

MIGRATION

Remittances continue to grow, up by 6.9% YoY in February

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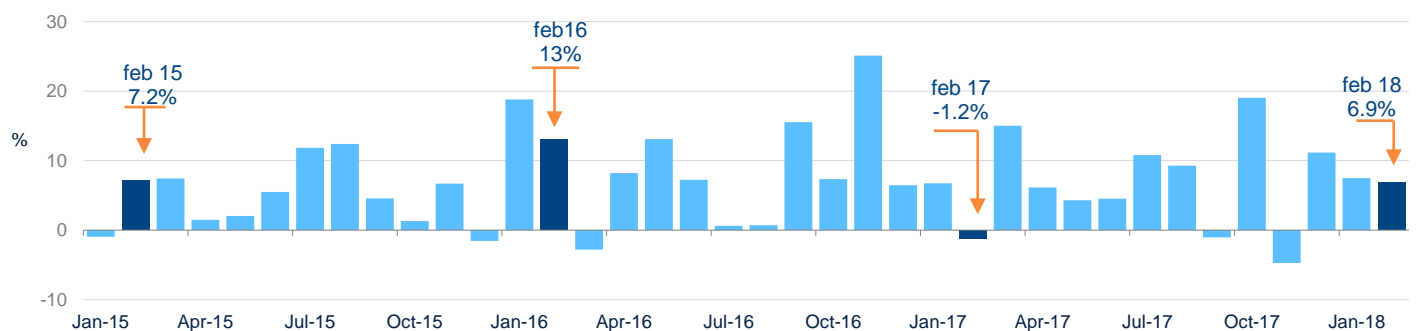
3 April 2018

- In February Mexico received US\$2,198 million in remittances, which is equivalent to an increase of 6.9% compared with the same month of the previous year.
- Favourable economic conditions in the United States will continue to drive remittances in 2018.
- However, there is an atmosphere of uncertainty among Mexican immigrants in the US in view of the reinforcement of the border wall, the increase in personnel for deporting migrants and the lack of any agreements to protect the “Dreamers” (beneficiaries of the DACA programme, which shields immigrants brought to the country illegally as children from the threat of deportation), all of which could affect the flow of remittances to Mexico.

Remittances grow at a firm pace

Banco de México reports that US\$2,198 million was received by way of family remittances in February, representing a year-on-year increase of 6.9%. Considering that January saw an increase of 7.5%, remittances have started 2018 at a firm pace, with steady growth in the first two months, totalling US\$4,415 million. The increase in remittances in February was due almost entirely to an increase in the number of transactions, which was up by 6.9% YoY, reaching 7.3 million operations, while the average transaction amount, US\$302, was unchanged from that seen in February 2017.

Figure 1. Family remittances to Mexico, 2003-2018 (annual % in dollars)



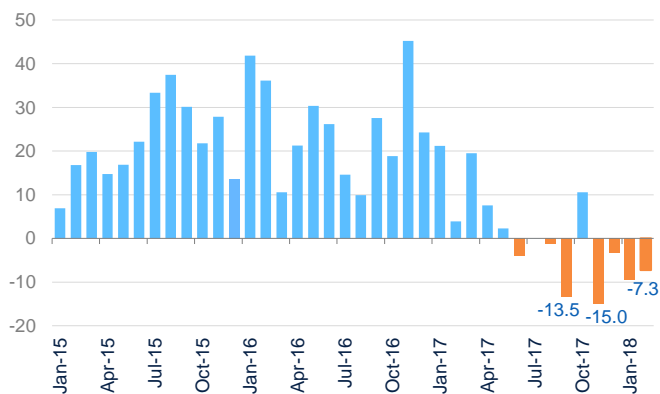
Source: BBVA Research based on Banco de México data.

Favourable economic conditions, but with an uncertain environment

The favourable economic conditions forecast for 2018 in the United States will also boost employment for Mexicans in the country and the flows of remittances to Mexico. However, recent events such as the start made on reinforcing the border wall between Mexico and the US, the hiring of extra personnel to seek and deport undocumented migrants, and the lack of an agreement between Democrats and Republicans on how to protect the “Dreamers” (beneficiaries of the DACA programme), among other factors, may affect the flow of remittances to Mexico over the course of 2018.

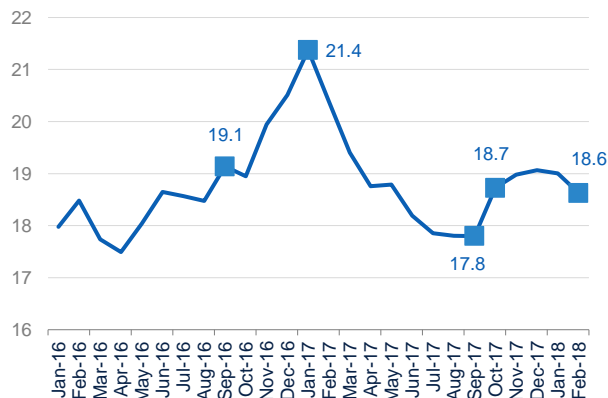
In real terms, adjusting for the exchange rate and discounting inflation, remittances posted a fourth consecutive month of contraction; in February they shrank by 7.3%, due to the appreciation of the peso in the past few months relative to last year and the increase in the Mexican Consumer Price Index.

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



Source BBVA Research based on Banco de México and INEGI (National Statistics Institute) figures.

Figure 3. Monthly average exchange rate (Pesos per dollar)



Source: BBVA Research estimate based on Banco de México figures. Not: Exchange rate to settle liabilities denominated in foreign currency by settlement date.

Disclaimer

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