# Family remittances – Inflows maintained a brisk pace in August

October 1, 2021

www.banorte.com
@analisis_fundam

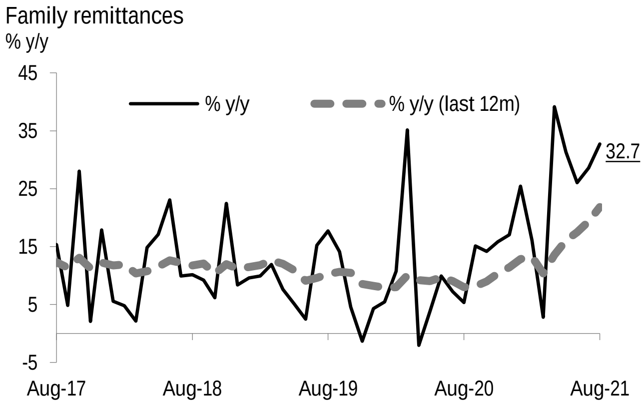
Juan Carlos Alderete, CFA
Director of Economic Research
juan.alderete.macal@banorte.com

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

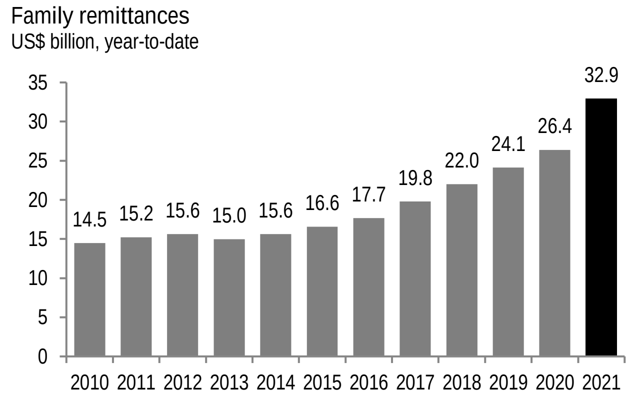
- **Remittances (Aug): US$4,743.6 million; Banorte: US$4,476.8mn; consensus: US$4,421.2mn; (range: US$4,230.0mn to US$4,547.1mn) previous: US$4,540.3mn**
- **Growth stood at 32.7% y/y from 28.6% in July, which is very elevated and has translated into monthly inflows above the US$4 billion mark for the last six months. Moreover, it is a new historical high for second month in a row. So far, the expiration of additional unemployment benefits in the US has not had a sizable effect on flow dynamics**
- **The average amount sent was US$386.87 (12.6% y/y). On the other hand, the number of operations picked up to 12.3 million (17.8%) accelerating its pace once again**
- **In seasonally adjusted terms, inflows grew 2.0% m/m, higher for a second month in a row and very favorable considering July's 3.9% advance**
- **Despite some headwinds in the US, remittances dynamics remain very strong and suggest important upside risks to our call of full-year inflows between US$48.0-48.5 billion**

**Remittances maintained very strong growth in August.** The amount stood at US$4,743.6 million, again above consensus and our estimate (US$4,476.8 million). This translates to 32.7% y/y growth, in double digits since April and above the US$4 billion mark for a sixth consecutive month. It is also a new historical high. Although base effects continue playing a role, dynamics remain very strong and keep surprising to the upside. As mentioned in previous reports, we also see this as very favorable given the recent expiration of additional unemployment benefits in the US. During July –and thus having a more marked effect in August–, 4 more states (Arizona, Indiana, Maryland and Tennessee) canceled the extra US$300 a week for unemployed, added up to other 21 states that had done so in June. Despite of this, there are no discernible signals about an impact from this. In this respect, resiliency in inflows is likely related more strongly to labor market conditions for Mexican migrants in the US, which kept improving during the period (see below for details).

**Annual growth still driven mostly by the number of operations.** The average amount sent moderated once again at the margin, to US$386.87 from US$390.50 in the previous month, up 17.9% y/y. Nevertheless, it is still very high considering the expiration of benefits mentioned above. Moreover, it has been more than compensated by the acceleration in the number of operations, which stood at 12.3 million, growing 17.8% y/y and higher at the margin again (July: +13.0%). It is also less than 100k below its historical high seen last May, in which they typically surge because of the resources sent in Mother's Day. In our view, the rebound of US economic activity and extraordinary efforts by migrants to keep sending as much as possible to their families at home remain as key drivers of this dynamism.



Source: Banorte with data from Banxico



Source: Banorte with data from Banxico

**Sequentially, flows picked up 2.0% m/m.** Using seasonally adjusted figures, inflows increased 2.0% m/m, which we judge very positively considering the 3.9% advance of the previous month –which was the historical high in absolute terms, until this release–. In this respect, we keep thinking that a healthier and strong labor market in the US is the key driver behind this. Specifically, and also seasonally adjusted, the unemployment rate among Hispanics and Latinos in the US fell from 6.6% in July to 6.4% in August, lowest since the pandemic started. In addition, working-age Mexican migrants rose for the first time since February, up 119.3 thousand people. Positively, 106.9 thousand jobs were created in this group –including 'natives', 'non-native citizens', and 'non-citizens' (legal or illegal)–. In addition, those classified as unemployed fell by 101.1 thousand. In turn, we estimate that the unemployment rate for Mexicans went from 6.5% to 5.9% (-58bps) in the same period, even outperforming the wider group mentioned above.

**Remittances may decelerate, but strength will likely continue.** We reiterate our forecast that remittances in full-year 2021 will be between US$48.0-48.5 billion. Given their performance so far, an average of US$3,767 million a month would be needed to reach the lower bound, which we see as easy to achieve (last 12-month average: US$ 3,875 million) and even with important upside risks. President Andrés Manuel López-Obrador recently reiterated the government's forecast that full-year inflows would be above US$ 48 billion.

Despite of this, we maintain our estimate because of two main factors. First, we are waiting for September's US employment report, to be released next week. Especially as figures for August surprised to the downside. In turn, this was likely related to an impact because of the 'delta' variant. This time around, expectations are that an acceleration may be in store because of the expiration of benefits and student's return to in-person classes. Both may help boost the participation rate and employment levels. Nevertheless, virus dynamics have increased skepticism that this will materialize. Second, there are increased signs of a growth slowdown. Concerns are currently focused mainly in China, with headwinds from electricity shortages in several regions, potential financial instability in the housing market on Evergrande's woes, and heightened bottlenecks due to 'delta', among others. Given its size, it can have second round effects globally, especially on trade.

Although it currently has impacted manufacturing the most, it could eventually affect services as well. If the US economy moderates so far proving resilient–, inflows may be dented.

Going into 2022, we think inflows will keep growing despite less stimulus in the US –with previous measures due to the pandemic fading away– and some tensions on migration. On the former, we are watching carefully fiscal negotiations, currently at a deadlock, but we expect a resolution both on the fiscal-year budget and debt limit. Regarding the budget, higher unemployment benefits would be a positive development, albeit they seem highly unlikely. In this respect, some Democratic Senators are pushing for a reform that would provide more generous amounts and widen the scope. Nonetheless, the price tag would be quite high and the political will from the White House does not seem to be in place. On the latter, high-level talks between the US and Mexico seem to have had favorable results, with cooperation desirable at least to avoid any unilateral and harsh policy measures by the US administration. On migration, the Department of Homeland Security announced recently that they are planning to end the 'Stay in Mexico' program in coming weeks. This helps confirm that their stance is less stringent than in the Trump administration, which in our view is also positive for remittances.

## Analyst Certification

**We, 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, Alik Daniel García Alvarez, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalía Orozco Vélez, Gerardo Daniel Valle Trujillo 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.

GRUPO FINANCIERO BANORTE S.A.B. de C.V.

| | | | |
|---|---|---|---|
| **Research and Strategy** | | | |
| Alejandro Padilla Santana | Chief Economist and Head of Research | alejandro.padilla@banorte.com | (55) 1103 - 4043 |
| Raquel Vázquez Godinez | Assistant | raquel.vazquez@banorte.com | (55) 1670 - 2967 |
| Itzel Martínez Rojas | Analyst | itzel.martinez.rojas@banorte.com | (55) 1670 - 2251 |
| Lourdes Calvo Fernández | Analyst (Edition) | lourdes.calvo@banorte.com | (55) 1103 - 4000 x 2611 |
| **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 Thalía 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 |
| Alik Daniel García Alvarez | Senior Strategist, Equity | alik.garcia.alvarez@banorte.com | (55) 1670 – 2250 |
| Víctor Hugo Cortes Castro | Senior Strategist, Technical | victorh.cortes@banorte.com | (55) 1670 - 1800 |
| 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 | (55) 1670 - 1889 |
| Alejandro Aguilar Ceballos | Head of Asset Management | alejandro.aguilar.ceballos@banorte.com | (55) 5004 - 1282 |
| 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 - 5140 |
| 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) 8173 - 9127 |
| 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) 5249 - 6423 |
| Lizza Velarde Torres | Executive Director of Wholesale Banking | lizza.velarde@banorte.com | (55) 4433 - 4676 |
| Osvaldo Brondo Menchaca | Head of Specialized Banking Services | osvaldo.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) 5004 - 1051 |
| Ricardo Velázquez Rodríguez | Head of International Banking | rvelazquez@banorte.com | (55) 5004 - 5279 |
| Víctor Antonio Roldan Ferrer | Head of Commercial Banking | victor.roldan.ferrer@banorte.com | (55) 1670 - 1899 |