

Family remittances – US\$ 36.0 billion in 2019, new historical high

February 4, 2020

www.banorte.com
@analisis_fundam

Juan Carlos Alderete, CFA
Director of Economic Research
juan.alderete.mactal@banorte.com

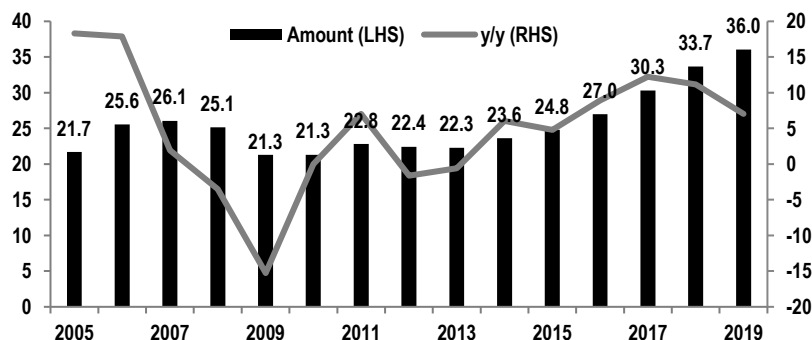
Francisco Flores
Senior Economist, Mexico
francisco.flores.serrano@banorte.com

- **Remittances (December): US\$3,083.5mn; Banorte: US\$3,045.7mn; consensus: US\$3,059.8mn; (range: US\$2,902 to 3,239mn) previous: US\$2,898.0mn**
- **As a result, remittances in full-year 2019 totaled US\$36,048.6 million, 7.0% higher than in 2018**
- **For the month, remittances advanced 3.1% y/y, stronger than the -2.3% of the previous month, which was its first decline in almost four years**
- **This was mainly driven by the 2.4% y/y uptick in the average amount sent, with a more moderate pace of 0.6% in the number of operations**
- **Despite the relative slowdown in dynamism during the last three months, remittances remain healthy and as a positive factor for private consumption going forward**

Remittances reach a new historical high in 2019. The amount sent during the last month of the year stood at US\$3,083.5 million higher than consensus (US\$3,059.8 million) and our forecast at US\$ 3,045.7 million. As a result, remittances in full-year 2019 reached US\$ 36,048.6 million, 7.0% higher than in 2018 but decelerating meaningfully relative to the double-digit pace observed in the previous two years (see chart below). In our view, this was likely influenced by the moderation in employment dynamism of Mexican migrants in the US, among other factors. In terms of immigration policy, we did not identify a specific, outstanding event during the period.

Family remittances

US\$ billion y % y/y



Source: Banxico

Greater dynamism in the average amount sent relative to the number of operations. The average amount sent stood at US\$326.29, advancing 2.4% y/y and returning to positive territory after two months of declines. Operations reached 9.5 million transactions, 0.6% higher when compared to the same period of 2018, reaching its lowest level since February 2017. In our opinion, the deceleration of the latter could be partly reflecting a slower pace of migration to the US, with the number of immigration detentions for the year at record highs. However, the recovery in the average amount makes us think that the income among migrants already living in the country have stayed relatively favorable.

Document for distribution among public

Remittances to support consumption in 2020. Overall, results last year were positive, with total inflows surpassing the US\$35 billion mark for the first time ever despite the relative growth deceleration observed in the last three months. For this year, we expect remittances to remain quite healthy, providing some support to aggregate demand in a context in which dynamism in consumption has surprised to the downside.

We see two main factors that could have a significant influence in inflows this year. First, we maintain our view that a less tolerant rhetoric by the US administration towards migration will continue and is likely to step-up as the Presidential Election in that country approaches (November 3rd). In particular, we do not rule out President Trump's comments become more aggressive to reinforce support from his political base. In this respect, it is worth noting the pace of growth in 2016 and 2017 were ranked as the second and first highest in the post-crisis period (chart above), in the same order. Second and on the contrary, our expectation for US economic growth this year is more modest than in 2019 (1.8% vs 2.3% y/y in 2019), which could limit dynamism in a context in which available information suggests Mexican migrants' employment has decelerated. This is particularly important given that the manufacturing sector has shown most of the weakness, which is the main link between both economies. Nonetheless, there are tentative signs of a rebound (such as the ISM manufacturing for January in the US, released yesterday), which could be further supported by the ratification of USMCA –providing some competitive advantage against China, which despite the phase 1 deal, still faces tariffs in some goods exported to the US–.

All in all, we believe remittances could still help consumption growth. Other drivers include the government's prioritizing spending in social programs, wage increases and relatively low inflation (along additional further easing by Banxico). In this respect, we maintain our forecast of a 1.2% y/y advance in consumption in 2020 (0.8% estimated for 2019, with aggregate demand for the fourth quarter to be released until March 20th). Nonetheless, this acceleration would be modest as: (1) Cautiousness among consumers is likely to prevail due to high uncertainty, with some evidence that this has induced higher savings and limited purchases of durable goods; and (2) We estimate Mexico's GDP this year at 0.8% y/y, slightly below consensus, which will probably continue limiting the pace of formal job creation.

Disclaimer

The information contained in this document is illustrative and informative so it should not be considered as an advice and/or recommendation of any kind. BANORTE is not part of any party or political trend.

Analyst Certification

We, Gabriel Casillas Olvera, Alejandro Padilla Santana, Delia María Paredes Mier, Juan Carlos Alderete Macal, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Tania Abdul Massih Jacobo, Francisco José Flores Serrano, Katia Celina Goya Ostos, Santiago Leal Singer, José Itzamna Espitia Hernández, Valentín III Mendoza Balderas, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalía Orozco Vélez, Gerardo Daniel Valle Trujillo, Jorge Antonio Izquierdo Lobato and Eridani Ruibal Ortega, certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V for the provision of our services.

Relevant statements.

In accordance with current laws and internal procedures manuals, analysts are allowed to hold long or short positions in shares or securities issued by companies that are listed on the Mexican Stock Exchange and may be the subject of this report; nonetheless, equity analysts have to adhere to certain rules that regulate their participation in the market in order to prevent, among other things, the use of private information for their benefit and to avoid conflicts of interest. Analysts shall refrain from investing and holding transactions with securities or derivative instruments directly or through an intermediary person, with Securities subject to research reports, from 30 calendar days prior to the issuance date of the report in question, and up to 10 calendar days after its distribution date.

Compensation of Analysts.

Analysts' compensation is based on activities and services that are aimed at benefiting the investment clients of Casa de Bolsa Banorte and its subsidiaries. Such compensation is determined based on the general profitability of the Brokerage House and the Financial Group and on the individual performance of each analyst. However, investors should note that analysts do not receive direct payment or compensation for any specific transaction in investment banking or in other business areas.

Last-twelve-month activities of the business areas.

Grupo Financiero Banorte S.A.B. de C.V., through its business areas, provides services that include, among others, those corresponding to investment banking and corporate banking, to a large number of companies in Mexico and abroad. It may have provided, is providing or, in the future, will provide a service such as those mentioned to the companies or firms that are the subject of this report. Casa de Bolsa Banorte or its affiliates receive compensation from such corporations in consideration of the aforementioned services.

Over the course of the last twelve months, Grupo Financiero Banorte S.A.B. C.V., has not obtained compensation for services rendered by the investment bank or by any of its other business areas of the following companies or their subsidiaries, some of which could be analyzed within this report.

Activities of the business areas during the next three months.

Casa de Bolsa Banorte, Grupo Financiero Banorte or its subsidiaries expect to receive or intend to obtain revenue from the services provided by investment banking or any other of its business areas, by issuers or their subsidiaries, some of which could be analyzed in this report.

Securities holdings and other disclosures.

As of the end of last quarter, Grupo Financiero Banorte S.A.B. of C.V. has not held investments, directly or indirectly, in securities or derivative financial instruments, whose underlying securities are the subject of recommendations, representing 1% or more of its investment portfolio of outstanding securities or 1 % of the issuance or underlying of the securities issued.

None of the members of the Board of Grupo Financiero Banorte and Casa de Bolsa Banorte, along general managers and executives of an immediately below level, have any charges in the issuers that may be analyzed in this document.

The Analysts of Grupo Financiero Banorte S.A.B. of C.V. do not maintain direct investments or through an intermediary person, in the securities or derivative instruments object of this analysis report.

Guide for investment recommendations.

| | Reference |
|-------------|---|
| BUY | When the share expected performance is greater than the MEXBOL estimated performance. |
| HOLD | When the share expected performance is similar to the MEXBOL estimated performance. |
| SELL | When the share expected performance is lower than the MEXBOL estimated performance. |

Even though this document offers a general criterion of investment, we urge readers to seek advice from their own Consultants or Financial Advisors, in order to consider whether any of the values mentioned in this report are in line with their investment goals, risk and financial position.

Determination of Target Prices

For the calculation of estimated target prices for securities, analysts use a combination of methodologies generally accepted among financial analysts, including, but not limited to, multiples analysis, discounted cash flows, sum-of-the-parts or any other method that could be applicable in each specific case according to the current regulation. No guarantee can be given that the target prices calculated for the securities will be achieved by the analysts of Grupo Financiero Banorte S.A.B. C.V., since this depends on a large number of various endogenous and exogenous factors that affect the performance of the issuing company, the environment in which it performs, along with the influence of trends of the stock market, in which it is listed. Moreover, the investor must consider that the price of the securities or instruments can fluctuate against their interest and cause the partial and even total loss of the invested capital.

The information contained hereby has been obtained from sources that we consider to be reliable, but we make no representation as to its accuracy or completeness. The information, estimations and recommendations included in this document are valid as of the issue date, but are subject to modifications and changes without prior notice; Grupo Financiero Banorte S.A.B. of C.V. does not commit to communicate the changes and also to keep the content of this document updated. Grupo Financiero Banorte S.A.B. of C.V. takes no responsibility for any loss arising from the use of this report or its content. This document may not be photocopied, quoted, disclosed, used, or reproduced in whole or in part without prior written authorization from Grupo Financiero Banorte S.A.B. of C.V.

GRUPO FINANCIERO BANORTE S.A.B. de C.V.
Research and Strategy

| | | | |
|-------------------------|-------------------------|------------------------------|-------------------------|
| Gabriel Casillas Olvera | IRO and Chief Economist | gabriel.casillas@banorte.com | (55) 4433 - 4695 |
| Raquel Vázquez Godínez | Assistant | raquel.vazquez@banorte.com | (55) 1670 - 2967 |
| Lourdes Calvo Fernández | Analyst (Edition) | lourdes.calvo@banorte.com | (55) 1103 - 4000 x 2611 |

Economic Research and Financial Market Strategy

| | | | |
|---------------------------|--|----------------------------------|------------------|
| Alejandro Padilla Santana | Executive Director of Economic Research and Financial Markets Strategy | alejandro.padilla@banorte.com | (55) 1103 - 4043 |
| Itzel Martínez Rojas | Analyst | itzel.martinez.rojas@banorte.com | (55) 1670 - 2251 |

Economic Research

| | | | |
|---------------------------------|-------------------------------|--------------------------------------|-------------------------|
| Juan Carlos Alderete Macal, CFA | Director of Economic Research | juan.alderete.macal@banorte.com | (55) 1103 - 4046 |
| Francisco José Flores Serrano | Senior Economist, Mexico | francisco.flores.serrano@banorte.com | (55) 1670 - 2957 |
| Katia Celina Goya Ostos | Senior Economist, Global | katia.goya@banorte.com | (55) 1670 - 1821 |
| Luis Leopoldo López Salinas | Economist, Global | luis.lopez.salinas@banorte.com | (55) 1103 - 4000 x 2707 |

Market Strategy

| | | | |
|-------------------------|-----------------------------|----------------------------|------------------|
| Manuel Jiménez Zaldívar | Director of Market Strategy | manuel.jimenez@banorte.com | (55) 5268 - 1671 |
|-------------------------|-----------------------------|----------------------------|------------------|

Fixed income and FX Strategy

| | | | |
|----------------------------|--|---------------------------------|------------------|
| Santiago Leal Singer | Senior Strategist, Fixed Income and FX | santiago.leal@banorte.com | (55) 1670 - 2144 |
| Leslie Thalía Orozco Vélez | Strategist, Fixed Income and FX | leslie.orozco.velez@banorte.com | (55) 5268 - 1698 |

Equity Strategy

| | | | |
|--------------------------------|------------------------------|------------------------------------|-------------------------|
| Marissa Garza Ostos | Director of Equity Strategy | marissa.garza@banorte.com | (55) 1670 - 1719 |
| José Itzamna Espitia Hernández | Senior Strategist, Equity | jose.espitia@banorte.com | (55) 1670 - 2249 |
| Valentín III Mendoza Balderas | Senior Strategist, Equity | valentin.mendoza@banorte.com | (55) 1670 - 2250 |
| Víctor Hugo Cortes Castro | Senior Strategist, Technical | victorh.cortes@banorte.com | (55) 1670 - 1800 |
| Jorge Antonio Izquierdo Lobato | Analyst | jorge.izquierdo.lobato@banorte.com | (55) 1670 - 1746 |
| Eridani Ruibal Ortega | Analyst | eridani.ruibal.ortega@banorte.com | (55) 1103 - 4000 x 2755 |

Corporate Debt

| | | | |
|-------------------------------|--------------------------------|------------------------------------|------------------|
| Tania Abdul Massih Jacobo | Director of Corporate Debt | tania.abdul@banorte.com | (55) 5268 - 1672 |
| Hugo Armando Gómez Solís | Senior Analyst, Corporate Debt | hugo.gomez@banorte.com | (55) 1670 - 2247 |
| Gerardo Daniel Valle Trujillo | Analyst, Corporate Debt | gerardo.valle.trujillo@banorte.com | (55) 1670 - 2248 |

Economic Studies

| | | | |
|----------------------------------|--|---------------------------|------------------|
| Delia María Paredes Mier | Executive Director of Economic Studies | delia.paredes@banorte.com | (55) 5268 - 1694 |
| Miguel Alejandro Calvo Domínguez | Senior Analyst, Economic Studies | miguel.calvo@banorte.com | (55) 1670 - 2220 |

Wholesale Banking

| | | | |
|--------------------------------|--|--|------------------|
| Armando Rodal Espinosa | Head of Wholesale Banking | armando.rodal@banorte.com | (81) 8319 - 6895 |
| Alejandro Eric Faesi Puente | Head of Global Markets and Institutional Sales | alejandro.faesi@banorte.com | (55) 5268 - 1640 |
| Alejandro Aguilar Ceballos | Head of Asset Management | alejandro.aguilar.cebillos@banorte.com | (55) 5268 - 9996 |
| Arturo Monroy Ballesteros | Head of Investment Banking and Structured Finance | arturo.monroy.ballesteros@banorte.com | (55) 5004 - 1002 |
| Gerardo Zamora Nanez | Head of Transactional Banking, Leasing and Factoring | gerardo.zamora@banorte.com | (81) 8318 - 5071 |
| Jorge de la Vega Grajales | Head of Government Banking | jorge.delavega@banorte.com | (55) 5004 - 5121 |
| Luis Pietrini Sheridan | Head of Private Banking | luis.pietrini@banorte.com | (55) 5004 - 1453 |
| René Gerardo Pimentel Ibarrola | Head of Corporate Banking | pimentelr@banorte.com | (55) 5268 - 9004 |
| Ricardo Velázquez Rodríguez | Head of International Banking | rvelazquez@banorte.com | (55) 5004 - 5279 |
| Víctor Antonio Roldan Ferrer | Head of Commercial Banking | victor.rolan.ferrer@banorte.com | (55) 5004 - 1454 |