The Propensity to Remit Macro and Micro Factors Driving Remittances to Central America and the Caribbean

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In contrast to expectations, remittances to Central America and the Caribbean (CAC) surprised positively during 2020 and 2021. This study revisits the key macro indicators driving remittances, looks at the heterogeneous impacts of the global financial crisis (GFC) and COVID shocks, then uses micro data from the U.S. Current Population Census to examine individual features of immigrant households and how this might affect the “propensity to remit”. The paper finds that remittance flows are responsive to both sending and receiving country economic conditions and that labor market conditions are particularly important determinants of remittance flows, explaining the unexpected jump in remittance flows in 2020-2021 and providing stronger predictive power when combined with income variables. Analysis of the micro data reinforces these findings, reflecting the existence of a family resource sharing model at play.

**Url:**<https://www.imf.org/en/Publications/WP/Issues/2022/09/30/The-Propensity-to-Remit-Macro-and-Micro-Factors-Driving-Remittances-to-Central-America-and-524026>