

Mexico Migration Flash

After 13 months, remittances to Mexico still not recovered

- In July, the inflow of remittances to Mexico had a variation of -1.2% in annual rate, a fall slightly less than expected by the consensus (-2.4%) and BBVA (-3.5%).
- Thus, remittances accumulated 13 consecutive months with falls year-over-year, since July 2012.
- If it is not seen a contraction in economic activity and employment in US in the next coming months, BBVA estimates that this streak of consecutive months with falls may break in August or September.
- We maintain our forecast for growing rate of accumulated remittances in 2013 from -4.7% to -6.7%, in dollar terms.

Today, Banco de México reported that family remittances to Mexico during last July reached levels of 1,841 million dollars, equivalent to a fall of 1.2% in annual rate. Therefore, in the first 7 months of the year entered to Mexico 12,545 million dollars in remittances, a figure that is 8.6% lower compared to the same period last year, which was 13,719 million dollars.

In July, the average remittance stood at 294.31 dollars, that is a contraction of 6.4% year-over-year, while the amount of operations for remittances grew 5.6% compared to the same month last year, to reach 6.26 million transactions.

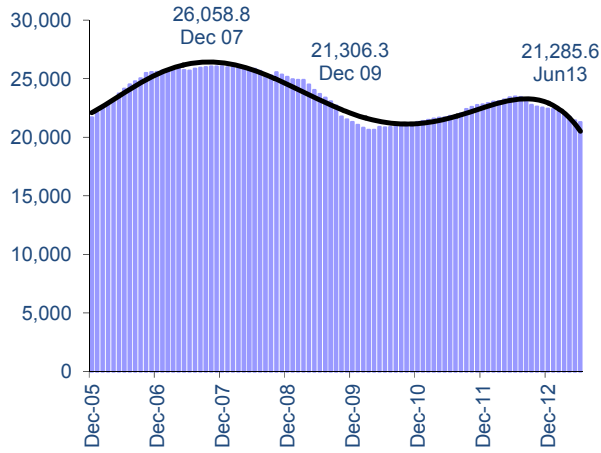
In this way, remittances recorded 13 months in a row with declines y-o-y in dollar terms, since July 2012.

Among the factors affecting remittances to Mexico are: the uncertainty of the Immigration Reform that is stalled in the U.S. House of Representatives, the strong immigration enforcement at the border and within the country, and the appreciation of exchange rate (pesos per dollar) during July. On the other hand, the employment figures in U.S., country in which a large part of Mexican immigrants work, show a slight tendency to recovery, and in July the U.S. unemployment rate (seasonally adjusted) reached 7.4%, with this is the lowest figure since late 2008, which could also favor the jobs of Mexican immigrants and remittances sent to Mexico.

So, if it is not seen a contraction in economic activity and employment in the U.S. in the next coming months, BBVA estimates that this streak of consecutive months with falls may break in August or September. We maintain our forecast for growing rate of accumulated remittances in 2013 from -4.7% to -6.7%, in dollar terms.

Chart 1

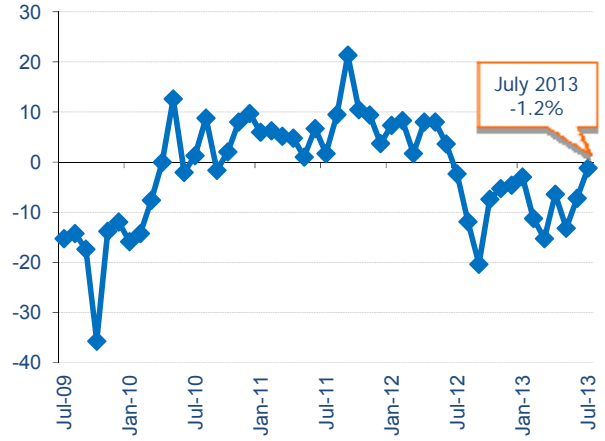
Accumulated 12-month remittance inflows to Mexico (Millions of dollars)



Source: BBVA Research with Banxico figures

Chart 2

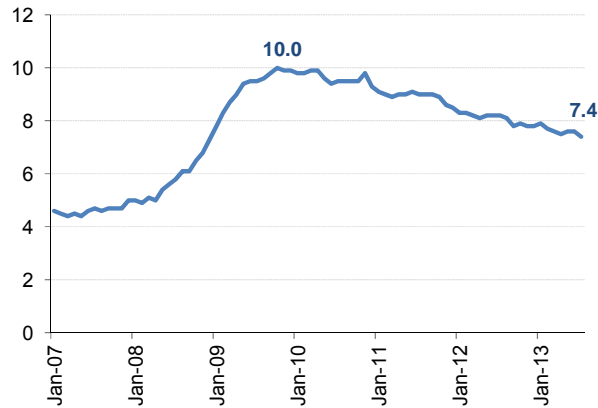
Family remittances to Mexico (Annual % change in dollars)



Source: BBVA Research with Banxico figures

Chart 3

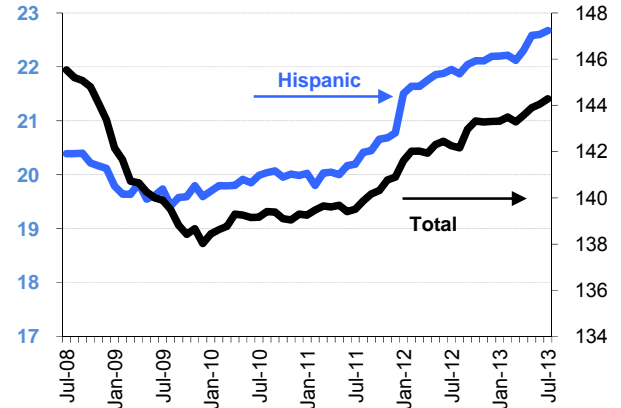
U.S. unemployment rate (%)



Source: BBVA Research with US Bureau of Labor Statistics figures
Note: Seasonally adjusted

Chart 4

U.S. Total and Hispanic employment (Millions)



Source: BBVA Research with US Bureau of Labor Statistics figures

Juan Luis Ordaz Díaz
juan.ordaz@bbva.com

Juan José Li Ng
juan.li@bbva.com

Av. Universidad 1200, Col. Xoco, México 03339 D.F. | researchmexico@bbva.bancomer.com | www.bbva.com | Follow us on Twitter

Notice

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.