

MIGRATION

Faced with possible restrictions, remittances grew by 24.7% in November

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In November 2016, remittances reached US\$2,362.9 million, representing an increase of 24.7% relative to the same month of 2015. We estimate that there will be significant flows of remittances in December 2016 and January 2017, at least.

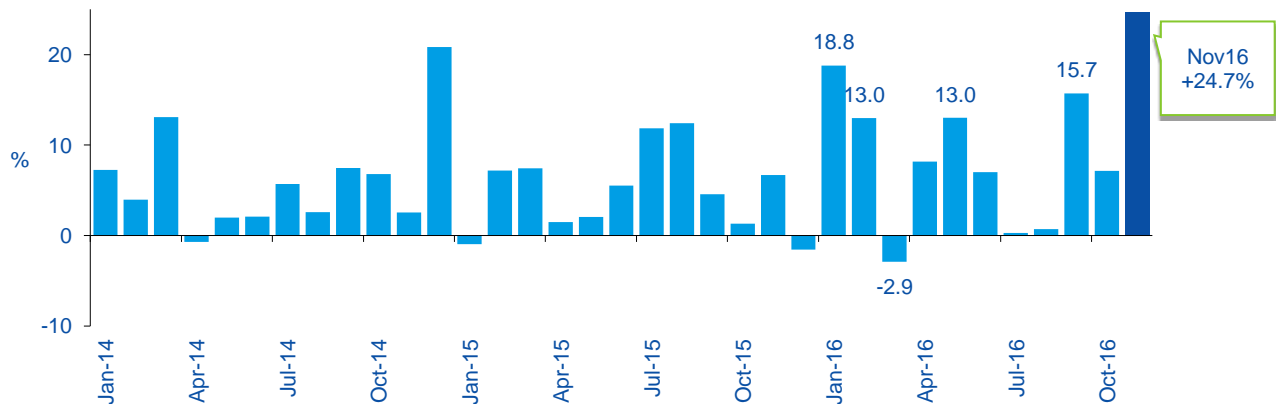
The significant growth in remittances in November was due mainly to fears of possible restrictions that might be imposed on them by the future Trump administration. If the president elect were to impose such restrictions, he would a) pass a law obliging financial institutions to verify the immigration status of customers sending remittances, which would no doubt affect remittances by undocumented immigrants, and b) seek to impose some form of duty on the sending of remittances from the US to Mexico and possibly to Latin America as a whole.

In November US\$2,362.9 million of remittances were received

On January 2nd, Banco de México reported that US\$2,362.9 million of family remittances flowed into Mexico in November 2016, which represents an increase of 24.7% relative to the same month of 2015. The number of transactions was 7.4 million, 10.6% up on November 2015, while the average remittance amount increased by 12.8% to US\$318, its highest level since June 2012.

Figure 1

Family remittances to Mexico (annual % change in dollars)



Source: BBVA Research based on Banco de México data

Fear of future restrictions led to an increase in remittances in November

There are three main factors that might explain the 24.7% growth in the total amount of remittances to Mexico in November; the first of these is without doubt the most significant:

1. On 8 November the USA elected its 45th president. Against the forecasts, the election was won by the Republican candidate Donald Trump, who had openly stated that he was in favour of deporting the nearly 11.6 million undocumented immigrants living in the country, half of whom are Mexican. Moreover, the future president, who will take up his office on 20 January, had declared during his campaign that he would build a wall along the US frontier with Mexico and make Mexico pay for it. Trump responded to Mexico's refusal to pay for such a wall by threatening to take measures to restrict the sending of remittances to Mexico.

If the president elect were to impose such restrictions, he a) would have to pass a law obliging financial institutions to verify the immigration status of customers sending remittances, which would no doubt affect remittances by undocumented immigrants, and b) might seek to impose some form of duty on the sending of remittances from the US to Mexico and possibly to Latin America as a whole.

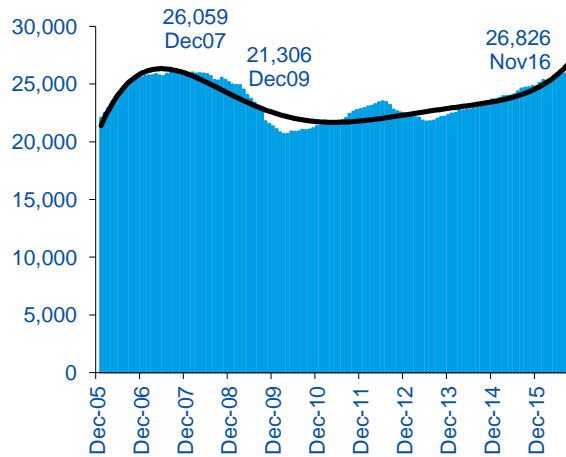
Trump's victory in the presidential US election has produced a situation of uncertainty for Mexican immigrants in the US. In view of the possible restrictions that might be imposed on the sending of remittances, Mexicans living in the US have decided to boost their remittances before such measures come into force.

2. The appreciation of the dollar against the peso in November (which was also linked to Trump's win) means that remittances arriving in Mexico are worth more when converted into pesos, which encourages Mexicans in the US to remit greater amounts.
3. Last November the overall unemployment rate in the US touched its lowest level (4.6%) since 2007, and this may also have benefited Mexican immigrants and enabled them to remit more back to Mexico.

We estimate that the reports will also show significant flows of remittances in December 2016 and January 2017.

Figure 2

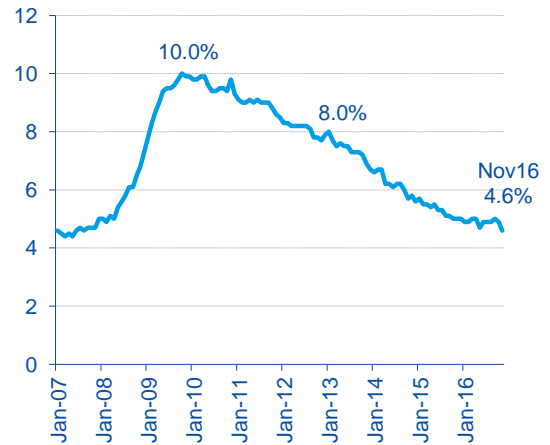
Cumulative 12-month flow of remittances to Mexico (US\$ millions)



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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