



# Migration Observatory

September 8, 2009

## The employment flexibility of Mexicans in the USA is a factor which could help remittances to stabilize quickly

- Remittances continued their downward trend in July (-16.2% annual).
- The first seven months of the year saw an annual drop in remittances of 12.6%.
- Flu could have had an effect on remittances in April.
- We expect a slight recovery in remittance income in the second half of the year.

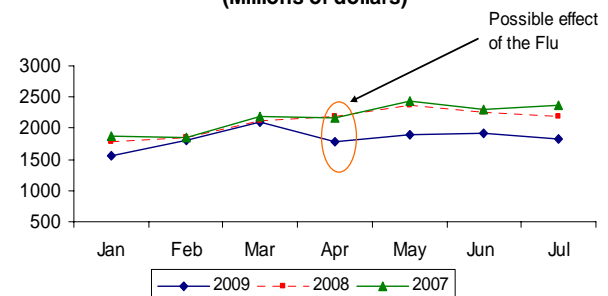
The Bank of Mexico has released figures showing that remittance income in July amounted to 1,833.41 million dollars, 16.2% down on the same month in 2008. In the first 7 months of the year, Mexico received 12,912.14 million dollars in remittances, 12.6% lower than in the same period last year. This accumulated fall brings us close to our forecast of 15% in dollar terms at year end.<sup>1</sup>

As we have previously stated, the main factor explaining this behavior is the economic situation in the USA. Internally, the health crisis caused by the AH1N1 virus may also have resulted in Mexican families receiving less money from abroad, as they would have been less able to use the channels for sending remittances. The Bank of Mexico figures show that the average remittance increased by 7% in April, whilst the number of remittances sent electronically fell by around 9%; this is unusual, as there are usually more transactions in April than in the previous month. April is the month in which the greatest effects have been seen, as the performance of remittance income appears to have been different in April to previous years, and the first health care measures were announced at the end of that month. Over subsequent months the performance of remittance income has been similar to that in the previous 2 years, although at lower levels; this suggests that the effect of flu on remittances may have been quite restricted, as if this were not the case the performance of remittances in subsequent months would also have been affected.

<sup>1</sup> We analyzed the outlook for the fall in remittances for this year in the June 2009 edition of "*Migration Observatory Mexico*".

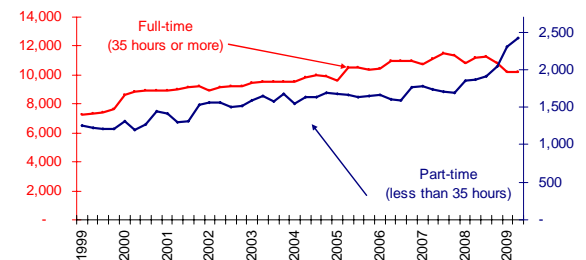
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Family Remittances in Mexico  
(Millions of dollars)



Source: Banxico

US: Employed full-time and part-time workers Mexican American (Quarterly figures in thousands)



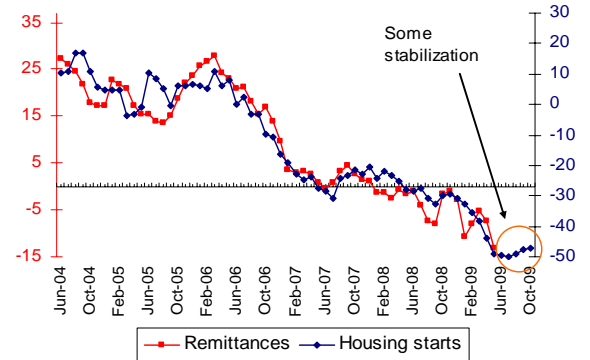
Source: Bureau of Census, Current Population Survey

For the second half of the year we expect there to be a degree of stabilization in remittances, with a slight recovery possibly occurring in the latter months of the year, as, whilst employment for Mexicans in the US remains sluggish, some indicators are showing signs of recovery. Whilst Mexicans have continued to lose full-time employment, the number of part-time employees increased substantially in the first six months of the year, by around 29% on an annual basis.

Furthermore, the construction sector, which is directly responsible for around 20% of the Mexicans who work in the USA, has shown signs of stabilization and, in some cases, recovery. The downward trend in new housing starts -which are strongly related to the remittances sent to Mexico-, has come to an end, and there has been a slight improvement over the last 4 months.

The employment flexibility of Mexicans in the USA –which is one of the mechanisms which avoids a mass return of Mexican migrants-, is a factor which may contribute to remittances stabilizing quickly.

**Housing Starts and Remittances to Mexico (yoy % change)**



Note: 3 month moving average. U.S. housing starts lagged 4 months.  
Source: Bank of Mexico (remittances), US Census Bureau (housing starts)