

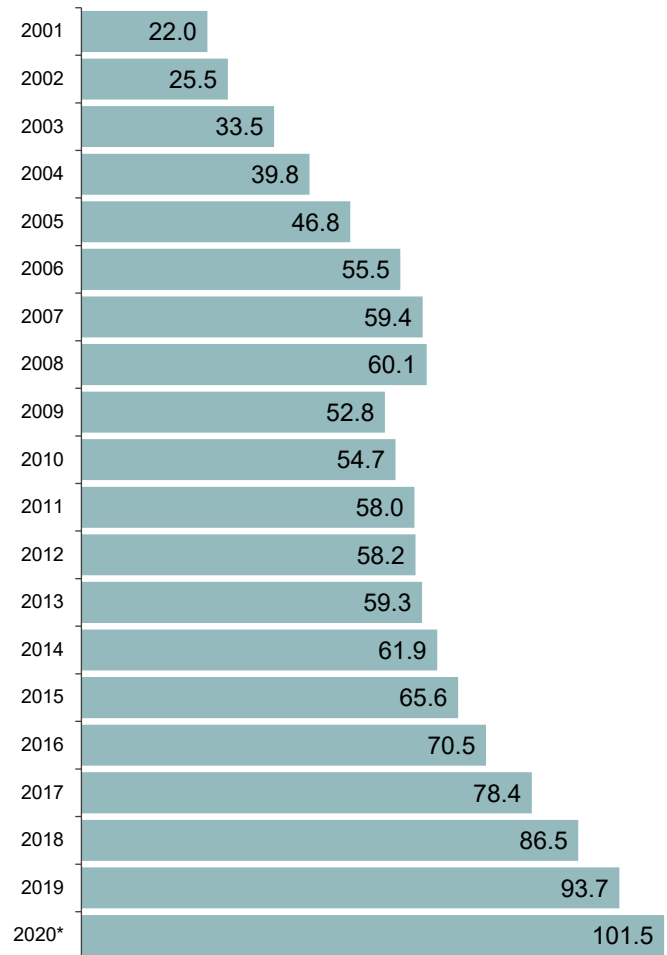
# THE COVID-19 PANDEMIC AND REMITTANCES TO LATIN AMERICA AND THE CARIBBEAN IN 2020<sup>1</sup>

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2020 was a difficult year for the entire world. The outbreak of the COVID-19 pandemic affected every country and every sector of daily life. Remittances were no exception and reflected the problems faced by migrants and their families during this crisis.

For the countries of Latin America and the Caribbean (LAC), the crisis manifested in the remittances they received in March as the first reaction to the pandemic was the generalized closure of businesses that impacted the whole world. However, due to exchange rate effects, countries such as Mexico, Colombia, and Brazil showed significant growth in the remittance flows they received during that month. This offset regionally the declines in other countries for that month. It was in April when statistics for the region began to show a drop in remittances caused by the pandemic, a drop that was transformed into recovery and growth of

REMITTANCES TO LATIN AMERICA AND THE  
CARIBBEAN (2001-2020\*)  
Billions of US dollars



Source: CEMLA, based on data from central banks.  
\* Estimated data

these flows by the end of 2020, for the reasons that we will see below.

<sup>1</sup> The information contained in this article comes from the central banks of Latin America and the Caribbean and estimates are made based on historical information. Likewise, information is included on the preliminary results of the survey conducted among Venezuelan migrants around the world, in January 2021, by the Remittances and Financial Inclusion Program carried out by CEMLA and IDB-Lab.

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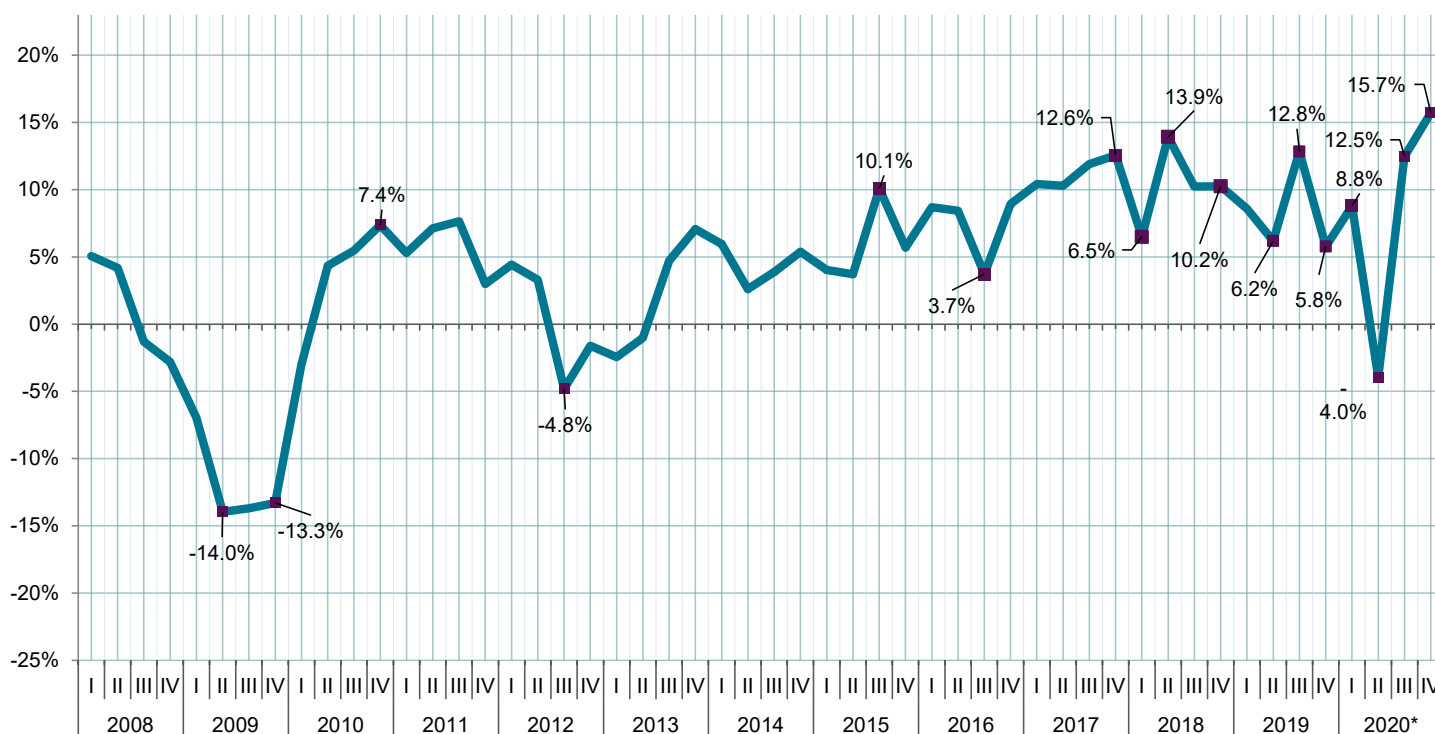
## REMITTANCES IN 2020

Contrary to the estimates that existed at the beginning of 2020, which foresaw a significant reduction at annual rate in the flow of remittances for that year (some of the estimates were of a 20% reduction), the information at the end of 2020 the remittance flows received by LAC countries would have reached US\$101.5 billion dollars, that is a growth of 8.3% compared to the flows of the previous year, similar to what was observed in 2019. Thus, the remittances received by LAC countries showed eleven consecutive years of uninterrupted annual growth. The growth of remittances in 2020 reflects the efforts made by migrants to maintain support for their families, especially in times of pressing need such as those caused by the crisis, and, as already happened during the financial crisis of 2009, a new confirmation of the

resilience and commitment of LAC migrants to contribute to the quality of life of their families in their countries of origin.

In the first quarter of 2020, a growth of 8.8% was observed compared to figures for the same period of the previous year. In the second quarter, the strongest effects of the crisis were felt, with a year-on-year change of -4.0%, to later recover during the third quarter at a rate of 12.5%, accelerating during the fourth quarter to a rate of 15.7%, the highest observed in a quarter in the past dozen years. The latter seems to show that the recovery was strongly felt in that quarter, in migrants' destination countries, which allowed them to increase their transfers, so that their families in the receiving countries could resist the effects of the crisis that they are still facing.

REMITTANCES TO LATINAMERICAN AND THE CARIBBEAN (2008-2020\*)  
Quarterly YoY Growth Rate



Source: CEMLA, based on data from central banks.

\* Estimated data

The evolution of remittances was not homogeneous in all LAC subregions. Although annual growth was observed in these flows in the countries of Central America (4.2%), the Caribbean (12.7%), and Mexico (9.6%), in the South American countries a slight fall of 1.0% was observed, with the most pronounced reduction in the group of Andean countries whose rate of decline was 4.2%. These variations slightly reconfigured the composition of remittances received by each subregion with respect to the LAC total, where Mexico and the Caribbean gained 1.2% and 1.0% participation in the regional total, respectively, while South America and Central America lost -1.7% and -0.5% respectively.

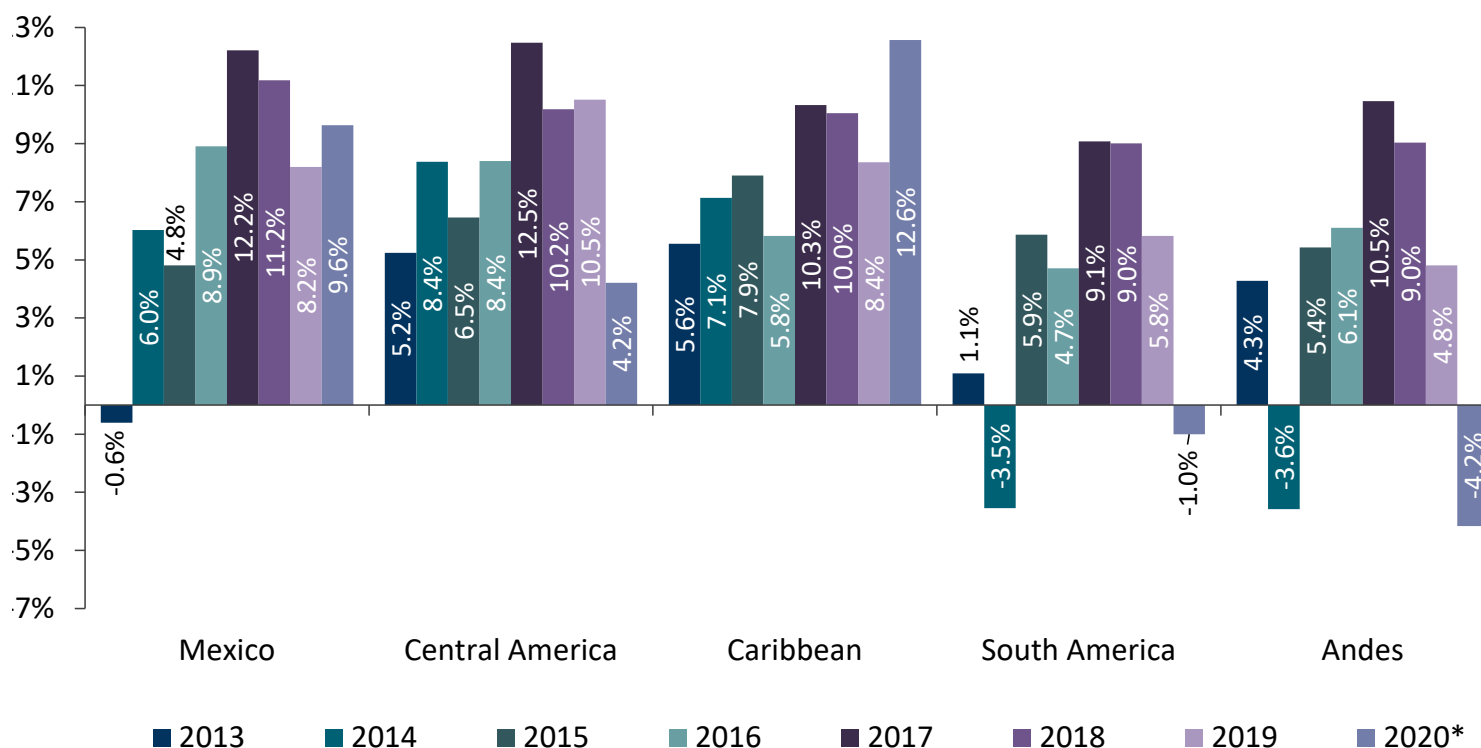
The pandemic affected remittance flows in different ways. In addition to health risks and sanitary effects, the closure of the economy

due to social distancing measures which affected the possibilities of finding services to send these resources, especially in the first months of the pandemic when there was a generalized closure of businesses, including the offices of money transfer services. It should be remembered that before the pandemic it was estimated that around 80% of remittance shipments were initiated from a physical location<sup>3</sup>, and an even higher percentage were also delivered in a physical location<sup>4</sup>. In this sense, it is worth highlighting the work carried out by many remittance operators who acted quickly by creating and offering non-face-to-face services for sending remittances, which allowed migrants to continue sending these resources to their close loved ones, and also, avoid increasing the costs of these transfers, contrary to early predictions.

<sup>3</sup> For shipping, they usually use convenience stores, supermarkets, check-payment places, Internet cafes, etc.

<sup>4</sup> See <https://publications.iadb.org/es/de-estados-unidos-america-latina-y-el-caribe-siguiendo-el-camino-de-las-remesas>

REMITTANCES TO LATINAMERICA AND THE CARIBBEAN (2013-2020\*)  
Annual change - Percentage



Source: CEMLA, based on data from central banks.  
\* Estimated data

The decline in migrants' employment and income during the pandemic initially undermined their ability to send remittances. However, the subsequent increases in remittances indicates that migrants made an effort in 2020 to keep sending money, and working to recover their income by changing or supplementing their occupations and using their savings. The fact that some countries acted quickly by providing financial support to the population was also a factor that helped improve migrants' incomes and, therefore, their ability to send remittances. Besides, the non-face-to-face alternatives for sending remittances developed by the operators and the measures adopted by the governments contributed to reducing the impact of the pandemic on these flows, although these did not occur in the same way in all countries of origin of these resources<sup>5</sup>, contributing to their different growth rates in each subregion.

## SURVEY OF VENEZUELAN MIGRANTS IN SEVERAL COUNTRIES

In January 2021, the Remittances and Financial Inclusion Program of CEMLA and the IDB-Lab conducted a survey to characterize the sending of remittances by Venezuelan migrants in a large number of countries. The survey was applied to more than 2,300 Venezuelans in the countries where they reside and included questions about the health crisis and its effects on migrants. The analysis of the responses provides an approximation of the circumstances that migrants from the region have faced in different parts of the world. It is worth mentioning that their reason to believe that migrants from other LAC countries who reside in the United States, for example, experienced situations similar to those reported by the Venezuelans in the survey.

## In 2020...



The growth in remittances reflects the efforts made by migrants to maintain support for their families, especially in times of need.

This preliminary analysis indicates that of the people interviewed who send remittances, 18% said they had experienced barriers to sending money due to the closure of operations in the countries where they reside, and 83% said that they compensated for this reduction with the use of non-face-to-face (mostly digital) channels. An interesting aspect is that a possible change in habits is also observed among remittance senders, since 65% said that after the crisis they will continue to use alternative channels in lieu of the traditional face-to-face ones. Due to its characteristics, the change to these non-contact, digital/mobile alternatives, could lead to an additional reduction in the costs of these shipments.

On the other hand, 90% of the migrants who responded to the survey said that they suspended visits to their country of origin, which in any case was probably impossible due to the closure of borders. This freed up resources that could be transformed into remittances. In this sense, 47% of those interviewed stated that they used their savings to send remittances during the crisis, although 93% consider that they will not need to use their savings in the future to continue sending money. Consistent with this optimistic perspective, 67% consider that they do not need to save additional resources to return to their countries or to face a new health emergency, and 53% consider that going forward it will not be complicated or difficult to send money to their relatives. The survey does not allow us to identify whether

<sup>5</sup> See <https://publications.iadb.org/publications/spanish/document/Implicaciones-sociales-del-Covid-19-Estimaciones-y-alternativas-para-América-Latina-y-El-Caribe.pdf> y <https://blogs.iadb.org/trabajo/es/seguridad-social-para-todos-una-leccion-del-coronavirus/>

these results are simply a consequence of the expectations of a better future envisioned by the migrants interviewed, or if they derive from the adoption of alternative measures, which could be part of future research that allows a better understanding of these perceptions.

Among the consequences most mentioned as an effect of the crisis is a reduction in income, which around 30% of Venezuelan migrants surveyed claim to have experienced. Two other effects of the crisis that migrants indicate they had suffered are a change of occupation and a change of place of residence.

Country and characteristics	Percentage
<b>United States</b>	
Reduced income	35%
Changed occupation	10%
Changed place of residence	7%
<b>Chile</b>	
Reduced income	26%
Changed place of residence	14%
Changed occupation	7%
<b>Spain</b>	
Reduced income	34%
Has been unemployed most of the time	22%
Changed place of residence	6%

Source: Preliminary data from the survey of Venezuelan migrants abroad.

According to the results of the survey, 27% of the Venezuelan migrants interviewed stated that they had lost their job. Among these, 39% answered that they have already recovered it. In the United States<sup>6</sup>, 50% of migrants recovered their source of income with a new occupation and 43% recovered their previous occupation, but in both cases, only 35% obtained an income equal to or greater than what they had before the pandemic. Of the migrants in Spain who recovered their source of income, 37% recovered their previous job while 63% did so with a new occupation, and 58% with an

equal or greater income. For migrants in Chile, the majority of those who recovered their sources of income (76%) did so with a new job, of which 48% did so with an income equal to or greater than what they had before the health crisis.

Country and characteristics	Percentage
<b>United States</b>	
I have a new job	50%
with lower income	65%
with the same income	15%
with higher income	20%
I got my previous job back	43%
I got my previous job back with lower income	65%
I got my previous job back with the same income	29%
I got my previous job back with higher income	6%
<b>Chile</b>	
I have a new job	76%
with lower income	42%
with the same income	19%
with higher income	38%
I got my previous job back	18%
with lower income	33%
with the same income	50%
with higher income	17%
<b>Spain</b>	
I have a new job	63%
with lower income	41%
with the same income	29%
with higher income	29%
I got my previous job back	37%
with lower income	50%
with the same income	50%

Source: Preliminary data from the survey of Venezuelan migrants abroad.

Another source of income that helped the migrants to keep sending money was the support that many of them received from the governments in the places where they live. In this sense, more than 32% of Venezuelan migrants located abroad, in Brazil, the United States, Canada, Italy, Chile and other countries, stated that they had received support from the government in the country in which they reside. In contrast, less than 19% of migrants in

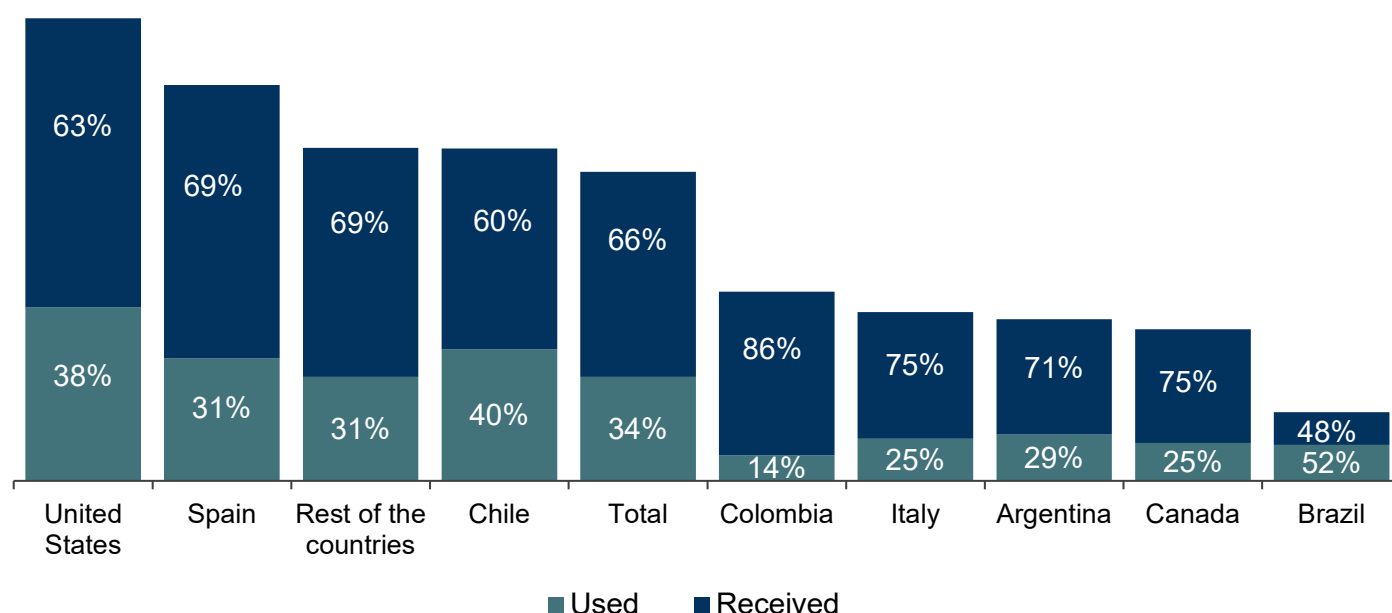
<sup>6</sup> In the article: "EN EL PERIODO MAYO-NOVIEMBRE DE 2020 EL EMPLEO DE LOS TRABAJADORES MEXICANOS INMIGRANTES EN ESTADOS UNIDOS AUMENTÓ EN UN MILLÓN CIENTO TREINTA Y UN MIL OCUPACIONES" by Jesús Cervantes G. (<https://www.cemla.org/foroderemesas/notas/2021-01-notasderemesas-01.pdf>), a broader analysis can be found on the evolution of the labor market of Mexican migrants in the United States, for example, which shows the situation they went through during the crisis.

Colombia, Argentina, and Ecuador said they received some type of government assistance during the pandemic. On average across all migrants surveyed who did receive aid from the government, 34% stated that they had used that aid to send remittances to their relatives in Venezuela.

in percentages higher than those observed for Venezuelans, they have been recipients of government aid during the crisis, which could have improved their chances of sending money home.

In contrast, the authorities in LAC countries seem to have offered less support to migrants

**VENEZUELAN MIGRANTS WHO RECEIVE OR RECEIVED SUPPORT FROM THE GOVERNMENT OF THE COUNTRY IN WHICH THEY LIVE DURING THE PANDEMIC AND THOSE WHO USED THIS AID TO SEND REMITTANCES TO THEIR COUNTRY OF ORIGIN**



Source: Preliminary data from the CEMLA/IDB-Lab Survey of Venezuelan Migrants abroad.

The United States is one of the countries in which the most Venezuelan migrants (47%) said they had received aid from the government<sup>7</sup>, and of those, 38% said they had used it to send remittances. This could help explain the greater recovery of remittances received in Central American countries and Mexico. Although the data are based on the responses given by Venezuelan migrants, for migrants from regions such as Mexico and Central America whose concentration and length of time in the United States is greater, it is likely that,

during the crisis, which is manifested in the lower recovery of remittances received in South American countries, especially the Andean countries, where a third of the remittances<sup>8</sup> they receive comes from other LAC countries.

## THE RESILIENCE OF MIGRANTS

The year 2020 leaves us with the lesson that in order to continue understanding and better anticipating the behavior of remittances, it is essential to hear from migrants themselves

<sup>7</sup> Note that the assistance was not for migrants per se, but rather these migrants were among those residents that received economic assistance.

<sup>8</sup> The distribution of remittances received for some Latin American and Caribbean countries can be found in the publication "A GREATER DYNAMISM IN 2017 OF INCOME FROM REMITTANCES IN LATIN AMERICA AND THE CARIBBEAN" <https://www.cemla.org/PDF/remesaseinclusion/2018-06-Remesas-LAC-2017.pdf>

how they face crises, and how they approach sending remittances in terms of the amounts, frequencies, and means of payment.

Some of the initial forecasts of the effects of the crisis on LAC remittances did not sufficiently take into account the labor resilience and the commitment that migrants have to the needs of their families and loved ones in their countries of origin. Both attributes of the migrant population are manifested in the remittance flows in 2020 and the data from the survey of Venezuelan migrants presented here.

Another decisive factor in 2020 was the financial support that many countries have given to workers – including migrants – affected by the pandemic. This support mitigated the loss

of income, and together with the use of their savings allowed migrants from Latin America and the Caribbean to send money to relatives, for whom remittances often became the main source of income.

In the future, we will have to continue generating and analyzing new information about migrants, their employment situation, how they send remittances, and the variables that affect the way they send them. This will help generate useful and timely public policies that help the migrant population and their families.