

Migration

Remittances up by 13.6% in February 2016, reaching US\$2,093.2 million

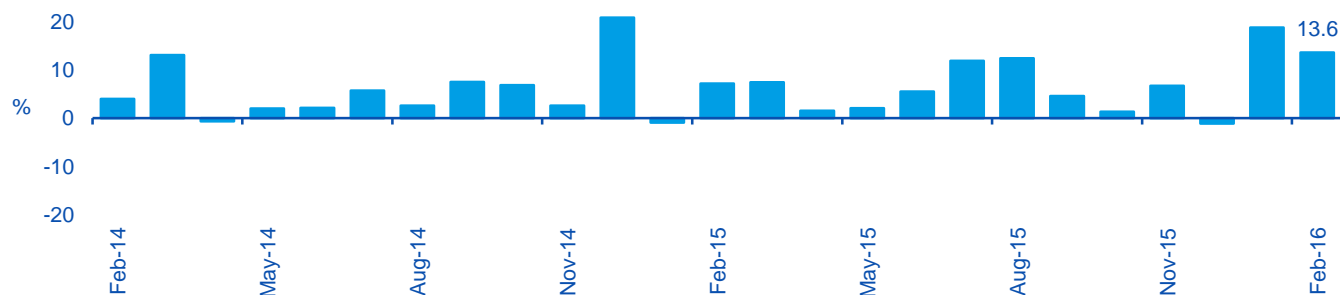
Juan José Li Ng / Alfredo Salgado

- Remittances to Mexico grew by 13.6% YoY in February, reaching a flow of US\$2,093.2 million
- This was due to the 16.6% increase in the number of transactions, which more than offset the 2.7% YoY decline in the average remittance amount
- It seems that the strong appreciation of the dollar against the peso continues to act as an incentive for sending remittances to Mexico
- Our estimates indicate that remittances will continue their pronounced upward trend at least for the remainder of the first quarter of this year

According to the official report of Banco de México, family remittances to Mexico in February reached US\$2,093.2 million, up by 13.6% on the same month of 2015. This is the biggest ever February figure for remittances to Mexico, surpassing the US\$1,859.7 million recorded in February 2008. In this way the flow of remittances continues the positive run started in 2014 and interrupted only recently by the slight (1.2%) fall seen in December 2015, which was in any case much less than what the market was expecting.

The increase in the total amount of remittances appears to be explained mainly by their greater frequency, which more than offsets the decline in the average remittance amount. The number of remittance transactions in February reached almost 7.2 million, 16.6% up on the same month of 2015, while the average amount per transaction declined by 2.7% YoY to US\$291.

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

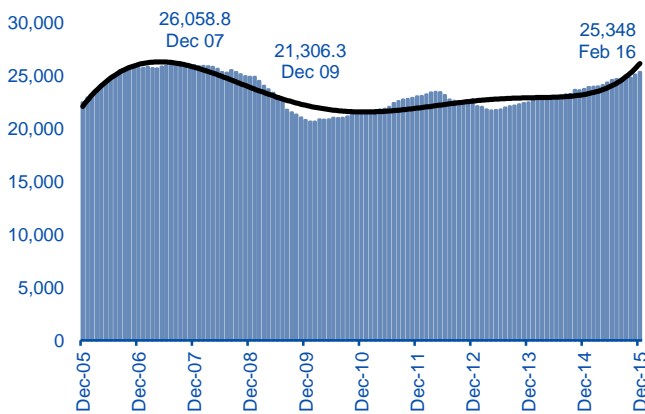


Source: BBVA Research with central bank data

Also, the dollar's exchange rate against the Mexican peso (average for the month) reached a new all-time high in February as the dollar appreciated by 2.8% compared with January 2016 and 23.9% relative to February 2015. Since August 2014 the dollar has appreciated significantly against other world currencies, and the peso is no exception. However, the latest data indicate that in the past two months the Trade weighted US dollar index has declined, which has also led to the peso's recovery against the dollar in March.

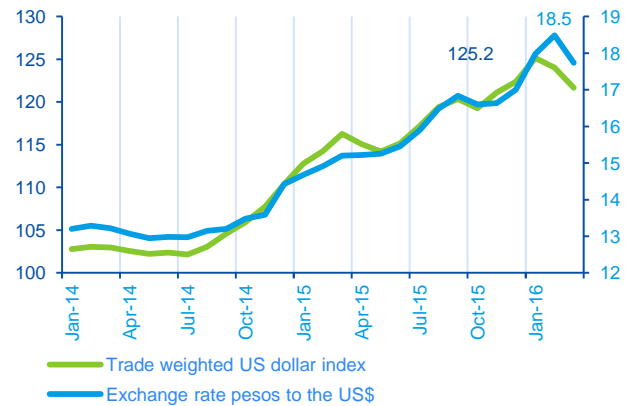
This, together with Mexico's low inflation rate sustained since 2015, has led to receiving households experiencing an increase of 36.8% in real terms in their income from remittances compared with February 2015.

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



Source: BBVA Research with central bank data

Chart 3
Exchange rate pesos to the dollar vs. Trade weighted US dollar index (January 1997 = 100)



Source: BBVA Research with central bank and Fed data

Disclaimer

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