

Remittances increase by 9.4% in July, but decrease in real terms

Juan José Li Ng

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Mexico received 2,459.7 million dollars in remittances in July, 9.4% up on the same period in the previous year. This amount is the best historical record for a month of July in the receipt of remittances

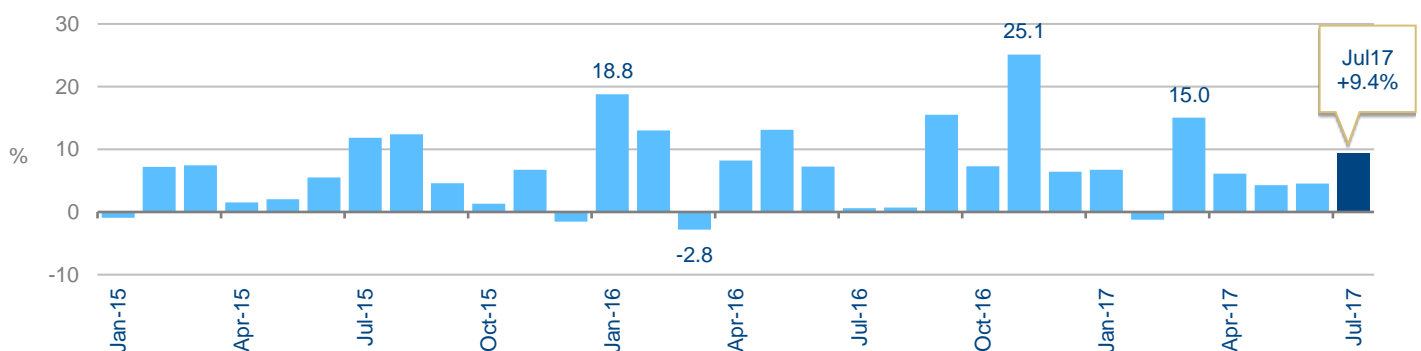
However, in real terms in pesos remittances shrank by -1.2%, making this the second consecutive month in which remittances have shrunk in real terms.

We estimate that for the second half of 2017, the receipt of remittances will continue to grow in dollars albeit at a more moderate pace than in the first half-year, but the actual amounts in pesos to reach households in Mexico will be lower in comparison to the previous year due mainly to the appreciation of the peso.

A record for a month of July

Today, the central bank reported that in July Mexico received 2,459.7 million dollars (md) in remittances, equivalent to an increase of 9.4% compared to July 2016. This figure is the highest amount that has entered Mexico through remittances for a month of July. The average remittance was 309 dollars, while almost 8 million transactions were recorded for the sending of these funds. The cumulative 12-month flow up to July 2017 was almost 28 billion dollars, which is probably why, with the following month's report, this level will be exceeded.

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



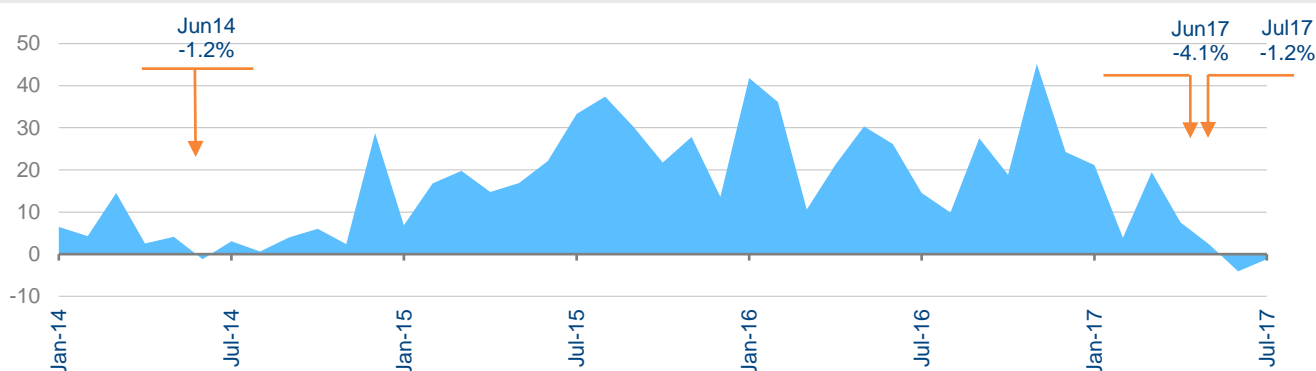
Source: BBVA Research based on Banco de México data.

For the second consecutive month remittances shrink in real terms

After discounting the effect of inflation, real remittances in pesos received by households in Mexico decreased during July 1.2%, stringing together two consecutive months with decreases in real terms. This is due primarily to a base effect of the exchange rate, since recently the peso has appreciated against the dollar.

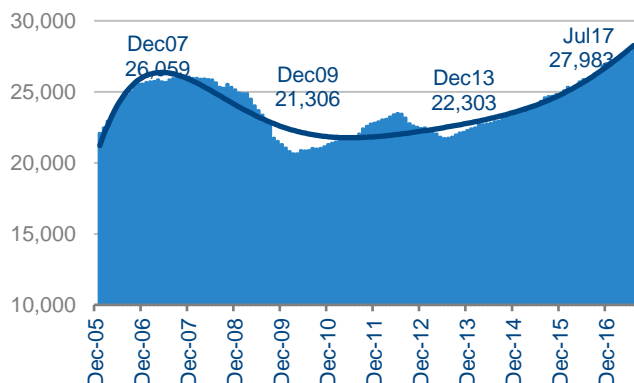
We estimate that for the second half of the year, remittance revenues that Mexico will receive in dollars will continue their growth trajectory but at a more moderate pace than in the first half of the year, while remittances in real terms in pesos received by households in Mexico will be lower than the previous year.

Figure 2. Actual remittances in pesos (% annual change in pesos)



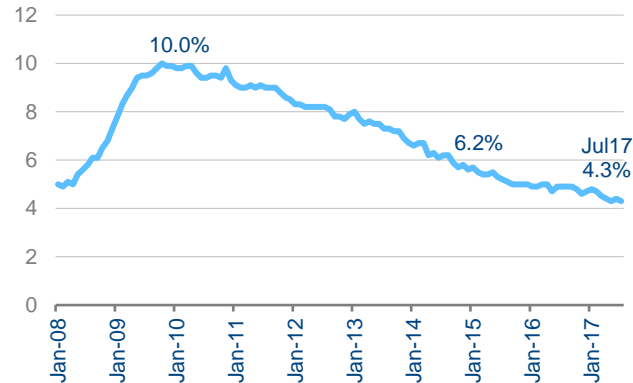
Source: BBVA Research based on Banco de México data.

Figure 3. Cumulative 12-month flow of remittances to Mexico (US\$ millions)



Source: BBVA Research based on Banco de México figures.

Figure 4. United States: National unemployment rate (%)



Note: Seasonally adjusted.

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

Disclaimer

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