

Family remittances – Below expectations in February, but still strong

April 5, 2021

www.banorte.com
@analisis_fundam

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

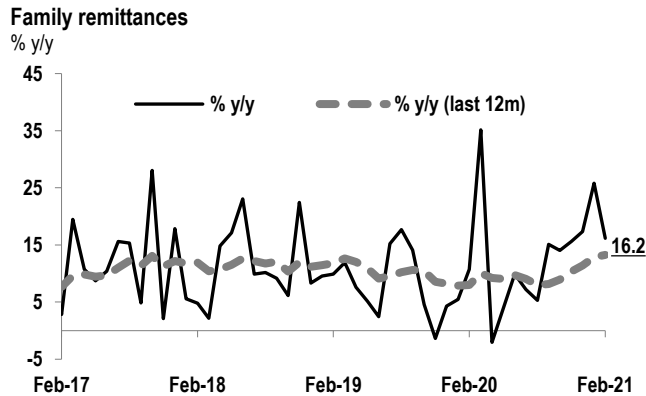
Francisco Flores
Senior Economist, Mexico
francisco.flores.serrano@banorte.com

- **Remittances (February): US\$3,173.5 million; Banorte: US\$3,375.3mn; consensus: US\$3,375.3mn; (range: US\$3,280 to US\$3,440mn) previous: US\$3,297.9mn**
- **Inflows remain strong as they grew 16.2%y/y, with a double-digit pace of advance since September 2020. In our view, dynamics continue to be benefitted by the recovery of the labor market and fiscal stimulus in the US, among other factors**
- **The number of operations slowed down to 6.3% y/y and the average amount sent stood at US\$350.92 (+9.3% y/y), higher sequentially for a second month in a row**
- **Remittances' growth could moderate in March, although underlying dynamics remain positive and add upside risks to our call of 7-10% growth for full-year 2021**

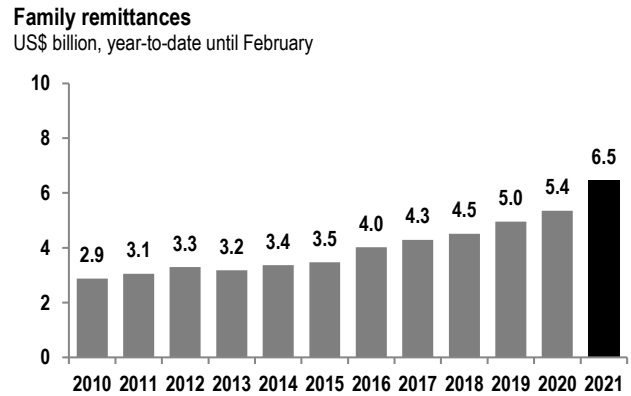
Remittances remained favorable in February. The amount sent to our country stood at US\$3,173.5 million, lower than consensus (US\$3,375.3 million), which matched our estimate. Inflows grew 16.2% y/y, lower than January's 25.8% although the base effect was more challenging as 2020 was a leap year. Despite of the latter, they remain strong as they have shown a double-digit pace of advance since September 2020. In our view, this has been helped by the recovery of the US labor market, in turn boosted by: (1) The acceleration in vaccinations (also reflected in higher mobility levels, as shown in indices such as the one developed by the Dallas Fed); and (2) strong fiscal stimulus, remembering that a package of around US\$900 billion was approved in December and another one of US\$1.9 trillion in March. Nevertheless, the effect of the latter may have waned somewhat. In this context, the unemployment rate among Hispanics and Latinos declined modestly, to 8.5% from 8.6%, albeit with a relevant increase in the participation rate. The working-age population of Mexican migrants rose by 59.4 thousand but there was a net job creation of 208.4 thousand –including 'natives', 'non-native citizens', and 'non-citizens' (legal or illegal)–. Gains were centered in the first (+287.5 thousand) and third groups (+89.0 thousand), with a net loss of 168.1 thousand in the second one. We believe it is relevant that 'non-citizens' regained some positions, as in our view these are the most likely to send back remittances.

Number of operations decelerate, but average amount remains strong. Contrary to recent months, the total number of operations lagged as the main driver of growth, standing at 9.0 million. This may be related to some extent with the fact that the period has less days. In turn, the pace of advance moderated to 6.3%, albeit also influenced by the leap year effect mentioned above. On the other hand, the average amount sent reached US\$350.92, up sequentially for a second month in a row and its highest in little less than a year, expanding 9.3% y/y (previous: 6.5%). In our view, the results remain favorable, with good dynamics likely lifted primarily by the recovery in employment and economic activity in the US, benefitted by a gradual improvement in mobility.

Document for distribution among the general public



Source: Banorte with data from Banxico



Source: Banorte with data from Banxico

We maintain a positive view on remittances, despite a likely increase in their short-term volatility. In our view, today’s results and broader dynamics are still positive news for Mexico’s economy. Nevertheless, we warn that annual rates in coming months are likely to show higher volatility, remembering that the impact from the pandemic in the US and Mexico started to be more noticeable since March 2020. Specifically, migrants made further extraordinary efforts to send resources back to their families since that period, as evidenced by the 35.1% y/y increase in said month and the -2.0% in April (with a moderate advance in May, due to strict lockdowns). These pandemic distortions will also show in 2021 due to their impact in terms of the base effect, so it will be important to analyze the data even more closely to evaluate their dynamics adequately.

Despite of the latter, we believe the trend remains very favorable. One key factor that could compensate for a potential deceleration in annual terms is the approval of the new US\$1.9 trillion stimulus package in the US by legislators on March 10th, with resources starting to flow since that month. Moreover, some measures in the initiative are more favorable for migrants when compared to other rounds (e.g. citizens married with undocumented migrants are eligible for direct transfers). Moreover, it is also very positive that the vaccination campaign in that country has accelerated. In this respect, the administration applied 100 million doses before its first 100 days, so president Biden announced that they will double their original goal (among other measures to expand inoculations to more groups). As a result, we revised again our US GDP forecast for 2021 to 6.1% from 5.4%, improving also our call for the unemployment rate. Although Hispanics and Latinos have lagged the recovery, higher activity and mobility should also benefit them.

On the contrary, we identify two main risks. First, the CDC is warning of the possibility of a “fourth wave” of COVID-19 infections. This could happen because of new and more contagious variants of the virus and the relaxation of distancing measures. The progress on vaccinations should help reduce contagion and fatality rates, but the reality is that its evolution could complicate again –as in Europe– and affect the economy. Second, tensions between the US and Mexico because of migration flows are on the rise given the recent acceleration in the influx of undocumented people. This theme was the focus of Biden’s first press conference two weeks ago and the call between him and President López-Obrador at the beginning of March.

Although we still think the current administration's policies will be more favorable than those enforced by Trump, its importance has increased enough for Biden to designate this issue directly to Vice-President Kamala Harris. In Mexico, press reports state the government is preparing to reinforce measures to stop illegal migrants at the border with Guatemala.

Given this backdrop, we maintain our forecast of 7% to 10% growth in full-year 2021. Nevertheless, we believe the balance of risks is skewed to the upside. For now, we reiterate this estimate waiting for more information about inflows in the short-term. We are cautious given the higher volatility that we are likely to see on the current environment, as well as the abovementioned base effects.

Analyst Certification

We, Gabriel Casillas Olvera, Alejandro Padilla Santana, Delia María Paredes Mier, Juan Carlos Alderete Macal, Manuel Jiménez Zaldívar, Marissa Garza Ostos, 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.

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 Thalia 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
Eridani Ruibal Ortega	Analyst	eridani.ruibal.ortega@banorte.com	(55) 1103 - 4000 x 2755
Juan Barbier Arizmendi, CFA	Analyst	juan.barbier@banorte.com	(55) 1670 - 1746
Corporate Debt			
Hugo Armando Gómez Solís	Senior Analyst, Corporate Debt	hugoa.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 Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebaldos@banorte.com	(55) 5268 - 9996
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Frigolet Vázquez Vela	Head of Sólida Banorte	alejandro.frigolet.vazquezvela@banorte.com	(55) 5268 - 1656
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 1002
Carlos Alberto Arciniega Navarro	Head of Treasury Services	carlos.arciniega@banorte.com	(81) 1103 - 4091
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
Lizza Velarde Torres	Executive Director of Wholesale Banking	lizza.velarde@banorte.com	(55) 4433 - 4676
Oswaldo Brondo Menchaca	Head of Specialized Banking Services	oswaldo.brondo@banorte.com	(55) 5004 - 1423
Raúl Alejandro Arauzo Romero	Head of Transactional Banking	alejandro.arauzo@banorte.com	(55) 5261 - 4910
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