

Migration

# New Banco de México measurement pushes remittances up by 5% in 2017 and 2018 and grew by 10.3% in July

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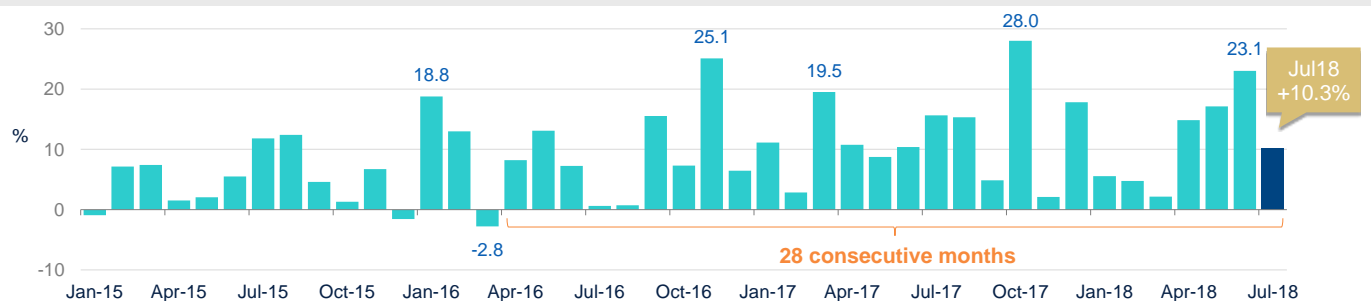
- In July 2,866.5 million dollars (md) of remittances entered Mexico, growing at an annual rate of +10.3%, an amount very close to that forecast by BBVA Research (2,876 md) and that of market consensus (2,900 md)
- With this figure, remittances have seen 28 consecutive months of growth since April 2016, during which average growth rates of 11.0% were reported. The favourable economic conditions and low unemployment rate in the U.S., plus the relatively high peso to dollar exchange rate of recent years, have been behind the rise in the sending of this resource despite that country's current hostile attitude towards migrants
- In recent months the Banco de México (Bank of Mexico) has been retroactively adjusting how it measures these remittances to January 2017, which is why the annual average rose by 1,500 md in 2017 and 2018. With this adjustment, the growth of the remittances in 2017 went from 6.6% to 12.2%, with a total amount in that year of 30,291 md

## Remittances: 28 months of continuous growth

The Banco de México has announced that in July 2,866.5 million dollars entered Mexico in the form of family remittances, which is the largest amount recorded for any month of July. This means that remittances have accumulated 28 consecutive months of uninterrupted growth since April 2016.

This represents +10.3% in comparison to the same month of the previous year. This growth can be explained not only by the rise in the number of operations involving the sending of this resource, which grew by 5.8% and reached 8.8 million transactions, but also due to the increase of the average remittance, which stood at 324 dollars, +4.2%.

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

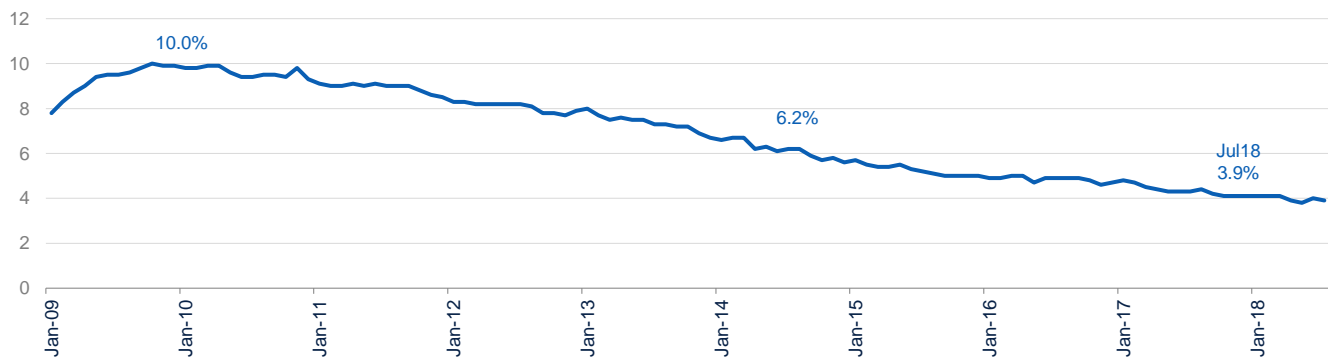


Source: BBVA Research based on Banco de México data

## Unemployment in the U.S. hits record lows, 3.9% in July

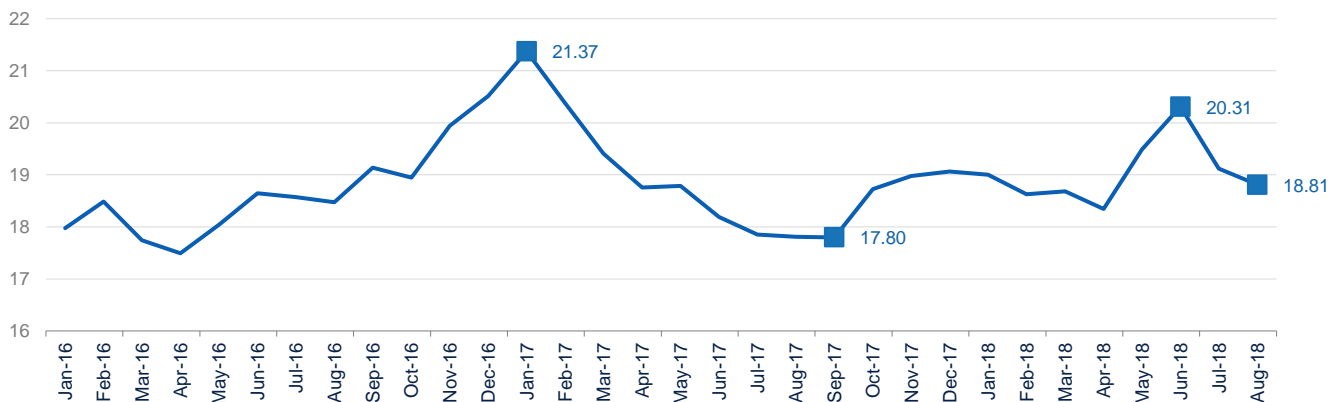
In July the general unemployment rate in the United States was 3.9%, thus, during the first seven months of the year, the unemployment rate was 4.0%, with this being one of the lowest levels seen for at least the last 40 years. The favourable economic conditions and the low rate of unemployment in the US, where the vast majority of the Mexican migrants who send remittances back to their families live and work, combined with the relatively higher peso-dollar exchange rate of recent years, have been the driving force behind the sending of this resource, and this despite the hostile attitude towards migrants in that country, which has significantly increased since the start of the Trump administration.

Figure 2. United States: National unemployment rate (%)



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

Figure 3. Monthly average exchange rate (MXN pesos per U.S. dollar)



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

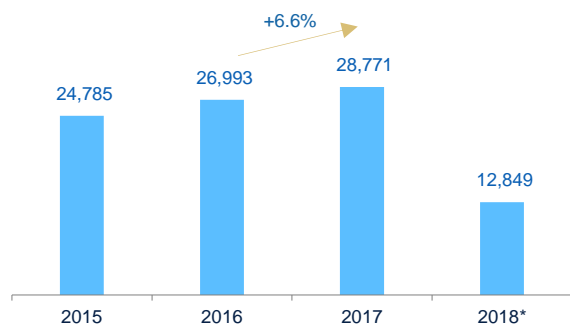
## New Banco de México measurement pushes remittances up by around 5% in 2017 and 2018

Over recent months the Banco de México made retroactive adjustments in the way it measures the flow of remittances entering Mexico to January 2017. This means that the remittances with a flow of 28,771.3 million dollars in 2017 and a growth rate of 6.6% now show an amount of 30,290.5 million dollars, which represents a growth of 12.2% with respect to 2016.

With this adjustment, BBVA Research estimates that the amount of remittances in 2017 and 2018 rose by an annual 1.5 billion dollars, in other words, by around 5.3% per year.

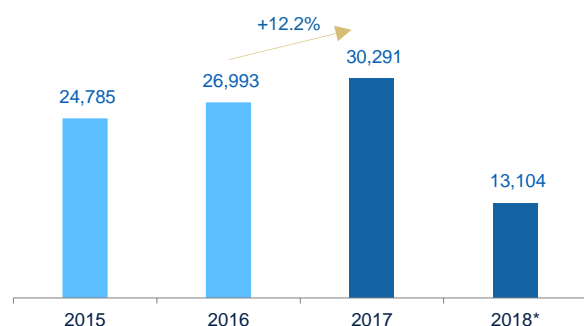
Our assessment is that this effort being made by the Banco de México is positive. This is because the new amounts reported are very close to those estimated by the World Bank regarding the flow of remittances being sent to Mexico. However, it is recommendable to clearly establish the estimation method and notes on the updates of the series in order to reduce the problems of comparing the amounts with previous years.

Figure 4. Flow of annual remittances to Mexico, **prior to** the measurement adjustments (Millions of dollars)



Source: BBVA Research based on Banco de México data.  
\* Figure to May 2018.  
Data consulted in July 2018.

Figure 5. Flow of annual remittances to Mexico, **subsequent to** the measurement adjustments (Millions of dollars)



Source: BBVA Research based on Banco de México data.  
\* Figure to May 2018.  
Data consulted in September 2018.

### Disclaimer

This publication is a joint initiative between the BBVA Bancomer Foundation and BBVA Research's Economic Research Department, Mexico. It aims to make new contributions in the field of Migration studies that add to knowledge of this important social movement. It has been prepared on their own behalf and is for information purposes only. The opinions, estimates, forecasts and recommendations contained in this document refer to the date appearing in the document, and, therefore, they may undergo changes due to market fluctuations. The opinions, estimates, forecasts and recommendations contained in this document are based on information obtained from sources deemed to be reliable, but BBVA does not provide any guarantee, either explicit or implicit, of its exactitude, integrity or correctness. This document does not constitute an offer, invitation or incitement to subscribe to or purchase securities.