

MIGRATION

Remittances start 2018 with positive growth of 7.5%

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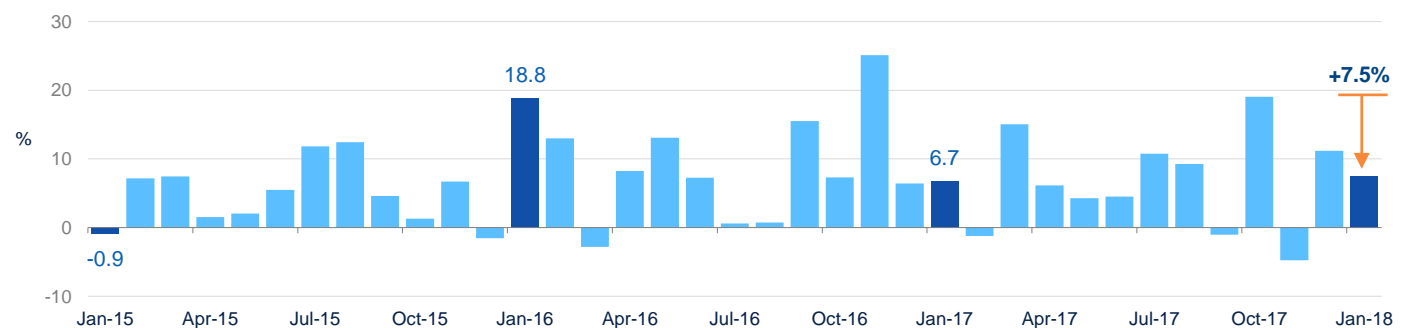
2 March 2018

- As predicted by BBVA Research, January 2018 began with a positive inflow of remittances to Mexico, reaching US\$2.216 billion, which represents 7.5% growth relative to January 2017
- This growth has come about because the average remittance flow level and the number of transactions showed a similar dynamic, growing by 3.5% and 3.7% with respect to January of the previous year
- In real terms, remittances reveal a fall of 9.5% YoY owing to the rise in the level of prices in 2017 and exchange rate trends
- BBVA Research estimates that remittances will grow 6.0% accumulated in 2018 reaching a figure close to 30.5 billion dollars

A positive start for remittances in 2018, albeit with a fall in real terms

The flow of remittances into Mexico in January 2018 got off to a good start, growing by 7.5% compared to January last year and hitting US\$2.216 billion. This marks three consecutive year openings with positive growth, this latest figure even topping that for January 2017 (6.7%) by 0.8 percentage points. This growth has been produced by the rise in the average sum involved in remittances and in the number of transactions, which grew by 3.5% and 3.7% respectively against January 2017.

Figure 1. Family remittances to Mexico, 2003-2017 (US\$ million)

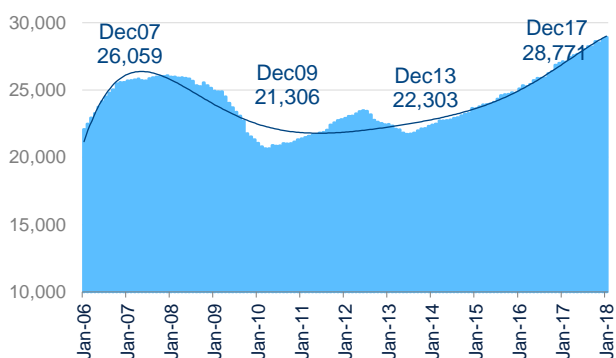


Source: BBVA Research, based on Banco de México figures

One of the factors that has contributed to keeping up the pace of remittance growth has been the downward trend in the unemployment rate in the United States, which shrank steadily over the whole of 2017, dipping from 4.8% in January 2017 to around 4.1% from October 2017, where it has remained up until January of this year.

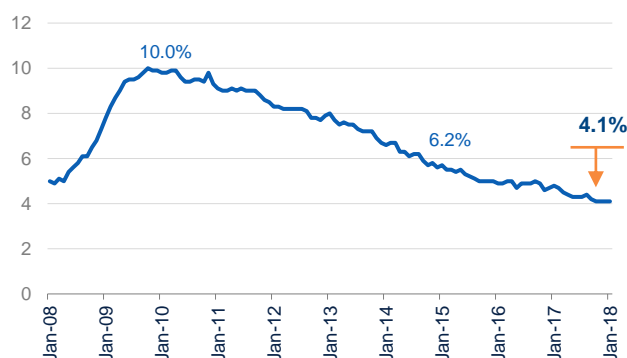
BBVA Research estimates forecast positive cumulative growth in the flow of remittances for the rest of 2018, although this will hinge upon GDP growth in the US economy, which is predicted to be 2.6% (in other words some 0.3 percentage points greater than in 2017), as well as the monetary policy decisions that the Federal Reserve takes, which could dampen consumption in the United States.

Figure 2. 12-month cumulative flows of remittances to Mexico (US\$ million)



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

Figure 3. United States: National unemployment rate (%)

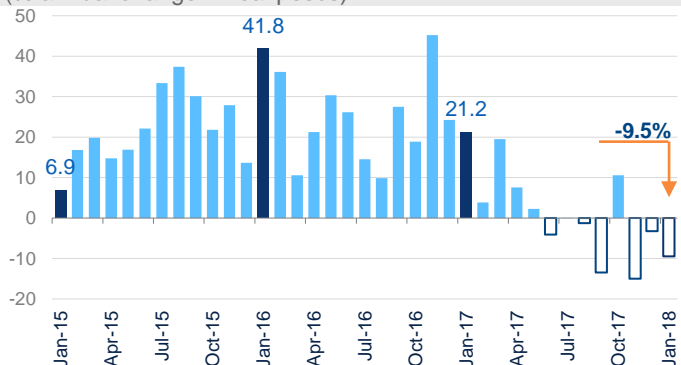


Source: BBVA Research using figures from the US Bureau of Labor Statistics.

Remittances are falling in real terms, but will continue to grow in dollars

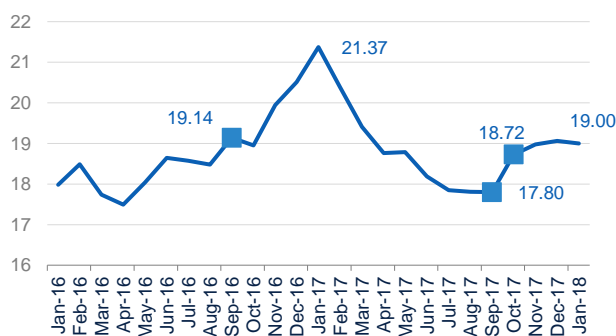
In real terms the flow of remittances dropped by 9.5% compared to January 2017, a situation which was seen in some months in the second half of 2017, owing to the increase in the level of prices in Mexico's economy and the path traced by the exchange rate, which has not exceeded 20 pesos to the dollar on average since February 2017.

Figure 4. Actual remittances in pesos (% annual change in real pesos)



Source: BBVA Research based on Banco de México and INEGI figures.

Figure 5. 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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