

Migration

Remittances increased by 23.1% in June and have reached 3.141 billion dollars

David Cervantes / Juan José Li Ng

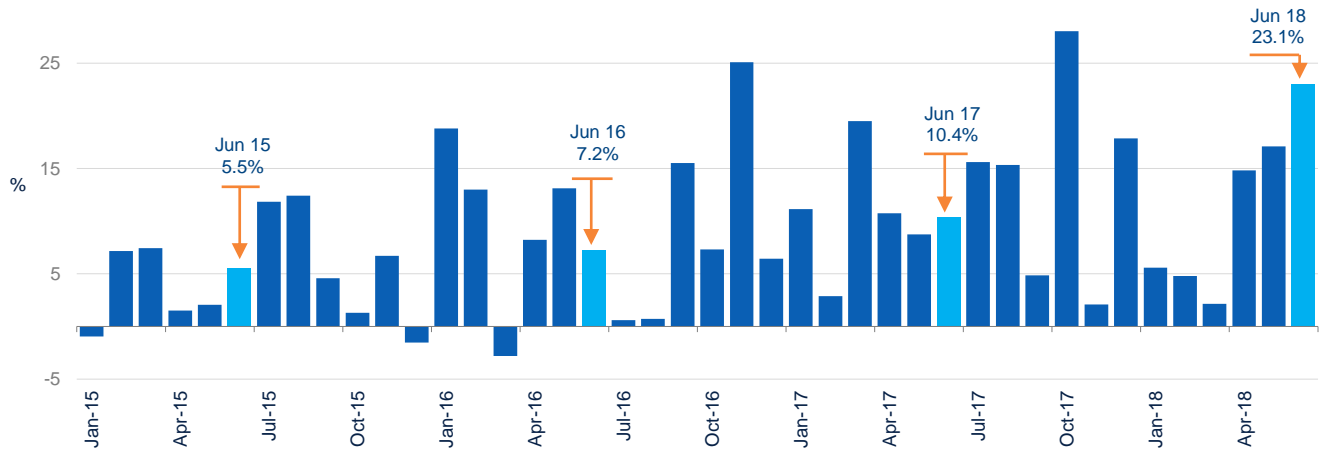
- Total remittances touched 3.141 billion dollars, which is the second highest sum sent back to the country
- In real terms, remittances grew by 31.3%, which is attributable to the stronger dollar against the peso
- Over the first half of 2018, 47% of remittances emanated from California (USD 4.732 bn) and Texas (USD 2.441 bn), these states showing YoY growth rates of 11.2% and 15.3% respectively
- The three most significant Mexican states in terms of remittances received in the first half of 2018 were: Michoacán (USD 1.641 bn), Jalisco (USD 1.617 bn) and Guanajuato (USD 1.466 bn)
- Tijuana, Guadalajara, Puebla, Morelia, and Culiacán were the municipalities that received the most sizeable remittance totals in the first half of 2018, of which Guadalajara and Morelia were notable for exhibiting YoY growth rates of 22.1% and 25.8% respectively

Flow of remittances driven by the exchange rate

Based on what was reported by Banxico, in June remittance income flows reached 3.141 billion dollars, which represents growth of 23.1% relative to the same month a year beforehand, thereby making it five months in a row of positive growth rates. This increase was some 10 percentage points higher than the reading for the same month since 2015 and even since as far back as 2006 no growth had been posted of more than 20% for a comparable month.

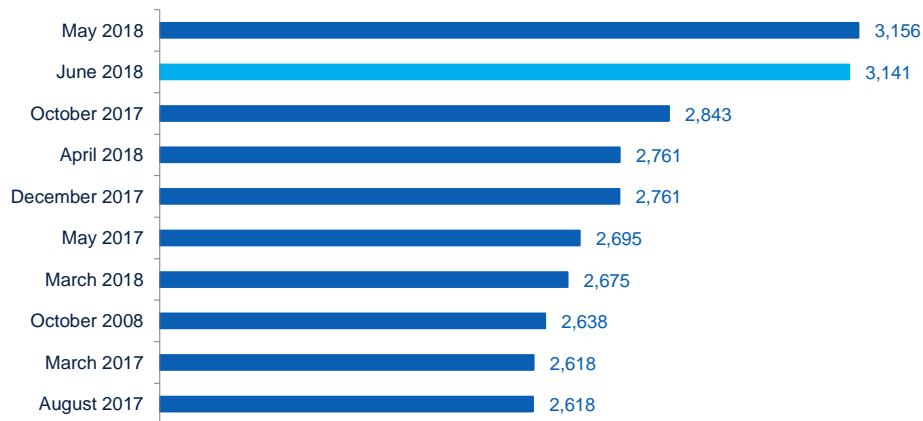
Since 1995, this is the second time that remittances have broken through the 3 billion dollar barrier, which implies that historically June 2018 is the month with the second largest flow of remittance income. This growth in the remittance flow could have been influenced by the peso's depreciation against the dollar.

Figure 1. Family remittances to Mexico, 2015-2018 (Ch. % YoY in dollars)



Source: BBVA Research based on Banco de México data.

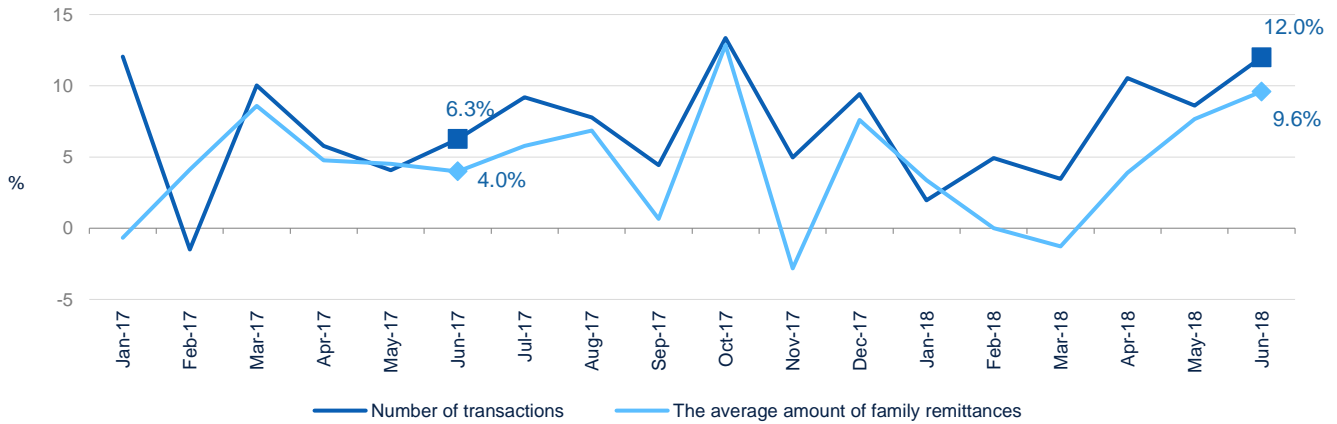
Figure 2. Largest monthly remittance income figures in Mexico (USD million)



Source: BBVA Research based on Banco de México data.

Transactions totalled 9.1 million in June, with an average sum of 343 dollars, these figures being 12% and 9.6% respectively higher than were posted for the same month the previous year. This implies that a larger number of compatriots sent money back into Mexico while at the same time they raised the average sum transferred home.

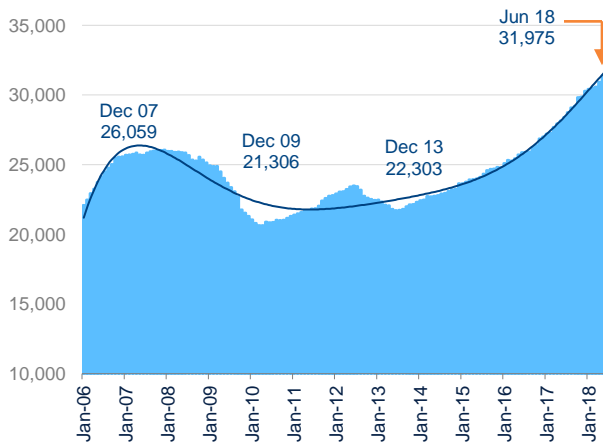
Figure 3. Number of transactions and average amount of family remittances to Mexico, 2017-2018 (Ch. % YoY)



Source: BBVA Research based on Banco de México data.

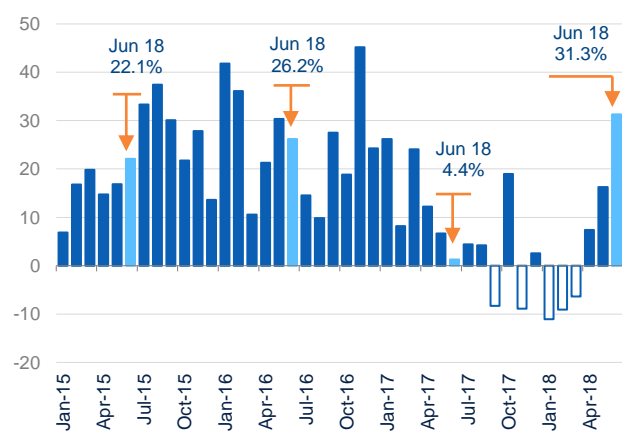
Growth in cumulative remittances and in real terms has been favoured by the international context, specifically that of the US economy, which is still showing low unemployment rates, these standing at around 4%, as well as on account of the stronger dollar, which firmed from 17.9 to 20.3 pesos to the dollar between June 2017 and June 2018. Cumulative remittances as of June 2018 came to 31.975 billion dollars, having grown by 31.3% in real terms.

Figure 4. 12-month cumulative flows of remittances to Mexico (USD million)



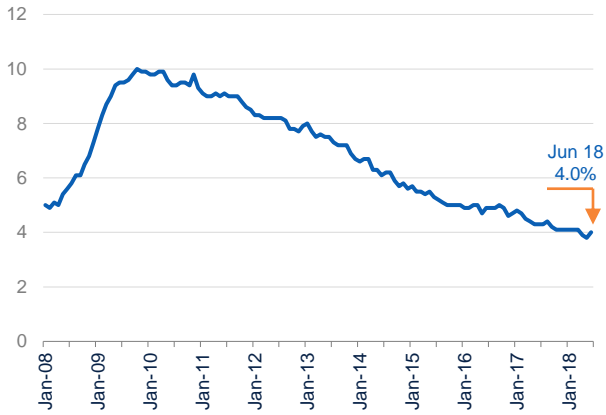
Source: BBVA Research based on Banco de México data.

Figure 5. Real peso remittances (Ch. % YoY in real pesos)



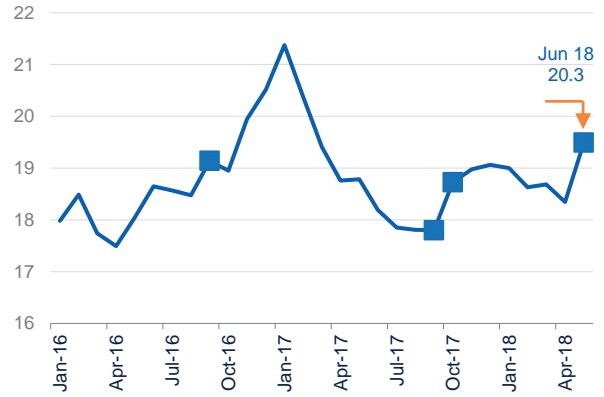
Source: BBVA Research based on Banco de México and INEGI (National Statistics Institute) figures.

Figure 6. United States: National unemployment rate (%)



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

Figure 7. Monthly average exchange rate (Pesos to the dollar)

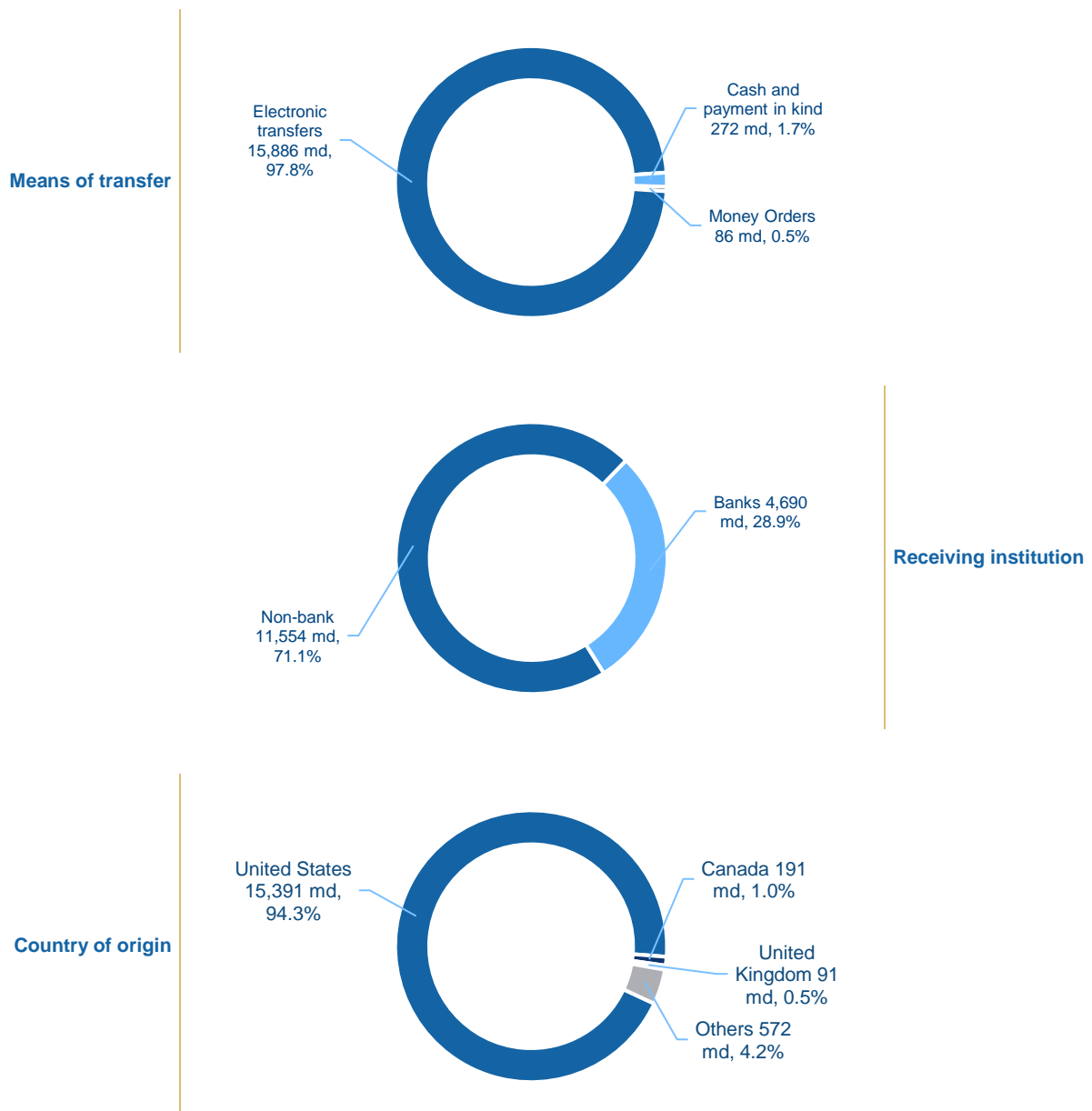


Note: Exchange rate to settle foreign currency denominated liabilities by settlement date.
Source: BBVA Research based on Banco de México figures

Breakdown of remittance transfers

According to cumulative figures for the first half of 2018, the main means for sending remittances is by electronic transfer (97.8%), then secondly by cash and in kind (1.7%) and lastly via money orders, which account for 0.5% of the total.

Figure 8. Family remittances to Mexico, first half of 2018 (USD million and %)



Source: BBVA Research based on Banco de México data.

Department stores, supermarkets, pharmacies, convenience stores, and telegraph offices, among others, are the main locations to which remittances were sent, with seven out of 10 dollars received nationwide in Mexico in 1H18 going to such establishments. On the other hand, 28.9% of all transfers over the same period were sent via banks.

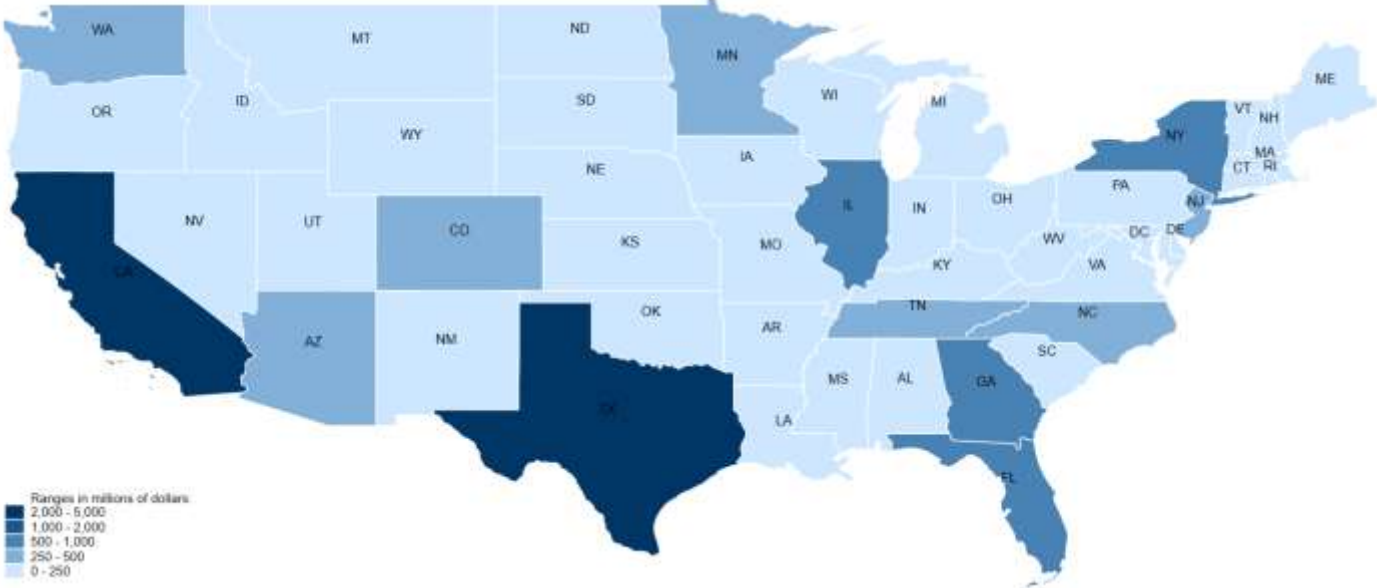
The main source of remittance flows in Mexico is the United States, with 94.3% of the total in the first half of 2018, followed by Canada, with 1%, which equates to a total amount of 191 million dollars, and the UK with 0.5% (91 million dollars). California is the leading state from where the largest flow of remittances originates, this reaching 4.7 billion dollars for the first half of 2018 with growth of 11.2% with respect to the first half of 2017; Texas is the second most prolific state in terms of remittance flows, managing to generate 2.441 billion dollars over the same period, with growth of 15.3%. States such as Illinois, Florida, Georgia, New York, Arizona and Colorado are states from which substantial amounts of remittances are sent too, showing flows that top 400 million dollars.

Table 1. The 20 main states of origin of inflows of remittances from the United States, first half of 2018 (Million dollars and % of the total)

Place	State		First half 2017	First half 2018	Change %	
1	California	CA	4,302	4,785	11.2%	▲
2	Texas	TX	2,116	2,441	15.3%	▲
3	Illinois	IL	691	700	1.3%	▲
4	Florida	FL	594	639	7.7%	▲
5	Georgia	GA	532	561	5.3%	▲
6	New York	NY	581	560	-3.5%	▼
7	Arizona	AZ	364	412	13.4%	▲
8	Colorado	CO	337	407	20.8%	▲
9	North Carolina	NC	339	357	5.3%	▲
10	Minnesota	MN	272	350	28.9%	▲
11	Washington	WA	293	341	16.6%	▲
12	New Jersey	NJ	208	256	22.7%	▲
13	Tennessee	TN	234	252	7.7%	▲
14	Luisiana	LA	185	201	8.2%	▲
15	Virginia	VA	174	188	7.9%	▲
16	Nevada	NV	153	172	12.3%	▲
17	Wisconsin	WI	154	168	9.2%	▲
18	Indiana	IN	152	168	10.3%	▲
19	Michigan	MI	149	167	12.2%	▲
20	Oregon	OR	138	160	15.5%	▲
United States			13,931	15,391	10.5%	▲

Source: BBVA Research based on Banco de México data.

Map 1. States of origin of remittances inflows from the United States, first half of 2018 (Million dollars)




Source: BBVA Research based on Banco de México data.

Remittances by federal state and municipality

In the first half of 2018, the eight top states in terms of remittances received were Michoacán (USD 1.641 bn), Jalisco (USD 1.617 bn), Guanajuato (USD 1,466 mn), State of Mexico (USD 926 mn), Oaxaca (USD 844 mn), Puebla (USD 838 mn) and Guerrero (USD 802 mn) which together accounted for 50.1% of total remittances. Of these states, Michoacán, Jalisco, Guanajuato, and Oaxaca stand out given that they showed growth rates of over 10% against the first half of 2017. At municipal level, Tijuana had the heaviest inflow of remittances with USD 224 mn, followed in size terms by Jalisco (USD 218 mn), Puebla (USD 216 mn), and Morelia (USD 213 mn).

Table 2. Remittances to Mexico by federal state, 1H17 and 1H18 (Million dollars)



Federal state	First half 2017	First half 2018	Change %
Michoacán	1,464	1,641	12.1% ▲
Jalisco	1,373	1,617	17.8% ▲
Guanajuato	1,314	1,466	11.5% ▲
State of Mexico	866	926	7.0% ▲
Oaxaca	763	844	10.6% ▲
Puebla	792	838	5.8% ▲
Guerrero	742	802	8.0% ▲
Mexico City	635	682	7.3% ▲
Veracruz	632	663	5.0% ▲
San Luis Potosí	531	592	11.7% ▲
Zacatecas	484	532	9.9% ▲
Nuevo León	425	476	12.0% ▲
Chihuahua	393	468	19.0% ▲
Hidalgo	404	434	7.5% ▲
Baja California	371	427	15.0% ▲
Tamaulipas	334	387	15.7% ▲
Sinaloa	353	386	9.3% ▲
Chiapas	314	380	21.1% ▲
Durango	331	378	14.4% ▲
Morelos	313	328	4.9% ▲
Querétaro	284	315	11.0% ▲
Coahuila	236	288	22.1% ▲
Nayarit	228	256	12.1% ▲
Sonora	211	253	19.9% ▲
Aguascalientes	210	228	8.8% ▲
Colima	141	167	18.6% ▲
Tlaxcala	117	120	2.2% ▲
Yucatán	86	99	15.1% ▲
Tabasco	77	97	25.0% ▲
Quintana Roo	69	79	14.2% ▲
Campeche	37	38	2.8% ▲
Baja California Sur	31	37	20.0% ▲
National total	14,560	16,244	11.6%

Source: BBVA Research based on Banco de México data.

Table 3. The 20 main municipalities receiving remittances in Mexico, first half of 2017 and 2018 (USD million)

Place	Municipality	First half 2017	First half 2018	Change %
1	Tijuana, BC	206	224	8.7% ▲
2	Guadalajara, Jal	178	218	22.1% ▲
3	Puebla, Pue	201	216	7.5% ▲
4	Morelia, Mich	169	213	25.8% ▲
5	Culiacán, Sin	141	159	12.4% ▲
6	Oaxaca de Juárez, Oax	148	154	3.8% ▲
7	Monterrey, NL	129	148	14.8% ▲
8	Zapopan, Jal	113	146	29.2% ▲
9		126	144	14.5% ▲
10	Álvaro Obregón, CDMX	92	135	46.7% ▲
11	San Luis Potosí, SLP	121	133	10.1% ▲
12	Aguascalientes, Ags	118	131	10.8% ▲
13	Durango, Dur	108	129	20.2% ▲
14	Juárez, Chih	114	128	12.0% ▼
15	Chihuahua, Chih	97	120	24.1% ▲
16	Miguel Hidalgo, CDMX	123	115	-7.0% ▼
17	Querétaro, Qro	96	107	10.8% ▲
18	Acapulco de Juárez, Gro	90	97	7.5% ▲
19	Uruapan, Mich	87	92	6.6% ▲
20	Irapuato, Gto	82	88	6.4% ▲

Source: BBVA Research based on Banco de México data.

Map 2. Municipalities receiving remittances in Mexico, first half of 2017 and 2018 (USD million)



Source: BBVA Research based on Banco de México data.

Outward remittances from Mexico

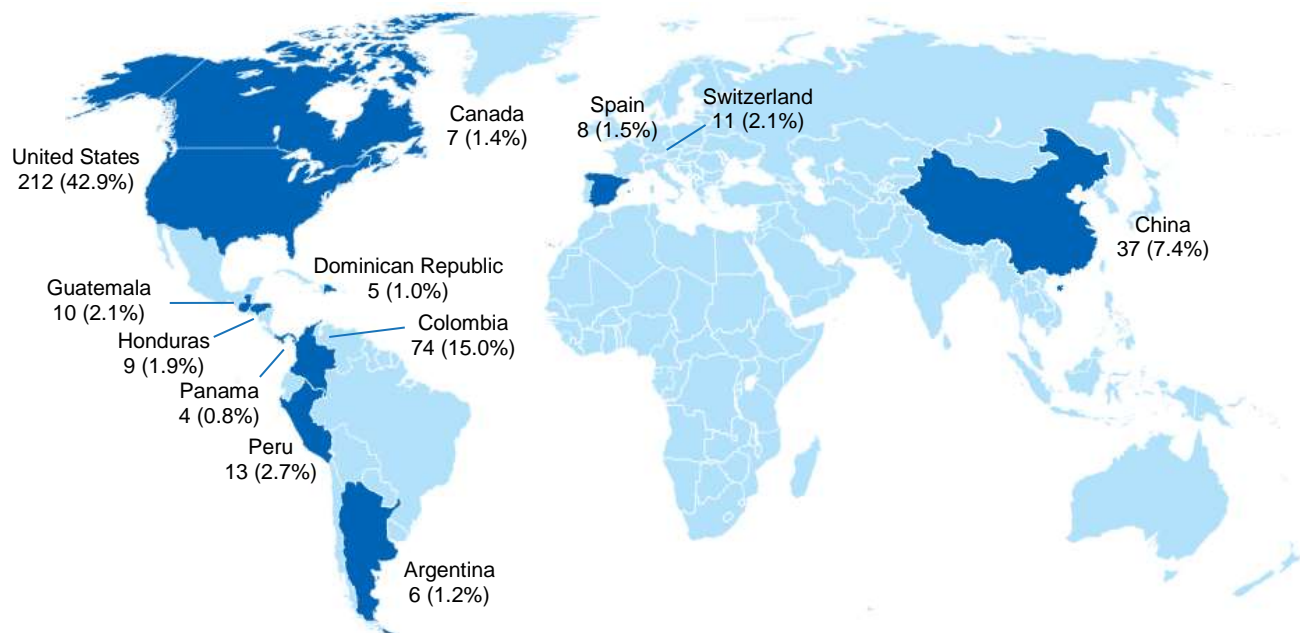
In the first half of 2018, remittances sent abroad marked USD 493.9 mn, which represents an increase of 44.1%; this rise is mainly due to the increase in the average sum sent, which grew by 45.3% and managed to offset the minor drop in the number of transactions, which saw a negative growth rate of 1.1%. The United States is the country which speaks for the highest percentage of outbound remittances at 42.9%, followed by Colombia (15%) and China (7.4%). These countries together accounted for 65.4% of remittance outflows, which represented a total of USD 323 mn.

Table 4. Outward remittances from Mexico to the rest of the world, first half of 2017 and 2018

Year	Outward remittances (USD million)	Number of transactions (thousand)	Average remittance (Dollars)
First half 2017	342.8	941.5	364.2
First half 2018	493.9	931.3	529.0
Change %	44.1%	-1.1%	45.3%

Source: BBVA Research based on Banco de México data.

Map 3. Outward remittances from Mexico, first half of 2017 and 2018 (USD million and % of total)



Source: BBVA Research based on Banco de México data.

Disclaimer

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