

## Family remittances – Inflows remain quite strong in June

- **Remittances (June): US\$3,537.0 million; Banorte: US\$3,244.9mn; consensus: US\$3,222.5mn; (range: US\$3,011 to US\$3,389mn) previous: US\$3,379.4mn**
- **Specifically, the annual comparison remained positive at 11.1%, even surpassing the 3.0% observed in the previous month. In our view, this result is particularly strong when considering labor market dynamics in the US, particularly among Mexican migrants**
- **This was driven once again by the number of operations, which increased 9.4% y/y. On the other hand, this average amount sent stood at US\$340.30, with a more modest increase of 1.6%**
- **Despite important headwinds for remittances, we maintain our view that inflows in full-year 2020 will be broadly flat in the annual comparison, at around US\$ 36 billion, which would be positive considering the strong decline expected in economic activity, particularly in the US**

**Remittances stayed strong in June.** The amount sent to our country surprised to the upside once again, standing at US\$3,537.0 million, above our estimate of US\$3,244.9 million, which was slightly higher than consensus, at US\$3,222.5 million. In this respect, the flow of remittances keeps showing a greater-than-expected resiliency, with migrants maintaining their extraordinary efforts to support their families. Employment conditions in June marginally improved relative to May, albeit staying sharply worse when compared to levels seen before the pandemic. The unemployment rate among the Hispanic or Latino population came in at 14.5%, 2.1%-pts lower than the previous month's reading. Meanwhile, the total number of direct or indirect Mexican migrants rose by 140.6 thousand, still almost 700 thousand less than in March, limiting the possibility of additional upside. In terms of jobs, 943.9 thousand positions were created, with 89.6% concentrated among 'natives', with 'non-native citizens' and 'non-citizens' also improving, but much more modestly. This was compounded by relevant news on migration, including that the Supreme Court upheld DACA (Deferred Action for Childhood Arrivals) on June 18<sup>th</sup>, while the Federal Administration announced travel restrictions on different types of visas, later backtracked on. Another relevant development was the approval of expedited procedures to extradite migrants with less than two years of residence in the US. In our view, these have likely maintained migrants' incentives to send as much money as they can, as there is greater uncertainty about possibly being deported.

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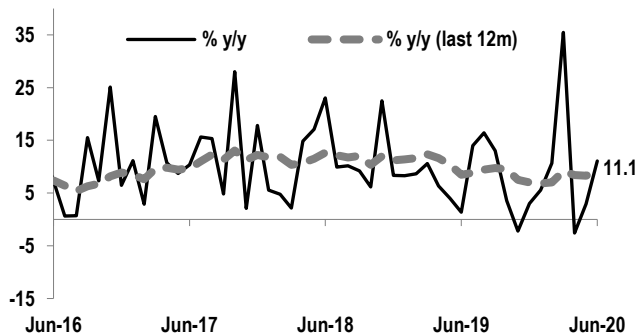
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Winners of the award for best economic forecasters for Mexico in 2019, granted by *Refinitiv*



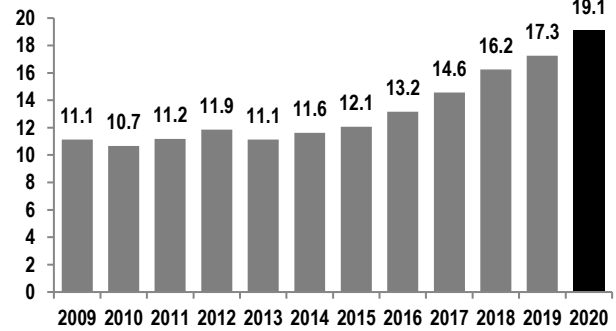
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**Family remittances**  
% y/y



Source: Banxico

**Family remittances**  
US\$ billion, year-to-date until June



Source: Banxico

**Higher number of operations drive remittances again.** Specifically, these stood at 10.4 million, accelerating in annual terms to 9.4% y/y remembering that in absolute terms, May is typically the highest month, when it stood at 10.6 million. On the other hand, it is important to say that they advanced despite a lower total number of Mexican migrants. We maintain that one possibility is that, given more challenging economic conditions, migrants still in the US are sending money with higher frequency but in a lower amount per operation. This is consistent with much lower dynamism in the average amount sent, which stood at US\$340.03 (+1.6% y/y in nominal terms).

**Remittances dynamics favorable for consumption.** Today's upside surprise in remittances has meant that, on a year-to-date basis, inflows have stayed quite favorable, advancing 10.6% y/y. This is higher than the 6.2% observed during the same period of 2019 and in other periods of a decline in economic activity –such as during the 2009 Financial crisis– in which remittances had fallen by 11.5% during the same period. As already mentioned, this is very favorable considering challenging conditions in terms of Mexican migrants' employment in the US, which definitely show weakness. We believe another relevant factor might be the effect of fiscal stimulus in the US, allowing for businesses to not cut employment more dramatically. In this sense, our base case is that a new package will be approved later the week, despite current negotiations between Republicans and Democrats been somewhat stalled. Moreover, it will be important to watch specific measures of unemployment among Hispanic and/or Latinos in Friday's nonfarm payrolls report, which despite staying positive, are likely to decelerate when compared to recent dynamics. Despite of this, and given their recent strength, we maintain our view that remittances could reach around US\$36 billion in full-year 2020. This implies certain pressures later this year, mainly driven by risks that we think remain skewed to the downside. Among them, the most relevant is still challenging dynamics in terms of the evolution of COVID-19 in the US, which should at least limit the swift return of mobility to more normal levels. For Mexico, this is important as it would be positive for consumption –boosted further in local currency terms due to the depreciation in the Mexican peso so far– and an important support for total household incomes, particularly in a context in which underemployment and informality looks to have increased locally due to the pandemic.

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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, Eridani Ruibal Ortega and Juan Barbier Arizmendi, 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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