5-29-2009

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LADB Staff

LADB Article Id: 50833
ISSN: 1060-4189

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by LADB Staff
Category/Department: Region
Published: 2009-05-29

One of the most dramatic manifestations of the global economic crisis has been the loss of jobs in countries to which Latin Americans emigrate, with drastic repercussions in the amount, number, and regularity of remittances workers send their families in their home countries. The trend was already evident in the second half of 2008, with transfers increasing only 0.9%, for a total of US$69.2 billion for the year. The most recent Inter-American Development Bank (IDB) update in early May estimates an average drop of 7% in 2009. However, in some countries where remittances are one of the principal sources of income, the reduction is already more than 13%.

As an immediate consequence, both the IDB and the Economic Commission for Latin America and the Caribbean (ECLAC) predict a sharp increase in already high poverty levels in the countries most dependent on remittances (Bolivia, Ecuador, Colombia, and Peru in South America). Remittances from Latin American emigrants originate mostly in the US and Spain, two countries particularly hard hit by the crisis.

In some isolated cases, such as Bolivia and Paraguay, a significant flow of remittances also comes from within the region, a phenomenon not measured by any international agency. The US is the most important source of remittances for Central Americans, while for South Americans it is Spain. In both cases, the greatest jobs loss is in the construction, manufacturing, hotel, and food-services sectors, which hire the largest number of foreigners.

Poverty expected to increase in region

In presenting the study "Migracion y remeses en tiempos de recession," IDB researcher Natasha Bajuk emphasized that increased unemployment punishes both emigrants and their families at home. The former, because they have seen a dizzying drop in income and consequently their standard of living as a result of increases in food, rent, and fuel costs. The latter, because the money they receive is used for basic consumption (food and clothing). "Given that millions of families depend on that money to survive, if remittances don't arrive as often or in the same amount as in previous years, we will soon see an enormous social effect, with a very strong increase in poverty levels," said Bajuk.

In mid-March, when the bank issued a first alert regarding the remittance crisis, IDB president Luis Alberto Moreno said it was still too early to estimate the loss for 2009, "but undoubtedly this is bad news for millions of people who depend on [remittances] to cover basic necessities." Moreno said the world was in the worst crisis in decades, "a crisis that is manifested in the rapid increase in unemployment in industrialized countries and that primarily touches the economic sectors that most employ foreigners."

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To show the extent of the remittance crisis, Moreno gave the example of the Andean countries, which receive the largest influx of remittances from Spain and until mid-2008 were benefitting from the strength of the euro but have since also been hit by the drop in the value of the European currency.

For ECLAC and the Asociacion Latinomericana de Integracion (ALADI), an organization that includes ten South American countries plus Mexico and Cuba, the crisis centers on two simultaneous occurrences: less growth and fewer remittances. "The outlook is bleak," said ECLAC in a report quoted by the private Spanish information and analysis center Infolatam. "Although the GDP of countries such as Peru, Bolivia, Chile, and Ecuador will grow or stay at 2008 levels, the regional economy will see negative growth of 0.3% during 2009, and, as a consequence, poverty, deprivation, and unemployment will increase.

In addition, for the first time in a decade, remittances, the principal sustenance for millions of people and an enormously important source of hard currency for many countries, will decline." ECLAC pointed out that in some Latin American countries remittances make up 10% of GDP (18% in the extreme case of El Salvador). At the same time, an ALADI report said that trade involving its 12 member countries decreased more than 14% in the second half of 2008 because of the drop in international prices for their exports. The negative trend, it said, is increasing thus far in 2009.

Remittances now going to emigrants

A mid-April report by the Montevideo daily El Pais revealed a new facet of the remittance crisis. In Uruguay, which received US$130 million from its emigrants in 2008 and ranks next to Surinam (US$120 million) at the bottom of the list of remittance-receiving countries, money-transfer firms observed that remittances fell both in quantity and in average amount (around 20%). But the news was that transfers increased to former remittance-sending countries, especially Spain.

Analysts consulted by the newspaper said this indicates that roles are changing, and now many Uruguayans living abroad need help from their families and friends. Local representatives of multinational Western Union, the largest remittance handler in the country, said the drop has been noticeable since 2007. In the first quarter of 2007, the company processed 36,000 transfers for amounts ranging from US$200 to US$250 (27,000 money orders received and 9,000 sent). The same period in 2008 saw 33,000 transfers (22,000 received and 11,000 sent). The decline continued in the first quarter of 2009, when there were 30,000 transfers (18,000 received and 12,000 sent).

Experts believe that, as emigrants have increasing job difficulties, their families are sending them money, which, besides helping them survive, is put in a savings account for an eventual return home. Authorities in both Uruguay and Ecuador reported that, with the worsening employment crisis, many emigrants who had been sending remittances are now returning home. In Uruguay, the government said that 500 entire families returned in late 2008 and that, based on the number of procedures begun during the first quarter of 2009, 1,000 more families could end their attempt to find better economic conditions abroad by yearend.

Spain pays immigrants to go home

In September 2008, when the crisis began to be felt in Europe, the Spanish government approved a Plan de Ayuda al Retorno Voluntario (Voluntary Return Assistance Plan) as an incentive for

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immigrants to return home. Under the plan, the government offered to pay, in two installments, an allocation equivalent to the unemployment subsidy, with 40% paid immediately to provide passage home for the worker and the worker's family, and 60% to be paid 30 days after the worker establishes residence in the home country.

The average allocation per worker would be about US$9,900, an "unattractive" amount, wrote Spanish news agency EFE after surveying immigrant associations. Those who accept the offer lose their residency in Spain and must sign a sworn statement promising not to try to return for at least three years. A study by professor Rafael Pampillon of the IE Business School's Spain campus shows how unemployment hurts immigrants. In April, the unemployment rate for Spanish workers was 17.36%, while for immigrants it was 30.2%.

Writing on the economic crisis in Europe, Nobel Prize-winning economist Paul Krugman said, "For much of the past decade Spain was Europe's Florida, its economy buoyed by a huge speculative housing boom. As in Florida, boom has now turned to bust." Krugman said Spain's rows of empty apartment buildings and deserted commercial sites reminiscent of California and Florida.

The crisis has mobilized union organizations in countries of emigrants. In late March, in light of the IDB report, a Cumbre Sindical Andina was held in Lima, Peru, with delegates from Bolivia, Colombia, Ecuador, Peru, Chile, and Venezuela. Migration in the first four countries involves between 5% and 14% of the economically active population (EAP), of which between 40% and 60% are women.

Meeting participants strongly criticized the IDB for the "dehumanizing way it presents a problem of such social magnitude." The final declaration, which calls on governments to urgently design solutions to confront the global crisis, points out that the IDB measures the total amount of remittances but not how many emigrants regularly send money home and, "perhaps most important, how many work hours and what percentage of the worker's salary make up the more than US$69 billion in remittances sent in 2008. That information, more than the immediate drama that has been measured, would show us how our compatriots are exploited in the central countries."

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