

Migration

There are 1.65 million households in Mexico that receive remittances, 4.7% of total

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- Remittances in June contract for the first time in three years, showing a decrease of 0.7%, although during the first half of 2019 they amounted to 16,846 million dollars, +3.7%.
- In 2018, 1.65 million households in Mexico received remittances, 4.7% of the total. 27% of remittances-receiving households are in the two lowest-income deciles and 12.7% are in the two highest-income deciles.
- Remittances-receiving households have a very similar consumption pattern to the national average. 36.0% of expenditure was spent on food, beverages and tobacco; 18.6% on transport and communication and 10.8% on education and leisure, primarily.
- In Zacatecas, 18.2% of households received remittances, 14.8% in Nayarit, 13.3% in Michoacán and 13.2% in Guerrero.
- The states of Michoacán (1,672 md), Jalisco (1,643 md) and Guanajuato (1,523 md) received the most remittances in the first half of 2019, while Tijuana and Puebla were the municipalities with the highest income from this resource.

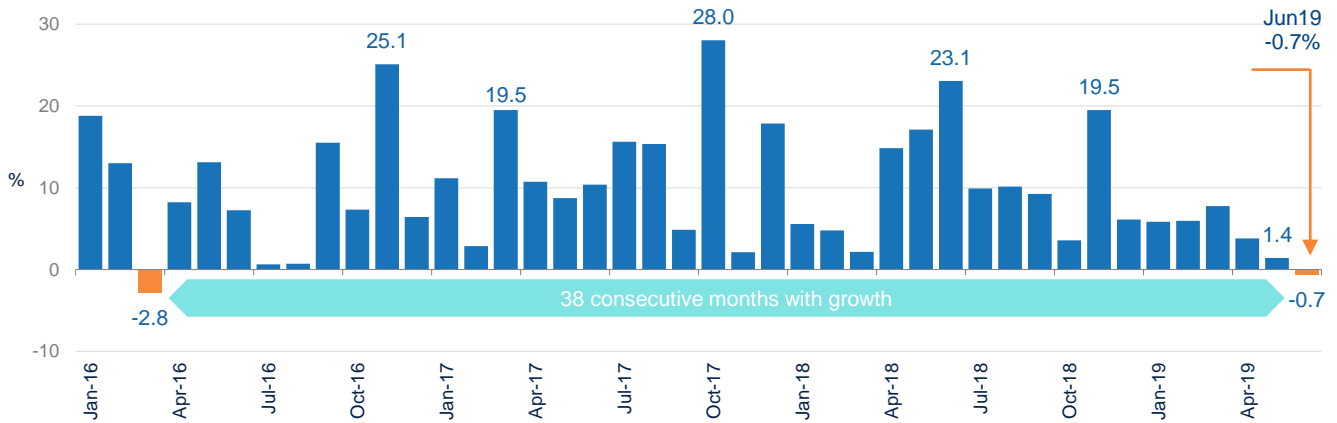
Remittances contract for the first time in more than three years, ending streak of 38 consecutive months

The Bank of Mexico reported that in June 2019, Mexico received \$3,119 million for family remittances. As anticipated in BBVA's estimates, the first contraction of this monetary flow in more than three years occurred, with a decrease of 0.7% compared to June last year. The previous contraction in remittances occurred in March 2016, when a 2.8% drop was recorded. Thus, a 38-month consecutive streak of growth in remittances has come to an end.

This contraction in the latest remittance data does not mean a negative trend in this flow; rather it is explained by a base effect, since in June 2018 atypical growth of 23.1% was observed. The level of economic activity and the unemployment rate in the United States, where much of the Mexican diaspora resides, remain at very favorable levels, which also drives remittances to Mexico.

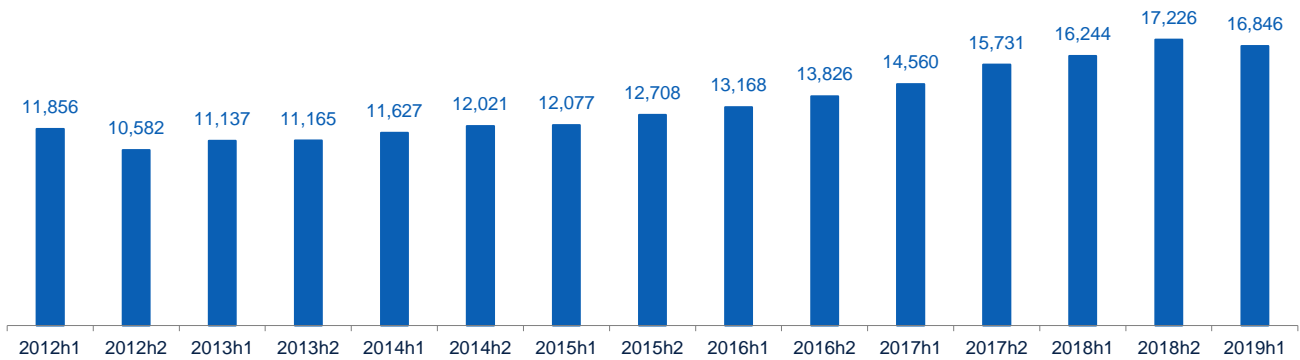
In June 2019, 9.3 million transactions were recorded for sending remittances to Mexico (+1.6%), with an average amount of US\$336 (-2.0%). By the first half of 2019, remittances amount to \$16,846 million, an increase of 3.7% over the same half of the previous year, although 2.2% less than the amount recorded in the second half of 2018.

Figure 1. **Family remittances to Mexico, 2016-2019**
(% YoY change in USD)



Source: BBVA Research based on Banco de México data.

Figure 2. **Semi-annual income of family remittances to Mexico, 2012h1-2019h1**
(US\$ millions)



Source: BBVA Research based on Banco de México data.

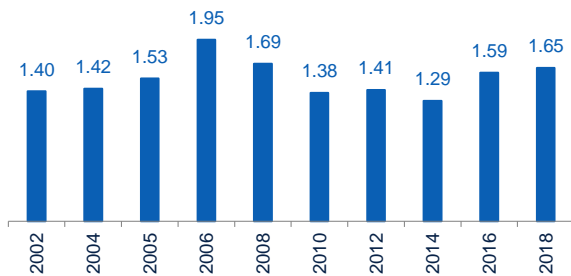
4.7% of households in Mexico received remittances, with an increase of 53 thousand households between 2016 and 2018

In its income section, the ENIGH includes the question of "How much money did you receive from income from other countries?", which allows an estimate of remittances-receiving households in Mexico. This prompt has been maintained throughout different editions of the survey, which allows us to make a historical comparison.

In 2018, the ENIGH registered an increase in the specific indicator of remittances-receiving households of approximately 53 thousand households in two years, from 1,593,450 in 2016 to 1,646,253 households, which is equivalent to 3.3% growth. However, this increase was lower than the growth of households during this period, which caused the proportion of households receiving remittances in Mexico to decrease from 4.8% in 2016 to 4.7% in 2018.

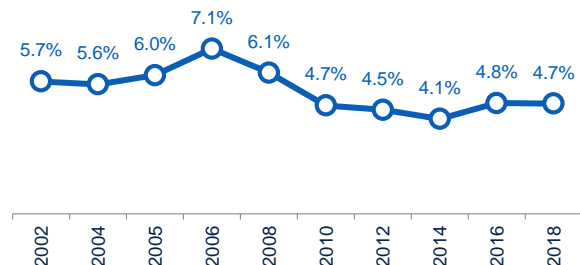
The following charts show the change in the number and proportion of remittances-receiving households in Mexico. In 2006, the largest volume of households that received this resource was recorded, amounting to almost 2 million, representing 7.1% of the total; meanwhile, in both absolute and relative terms, 2014 was the year with fewest remittances-receiving households, at least since 2002. In 2018, the number of households receiving money from abroad was growing to levels close to those observed in 2008.

Figure 3. **Remittances-receiving households in Mexico, 2002-2018 (Millions)**



Source: BBVA Research Estimates from INEGI, National Household Income and Expenditure Survey (ENIGH), 2002-2018.

Figure 4. **Percentage of households receiving remittances in Mexico, 2002-2018**



Source: BBVA Research Estimates from INEGI, National Household Income and Expenditure Survey (ENIGH), 2002-2018.

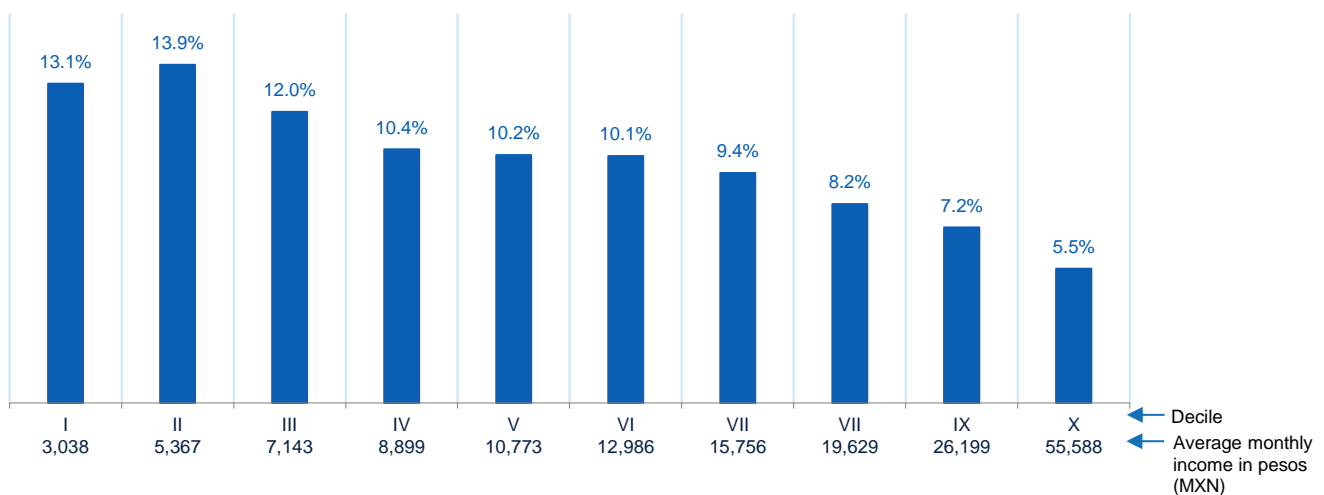
Even considering remittances, households receiving these resources tend to be more concentrated in low-income deciles

Inequality in household income is a relevant issue for public policy in Mexico. Based on the ENIGH, households can be ordered from lowest to highest income and classified into groups according to this variable. Thus, the distribution of income in Mexico can be obtained by deciles (10 groups, each with 10% of households), and whether those receiving remittances are amongst the lower or higher income segments in the country can be analyzed.

If households receiving money from abroad had current income levels similar to the rest of the country, the distribution per decile would be very equitable, i.e. 10% in each of the deciles. If remittances-receiving households have higher incomes than the rest of Mexico, a greater concentration in high-income deciles would be observed, and vice versa: if these households had lower incomes, they would be more concentrated in lower deciles.

ENIGH data for 2018 indicates that, even considering income from remittances, households receiving this resource tend to be more concentrated in low-income deciles. 27% of remittances-receiving households are in the two lowest-income deciles, and 12.7% are in the two highest-income deciles.

Figure 5. **Percentage distribution of remittances-receiving households per decile of current income in Mexico, 2018**



Source: BBVA Research Estimates from INEGI, National Household Income and Expenditure Survey (ENIGH) 2018.

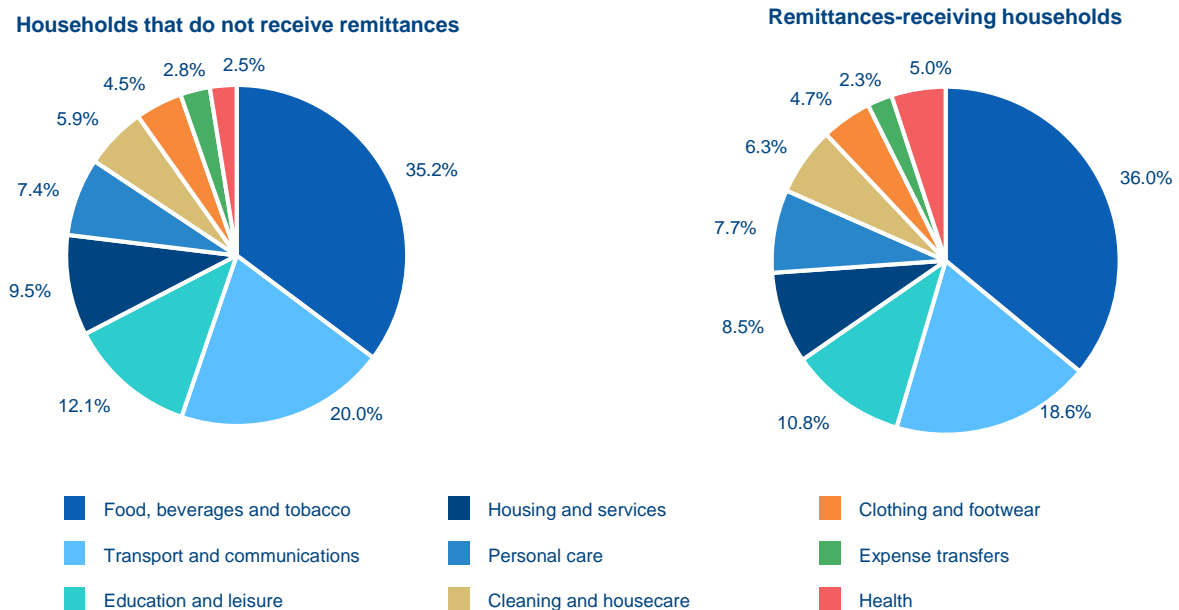
How does consumption of remittances-receiving households behave?

One of the important components of ENIGH is the part of the recording of outlays made by households in Mexico. These household expenses can be grouped into nine categories for analysis. By 2018, 35.3% of the current monetary expenditure of all households in Mexico is for food, beverages and tobacco, and 20.0% is for transport and communications.

With this same classification, an analysis of households can be made, distinguishing between whether or not they receive remittances from abroad. In general, households receiving remittances are found to have consumption behavior similar to those that do not receive this resource. In 2018, remittances-receiving households mainly accounted for 36.0% of expenditure on food, beverages and tobacco, 18.6% on transport and communication and 10.8% on education and leisure.

By comparing specific indicators for households that do not receive remittances, households that receive this resource are found to dedicate a lower proportion of their spending on transport and communications, education and leisure, and housing and services, while there is a greater proportion of spending on food, beverages and tobacco, and on health.

Figure 6. **Percentage distribution of monetary current expenditure in Mexico, 2018**



Source: BBVA Research Estimates from INEGI, National Household Income and Expenditure Survey (ENIGH) 2018.

18.2% of Zacatecas households received remittances; the proportion was 14.8% in Nayarit, 13.3% in Michoacán and 13.2% in Guerrero

The distribution of remittances-receiving households in Mexican territory is not homogeneous. The arrival of this resource from abroad is linked to the volume and migratory flow of each state, and to various economic, cultural, educational, and family aspects, including among others, the Mexican migrant population residing mainly in the United States.

In 2018, the states that reported the highest proportion of remittances-receiving households were: Zacatecas (18.2%), Nayarit (14.8%), Michoacán (13.3%), Guerrero (13.2%), Durango (11.7%) and San Luis Potosí (11.1%).

In contrast, various entities in the Yucatan Peninsula and other regions of the country have very low proportions of households receiving remittances such as: Baja California Sur (0.6%), Mexico City (0.7%), Yucatan (0.8%), Tabasco (0.8%), Quintana Roo (1.2%) and Nuevo León (1.2%).

Table 1. **Percentage of households receiving remittances in Mexico by state, 2018**

State	%	State	%
Zacatecas	18.2	Puebla	4.1
Nayarit	14.8	Chihuahua	3.8
Michoacán	13.3	Sonora	3.8
Guerrero	13.2	Veracruz	3.7
Durango	11.7	Baja California	3.0
San Luis Potosí	11.1	Tlaxcala	2.4
Guanajuato	8.4	Coahuila	2.2
Oaxaca	8.3	Chiapas	2.0
Jalisco	6.6	Campeche	1.9
Colima	6.3	State of Mexico	1.3
Sinaloa	6.1	Nuevo León	1.2
Aguascalientes	6.0	Quintana Roo	1.2
Hidalgo	5.7	Tabasco	0.8
Morelos	5.1	Yucatán	0.8
Tamaulipas	5.1	Mexico City	0.7
Querétaro	4.7	Baja California Sur	0.6
		National	4.7

Source: BBVA Research Estimates from INEGI, National Household Income and Expenditure Survey (ENIGH) 2018.

Michoacán (1,672 md), Jalisco (1,643 md) and Guanajuato (1,523 md), the states that received the most remittances in Mexico in the first half of 2019

In general, there are no significant changes in the order of the major remittances-receiving states in Mexico. In the first half of 2019, the states that received the most remittances were: Michoacán (1,672 million dollars), Jalisco (1,643md), Guanajuato (1,523md), the State of Mexico (965md), Oaxaca (854md), Guerrero (842md) and Puebla (841md). Although it is observed that Puebla dropped by one position, the difference with Guerrero is minimal; note the final data that is observed at the close of the year.

As for the growth rate observed during the first half of the year, the states that increased the most were: Tabasco (+39.1%), Chiapas (+27.8%), Chihuahua (+11.8%), Mexico City (+10.8%), Campeche (+10.6%) and Quintana Roo (+10.1%), while the largest contractions were in the states of Colima (-16.4%) and Nuevo León (-4.8%).

Table 2. **Remittances to Mexico by state, 1st half 2018 vs. 1st half 2019**
(Millions of dollars and % variation)

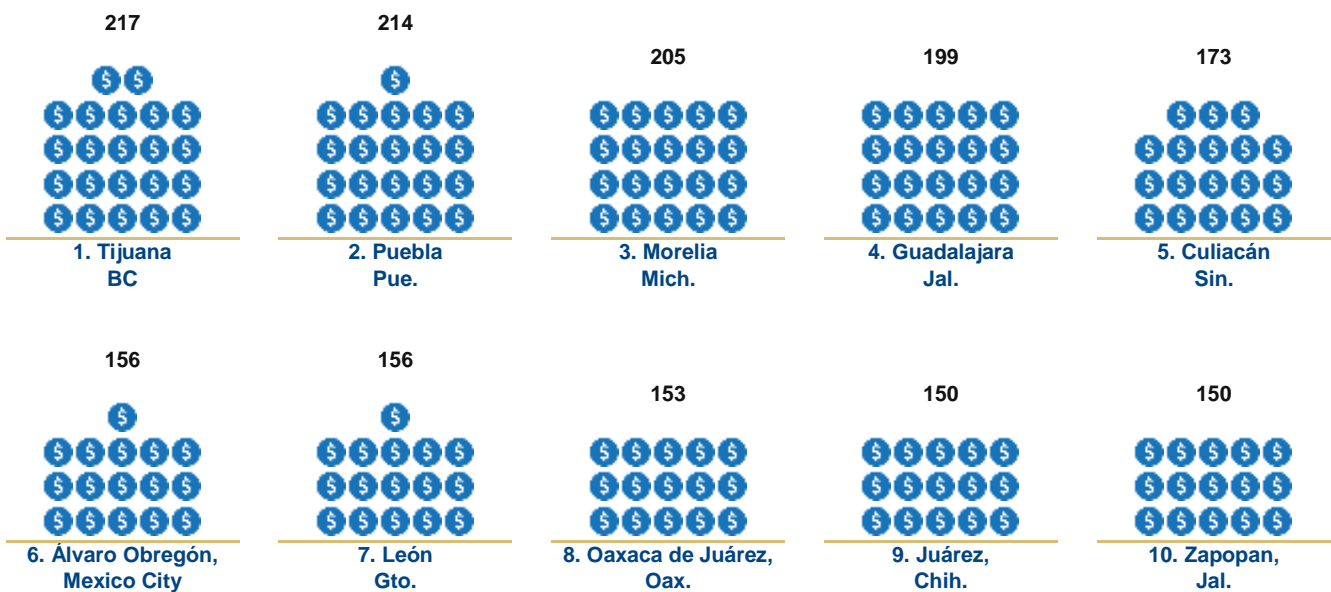
State	2018h1	2019h1	%	State	2018h1	2019h1	%
1 Michoacán	1.641	1.672	+1.9	17 Sinaloa	386	412	+6.6
2 Jalisco	1.617	1.643	+1.6	18 Durango	378	395	+4.3
3 Guanajuato	1.466	1.523	+3.9	19 Tamaulipas	387	386	-0.3
4 State of Mexico	926	965	+4.1	20 Morelos	328	338	+2.9
5 Oaxaca	844	854	+1.3	21 Querétaro	315	327	+3.6
6 Guerrero	802	842	+5.0	22 Coahuila	288	295	+2.3
7 Puebla	838	841	+0.3	23 Sonora	253	267	+5.4
8 Mexico City	682	755	+10.8	24 Nayarit	256	265	+3.3
9 Veracruz	663	697	+5.1	25 Aguascalientes	228	228	+0.0
10 San Luis Potosí	592	621	+4.8	26 Colima	167	139	-16.4
11 Zacatecas	532	527	-1.0	27 Tabasco	97	134	+39.1
12 Chihuahua	468	524	+11.8	28 Tlaxcala	120	119	-1.0
13 Chiapas	380	486	+27.8	29 Yucatán	99	102	+3.1
14 Nuevo León	476	453	-4.8	30 Quintana Roo	79	87	+10.1
15 Hidalgo	434	445	+2.4	31 Campeche	38	42	+10.6
16 Baja California	427	425	-0.5	32 Baja California Sur	37	40	+7.6
				TOTAL	16.244	16.846	+3.7

Source: BBVA Research based on Banco de México data.

Tijuana (217md) and Puebla (214md) are the two municipalities that receive most remittances in Mexico.

During the first half of 2019, the municipalities of Tijuana and Puebla received the most remittances in amounts of 217 and 214 million dollars (md) respectively. They are followed in descending order by: Morelia (205 md), Guadalajara (199md) and Culiacán (173md).

Chart XX. **The top 10 remittances-receiving municipalities in Mexico, first half 2019**
(US\$ millions)



Source: BBVA Research based on Banco de México data.

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