Modeling Personal Transfers from the US

Topic:
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BEA currently uses a model to estimate the level of personal transfers (remittances) sent from residents of the United States to friends and family abroad. In this paper, we test BEA's current model by comparing predicted remittances from BEA's model to reported remittances in the Current Population Survey (CPS). Based on the CPS data, we propose several modifications to BEA's model. First, we recommend that BEA use different demographic characteristics, including married (spouse absent) and the presence of roommates, to predict remittance behavior. Second, we recommend that BEA 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 home to wait out the recession. Married (spouse absent) immigrants have fewer ties to the US, so they are more likely to return home temporarily.

We test our modified 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 recommend that BEA use the new model to predict remittances for the international transaction accounts.