

Migration

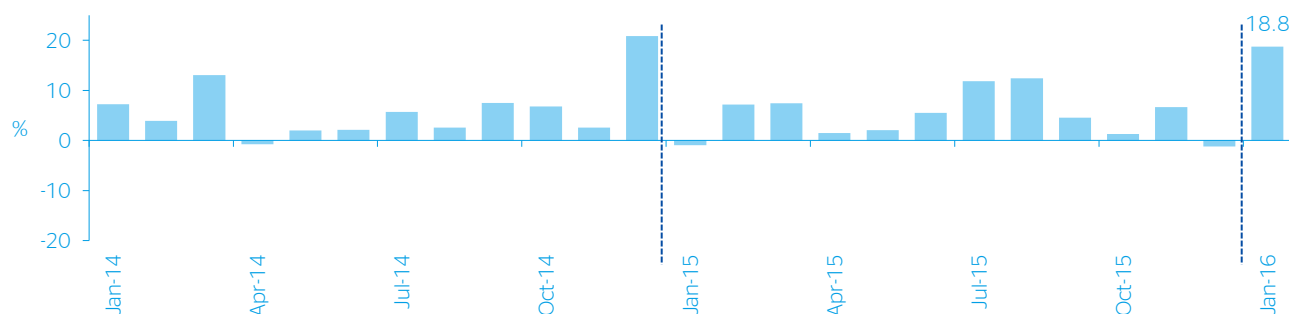
Remittances to Mexico began 2016 with 18.8% growth in January and an inflow of 1,932.2md

Juan José Li Ng / Alfredo Salgado

- Remittances to Mexico began 2016 by growing by 18.8% annual rate, reaching a flow of 1,932.2 million dollars (md)
- The January inflow exceeds the best historical record for the month, which was 1,872.9 md in 2007
- Remittances continue the upward trend of 2015, driven by the exchange rate and the growing employment trend in the U.S.
- In January, the dollar appreciated by 22.5% over the same month of the previous year, while the overall unemployment rate in the U.S. stood at a post-crisis low of 4.9%

According to the report of the Central Bank of Mexico (Banco de Mexico), family remittances to Mexico reached a flow of 1,932.2 md in January, representing a growth rate of 18.8% over the same month of 2015. With this data, remittances exceed the best historical record for the month of January, which was 1,872.9 md in 2007. The strong appreciation of the dollar against the Mexican peso could explain the recent trend of remittances to Mexico; in January 2016 the dollar appreciated 22.5% over the same month of 2015. The increase in both the frequency and the amount sent by Mexican immigrants in the U.S. demonstrates how favourable the exchange rate is for money sent from the U.S. to Mexico. The number of remittance transactions reached 6.5 million during the month of January, a growth of 11.2% compared to the same month of 2015. The average remittance was 298 dollars, an annual rate increase of 6.8%.

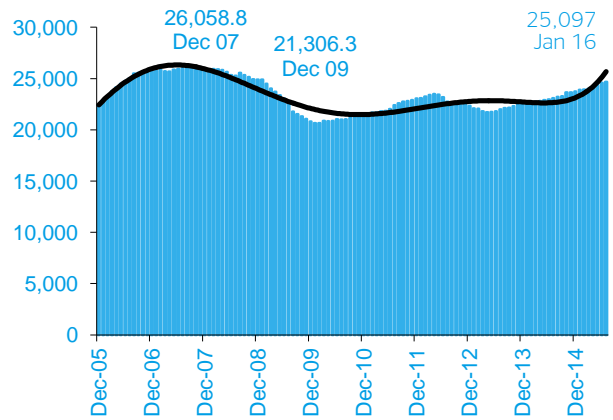
Figure 1
Family remittances to Mexico (% annual change in dollars)



Source: BBVA Research with central bank data

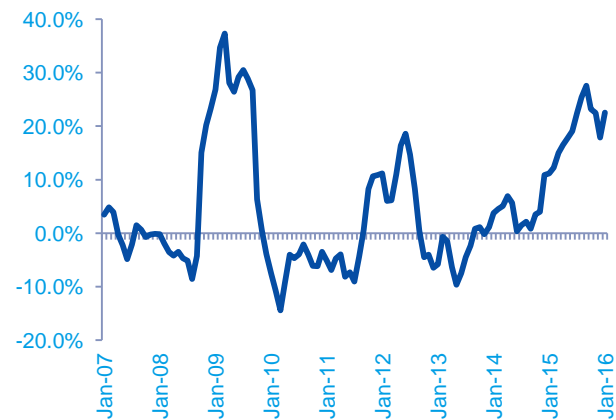
The appreciation of the exchange rate, coupled with low inflation in January 2016, has led to recipient households obtaining more income from remittances. During January, recipient households experienced an increase in their income from remittances of 41.8% in real terms over the same month last year.

Figure 2
12-month accumulated flows of remittances to Mexico
(Millions of dollars)



Source: BBVA Research with central bank data

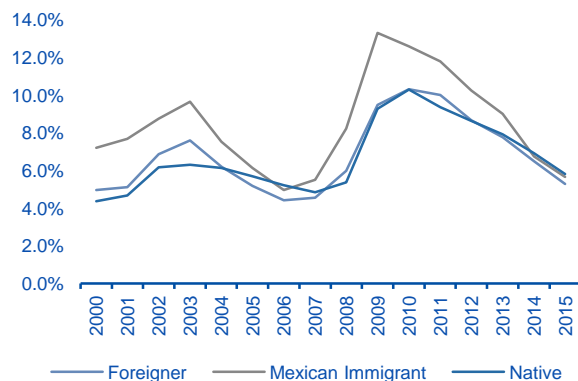
Figure 3
Rate of appreciation in the exchange rate
(pesos per dollar, %)



Source: BBVA Research with central bank data

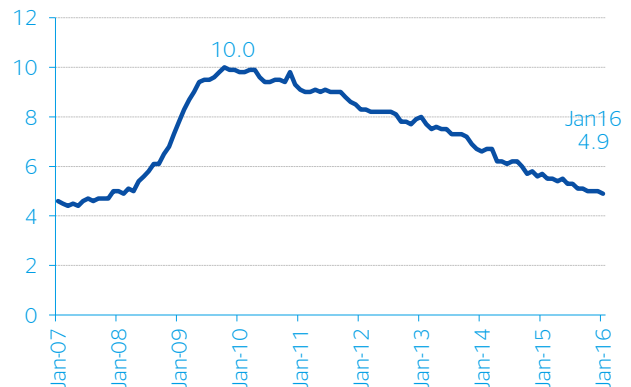
In conjunction with the strong appreciation of the exchange rate, stability of employment in the U.S. is another element that explains the growing trend of remittances. According to estimates by the US Bureau of Labor Economics, in January 2016 the overall monthly unemployment rate in the U.S. reached a minimum after the 2008 crisis at 4.9%, seasonally adjusted. Similarly, BBVA Research estimates based on data from the Current Population Survey (CPS) from the Minnesota Population Center (IPUMS) show not only that the unemployment rate of Mexican immigrants in the U.S. was at a minimum comparable to the pre-crisis period in 2015, but that the gap in unemployment rates among Mexican immigrants, workers of foreign origin and U.S. natives has also narrowed.

Figure 4
U.S.: Annual unemployment rate by origin of birth
(%)



Source: BBVA Research with data from IPUMS-CPS.

Figure 5
U.S.: Monthly overall unemployment rate
(%)



Source: BBVA Research with data from US Bureau of Labor Economics.

Note: Seasonally adjusted figures

Disclaimer

This publication is a joint initiative between the BBVA Bancomer Foundation and BBVA Research's Economic Research Department, Mexico. It aims to make new contributions in the field of Migration studies that add to knowledge of this important social movement. It has been prepared on their own behalf and is for information purposes only. The opinions, estimates, forecasts and recommendations contained in this document refer to the date appearing in the document, and, therefore, they may undergo changes due to market fluctuations. The opinions, estimates, forecasts and recommendations contained in this document are based on information obtained from sources deemed to be reliable, but BBVA does not provide any guarantee, either explicit or implicit, of its exactitude, integrity or correctness. This document does not constitute an offer, invitation or incitement to subscribe to or purchase securities