

Latin American Remittances Dependence on External Shocks

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Abstract: *Remittances have become an important and reliable source of funds for many developing countries, particularly Latin American countries. The inflow of remittances has been shown to improve consumption levels, health care access, educational attainment, and entrepreneurial initiatives, affecting the economic prospects of the receiving countries. However, economic conditions in the host-countries have proven to be influential in immigrants' earnings and the amount they can send to their families back home. This article measures the impact that economic fluctuations in the U.S. economy have in the amount of remittances received by 5 Latin American countries, showing that migrant workers tend to send more funds home when the U.S. economy improves. It also examines the differential effect that income shocks in specific sectors of the U.S. economy has on the remittances flowing to different countries, finding important differences between countries in magnitude and sometimes direction.*