

Mexico Migration Flash

Could remittances to Mexico lose momentum?

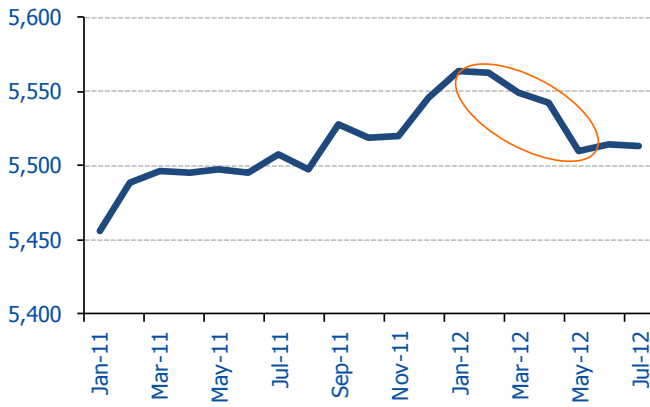
- On Monday September 3, Banco de Mexico will release figures on the inflows of family remittances received in Mexico in July.
- Some factors are emerging in the United States that could affect remittance inflows in the remaining months of the year, although it is too soon to determine whether this is only a temporary situation.
- If the observed trends continue, the run of consecutive growth in remittances (21 months so far) could be broken, and subsequently be reduced or even reversed.

In the United States the number of jobs in the construction sector, where 17% of Mexican migrants work, grew throughout 2011, but recently has begun to fall. Preliminary figures from the U.S. Bureau of Labor Statistics (BLS) indicate that more than 50,000 jobs were lost between February and June 2012. The leisure and hospitality sector, where 16% of Mexican migrants work, generated an average of 40,000 jobs each month between November 2011 and April 2012, but recently this job creation has stalled. Also, job creation in the retail trade sector, where 8% of Mexican migrants work, has slowed after nearly a year of expansion. Overall, these 3 sectors where job creation appears to have stagnated employ over 40% of Mexican migrants.

As we mentioned in the June 2012 issue of *Mexico Migration Outlook*, changes in the employment of Mexican migrants and Hispanics have tended to differ since 2010. The "Arizona effect" was a factor that held back the employment of Mexican migrants without affecting other Hispanics to a significant extent. In July 2012, our estimates suggest that while Hispanic employment reached a new record high, employment among Mexican migrants was not growing as fast as expected. We still cannot be sure whether this is the result of what appears to be happening in the 3 sectors mentioned above, and whether a new turning point has been reached that could generate a downward trend in employment for Mexican migrants. May and June job figures from BLS are still preliminary, so they may have to be corrected up or down. We will have to wait for more robust information in the upcoming months.

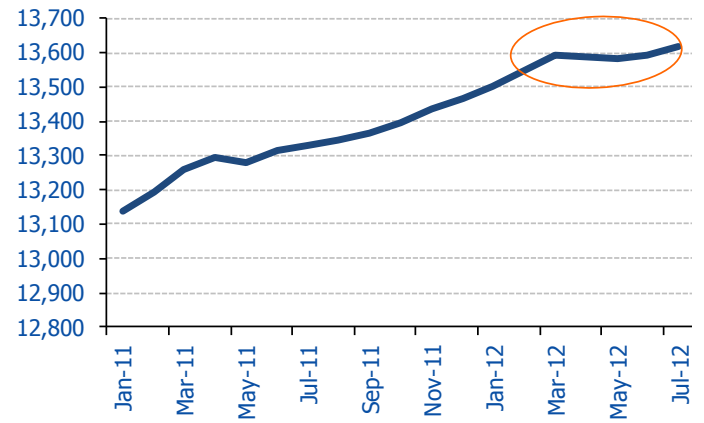
If the trends suggested are confirmed and there is clear evidence of a weakening employment situation for Mexican migrants, remittances could lose some of its previous growing pace. Meanwhile in July, in addition to the job situation, the stronger peso exchange rate could contribute to a lower level of remittances in the month.

Chart 1
US: Jobs in the construction sector (Thousands)



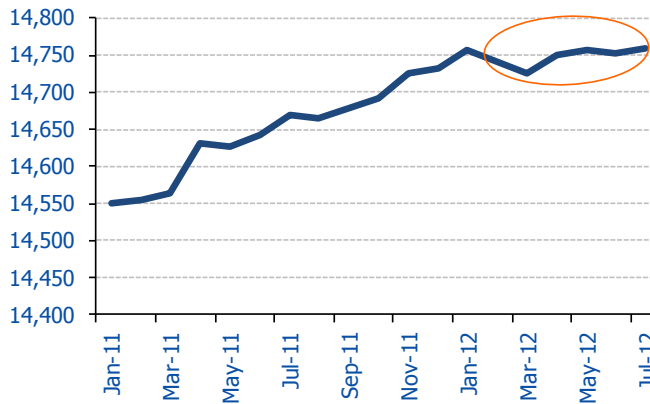
Source: BBVA Research with Bureau of Labor Statistics data

Chart 2
US: Jobs in the leisure and hospitality sector (Thousands)



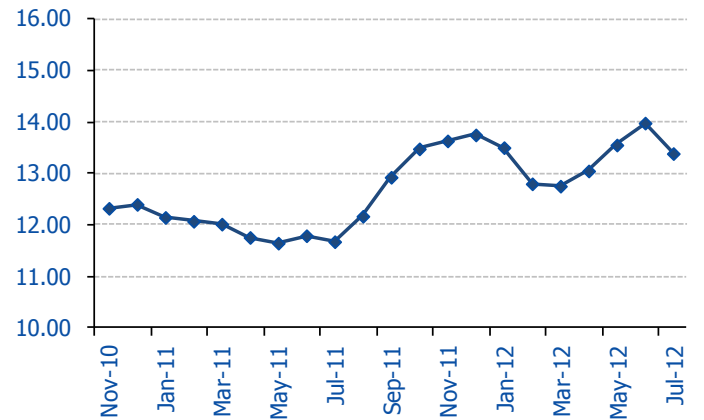
Source: BBVA Research with Bureau of Labor Statistics data

Chart 3
US: Jobs in the retail sector (Thousands)



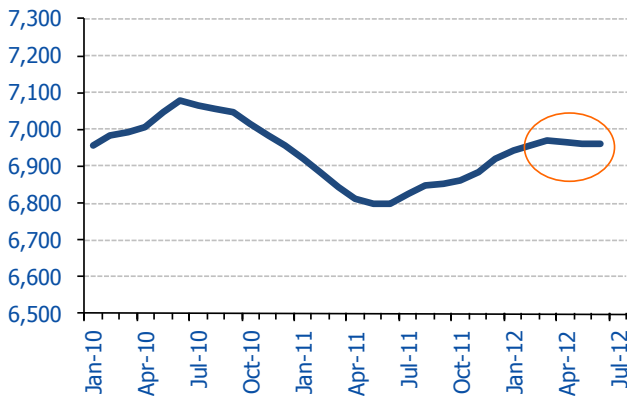
Source: BBVA Research with Bureau of Labor Statistics data

Chart 4
Exchange rate to meet foreign currency obligations (peso/dollar)



Source: BBVA Research with Banxico figures.

Chart 5
Mexican migrant jobs in the U.S. (Thousands, seasonally adjusted)



Source: BBVA Research with Bureau of Labor Statistics data
 Note: Seasonally adjusted using TRAMO-SEATS

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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.