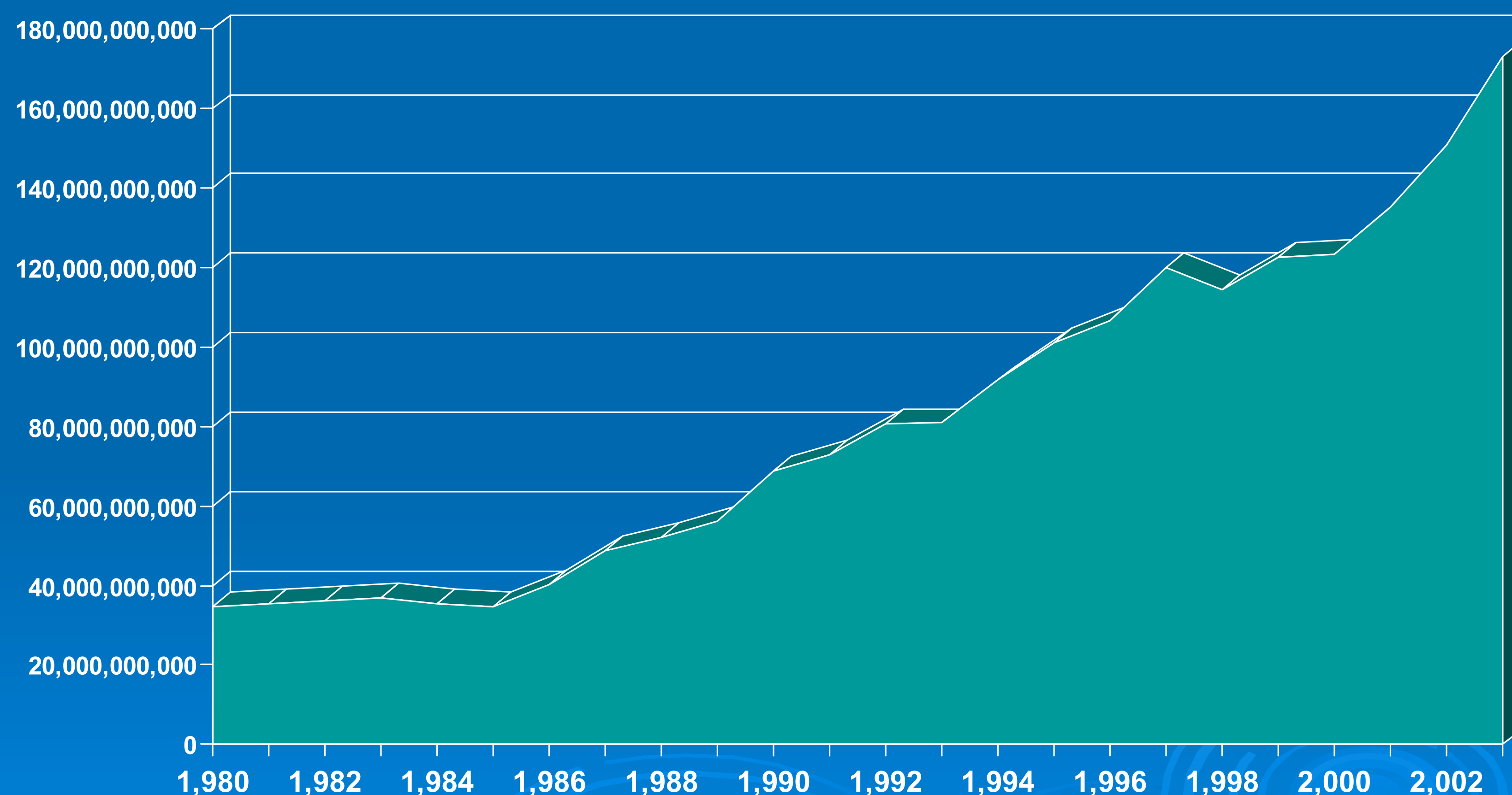
Remesas, Competencia y Costos en América Latina

Remittances in the Americas

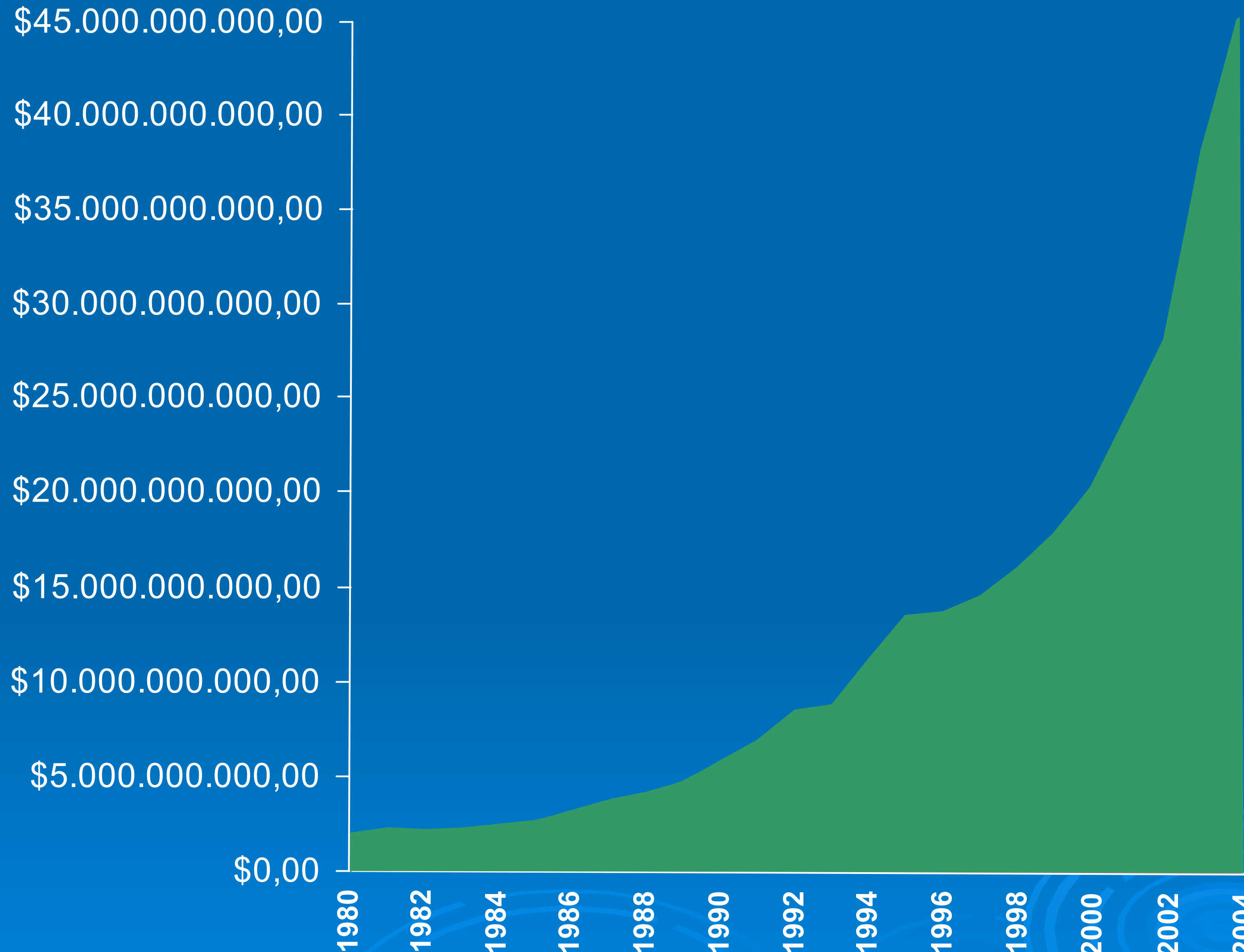
4th Summit of the Americas

November 2nd, 2005

Global remittance flows



Remittances to Latin America and the Caribbean



Country	and GDP	Per capita	Cost	R/gdppc	Average transfer	Annual volume
Mexico	2.3%	162	6.88%	0.73	351.00	16,613,000,000
Brazil	0.6%	34	8.13%	1.85	541.00	5,928,000,000
Colombia	3.9%	87	7.45%	1.31	220.00	3,857,000,000
Guatemala	8.7%	218	7.22%	2.60	363.00	2,681,000,000
El Salvador	14.3%	390	6.18%	1.91	339.00	2,548,000,000
Dominican Republic	14.1%	279	10.39%	0.87	176.00	2,438,000,000
Ecuador	5.7%	134	4.94%	2.57	293.00	1,740,000,000
Jamaica	17.2%	566	8.11%	0.79	209.00	1,497,000,000
Peru	1.4%	50	6.48%	0.95	169.00	1,360,000,000
Honduras	12.4%	163	7.67%	2.91	225.00	1,134,000,000
Haiti	27.8%	122	7.72%	3.17	123.00	1,026,000,000
Argentina	0.8%	21	9.02%	0.36	225.00	700,000,000
Nicaragua	10.8%	146	6.93%	2.07	133.00	800,000,000
Paraguay	3.7%	89	9.11%	2.24	263.00	500,000,000
Bolivia	1.6%	48	7.19%	2.77	235.00	422,000,000
Costa Rica	1.8%	80	9.46%	0.82	301.00	320,000,000
Panama	0.7%	77	10.50%	0.56	196.00	231,000,000
Guyana	8.6%	186	10.14%	2.27	179.00	143,000,000
Barbados	4.3%	418	11.66%	0.29	220.00	113,000,000
Trinidad and Tobago	0.8%	30	10.41%	0.45	200.00	100,000,000
Uruguay	0.3%	71	11.28%	0.22	198.00	93,000,000
Belize	1.7%	281	8.78%	0.73	220.00	77,000,000
Suriname	2.1%	114	10.17%	1.17	220.00	50,000,000
Grenada	5.2%	220	ND	0.6838	220.00	23,000,000

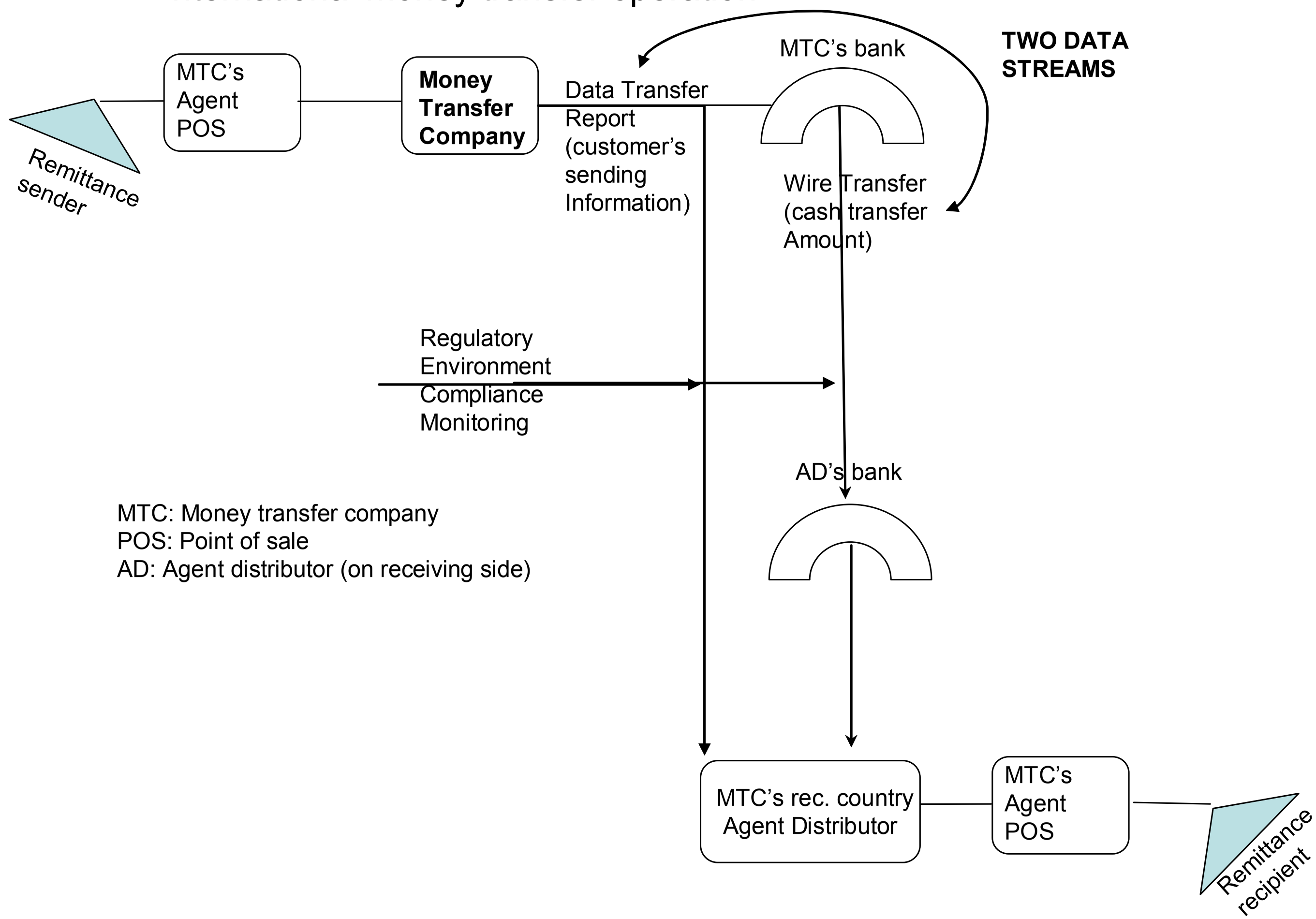
Impact of Remittances		
Strong (3)	Medium (2)	Low (1)
Guatemala, Ecuador, Nicaragua, El Salvador, Haiti, Honduras, Bolivia, Guyana, Jamaica, Mexico	Paraguay, Colombia Peru, Dominican Republic, Brazil, Suriname, Costa Rica, Belize, Grenada, Barbados	Argentina, Panama, Antigua and Barbuda, Trinidad and Tobago, Venezuela, RB

Ratio of remittances: 1: < .66; 2:0.67-1.5; 3: > 1.51; Remittances as % of GDP:1: < 1%; 2: 1 to 4%; 3:>4%; Remittances per capita: 1<36; 2: 37-100; >100; Remittances cost: 1: > 7.5; 2: 7.6-9.5; 3: <9.5.

Un mercado verdaderamente emergente . . .

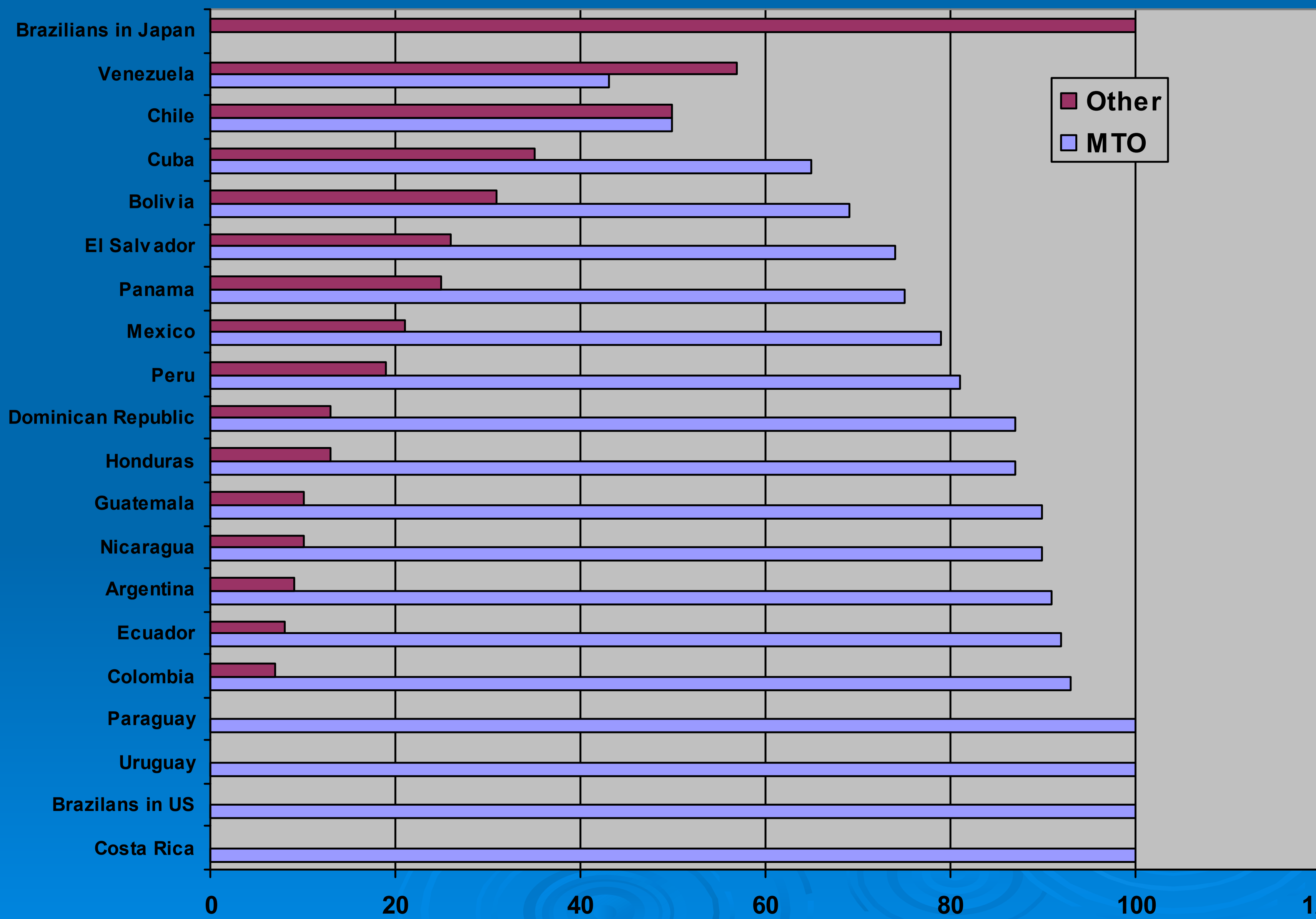
- Creciente movilidad de personas,
- Oportunidades de envío han crecido con la tecnología y la competencia;
- Costos de envío han venido cayendo;
- Nuevos retos se presentan:
  - Profundizar la bancarización;
  - Nuevas tecnologías;
  - Oferta efectiva de servicios y bienes;
  - Impacto distributivo
- El caso Argentino como ilustración emblemática de la globalización y la migración

International money transfer operation

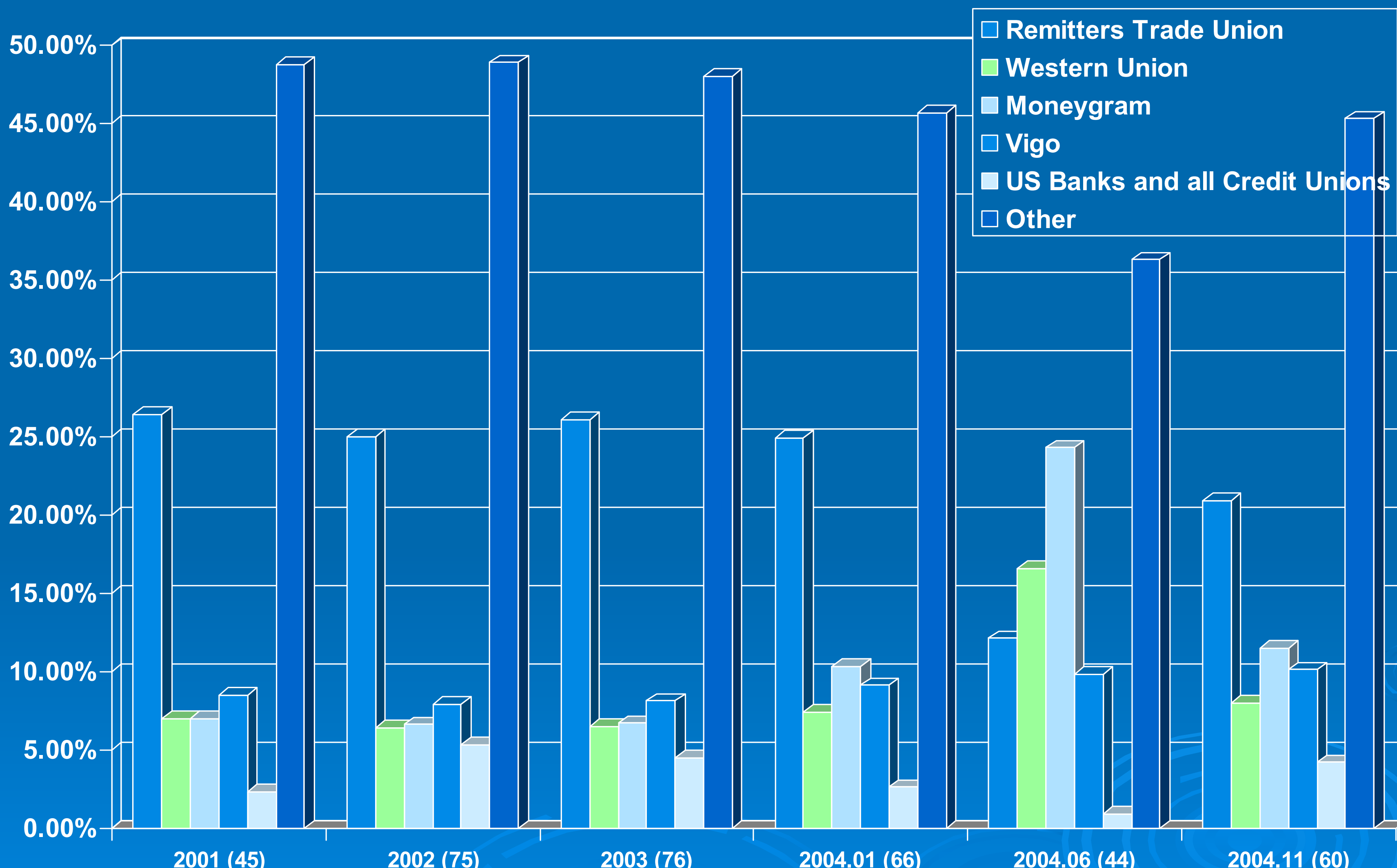


MTC: Money transfer company
POS: Point of sale
AD: Agent distributor (on receiving side)

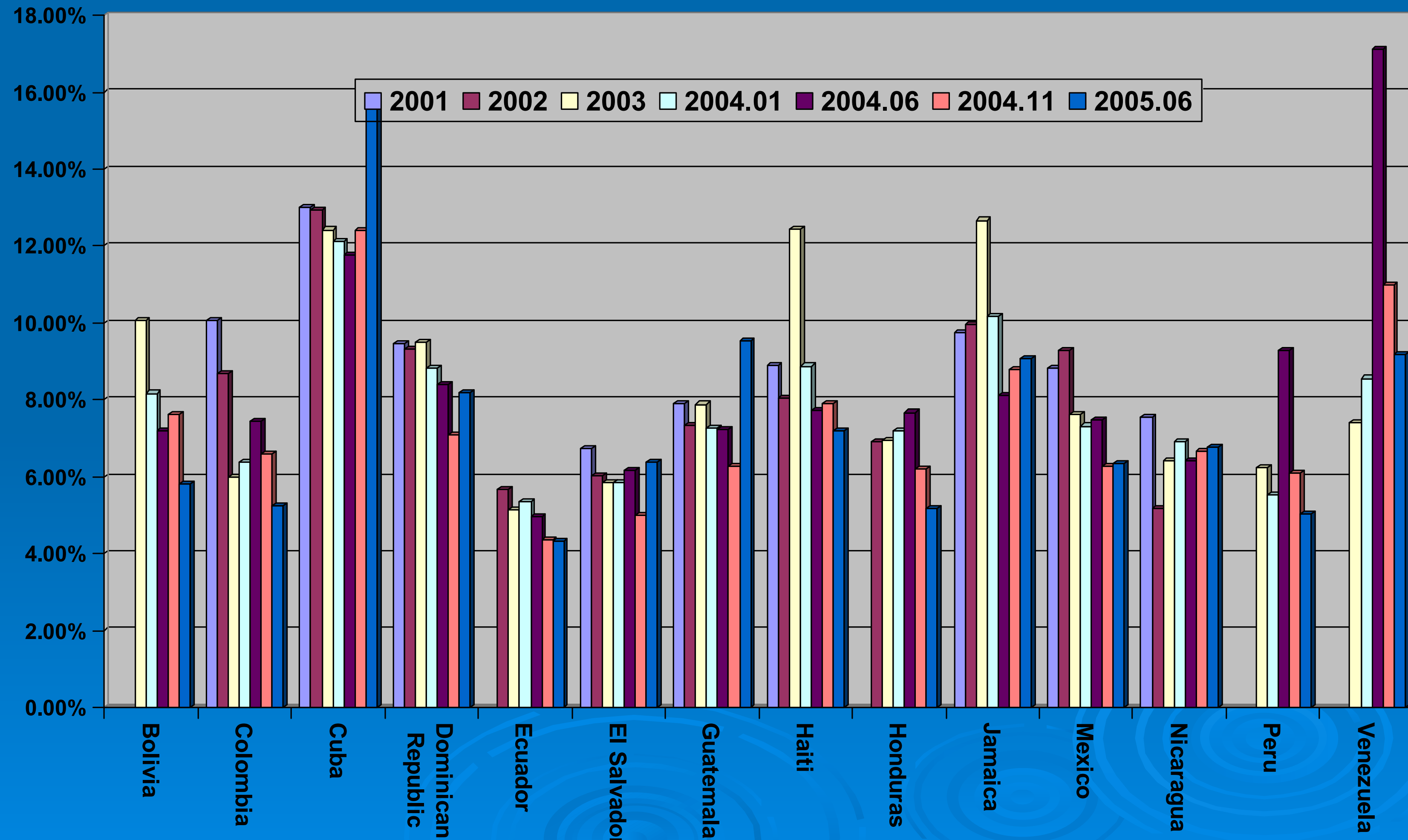
LAC immigrant sender from the U.S. and Japan (for Brazilians): sending methods

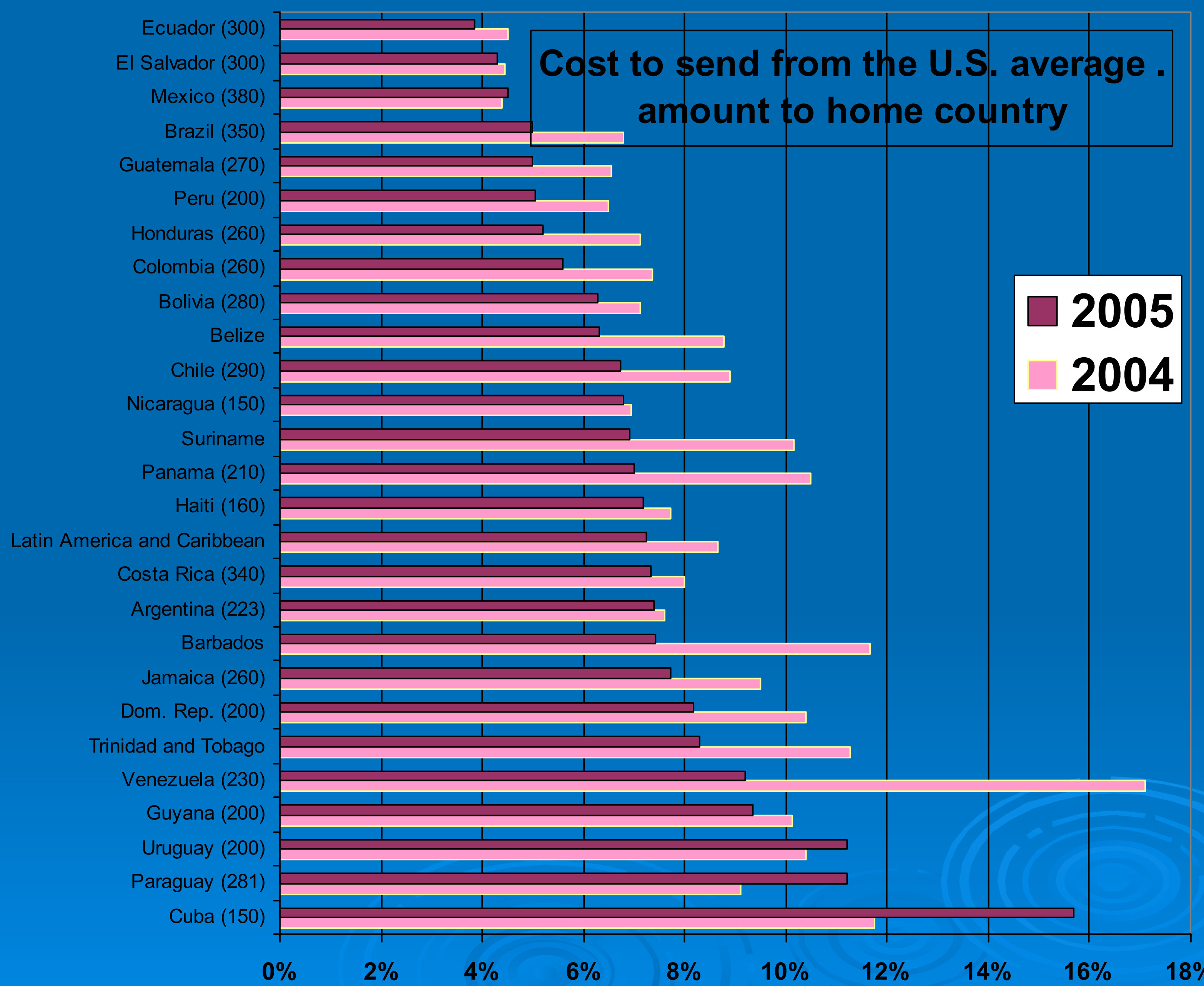


Distribution of companies over time

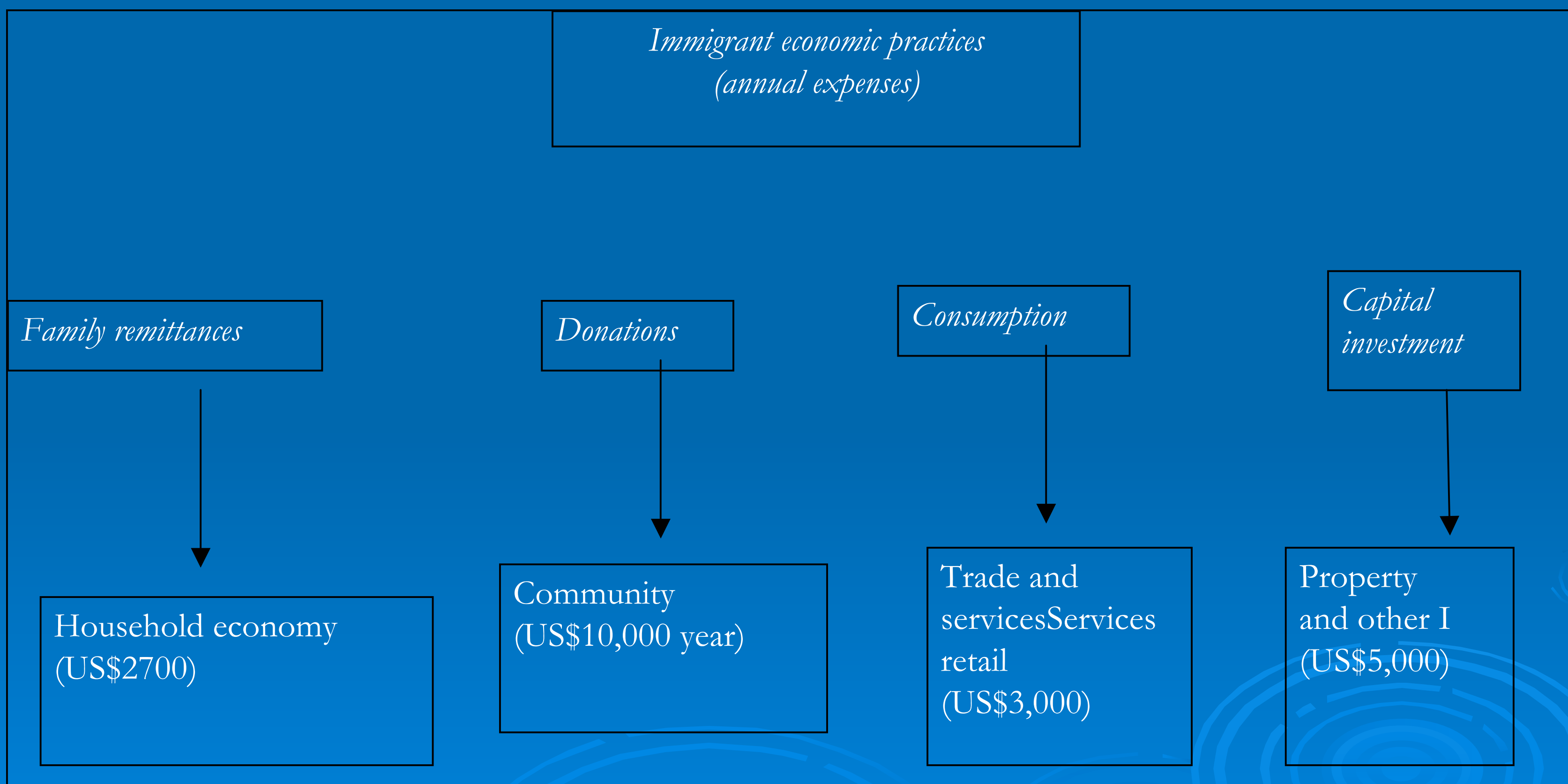


Transfer costs to main recipient countries (to send US$200)



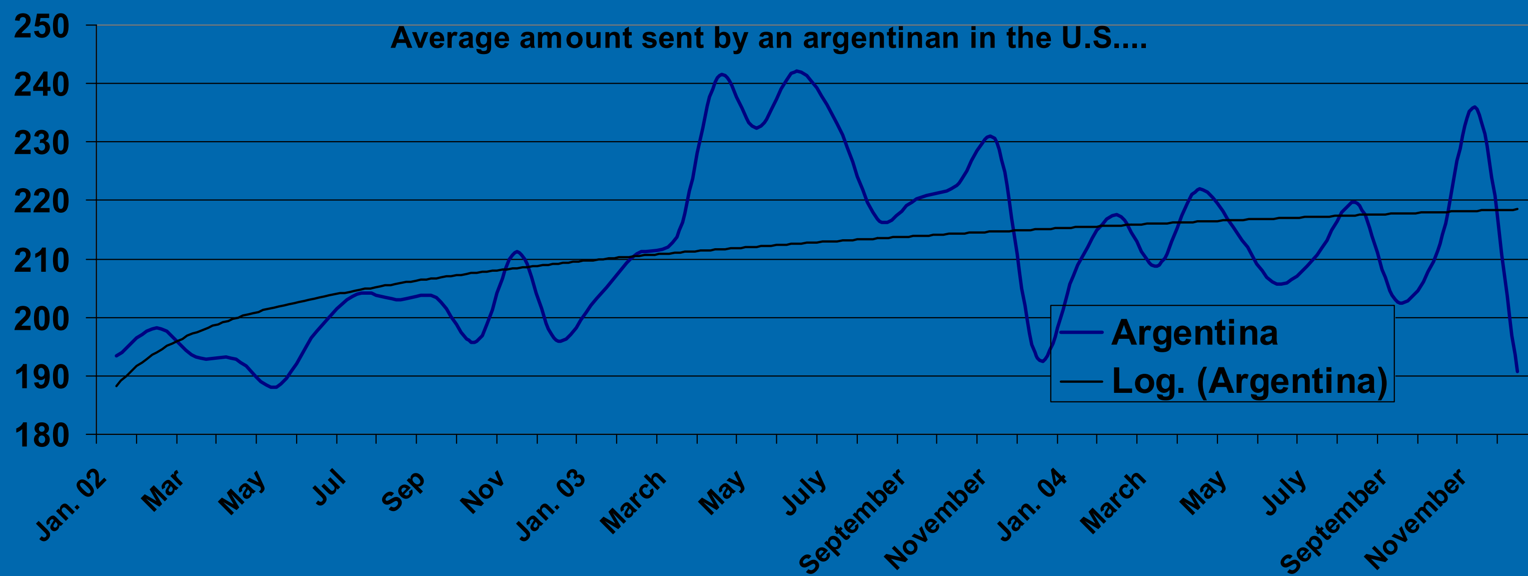

Cost to send from the U.S. average .
amount to home country
2005
2004
Ecuador (300)
El Salvador (300)
Mexico (380)
Brazil (350)
Guatemala (270)
Peru (200)
Honduras (260)
Colombia (260)
Bolivia (280)
Belize
Chile (290)
Nicaragua (150)
Suriname
Panama (210)
Haiti (160)
Latin America and Caribbean
Costa Rica (340)
Argentina (223)
Barbados
Jamaica (260)
Dom. Rep. (200)
Trinidad and Tobago
Venezuela (230)
Guyana (200)
Uruguay (200)
Paraguay (281)
Cuba (150)
0%
2%
4%
6%
8%
10%
12%
14%
16%
18%

Economic dimensions of transnational migrants



Inbound flows: Argentinans abroad ….

Inbound flows to Argentina . . .



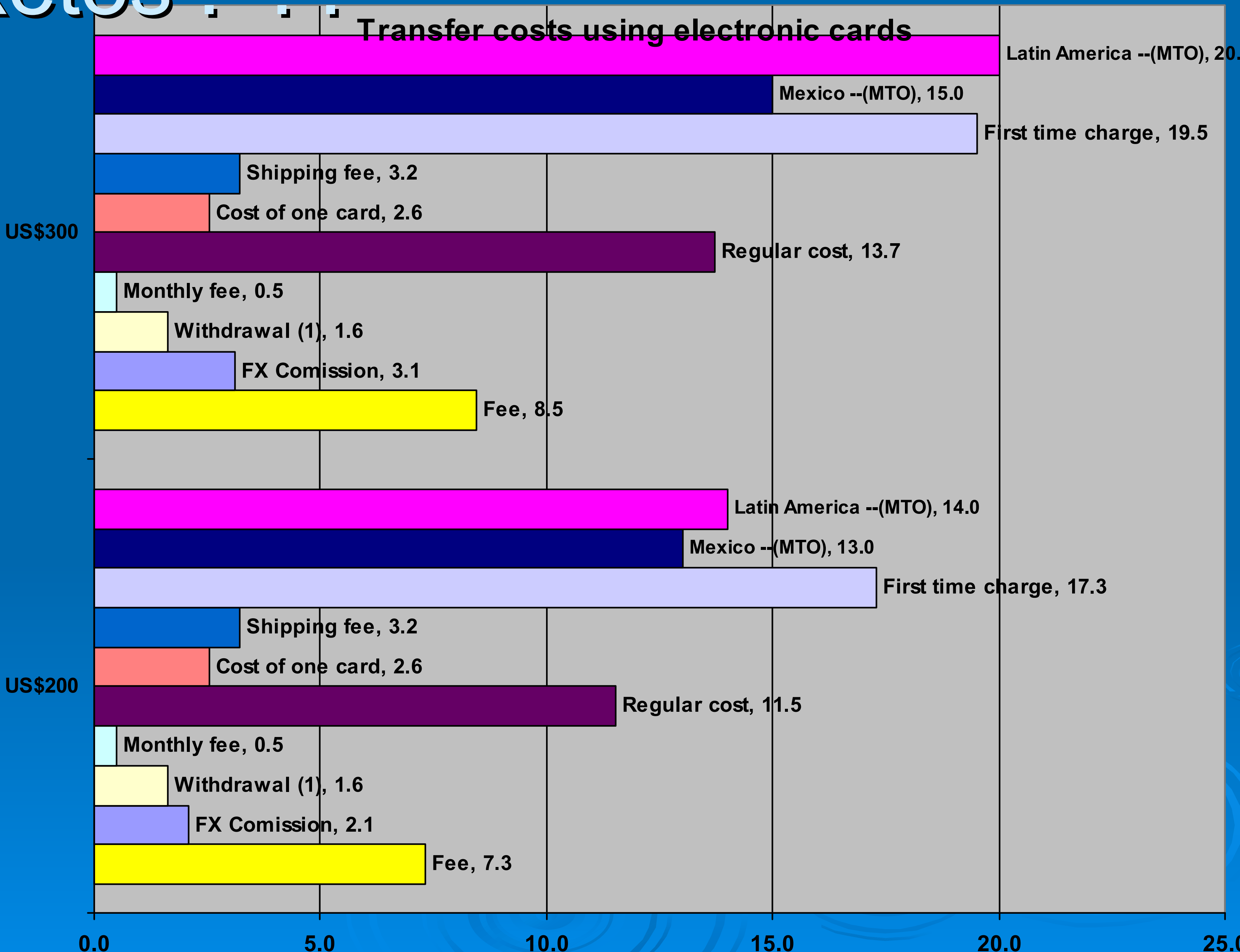
Remitting to Argentina by geographic origin. . .

United States	220,000 (150,000)	225 (12)	US$600,000,000
Europe (Italy, Spain)	50,000	300 (8)	US$120,000,000
Other	30,000	250 (8)	US$60,000,000

Outbound flows: migrants in Argentina

Country	Migrants	% remitting	Annual sent	Total sent
Peru	150000	70%	700	$ 73,500,000.00
Bolivia	300000	70%	700	$ 147,000,000.00
Paraguay	400,000	70%	700	$ 196,000,000.00
Otros	100000	70%	700	$ 49,000,000.00

Retos . . .



Transfer costs using electronic cards
US$300
Latin America --(MTO), 20.0
Mexico --(MTO), 15.0
First time charge, 19.5
Shipping fee, 3.2
Cost of one card, 2.6
Regular cost, 13.7
Monthly fee, 0.5
Withdrawal (1), 1.6
FX Comission, 3.1
Fee, 8.5
US$200
Latin America --(MTO), 14.0
Mexico --(MTO), 13.0
First time charge, 17.3
Shipping fee, 3.2
Cost of one card, 2.6
Regular cost, 11.5
Monthly fee, 0.5
Withdrawal (1), 1.6
FX Comission, 2.1
Fee, 7.3
0.0
5.0
10.0
15.0
20.0
25.0

Challenges to achieve financial democracy…

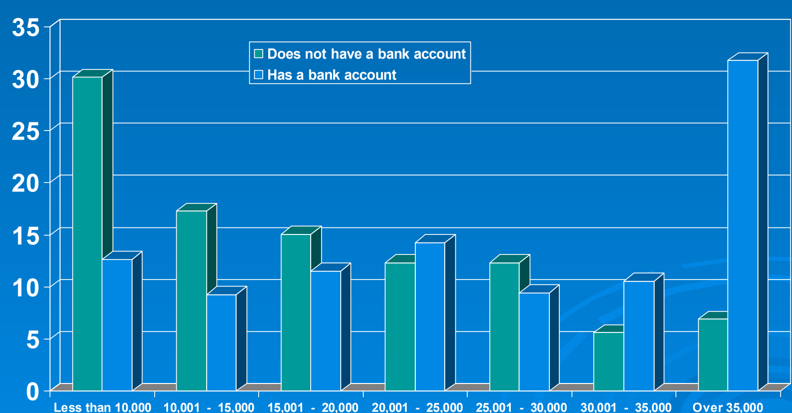
i. *Assimilation* efforts by government institutions and the private sector are inadequate. In thinking about access to these institutions, is important to distinguish between endogenous and exogenous factors affecting access.

ii. *Remittances as commodity*: immigrants see remittances as a good, a commodity which is a valuable in itself and not a financial instrument that can create value as asset. This issue is particularly important when considering technology applications and marketing techniques that can be attractive to immigrants and gradually educate and transform them into bank clients.

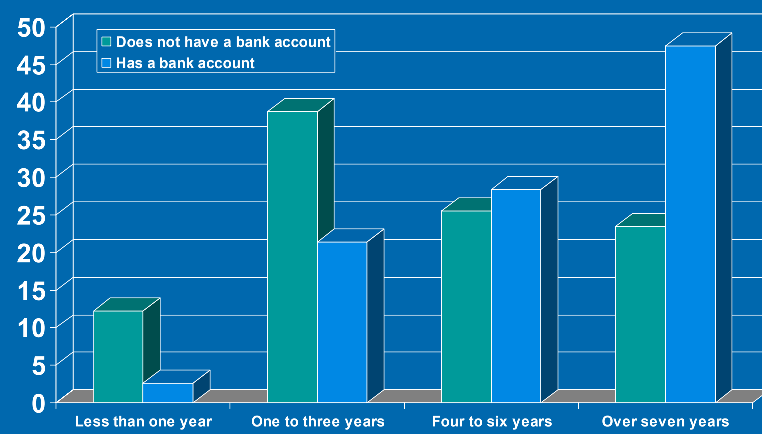
iii. *Market segmentation*: remittance senders are not a monolithic group with similar economic and financial preferences.

iv. Unleashing the potential of the inelasticity of remittances . . .

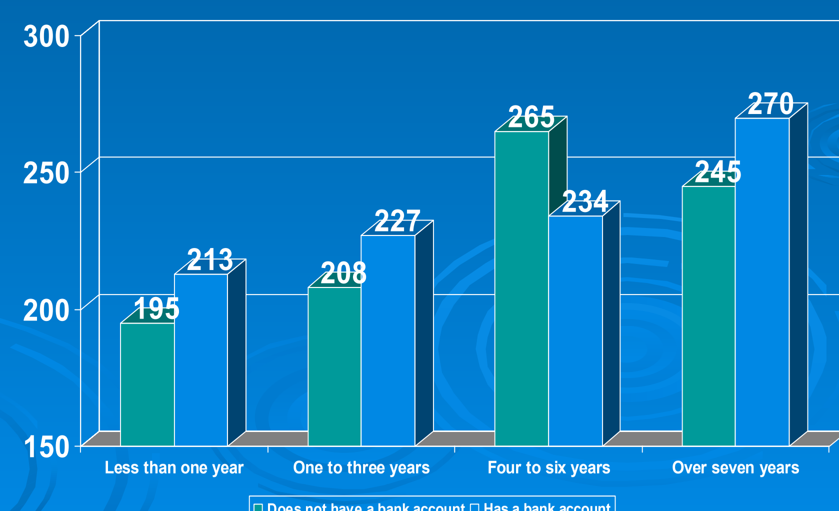
1. Remittance senders with greater income are more likely to hold a bank account. . .



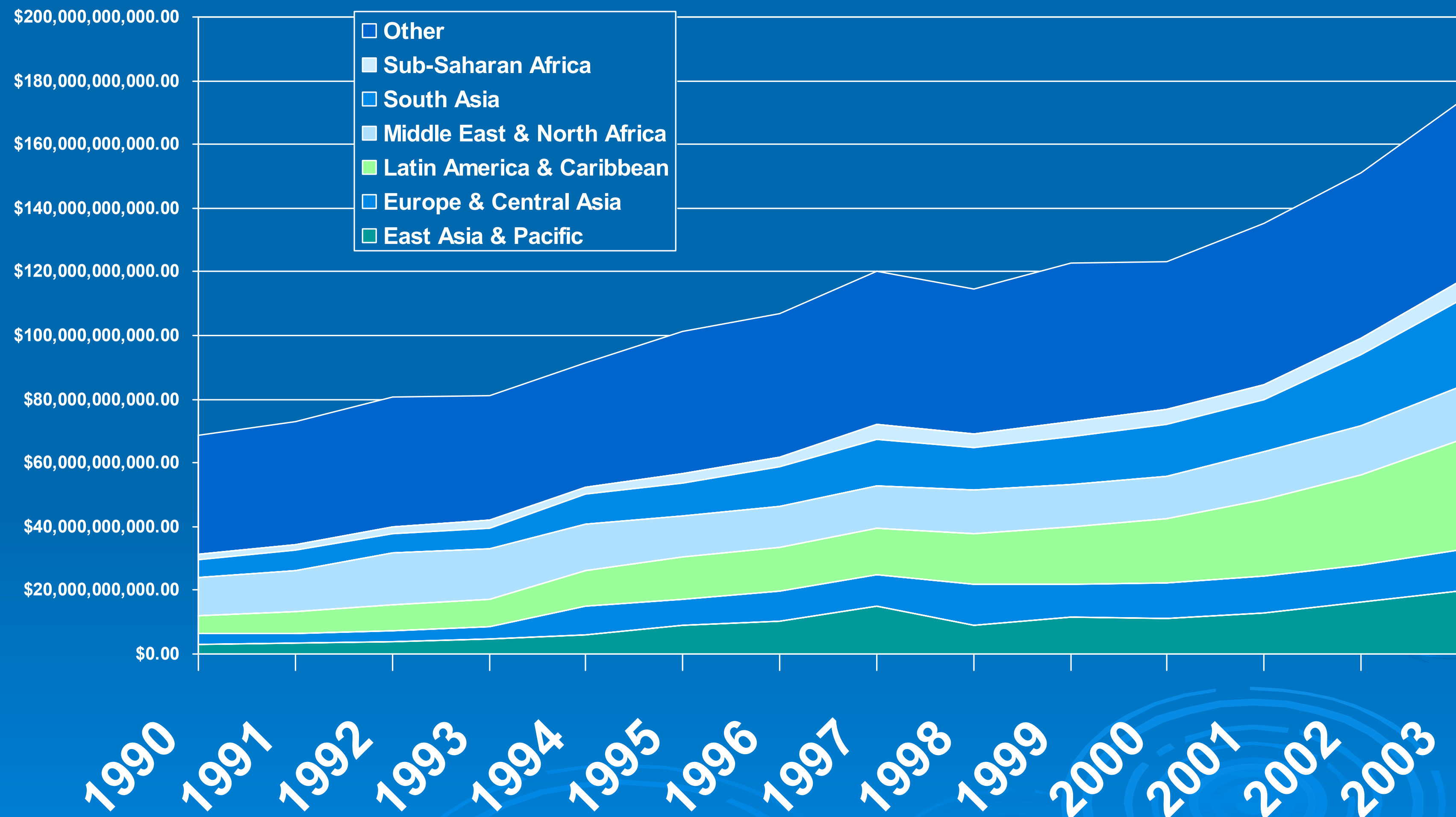
2. Senders who have been longer are more likely to have bank accounts…



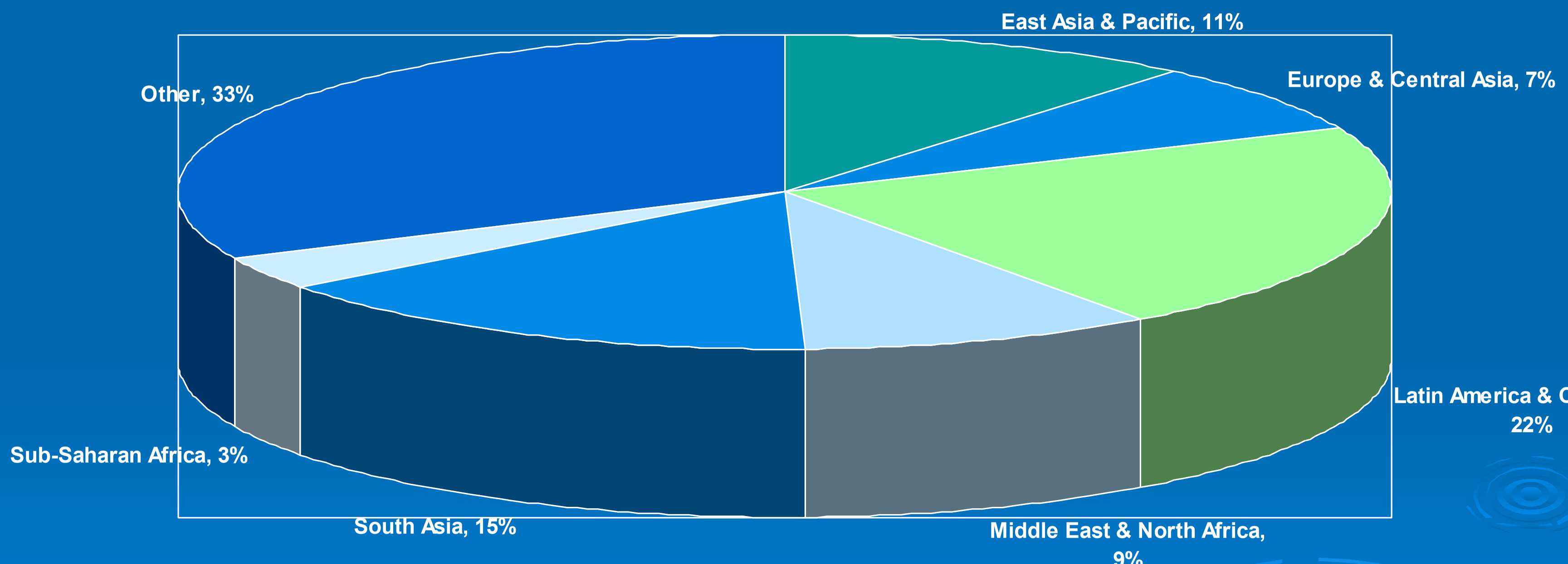
3. There seems to be a relative inelastic trend in remittance sending, regardless of income, holding bank account or length of time in the U.S.



The global trend of remittances



Latin America and the Caribbean in the global context



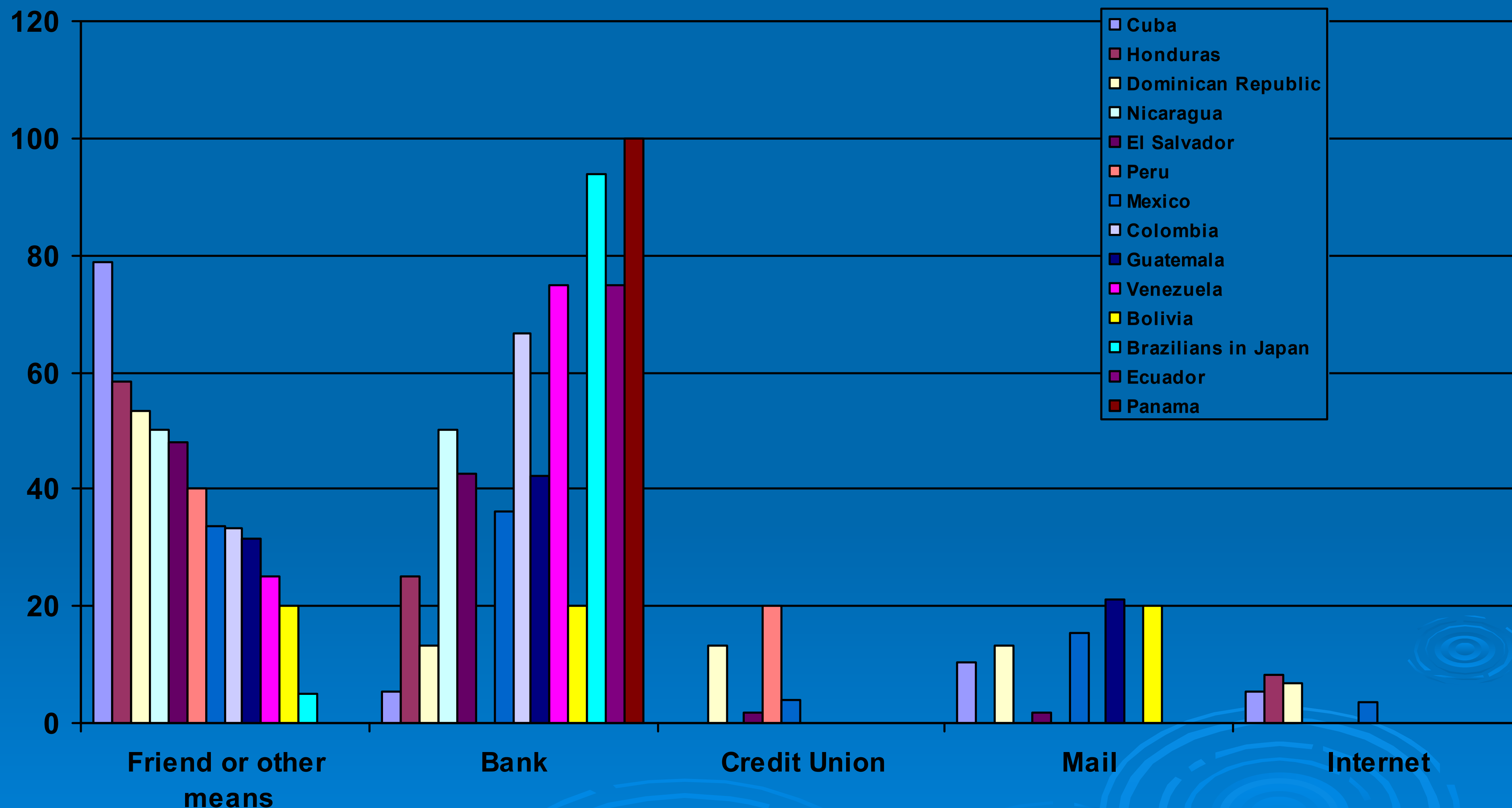
Limited knowledge of migrants. . .

	U.S.A.	Canada	Japan	Europe
Caribbean	2,953,066	294,055		60,000 Dominicans in Spain; 50,000 Cubans in Europe
Central America	2,026,150	71,865		
South America	1,930,271	300,000	350,000 (Brazil and Peru)	400,000 Ecuadorians in Spain; 70,000 in Italy
Mexico	9,177,487	36,225		
Latin America & Caribbean	16,086,974	702,145	350,000	2,000,000

Remittances to Latin America, 2001-2004 (in millions)

Year	2001 (24 billion)	2002 (32 billion)	2003 (38 billion)	2004 (45 billion)
Mexico	9,273	10,502	13,266	16,613
Brazil	2,600	4,600	5200	5,928
Colombia	1,600	2,431	3,067	3,857
Guatemala	584	1,689	2106	2,681
El Salvador	1,920	2,111	2316	2,548
Dominican Republic	1,807	2,206	2217	2,438
Ecuador	1,400	1,575	1656.9	1,740
Jamaica	967	1,288	1425.9	1,497
Peru	905	1,138	1295	1,360
Cuba	930	1,265	1194	1,194
Honduras	460	770	862	1,134
Haiti	810	931	977	1,026
Nicaragua	610	759	787.5	800
Paraguay				500
Bolivia	103	104	340	422
Costa Rica			306	320
Argentina			225	270
Venezuela		235	247	259
Panama				231
Guyana		119	136.5	143
Uruguay				100
Trinidad y Tobago		59	88	93
Belize	42	38	73.5	77
Suriname				50

Use of other sending methods different from MTOs (%)



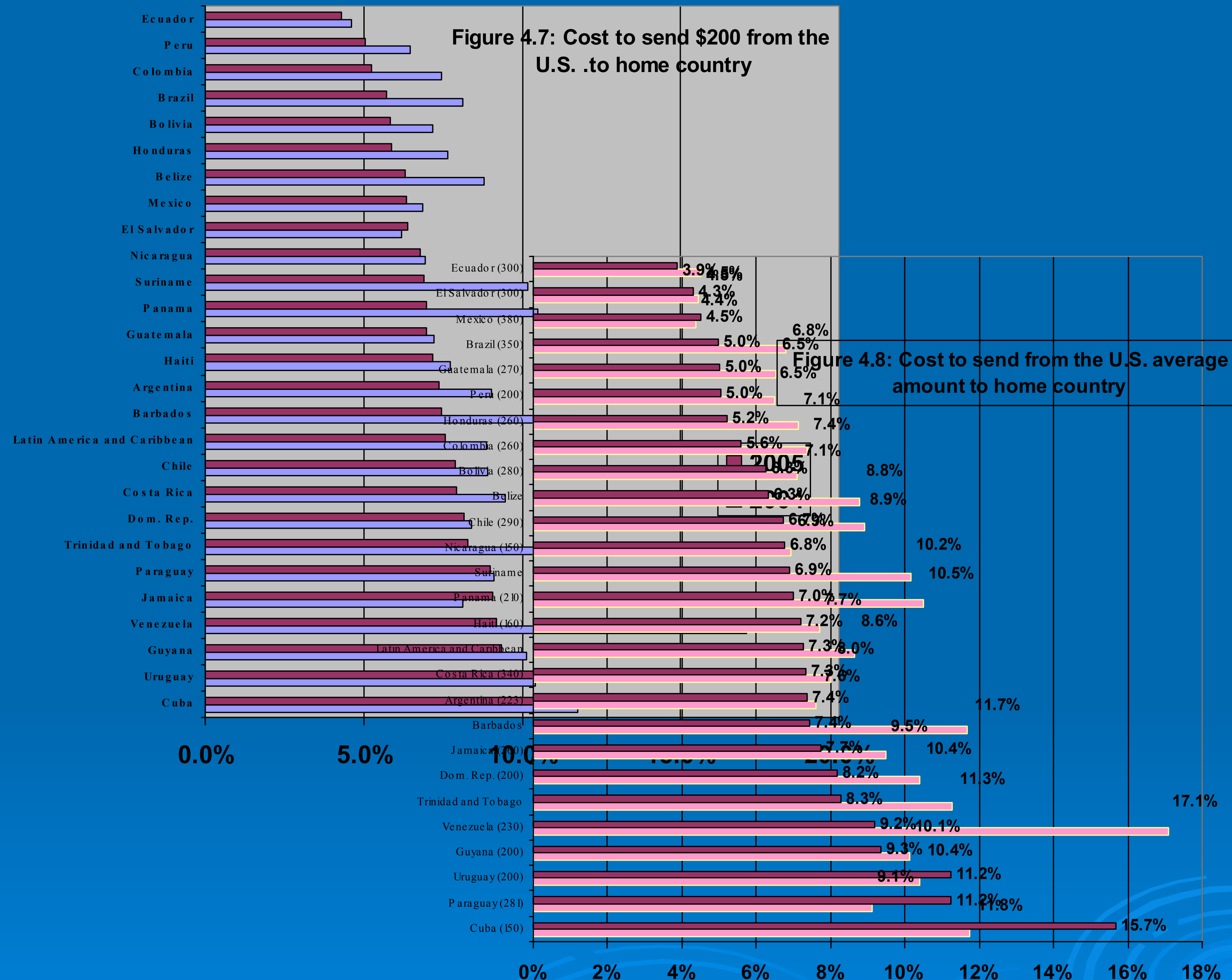


Figure 4.7: Cost to send $200 from the U.S. .to home country

Figure 4.8: Cost to send from the U.S. average amount to home country

Structure of informality in LAC