

Modeling Personal Transfers from the United States

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Abstract

BEA currently estimates remittances using a model that combines detailed demographic data on the United States' immigrant population from the American Community Survey (ACS) with propensities to remit derived from BEA research and academic studies. In this paper, we test BEA's current model by comparing predicted remittances from BEA's model to remittances reported in the Current Population Survey (CPS). Based on the CPS data, we look at several possible modifications to BEA's model. First, we use different demographic characteristics, including married (spouse absent) and the presence of roommates, to predict remittance behavior. Second, we reallocate countries within the geographic remitting tiers. We show that the new demographic categories and geographic tiers do a much better job of predicting remittances in the CPS data.

The new model predicts an 8% drop in remittances from 2008 to 2010 – twice as large as the drop in remittances predicted by BEA's current model. The larger drop is caused by a decrease in the married (spouse absent) population from 2008 to 2010. In the new model, these immigrants remit much more than average, so a small drop in their population has a big effect on remittances. We believe that the decrease in married (spouse absent) is caused by immigrants returning to their country of birth to wait out the recession. Married (spouse absent) immigrants have fewer ties to the United States, so they are more likely to return to their country of birth temporarily.

We test our new model against two alternative datasets: the New Immigrant Survey (NIS) and the World Bank's remittance statistics. We find that the demographic characteristics have similar effects in the NIS as they do in the CPS. We also find that the new model matches the World Bank statistics better than BEA's current model. Based on all these results, we show that the changes we suggest provide a promising path for BEA to improve its model to predict remittances, which are a component of the U.S. international transactions accounts.