

## Family remittances – Above US\$ 4 billion for a second month in a row in April

- **Remittances (April):** US\$4,047.6 million; Banorte: US\$4,033.2mn; consensus: US\$3,970.7mn; (range: US\$3,482 to US\$4,095mn) previous: US\$4,157.3mn
- **The period's inflow grew 39.1% y/y, distorted to the upside by a base effect from the pandemic. In absolute terms the print remained high, standing above US\$4 billion for a second consecutive month**
- **The number of operations was up 22.5% y/y to 10.8 million, while the average amount sent stood at US\$375.00 (13.6% y/y), both reflecting clearly the abovementioned distortions, albeit with the latter up in sequential terms**
- **Year-to-date, inflows have grown 19.1%. We still see strong dynamics given US economic strength, despite continuing volatility in annual rates**

**Remittances stayed strong in April.** The amount stood at US\$4,047.6 million, above consensus (US\$3,970.7 million) but virtually at our estimate (US\$4,033.1 million). Inflows grew 39.1% y/y. Similar to the previous month –but in opposite direction–, growth was distorted by a base effect related to the pandemic. Specifically, in the same month last year total inflows were weak as they fell 2.0% y/y, driven by migrants front-loading the money they sent to March 2020, given the sanitary emergency due to the start of the pandemic. Although this is still adding high volatility to annual rates, the amount in absolute terms remains quite favorable. In this respect, employment conditions in the US were broadly stable. The unemployment rate among Hispanics and Latinos was unchanged at 7.9% in the month, better than the slight uptick for the broad population. While working-age Mexican migrants declined by 165.3 thousand, this is likely driven by a seasonal pattern, as suggested by similar falls in previous years. In this backdrop, we saw net job losses of 230.5 thousand –including ‘natives’, ‘non-native citizens’, and ‘non-citizens’ (legal or illegal). These were centered in the second (-148.7 thousand) and third groups (-155.3 thousand), with the first gaining 73.5 thousand positions. However, and on the positive side, total unemployed persons declined by 89.0 thousand, also consistent with the seasonal downtick.

Taking this into account, we believe the result remains quite favorable. In our view, the impulse to the US economy from stimulus measures likely kept helping. Among them, it is possible that we are still seeing an effect from direct transfers of US\$1,400 in the US (approved in March) as disbursements to some recipients lagged. On the other hand, extended unemployment benefits may have also acted as an additional source of income, despite some claims that these may be affecting labor market dynamism

**Average amount sent at a high in a little more than a year.** The average amount sent reached US\$375.00, up 13.6% y/y and its highest since March 2020, when the pandemic started. This is also almost US\$5 above the previous month. In our view, this metric reflects more clearly the benefits of stimulus measures mentioned above (despite some seasonality), increasing meaningfully for the past two months from about a 12-month average close to US\$345.

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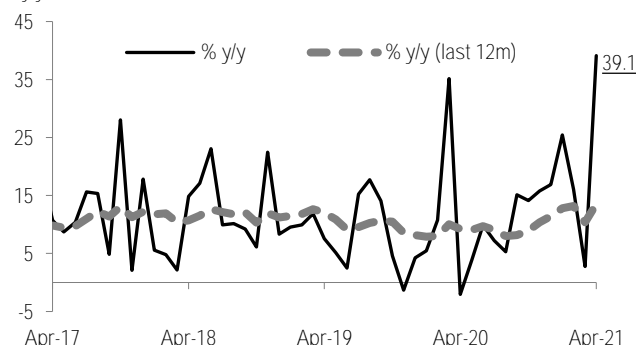
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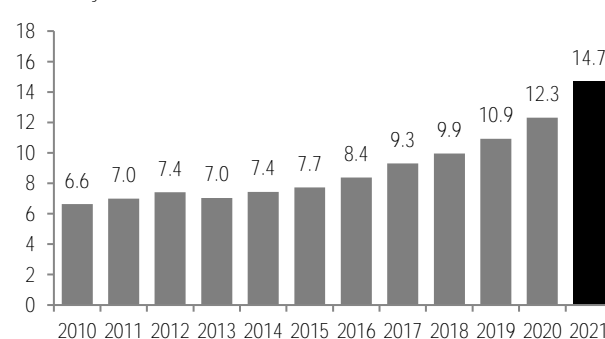
In this sense, we recall that the latest fiscal stimulus package in the US was approved in late March, likely providing support since then. On the other hand, the number of operations grew 22.5% y/y to 10.8 million, after a new historical high of 11.2 million in the previous month. Both rates are heavily distorted to the upside by a base effect from the pandemic. Despite of these, the sequential increase in the average amount sent in a backdrop of still elevated support from stimulus, along the and economic reactivation in the US, is very positive.

Family remittances  
% y/y



Source: Banorte with data from Banxico

Family remittances  
US\$ billion, year-to-date



Source: Banorte with data from Banxico

**We expect remittances' strength to continue.** In our view, underlying conditions that have supported the US recovery remain in place, which is beneficial for the outlook in terms of inflows. Specifically, we still believe progress on vaccination campaigns is favorable, more so as it has translated into higher mobility levels. This has happened despite a slower pace of daily vaccinations relative to the highs seen in mid-April, with some people still skeptic and fearful. Among recent news, the vaccine developed by *Pfizer/BioNTech* was approved by the FDA for people aged 12 to 15, while *Moderna* is expected to apply for this group's authorization soon. In our view, this is especially relevant for employment in services, particularly in those sectors most affected by the pandemic (*e.g.* lodging, restaurants and entertainment). Services related to education could also improve as vaccinations among the young advance. Considering that these sectors (where there is also a relevant participation of Mexican migrants) remained depressed most of 2H20, their recovery will likely keep supporting growth. In this backdrop, we will watch closely May's payrolls report on Friday, especially: (1) Employment dynamics for Hispanics and Latinos, with strength moderating in April, but still with ample room to recover; and (2) the performance of employment in the sectors mentioned above.

On the other hand, Biden's administration is still calling for immigration reform, which could set a path for thousands of migrants to achieve legal status in the country. Although tensions in this front are still high and the possibility of a wide-ranging reform is complicated, the stance is more positive than under Trump's presidency. In the short-term, we will keep an eye on the meeting between president Andrés Manuel López-Obrador and vice-president Kamala Harris on June 8<sup>th</sup>. It is highly likely that they will talk about migration again, more so considering that detentions at the US southern border have surged to new highs in recent months.

In our view, remittances could grow around 10% this year, for a total amount close to US\$ 45 billion in 2021. Moreover, risks remain skewed to the upside. In turn, this will continue providing support to households' consumption and is one of the drivers that should boost Mexico's growth during the rest of the year.

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