

Mexico

Economic Watch

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Economic Analysis

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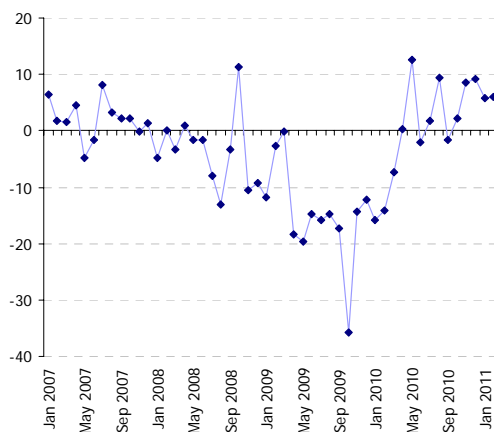
Migration

Recovery of remittances continues, 6% increase in dollars in February

- Remittances to Mexico recorded year-on-year growth of 6% in dollars. The largest increase for the month of February since 2007. The increase accrued over the year stands at 5.9%.
- Favorable progress in employment in the United States positively affected remittances and will continue to stimulate their upward trend.
- The appreciation of the peso and inflation in February generated a negative change in remittances once they were converted to pesos.

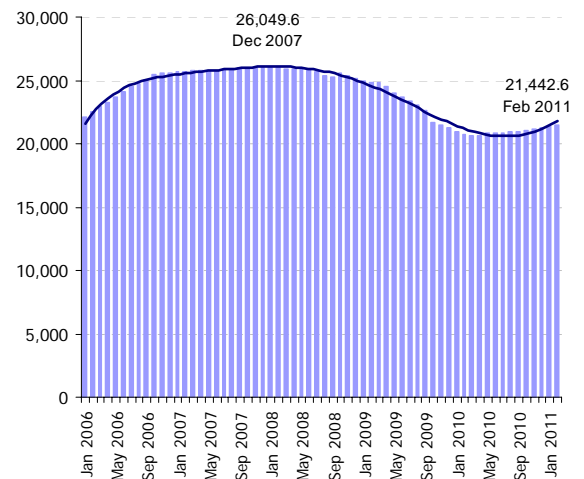
According to Bank of Mexico reports, revenues from remittances to Mexico in February totaled \$1,647.6 million, for a year-on-year increase of 6% in dollar terms. Growth for the month of February in the last four years was surpassed, and five consecutive months of growth in dollar terms were achieved. The number of remittance transactions in February stood at 5,024 million, for 2.6% year-on-year growth, while the average remittance registered a year-on-year increase of 3.3% to reach \$327.94.

Chart 1
Family remittances to Mexico
 (% Annual change in dollars)



Source: Banxico

Chart 2
12-Month remittance flow to Mexico
 Accumulated flows, 12 months
 (Million dollars)



Source: Banxico

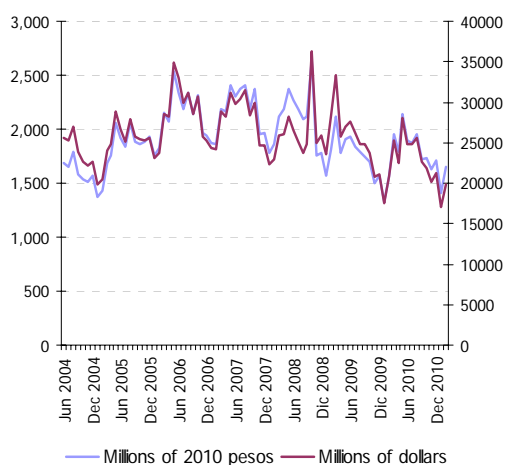
The accumulated 12-month flow has maintained its upward trend started in the second quarter of 2010, suggesting that remittances continue to recover in dollar terms. In February, this indicator reached \$21,442 million. This is still far from the \$26 billion achieved in December 2007 but is close to the early 2006 levels, while one year ago this indicator stood at the mid-2005 levels.

Remittances to Mexico have benefitted from the employment situation in the United States. Unemployment in the US has begun to drop. It started the year 1.1 percentage points below its highest level in October 2009 in the context of the recent economic crisis, and stood at 8.8% in March of this year (1.3 percentage points under the maximum observed in October 2009). The Latino population (of which Mexican migrants account for 30%) has also been improving its situation in terms of employment. In 2009, the unemployment rate for this group started below 12% when, since May 2009 this rate had been surpassed, and even stood at nearly 13% in the fourth quarters of 2009 and 2010.

The exchange rate and inflation in the month of February, like January, were factors that adversely affected the families receiving the remittances; once the remittances were converted to pesos and the inflation was discounted, the real value of remittances fell by nearly 4.6% in the month. This trend will probably become more moderate in the near future.

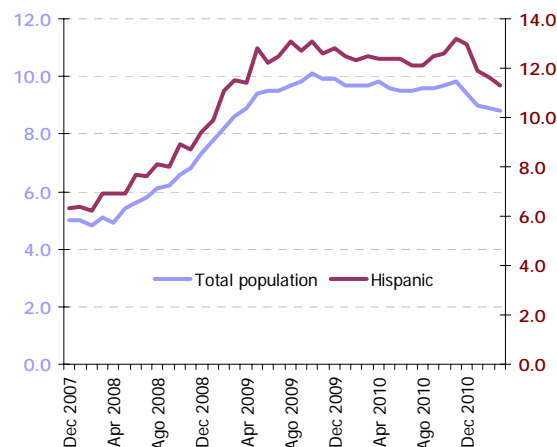
In coming months, the upward trend will continue for remittances, which are primarily affected by the indicators in terms of employment presented by the US economy. We expect remittances to reach levels of over \$22 million, for a year-on-year increase of at least 3.5% by year-end 2011.

Chart 3
Remittances to Mexico
(Millions of pesos and Millions of dollars)



Source: BBVA Research based on Banxico figures

Chart 4
United States: Unemployment Rate
(Seasonally-adjusted figures)



Source: BBVA Research based on *Current Population Survey* figures from the US Census Bureau

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