

## Family remittances – Strongly positive surprise in March, despite COVID-19 in the US

- **Remittances (March): US\$4,016.1mn; Banorte: US\$2,861.4mn; consensus: US\$2,748.2mn; (range: US\$2,000 to US\$3,258mn) previous: US\$2,694.2mn**
- **Remittances advanced 35.8% y/y, showing high resiliency despite worsening conditions for migrants in the US labor market. As a result, this is the strongest pace since December 2003**
- **The latter was mainly driven by both the average amount sent, surging 17.9% y/y to US\$ 377.69, along the number of operations, which increased 15.1%**
- **In our view, today’s report was very positive. Nevertheless, we still expect remittances to decline in full-year 2020 as economic activity impacts the US labor market. On the other hand, risks seem to have skewed slightly to the upside in terms of the inflow of remittances**

**Remittances surprise positively in March.** The amount sent to our country stood at US\$4,016.1 million, significantly above both consensus and our forecast of US\$2,861.4 million. It should be mentioned that this print was above every analyst estimate and is a new high in the history of the series, surging by 35.8% y/y (chart below, left). Therefore, this figure was very positive considering the impact that the COVID-19 pandemic is having worldwide, and especially in the US labor market, even after discounting for a relatively strong seasonality for this particular month. According to our monitoring, Mexican migrants’ employment was affected by the shutdown of activities. In this respect, non-natives ‘without citizenship’, which in our view are more likely to send remittances, saw a decline of 299,839 posts in total jobs, resulting in the annual rate for this group reaching -15%, weakest so far in our database (which dates to 2005). Within the same group, but among those ‘with citizenship’, total jobs declined for second consecutive time (-36,179 in the month), with the annual rate dropping to -6.5%. In contrast, ‘natives’ fell more modestly, with total jobs slowing down to 5.8% from 7.9% in February, although also eliminating posts in the monthly comparison. Therefore, inflows year-to-date reached US\$9.3 billion, 18.4% higher than in the same period of 2019 (chart below, right).

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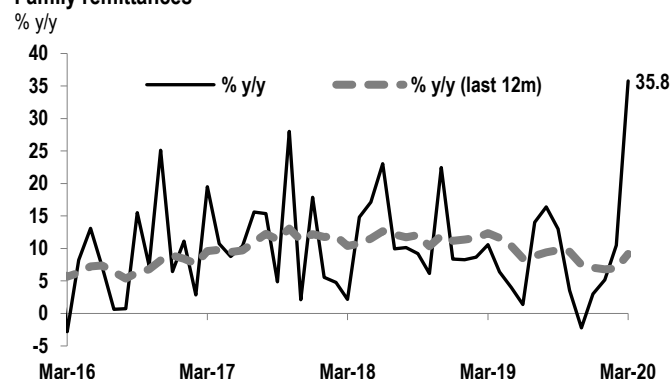
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Winners of the award for best economic forecasters for Mexico in 2019, granted by *Refinitiv*



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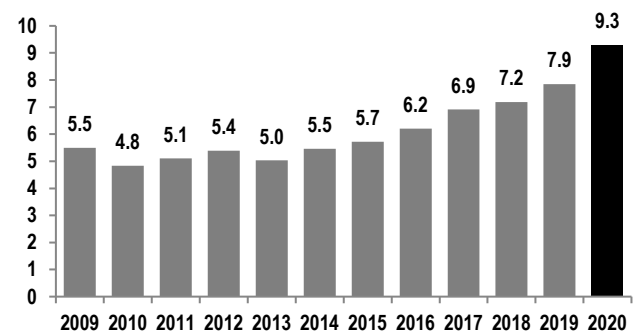
Family remittances



Source: Banxico

Family remittances

US\$ billion, year-to-date until March



Source: Banxico

**A steep increase in both the average amount sent and number of transactions.** Specifically, the former stood at US\$377.69 (highest since the year 2000), accelerating its pace of advance to 17.9%. The latter was also quite strong, with the number of operations at 10.6 million (+15.1% y/y), higher than the 10 million “threshold” for the second time in history. As mentioned above, this is very positive considering overall economic conditions, particularly in the US where most migrants reside, suggesting added efforts to keep sending resources to their families and higher resiliency than expected. These came on top of other restrictions on mobility at the Border due to the pandemic, along higher focus by the US administration in recent years on security and immigration, with a higher probability of being deported.

**A positive report, despite risks still tilted to the downside.** We believe today’s report was undisputedly favorable, surprising us and the market in general. As mentioned in previous publications, this is very relevant as these resources help support domestic consumption, especially among people in the low-income segment of the distribution, apart from being an important source of foreign currency. Despite of this, headwinds remain very elevated as employment conditions for migrants in the US have deteriorated meaningfully, particularly affecting services in sectors such as construction and the food industry. Moreover, coordination and logistics problems between the US and Mexico in several industries may also exacerbate employment pressures if these issues force companies north of the border to stop operations due to the lack of supplies. In this respect, we expect the nonfarm payrolls report for April in the US (to be released on Friday) to show a loss of 20 million jobs, with most of them concentrated in services. As such, and despite March’s resiliency, we believe the pandemic will have a negative effect in remittances dynamics sooner rather than later. Thus, we maintain our forecast of a full-year contraction in these inflows of around 20%, which would be weaker than the worst performance observed back in 2010, in the aftermath of the financial crisis, when they contracted by 12.1%.

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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.

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