

Family remittances – Strong start of the year with an acceleration in growth

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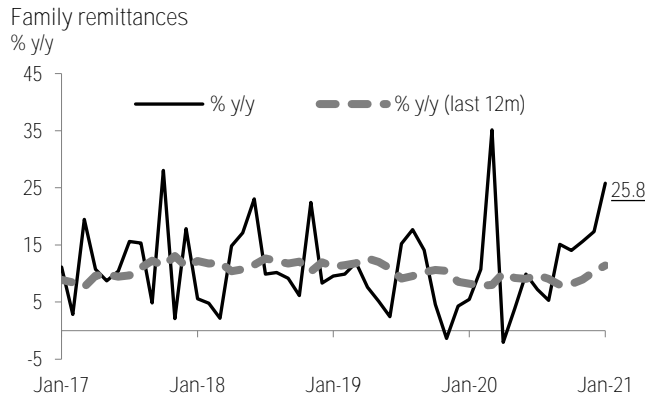
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- **Remittances (January): US\$3,297.9 million; Banorte: US\$3,158.7mn; consensus: US\$3,204.4mn; (range: US\$3,000 to US\$3,609mn) previous: US\$3,661.0mn**
- **This implies a 25.8%/y/y expansion, higher than the 17.4% in December, suggesting a favorable start of the year. In our opinion, the improvement in the labor market and the upcoming approval of greater fiscal stimulus in the US will continue supporting remittances**
- **The number of operations increased 18.2% y/y and the average amount sent stood at US\$343.12 (+6.5% y/y), with the latter still positive and growing constantly in annual terms since June 2020**
- **We consider that remittances will keep showing very favorable dynamics, with an additional boost from higher than expected growth in the US, on top of fiscal stimulus which will again include direct transfers to families**

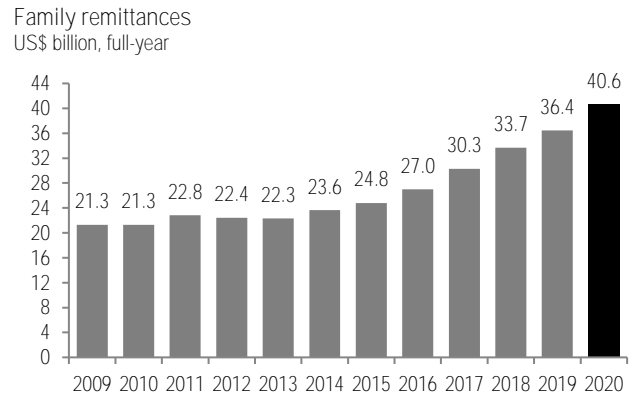
Remittances maintain a good pace of growth in January. The amount sent to our country stood at US\$3,297.9 million, higher than consensus (US\$3,204.4 million) and our estimate (US\$3,158.7 million). We should recall that inflows are typically low in absolute terms in this period, given a seasonal effect. In this context, the increase stood at 25.8% y/y, higher than December's 17.4%, pointing to a positive start of the year. In our view, the improvement in the labor market and the approval of additional fiscal stimulus in the US continues supporting inflows. On the former, the unemployment rate among Hispanics and Latinos fell to 8.6%, 0.7%-pts lower than the previous month. The population of working-age Mexican migrants rose by 338.2 thousand, with a net job creation of 175.6 thousand –including 'natives', 'non-native citizens', and 'non-citizens' (legal or illegal)–. Regarding the latter, last December a new US\$900 billion stimulus plan was approved. Among other things, the package included: (1) The renewal of expanded unemployment benefits; and (2) a one-time US\$600 payment to all citizens. While the latter was below the US\$1,200 check at the height of the lockdown period (March-May), we expect it to have a net positive effect. As a result, figures are still favorable despite a complex dynamic regarding contagions and deaths from COVID-19 in the period. In turn, this is still positive for the outlook of domestic consumption, especially by low income families.

Number of operations and average remittance gain momentum. As has been the case since May, the total number of operations stayed as the main driver of growth, also improving relative to December. These stood at 9.6 million, growing 18.2% y/y, rate not seen since 2006. As mentioned before, we believe this may be related to employment gains in the US, along the increasing number of working-age Mexican migrants in said country. On the other hand, the average amount reached US\$343.12, also with a very good performance as it expanded 6.5% y/y (previous: 3.7%). The latter has remained in positive territory in the annual comparison since June 2020, when the economic reopening accelerated.

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Source: Banorte with data from Banxico



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We maintain our call of a 7% to 10% y/y increase this year, albeit with risks tilted to the upside. As previously mentioned, the results were very positive. In this environment, we highlight that it is increasingly likely that dynamics improve once again, especially given the approval of new fiscal stimulus in the US in the short-term. Specifically, we expect the Senate to approve a stimulus plan of around US\$1.9 billion in coming days after the House of Representatives –with a Democratic majority– approved the law this weekend. Among its measures, it includes a US\$1,400 direct payment to all citizens. On the contrary, it is highly likely there will not be a minimum wage increase given the debate about this initiative, with challenges regarding the procedures to approve it as well as on the proposal itself. The latter would be very important as it could represent a structural shift for inflows, albeit so far it does not seem that it will materialize.

In this context, we recently modified our 2021 GDP expectation for the US, to 5.4% from 3.9%. As a result, we think risks for remittances’ growth between 7% and 10% y/y have a relevant upside bias. Despite of this, we consider it is appropriate to wait a little longer to further analyze employment dynamics among migrants in said country. This is especially important given accumulated gains since the start of the reopening and as some sectors maintain lockdowns and/or restrictions –despite a relaxation that could be quicker due to better than expected progress on the vaccination front–.

Lastly, another positive factor (especially in the medium-term) is Biden’s less aggressive migration policy. Among them, we include a series of executive orders already signed that reverse some of the toughest actions of the previous administration. In this sense, we will be looking into details about today’s telephone call between Presidents Biden and Andrés Manuel López-Obrador, where they will talk about cooperation on migration, USMCA, vaccination efforts and climate change, among the most relevant topics.

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