

## Family remittances – New high in March on employment gains and stimulus in the US

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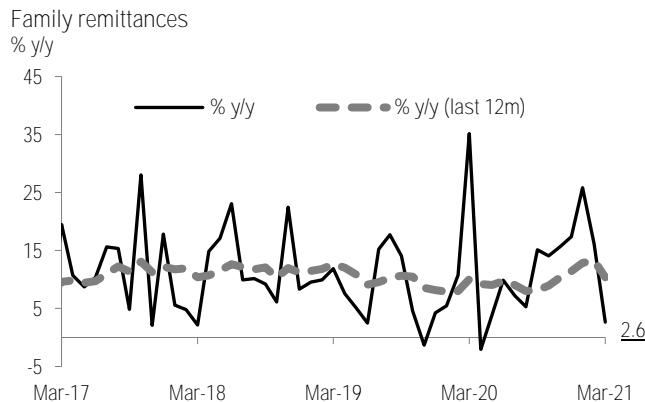
- **Remittances (March): US\$4,151.9 million; Banorte: US\$4,025.7mn; consensus: US\$3,805.8mn; (range: US\$3,170 to US\$4,090mn) previous: US\$3,173.5mn**
- **Inflows remain very favorable, advancing 2.6% y/y, which is a new historical high. Nevertheless, it should be mentioned that growth decelerated due to a difficult base effect, as inflows in the same period last year were very high on extraordinary support at the start of the pandemic**
- **The number of operations grew 4.4% y/y, surging to 11.2 million, while the average amount sent stood at US\$370.49 (-1.7% y/y), with the latter likely aided by the disbursement of new fiscal stimulus measures in the US during the period**
- **Year-to-date, inflows have grown 13%. We still see strong remittances dynamics, maintaining our call of full-year 2021 growth close to the upper bound of 7-10% y/y, albeit with upside risks**

**Remittances above expectations in March.** The amount sent to our country stood at US\$4,151.9 million, above consensus (US\$3,805.8 million) but closer to our estimate (US\$4,025.7 million). Inflows grew 2.6% y/y and reached a new historical high. Nevertheless, it should be mentioned that growth decelerated relative to February (16.2%) due to a difficult base effect, as remittances in the same period last year were very high on extraordinary support from migrants at the start of the pandemic. Hence, today's result was quite favorable. In our view, strength was influenced mainly by two factors: (1) Further employment gains in the US; and (2) the beginning of the disbursement of new fiscal stimulus measures in said country during the period. Regarding the former, the unemployment rate among Hispanics and Latinos declined to 7.9% from 8.5%, a more rapid decline than the general population. Working-age Mexican migrants declined by 61.1 thousand, suggesting some of them left the country. Nevertheless, we saw net job creation of 107.8 thousand –including ‘natives’, ‘non-native citizens’, and ‘non-citizens’ (legal or illegal)–. Gains were centered in the second (+102.5 thousand) and third groups (+17.1 thousand), with the first one registering 11.8 thousand positions less. Moreover, 219.6 thousand people were classified as unemployed in the previous month left this category, which is also positive and consistent with an improvement in virus' dynamics, in turn supported by the acceleration in the pace of vaccinations, among other factors. On the latter, we recall that a new US\$1.9 trillion fiscal stimulus package was approved in the US, which included direct payments of US\$1,400 to people earning less than US\$75,000 a year, among other measures. In addition, restrictions were lifted on couples declaring jointly in which one of them is an illegal immigrant, with those households not receiving payments previously.

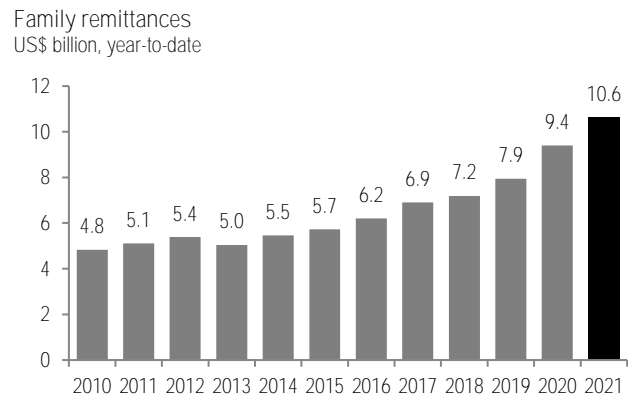
**Number of operations surges, but average amount declines in annual terms.** The number of operations grew 4.4% y/y, surging to a new high of 11.2 million. In our view, both factors mentioned above helped support migrants' ability to send more resources back to their families. On the other hand, the average amount sent reached US\$370.49, down 1.7% and its first contraction since May 2020.

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In contrast to the former, this seems to have been impacted more by the base effect. In this sense, we believe migrants likely depleted some of their available savings last year to help their families cope with the sanitary emergency. In turn, this was reflected in the strong and temporary uptick in said period last year. Given that stimulus payments from direct transfers are also one-off, we expect this amount to also moderate relatively soon, albeit staying strong as it is helped by the economic reactivation.



Source: Banorte with data from Banxico



Source: Banorte with data from Banxico

**Upside risks to our call for remittances.** We expected remittances to decline slightly in the period (in annual terms) as inflows were unusually strong in March 2020. Nevertheless, they have surprised us positively in the last two months, managing to keep growing. In this sense, we believe that upside risks to our 7-10% estimate for full-year 2021 are increasing, with inflows during the first quarter up by 13% y/y. Specifically, this month was the most difficult in terms of the base effect, so headwinds to growth because of this are likely to be more modest ahead. We maintain our call for now, waiting to confirm if underlying dynamics remain as positive as seen so far, particularly given that today's results are likely to have been influenced by one-offs, mainly related to new fiscal stimulus.

Despite of this, our overall view about remittances remains very positive. This is driven by expectations of strong growth in the US (we estimate 2021 GDP to grow 6.1%), in turn supported by an accelerated pace of vaccinations. Current estimates suggest that herd immunity in the US could be achieved within 3 months (about 75% of the population fully inoculated). The Biden administration keeps establishing ambitious goals, with reports that they are aiming for a full economic reopening by July 4<sup>th</sup> (Independence Day). We believe this is key to boost further employment in services, which is very important for additional job gains within the Hispanic community. Although some issues are starting to be reported in terms of vaccine demand (despite ample supply), COVID-19 dynamics and economic gains remain very favorable, which should have even greater than expected spillover effects in Mexico.

On the other hand, issues with immigration at the Southern Border in the US remain high. A recent poll by NBC News showed that the population is the least satisfied with Biden's approach in this front. This has been coupled with surging detentions in said border, eliciting higher concerns which are increasingly being addressed with Mexico's government.

Although more stringent border measures could be in store, it is our take that overall US policies in this front will remain more lenient than with the Trump administration. Moreover, among Mexican workers, ‘natives’ are the biggest group (with around 57.7% of the total), which should keep sending resources independently of changes in migration policies. Although non-citizens also make up a big share (28%), it is our take that potential policy changes should not sizably affect growth dynamics, especially in the short-term. In either case, we will keep looking at this very closely in coming months, along the possibility of renewed restrictions given the rise in COVID-19 cases in some countries given the appearance of new virus’ variants.

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