

## Family remittances – Strength continues in the second month of the year

- **Remittances (February): US\$4,348.4 million; Banorte: US\$4,502.6mn; consensus: US\$4,300.0mn; (range: US\$4,260.0mn to US\$4,502.6mn) previous: US\$4,406.1mn**
- **We must remember that the result is skewed downward by a negative seasonality at the start of the year. Despite of this, in annual terms inflows grew 11.2%, still very strong**
- **The number of operations was lower, standing at 11.6 million (+10.9% y/y). Meanwhile, the average monthly amount sent was more stable US\$375.14 (+0.3%)**
- **In sequential terms, inflows rose 0.7% m/m, supported by other signs of strength and suggesting that they will remain as an important driver for consumption**
- **We maintain optimism on remittances in the short-term, expecting them to keep growing in coming months. Nevertheless, we remain cautious considering risks remain, especially given higher doubts over economic activity in the US**

**Remittances maintain a high pace of growth in February.** The amount was US\$4,348.4 million, with the figure still affected by an adverse seasonality at the start of the year –with US households also facing adjustments in their financial position– as well as the fact that the month has fewer total days. Nevertheless, the annual growth rate remained strong at 11.2% (previous: 12.5%), adding three consecutive months of double-digit increases. On economic activity in the US, this had relatively positive signs. *S&P Global's* PMIs suggested a recovery in services, with manufacturing an inch lower. In hard data, retail sales' control group rose 0.5% m/m, while manufacturing output advanced 0.1%. Also favorable, housing starts and building permits rose, relevant considering that this sector employs many migrants. On prices, inflation came in line with expectations (0.4% m/m), with the annual comparison moderating further to 6.0%. If the latter continues moving lower, households' available income could be less affected, allowing migrants to send additional resources back home.

**Slight moderation in the number of operations, with the average amount sent more stable.** The first metric stood at 11.6 million (previous: 11.8 million), with the total impacted by fewer days in the month. Nevertheless, in the annual comparison rates remained high at 10.9%, practically in line with the 11.1% from the previous month. The average amount sent was stable in nominal terms at US\$375.14 from US\$374.99, although with the annual print more modest at 0.3% (previous: 1.3%). We remain somewhat cautious over the latter, especially considering the recent moderation in the growth rate in wages in the US, below 5% y/y since December. Nevertheless, progress on the inflation front might help to offset for this.

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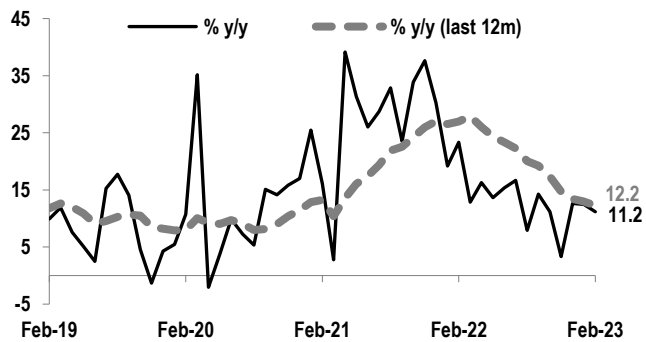
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**Sequential uptick, consistent with some improvements in the labor market for migrants.** Seasonally adjusted, remittances rebounded 0.7% m/m, not being enough to offset the -1.5% from the previous month. However, the result is consistent with employment conditions in the US, which remain relatively favorable. The unemployment rate among Hispanics and Latinos increased for a third consecutive month to 5.3% from 4.5%, with the same metric for Mexicans going to 6.1% from 5.3%. Nevertheless, and consistent with the seasonal pattern, the working age population –including ‘natives’, ‘non-native citizens’, and ‘non-citizens’ (both legal and illegal)– increased by 121.7 thousand. In addition, and more relevant in our opinion, the total number of employed persons increased by 207.3 thousand, better relative to seasonal gains. Even though the result does not change the outlook entirely, we believe that if a change in the trend materializes in the next few months, remittances could get a larger support than the one we previously expected.

**Family remittances**

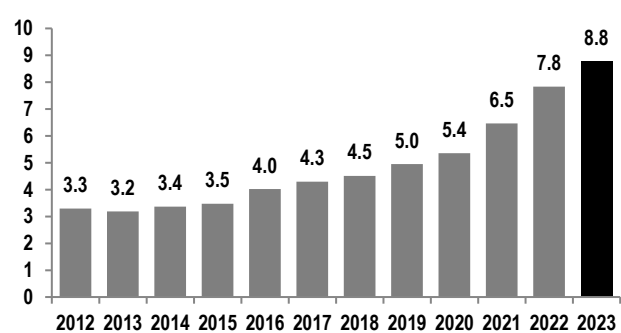
% y/y, nsa



Source: Banorte with data from Banxico

**Family remittances**

US\$ billion, accumulated to February, nsa



Source: Banorte with data from Banxico

**We maintain a favorable view on remittances in the short-term, albeit with challenges still present.** We continue to believe that Mexican migrants will continue to make efforts to send remittances back to Mexico in coming months, possibly even more so as local purchasing power has deteriorated due to a strong peso. Nevertheless, risks remain, now noting increased recession expectations amid higher uncertainty about the banking sector in the US and Europe. However, if the situation manages to be contained -which it seems that it will-, it is very likely that central banks will continue with their tightening cycle, which also implies greater possibilities of an economic slowdown. In this context, we believe that it will be very relevant to see March’s employment report for that country – to be released this Friday–, still expecting resilient results. On the upside, some of the timely figures have shown greater dynamism –particularly PMIs from *S&P Global*–, although still awaiting hard data to corroborate this. Regarding prices, the recent OPEC+ announcement on output cuts has triggered an increase in some energy prices, which would have a negative effect on inflation and households’ income.

Going forward, we remain cautious on remittances considering the possibilities of a slowdown in the US labor market. As such, we believe that remittances will slowdown in 2023 relative to 2022. However, it is not entirely clear whether this will be enough to see a sharp contraction on an annual basis.

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We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Katia Celina Goya Ostos, Francisco José Flores Serrano, José Luis García Casales, Víctor Hugo Cortes Castro, José Itzamna Espitia Hernández, Carlos Hernández García, Leslie Thalía Orozco Vélez, Hugo Armando Gómez Solís, Yazmín Selene Pérez Enríquez, Cintia Gisela Nava Roa, Miguel Alejandro Calvo Domínguez, José De Jesús Ramírez Martínez, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Isaías Rodríguez Sobrino, Paola Soto Leal, Daniel Sebastián Sosa Aguilar and Andrea Muñoz Sánchez, 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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