

Migration

Remittances reach historic high of US\$2,642.7 million

David Cervantes / Juan José Li Ng

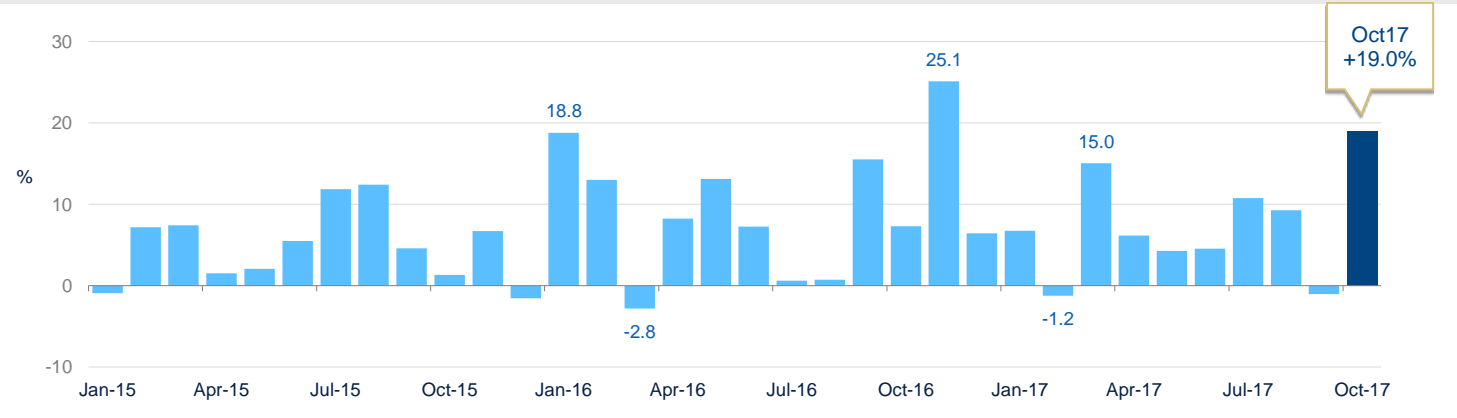
5 December 2017

- In October, \$2,642.7 million entered Mexico, which is equivalent to an increase of 19.0% compared to the same month of the previous year.
- Remittances in October 2017 mark a new all-time high, surpassing the previous record of \$2,637.7 million established in October 2008.
- The depreciation of the peso against the dollar of more than 5% in October compared to September, due to the uncertainty generated by the NAFTA renegotiations, might explain this growth in remittances.
- Remittances could close in 2017 with an accumulated annual growth of 6.5%.

Remittances grew by 10.6% in real terms

As predicted, the flow of family remittances in October returned to positive growth and even exceeded growth expectations by totalling \$2,642.7 million, representing a growth of 19% over October 2016. The increase in the volume of remittances is explained by the number of operations, which grew 5.2% compared to October of the previous year and by the average amount, which grew 13.2% using the same reference month. In real terms the growth of remittances was 10.6% compared to October 2016 which is due in part to the depreciation of the peso against the dollar.

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

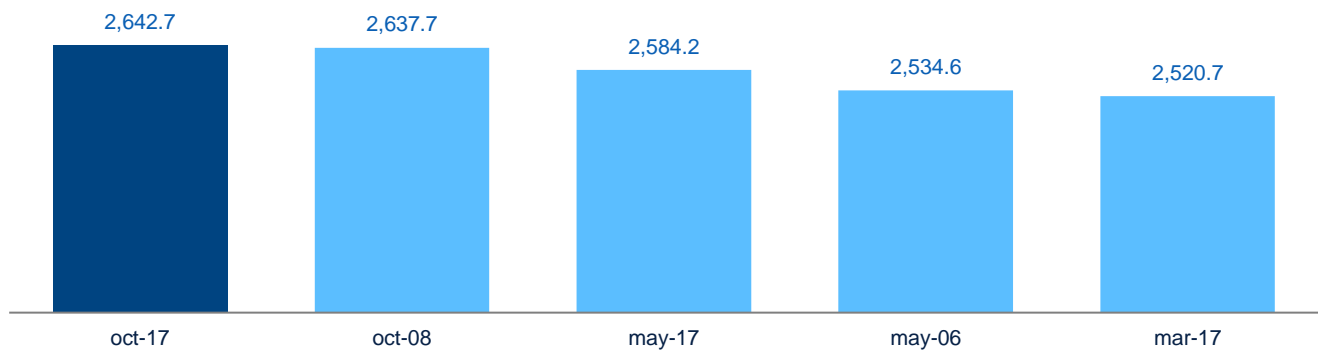


Source: BBVA Research based on Banco de México data.

Remittances in October 2017 mark a new all-time high

In October this year, remittances reached a new historical high of \$2,642.7 million, surpassing the previous record of \$2,637.7 million established in October 2008. In 2017, very significant flows of remittances have been received, since 3 out of 5 of these months have registered more income from this item, these being March, May and October.

Figure 2. Higher monthly income from remittances in Mexico (Millions of dollars)



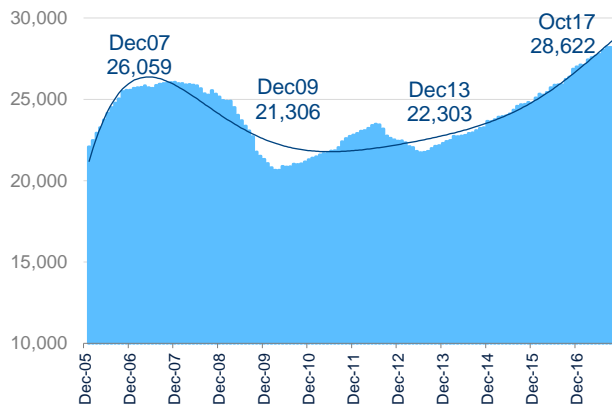
Source: BBVA Research based on Banco de México data.

Renegotiations in the NAFTA and exchange rate drive remittances

Tensions regarding a possible rupture in the North American Free Trade Agreement (NAFTA) renegotiations during October 2017 generated uncertainty in international financial markets, which led to the peso depreciating against the dollar by just over 5% in October, compared to the previous month. Given the higher value in pesos for each dollar sent in remittances, Mexican nationals in the United States increased what they sent during that month.

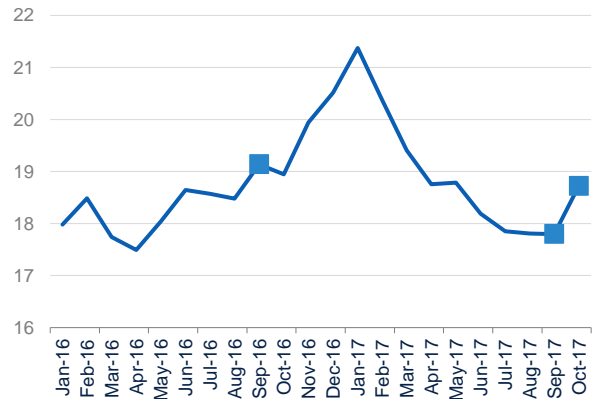
With such a boost, we estimate that remittances could close the year with growth close to 6.5%, reaching a cumulative annual figure of \$28,725 million.

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



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

Figure 4. Monthly average exchange rate (Pesos per dollar)



Source: BBVA Research estimate based on Banco de México figures.
Note: Exchange rate to settle liabilities denominated in foreign currency by settlement date.

Disclaimer

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