Weak U.S. dollar makes life tougher for immigrants

Reuters Monday February 11 2008

More on
Business

By Kevin Plumberg

NEW YORK, Feb 11 (Reuters) - At the Desi Deli on the West Side of New York, 42-year-old Kamal Jit serves up curries and money transfers for his most loyal customers -- immigrant taxi drivers from northern India -- and business has been good.

But the persistently weakening U.S. dollar and the strengthening Indian rupee has meant that immigrants here have to actually dig deeper into their thin wallets to send home the same amount every month.

"To keep the amount in rupees the same, people definitely pay more," said Jit, the owner of the deli who himself arrived in New York 12 years ago.

The falling dollar, having just finished its sixth year of a long-term decline, has eroded the value of the billions sent overseas every year by immigrants working in the United States.

Last year U.S. immigrant workers sent home about $42.8 billion of what economists call remittances, the most from any country, according to the World Bank.

But the dollar's steady decline is complicating things. To mitigate the effects of exchange rates, immigrant workers are already working longer hours, keeping costs down, and in some cases moving to Europe, where the euro is stronger.

Some fear a nationwide housing slump in the United States will further slow growth and push the dollar to new lows, making it even harder for U.S.-based workers to continue extending their lifeline to family members abroad.

"In terms of remittances, the fall in the dollar has hurt some of the world's poorest the most because it affects the value of the money that migrant workers send back home to their families," said Dilip Ratha, senior economist at the World Bank in Washington.

Estimates put global remittances at about $300 billion, three times the amount that rich nations give in aid to developing countries. The real amount is almost certainly higher but impossible to calculate since migrant workers often send money through informal channels to cut costs.

The top four recipient countries are India, China, Mexico and the Philippines.

In a stark example of the declining purchasing power of the dollar, Filipinos working in the United States are finding that every $100 sent back home is worth 1,000 pesos less than it was just two years ago. Rising food and energy costs in the Philippines are also making it difficult to cope with unfavorable exchange rates.

Jonas, a 30-year-old resident of Manila, and his siblings used to receive 10,000 Philippine pesos ($247) a month from their mother, who works for an investment company in the United States.

In November, when the dollar was in freefall against the peso, she stopped sending money altogether, Jonas, who asked for his last name to be withheld, said in Manila.

COPING WITH THE DOLLAR

In the last six years, the dollar has fallen about 22 percent against a basket of 26 currencies weighted by trade importance, according to the Federal Reserve. The slide last year accelerated, especially against the currencies of developing economies such as Brazil and India, because of slowing U.S. economic growth.

In the United States, the majority of outbound remittance money heads to Latin America. About 73 percent of Latin Americans living in the United States send on average 10 percent of their paychecks back home every month, according to the Inter-American Development Bank.

In Barranquilla, a Caribbean port city in Colombia, 21-year-old Johana Campo is able to attend university only because her aunt in Miami sends her money every month for tuition.

Because the dollar tumbled nearly 10 percent against the Colombian peso last year, Campo's aunt has had to increase the amount she wires back home.

"She has to send more every month to keep up with the rising peso, so that's what she does," Campo said.

Latin America is dealing with pronounced exchange rate appreciation and higher costs of living after years of stable global economic growth. That is forcing immigrant workers in the United States to rein in spending to make sure they can keep money flowing back home, including living in cheaper housing and cutting back on small comforts like cable television and stereos, immigration experts said.

"I would not be surprised to see an upsurge in migration to Europe and to Canada, where their currencies have been strengthening," said Dean Yang, economics professor at the University of Michigan.

Indeed, the number of Latin Americans in Spain has almost tripled to 1.8 million in the last five years, the Inter-American Development Bank said in a recent report. The cost of sending money from Spain has fallen sharply since 2000 from as much 20 percent to an average 2 percent.

Meanwhile, the euro has appreciated by 24 percent against the dollar since launching in 1999 and reached an all-time high last year.

Francis Calpotura, executive director of Oakland, California-based TIGRA, an advocate of the financial interests of immigrants, said the falling dollar was just another hurdle in immigrants' already difficult struggle of transition and adaptation.

"People are resilient and will make those sacrifices," said Calpotura, who emigrated more than 30 years ago from the Philippines. "But that's what the impact of the weakening dollar is for migrant workers: more sacrifices,"

At the Desi Deli on New York's gritty 10th Avenue, Jit likes the steady stream of customers who come in to make money transfers and then buy food at the deli, which is the part of the business that he owns.

Asked if some day he would like to own the money transfer business too, Jit said, "No way, it's too much of a headache." (Reporting by Kevin Plumberg; Additional reporting by Hugh Bronstein in Bogota and Karen Lema in Manila; Editing by Eddie Evans)