

Migration

Remittances reached the year's highest level of growth in July, at 11.7%, totaling USD2,231.8mn

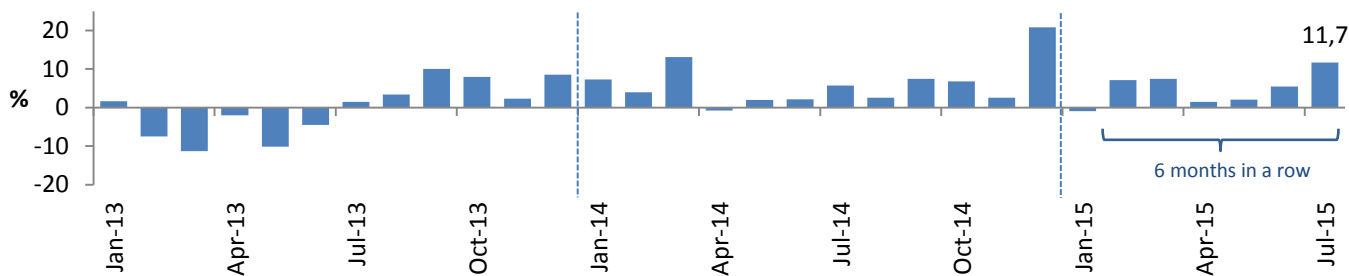
Alfredo Salgado Torres, Juan José Li Ng

- In July 2015 Mexico received USD2,231.8mn by way of remittances, this figure rising by 11.7% with respect to the same month in 2014.
- According to recent estimates by the Bureau of Economic Analysis, the US economy should have grown by 3.7% in 2Q15 in annual terms, while employment increased in July among those states where Mexican immigrants traditionally live, according to the US Bureau of Labor Statistics.
- Destination households received 33.1% more remittances in July 2015 than in the same month the previous year, in pesos and adjusting for inflation.
- Banxico's revisions for remittances to Mexico show growth of 6.0% in 2014.

Mexico received USD2,231.8mn in family remittances in July 2015 according to the central bank report, with growth of 11.7% compared to the same month in 2014. This figure means that remittances have achieved their highest monthly growth rate between January and July 2015, and the second-best reading after the figure of USD2,254.2mn that was received in March 2015. The cumulative total of remittances in the first seven months this year reached USD14,308.2mn, which was 5.0% higher than the sum for the like period in 2014. This makes a run of six months in a row of YoY growth for remittances to Mexico.

Meanwhile, the number of wired remittance transactions was 7.33 million in July, with growth of 7.8% with respect to the same month in 2014, while the average remittance amount was USD305, meaning a rise of 3.7% YoY. Both of these indicators therefore account for the increase in the flow of remittances and have achieved the best growth readings this year.

Figure 1
Family remittances to Mexico (YoY % change, USD)

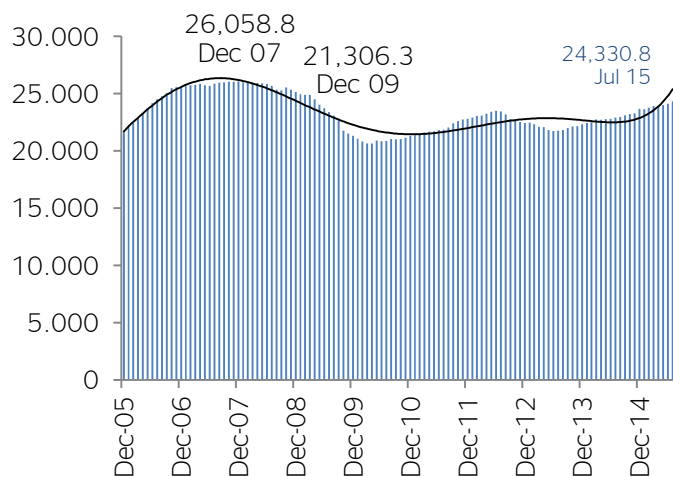


Source: BBVA Research with Banxico data

The pick-up in the US economy appears to explain the recent performance by remittances to Mexico. According to the “second” estimate from the Bureau of Economic Analysis, US real GDP (Gross Domestic Product) increased by 3.7% YoY in 2Q15, which was 1.4 percentage points (pp) higher than the “advance” GDP growth estimate that had been offered by the same institution in past months. This apparent acceleration of the US economy should be mainly accounted for by positive contributions from consumption, exports, government expenditure, fixed non-residential investment and private inventory investment, among other components.

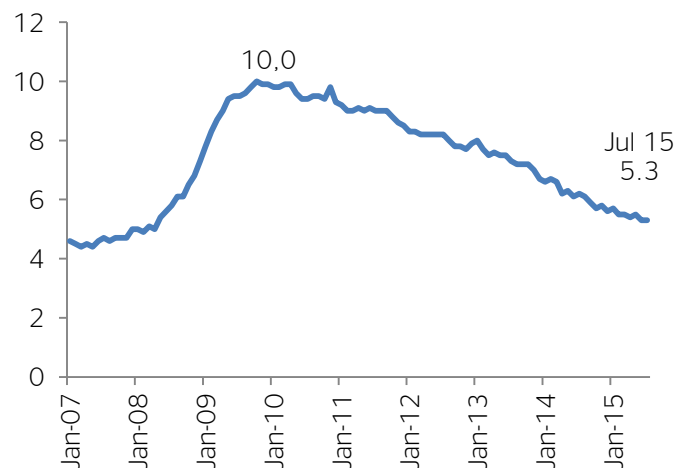
In addition to this, recent estimates from the US Bureau of Labor Statistic show that there was an upturn in employment and a significant reduction in the seasonally-adjusted unemployment rate of around one percentage point in July 2015 with respect to the same month in the previous year in those states where Mexican immigrants typically reside, such as California (-1.2 pp) and Texas (-0.8 pp).

Figure 2
12-month cumulative flows of remittances to Mexico (USD mn)



Source: BBVA Research with Banxico data

Figure 3
United States: national unemployment rate (%)



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

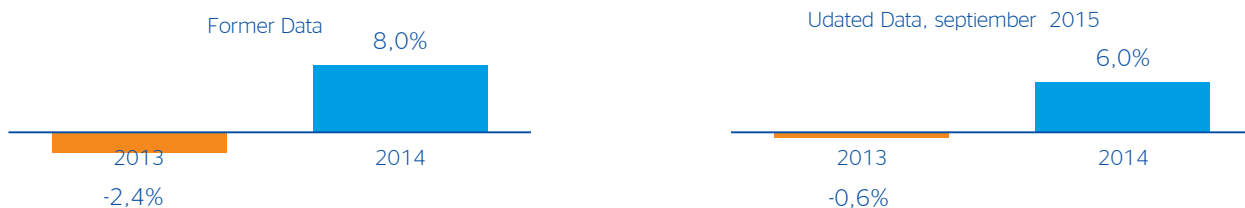
The dollar’s strong rise against the peso could be another element behind the increase in remittances to Mexico. According to central bank figures, the average monthly USD/MXN rate hit a historical high in July 2015. This dollar appreciation would have raised the value of money wired to Mexico and probably explains the higher frequency of remittances, as well as the increase in the average sum wired, that were recorded in July.

Destination households for remittances have benefited from the exchange rate that has prevailed since 4Q14. Since December last year, remittance inflows in real terms, after adjusting for inflation, have experienced something of an upsurge. In July 2015, Mexican households received 33.1% more remittances in real terms compared to the same month in the previous year. This has, without a doubt, boosted the purchasing power of the approximately 1.4 million households in Mexico that receive funds of this kind.

Revision of data on family remittances to Mexico in 2013 and 2014

In the most recent information published by the central bank there is an adjustment of the total for remittances received in Mexico in 2013 and 2014. Broadly speaking, there is a positive revision of total remittances received monthly in 2013 and a reduction of inflows in 2014. The previous data had indicated that remittances had decreased 2.4% in 2013 and risen 8.0% in 2014. After the latest revision, the data shows that in 2013 remittances dropped by 0.6%, while in 2014 their YoY growth rate was 6.0%.

Figure 4
Adjustment in the annual growth of remittances to Mexico, 2013 and 2014



Source: BBVA Research with Banxico data

Disclaimer

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