

Migration

Remittances shrank in July

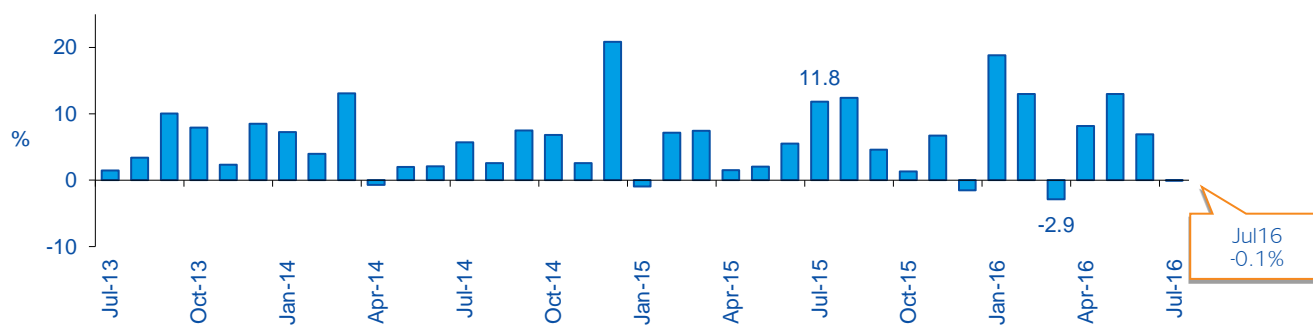
Juan José Li Ng

- During July, US\$2,233.7 million entered Mexico in remittances, -0.1% compared to the same month last year. This figure is in line with BBVA Research forecasts (US\$2,233 million) and lower than expected by the market consensus (US\$2,302 million).
- As anticipated, this slowdown is mainly due to a base effect, because in July 2015 significant growth was observed in remittances (11.8%).
- Structural conditions in the United States, where 96% of remittances to Mexico originate, remain favourable. Overall unemployment rates and those for Mexican migrants living in the United States remain at very low levels, so the flow of remittances will remain one of the main sources of foreign exchange to Mexico during the second half of 2016.

The Bank of Mexico announced that during July, 2,233.7 million dollars in remittances entered Mexico. This amount represents a contraction of -3.1% compared to what was received in June and -0.1% on the amount of remittances received 12 months ago in July 2015. The average remittance during July 2016 stood at 293 dollars (-3.6%), and a total of 7.6 million transactions (+3.6%) were recorded.

Despite this contraction, remittances converted into pesos in real terms grew 13.8% during July, compared to the same month last year. This represents higher incomes for about 1.3 million households receiving this resource, which are located mainly in the states of Michoacan, Guanajuato and Jalisco. This increase is due to the appreciation of the dollar against the peso observed over the last 12 months.

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



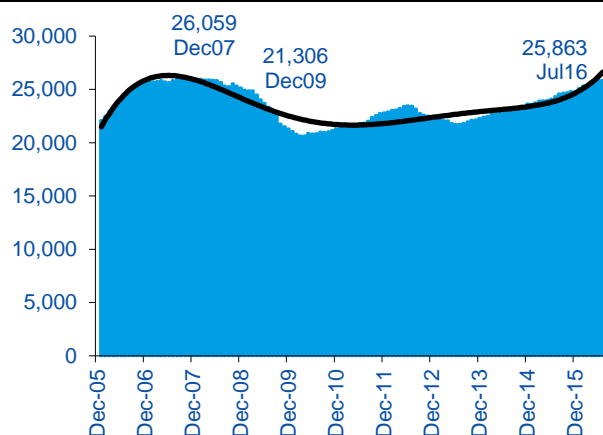
Source: BBVA Research estimate based on Banco de México figures.

The slowdown of remittances in July is mainly explained by a base effect, because in July 2015 a significant growth of this monetary flow (11.8%) was recorded.

Structural conditions in the US economy, from which 96% of remittances to Mexico originate, remain favourable. Both the overall unemployment rate in the United States (4.9%) and that for Mexican migrants residing in that country remain at very low levels, so the flow of remittances will remain one of the main sources of foreign exchange to Mexico during the second half of this year.

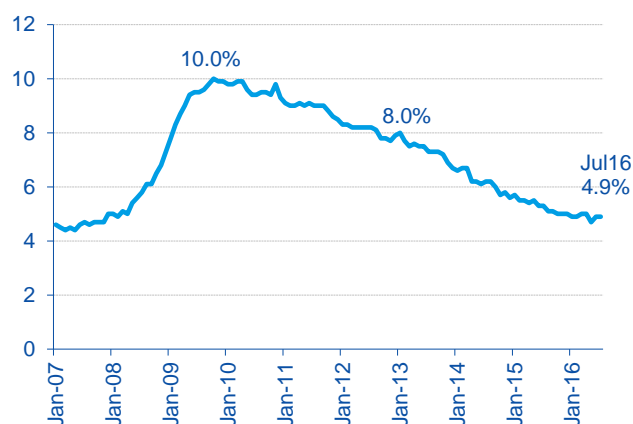
BBVA Research estimates that remittances during the remaining months of 2016 will continue to grow, but at moderate rates. The cumulative 12-month remittance flow to July amounts to 25,863 million dollars, so it is estimated that in Mexico this year its record high in receiving remittances, which was 26,059 million dollars in 2007, could be surpassed.

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



Source: BBVA Research estimate based on Banco de México figures.

Figure 3
United States: National unemployment rate (%)



Source: BBVA Research based on figures from the US Bureau of Labor Statistics.
Note: Seasonally adjusted.

Disclaimer

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