

Migration

Remittances kept up modest growth of 2.4% (YoY) in May 2015

Alfredo Salgado Torres, Juan José Li Ng

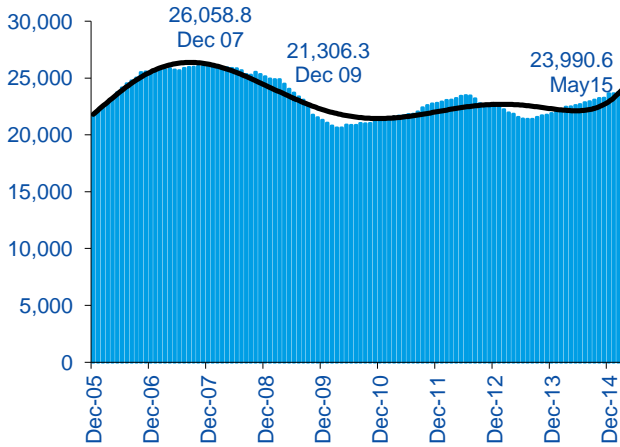
- In May 2015 Mexico received remittances to the value of USD2,198.4mn, which amounts to growth of 2.4% compared to the same month in 2014.
- Even including a mild slowdown in April and May, the flow of remittances has grown positively for four months in a row in 2015.
- The figures for April and May appear to be in response to estimate of a 0.2% contraction in the US economy in 1Q15.
- The fine employment performance for Mexican immigrants in the United States seems to have underpinned a pattern of modest growth in remittances in spite of the contraction of the US economy.

According to the central bank (Banco de México), family remittances back to Mexico reached USD2,198.4mn in May 2015, rising 2.4% with respect to the same month in 2014, and this figure means they have achieved four successive months of positive YoY growth in 2015. This took the cumulative flow of remittances over the first five months of 2015 to USD9,928.1 mn, with growth of 3.6% YoY, which is slightly under half of the growth rate of 7.9% (YoY) for the cumulative flow of remittances in the same period in 2014. The number of transactions reached 7.822 million, with growth of 3.3% (YoY), while the size of the average remittance was USD281, which was down 0.9% with respect to the same month in 2014. The May figure is primarily accounted for by the drop in the average remittance, which has now experienced negative growth in three months out of the first five of 2015 (-4.0% in January, -0.2% in April and -0.9% in May). In tandem with the above, the flow of remittances in real terms, after conversion to constant pesos, showed an increase of 17.3% (YoY) in May, due to the appreciation of the USD, with the dollar exchange rate averaging MXN15.26 in May.

In spite of the positive trend for several indicators of economic activity and the performance of employment in the United States during the first few months of 2015, the U.S. Bureau of Economic Analysis (BEA) reported that the US economy could have contracted 0.2% in 1Q15. This would serve to explain the slowdown in the growth of remittances to Mexico which has been seen in the first few months of 2015, which has mainly affected the growth of the average remittance wired back to Mexico by Mexican immigrants in the United States.

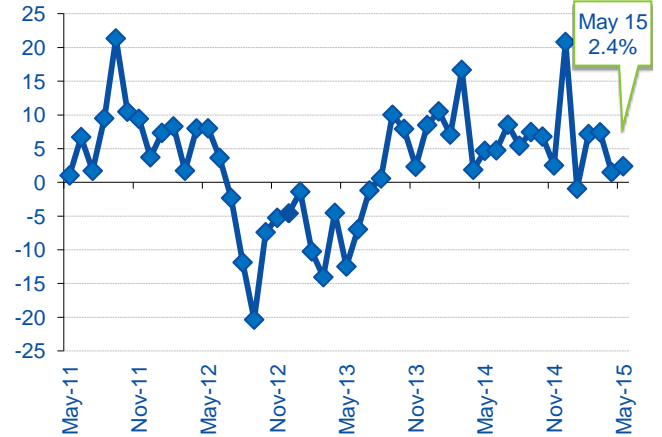
Despite the contraction in the US economy in 1Q15 estimated by the BEA, the flow of remittances to Mexico seems to be keeping to a path of positive YoY growth, albeit modest compared to how the flow behaved in 2014, which is consistent with the fine performance of employment in the United States over 2015. According to figures from the U.S. Bureau of Labor Statistics, the general unemployment rate in the United States in May was 5.5% after seasonal adjustment (sa), which was 0.8 percentage points (pp) below the same figure for May 2014. At the same time, according to estimates by BBVA Research based on the Current Population Survey (CPS), the unemployment rate for Mexican immigrants in the United States hit 4.1% in seasonally unadjusted terms (su) in May 2015, which was 1.1pp below the rate (su) that was observed in the same month of 2014. This implies that remittances are still likely to be growing, with prospects of an improved performance in 2H15.

Figure 1
12-month cumulative flows of remittances to Mexico (USD mn)



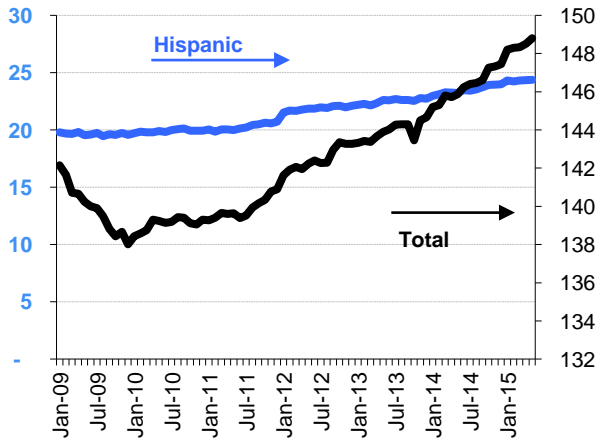
Source: BBVA Research with central bank data

Figure 2
Family remittances to Mexico (YoY % change, USD)



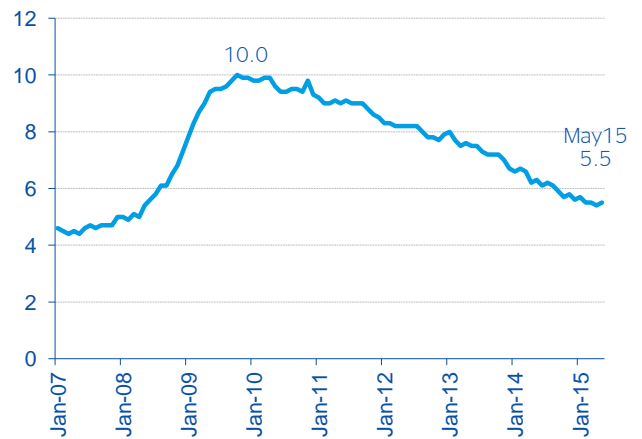
Source: BBVA Research with central bank data

Figure 3
United States: total employment and among Hispanics (million)



Source: BBVA Research with US Bureau of Labor Statistics data.
Note: Seasonally-adjusted

Figure 4
United States: national unemployment rate (%)



Source: BBVA Research with US Bureau of Labor Statistics data.
Note: Seasonally-adjusted

Disclaimer

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