA AND THE CARIBBEAN

Billions of USD billion



¹ Forecast.

⁸ Box 1 and section 2 refer to the importance of intraregional migration flows and, consequently, intraregional remittances for some LAC countries, particularly in the region of South America.

⁹ TPS.

With regards to the groups of LAC countries in the subregions referred to in this report, it is estimated that the growth rate of remittances received by said regions will slow compared to that observed in 2017. In particular, in Central America, inflows from remittances will register an annual increase of between 7.5% to 8.5%. Meanwhile, in the sub-regions of the Caribbean and South America, increases in said inflows will be within the range of 6.5% and 7.5%. As for Mexico, the growth rate of remittances is estimated to fall between 5.0% and 6.0% (table 3).

Table 3

INCOME FROM REMITTANCES IN LATIN AMERICA AND THE CARIBBEAN

USD billion

	<i>LAC</i>	<i>Mexico</i>	<i>Central America</i>	<i>Caribbean</i>	<i>South America</i>
	<i>Billions of USD</i>				
2005	46,954	21,688	8,965	5,156	11,145
2006	55,677	25,567	10,800	5,711	13,599
2007	59,565	26,059	11,990	6,372	15,144
2008	60,227	25,145	12,528	6,720	15,834
2009	52,955	21,306	11,265	6,309	14,075
2010	54,823	21,304	11,984	7,186	14,349
2011	58,132	22,803	12,643	7,706	14,981
2012	58,410	22,593	13,549	7,858	14,409
2013	59,425	22,303	14,266	8,289	14,567
2014	62,054	23,647	15,461	8,883	14,064
2015	65,756	24,785	16,478	9,582	14,911
2016	70,674	26,993	17,879	10,141	15,661
2017	77,020	28,771	19,996	11,088	17,165
2018	81.8 - 82.6	30.2 - 30.5	21.5 - 21.7	11.8 - 11.9	18.3 - 18.5
	<i>Annual percentage variations</i>				
2006	18.6	17.9	20.5	10.8	22.0
2007	7.0	1.9	11.0	11.6	11.4
2008	1.1	-3.5	4.5	5.5	4.6
2009	-12.1	-15.3	-10.1	-6.1	-11.1
2010	3.5	0.0	6.4	13.9	1.9
2011	6.0	7.0	5.5	7.2	4.4
2012	0.5	-0.9	7.2	2.0	-3.8
2013	1.7	-1.3	5.3	5.5	1.1
2014	4.4	6.0	8.4	7.2	-3.5
2015	6.0	4.8	6.6	7.9	6.0
2016	7.5	8.9	8.5	5.8	5.0
2017	9.0	6.6	11.8	9.3	9.6
2018 ¹	6.2 - 7.2	5.0 - 6.0	7.5 - 8.5	6.5 - 7.5	6.5 - 7.5

¹ Forecast.

Note: The sum of the components may not coincide with the total due to rounding.



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