

Family remittances – Recovering dynamism at the start of the year

March 2, 2020

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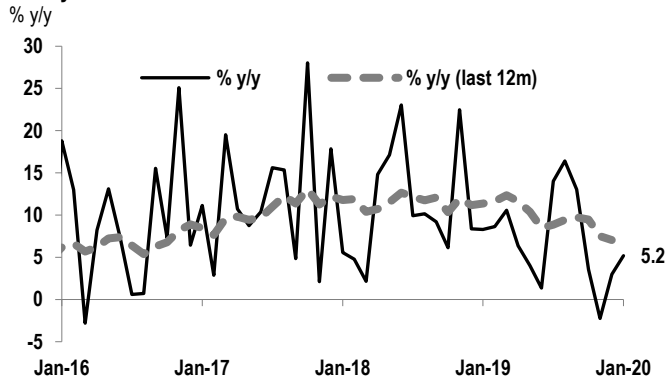
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- **Remittances (January): US\$2,582.8mn; Banorte: US\$2,661.7mn; consensus: US\$2,661.7mn; (range: US\$2,563 to US\$2,800mn) previous: US\$3,080.3mn**
- **For the month, remittances advanced 5.2% y/y, accelerating relative to the end of last year at 3.0%, suggesting a better performance at the start of 2020r**
- **This was mainly driven by the 2.9% y/y uptick in the average amount sent, while the number of operations also showed a healthy performance (2.2%)**
- **In our view, remittances will remain strong despite some risks to the outlook this year, including the employment situation of Mexican migrants, the possibility of stricter measures at the northern border due to the Coronavirus, and the US election later this year**

Remittances with a positive performance at the start of 2020. The amount sent to our country stood at US\$2,582.8 million, lower than our forecast which matched consensus, at US\$2,661.7 million. This meant a 5.2% y/y advance, accelerating relative to the 3.0% observed at the end of last year. It is worth remembering that the absolute amount during the month is seasonally weak, given payback after December's increase in which remittances go up due to the holiday period. In this context, we believe the result is positive, particularly considering that employment dynamics among Mexican migrants in the US have been more challenging lately. Specifically, employment for 'non-native with citizenship' and 'without a citizenship' migrants deteriorated further in the period, while 'natives' marginally improved. Moreover, we saw some negative news in terms of immigration policy, including: (1) A resolution from the Supreme Court that permanent residency can be denied if considered that migrants might need social assistance in the future; and (2) updated rules on visas for pregnant women and efforts to restrict the issuance of driver licenses to undocumented migrants.

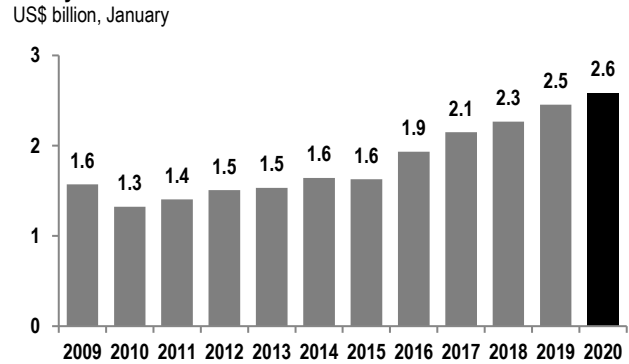
Greater dynamism in the average amount sent relative to the number of operations. The average amount sent stood at US\$320.99, advancing 2.9% y/y despite falling sequentially due to the seasonal effect already described. Operations reached 8.0 million transactions, up 2.2% y/y and recovering significantly relative to the seen in the previous month. We consider that the acceleration in both components is very favorable, particularly when taking into account the deterioration in labor conditions for migrants outlined in the previous section. Nevertheless, these could be skewed by the month's events, which leads us to believe that more information is necessary to gauge if this bounce could be more persistent in coming months.

Family remittances



Source: Banxico

Family remittances



Source: Banxico

Some challenges for remittances, but expecting them to remain strong.

Today’s report signals that remittances remain resilient despite the deterioration in labor market conditions for Mexican migrants. In this respect, both the number of operations and the average amount sent were stronger, as previously mentioned. It should be mentioned that remittances remain a key support for consumption in our country, with total inflows surpassing the US\$35 billion mark for the first time ever last year.

We believe there are some challenges for remittances. In the immediate future, the Coronavirus outbreak could mean stricter measures at the northern border. According to news reports, the US is weighing imposing entry restrictions and is currently analyzing a draft of options. Mexico’s Foreign Ministry, in turn, said that no notification about this has yet been made. These measures would not have a direct impact, as transfers are mostly made digitally. Nevertheless, we do not rule out indirect effects, such as: (1) Inducing fear among migrants in that country, which could lead to greater efforts in sending resources and/or savings in case of diagnosed cases; and (2) an economic slowdown, particularly in Southern states, that could spill over into employment conditions for migrants, which as mentioned above, have weakened in recent months. On a longer-term basis, we believe the aggressive rhetoric against migration by the US administration will likely step-up as the Presidential Election approaches (November 3rd). Although we do not expect specific measures in remittances –such as a tax– it is worth keep monitoring these developments, especially as we believe that the race will be very tight.

Despite of these risks, it is our take that migrants will manage to keep sending enough resources for total inflows to keep growing. This is very relevant as they remain a key factor underpinning consumption growth, which in our view will accelerate this year to 1.2% y/y vs. the 0.8% advance we estimate in 2019. Nevertheless, we warn that uncertainty remains elevated, a situation that has seemingly impacted the desire to spend on higher precautionary demand for savings. We had warned before about this factor helping to explain relatively low dynamism in consumption, [a question analyzed recently by Banxico in its 4Q19 Quarterly Report](#).

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