

Family remittances – Above expectations again in July

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- **Remittances (July): US\$3,531.9 million; Banorte: US\$3,415.4mn; consensus: US\$3,344.0mn; (range: US\$3,145 to US\$3,500mn) previous: US\$3,537.0mn**
- **Inflows kept growing, albeit at a more modest pace of 7.2% from 9.9% in June. Results remain favorable despite still challenging economic conditions**
- **The advance was driven again mostly by the number of operations, which went up 5.8% y/y. On the other hand, the average amount sent stood at US\$343.30, a 1.3% advance, in our view signaling that migrants' savings are being somewhat exhausted**
- **We maintain our view that inflows in full-year 2020 will be broadly flat in the annual comparison, at around US\$ 36 billion. Nevertheless, after today's report and recent figures, we believe risks are tilted to the upside even with the anticipated decline in economic activity**

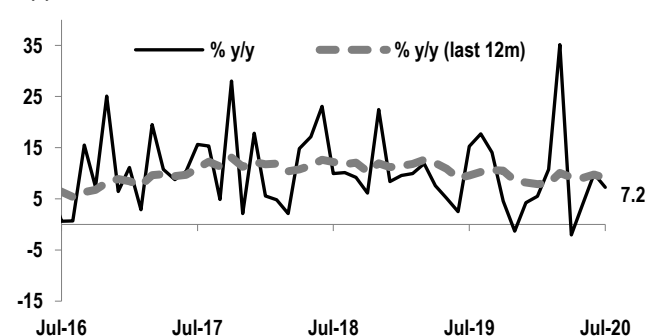
Remittances remain positive in July. The amount sent to our country stood at US\$3,531.9 million, higher than our estimate of US\$3,415.4 million which was slightly above consensus, at US\$3,344.0 million. Inflows remain relatively strong, still in positive territory in the annual comparison at 7.2% y/y despite moderating relative to the 9.9% observed in June (which was revised slightly down). With this print, accumulated resources sent so far in the year have reached US\$22,822 million, up 10.0%. We highlight that, in terms of employment conditions in the US, the unemployment rate between Hispanics and Latinos improved to 12.9% from 14.5% in June. Nevertheless, other labor market indicators paint a less positive picture. Among them, the participation rate backtracked gains accumulated in the previous two months, standing at 64.6%. Working-age Mexican immigrants –including ‘natives’, ‘non-native citizens’, and ‘non-citizens’ (legal or illegal)–, either in the labor force or not, declined by 193,636 people after recent gains. Among those in the labor force, only ‘non-citizens’ saw continued job gains in the month. This is favorable as we believe this group tends to send more resources back. Nonetheless, total employees declined around 153,000. Since the end of February, employees in these three categories have fallen about 2.3 million, which in our view clearly shows the strong impact that the pandemic has already had, at least in this front.

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



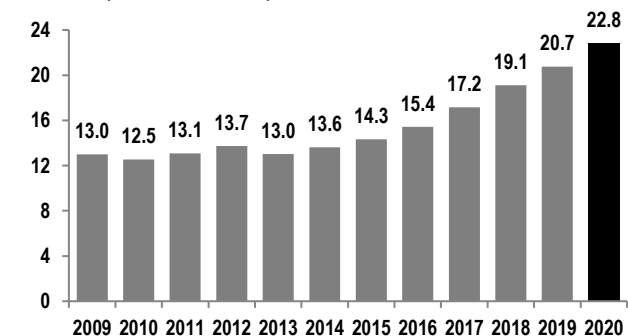
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Family remittances
% y/y



Source: Banxico

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



Source: Banxico

Number of operations still supporting inflows the most. As has been the case in recent months, these were behind the relative strength of the headline figure. Specifically, they stood at 10.3 million, up 5.8% y/y and with three consecutive months in positive territory. On the other hand, the average amount sent was virtually unchanged relative to the previous month, at US\$343.30. This represents a 1.3% y/y advance. We maintain our view that, given more challenging economic conditions, migrants still in the US are sending money with higher frequency but by a lower amount per operation.

Dynamics remain positive, although with risks lingering in the horizon. It is important to mention that performance has stayed positive as inflows continue growing despite labor market conditions in the US that, as already mentioned, have deteriorated due to the pandemic. In this sense, results still suggest some support in terms of the expected fall in domestic demand, particularly essential-goods purchases among people in the low end of the income distribution. On the back of the 10.0% year-to-date advance in inflows, we see relevant upside risks to our forecast of around US\$36 billion for full-year 2020. Nevertheless, we maintain our estimate for now as we believe the risk of a higher impact going forward is increasing. Specifically, we note that diverse fiscal support measures in the US, particularly higher unemployment benefits, may have helped explain remittances dynamics recently. Thus, we should mention that the US\$600-a-week payment to unemployed people as part of the CARES Act expired at the end of July. Therefore, it will be very important to watch if a stronger impact is observed in August, given the current *impasse* of negotiations in the US Congress about additional measures, which have not been approved so far. Apart from the latter, we believe migrants' savings have already been affected due to the duration of the pandemic, apart from other possible adverse effects due to the closure of activities in some states as the virus spread further.

On immigration, the environment remains difficult as the administration maintains a hard stance. This has likely induced more shipments at the margin as fears of possible deportations stay elevated. In this front, news has been mixed recently. On the positive side, in mid-June the Supreme Court blocked a bid by Trump to end DACA, which protects so-called "Dreamers" from deportation, mostly comprised of young Hispanic adults with around 645,000 enrolled as of March. Among them, virtually 80% are of Mexican origin. Nevertheless, a new set of more stringent rules has started to be implemented, despite the risk of being in violation of court orders. On the contrary, by the end of said month the Court ruled that deportations of people seeking asylum can be made (under certain conditions) without allowing them to make their case in front of a judge beforehand. In this sense, the situation remains very fluid and legal challenges could be presented.

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