

## Family remittances – Strong inflows remain in June, but with risks building up for 2H21

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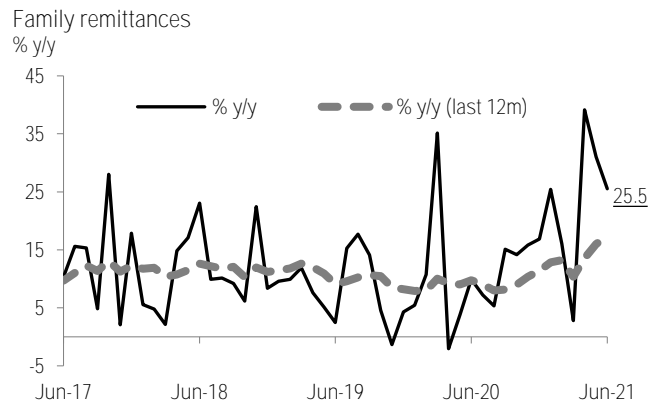
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- **Remittances (Jun): US\$4,440.0 million; Banorte: US\$4,356.2mn; consensus: US\$4,356.2mn; (range: US\$4,200 to US\$4,510mn) previous: US\$4,514.6mn**
- **Despite being lower at the margin relative to May, the period's seasonality is less positive, so the result was very favorable. Specifically, inflows grew 25.5% y/y. In our view, US economic strength and sizable fiscal stimulus keeps supporting flows**
- **Growth was driven by the average amount sent, which surged to US\$392.90 (15.5% y/y). Meanwhile, the number of operations moderated to 11.3 million, up 8.7% in part due to a more difficult base effect**
- **We maintain our view of inflows in full-year 2021 between US\$48.0 to 48.5 billion, although it will be key to watch US labor market dynamics given the expiration of some support measures in coming months**

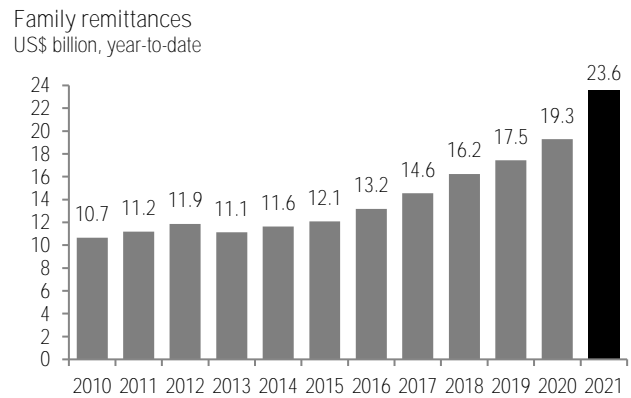
**Remittances remained strong in June.** The amount stood at US\$4,440.0 million, above consensus at US\$4,356.2 million, which matched our call. The amount was lower at the margin, albeit recalling that May is the seasonally strongest period of the year. In this respect, inflows reached their second highest level in history and grew 25.5% y/y. In our view, this was very favorable as marginal information pointed to a more modest outcome. Specifically, the unemployment rate among Hispanics and Latinos in the US (sa) rose sequentially by 10bps, to 7.4%. In addition, working-age Mexican migrants fell a fourth month in a row, with 484.5 thousand fewer people. Among these, 157.4 thousand jobs were lost –including ‘natives’, ‘non-native citizens’, and ‘non-citizens’ (legal or illegal)–, which is not entirely clear if it is related to a seasonal pattern. These were centered in the first (-150.9 thousand) and third groups (-56.2 thousand), with the second gaining modestly (+49.7 thousand). A relevant factor that we believe helped offset for this is that additional unemployment benefits in most states with Hispanic presence continued. Nevertheless, they ended towards the end of the month (by June 26<sup>th</sup>) in key states –in terms of their presence– such as Texas, Florida and Georgia, among others.

**Growth led by the average amount sent, but also favorable on operations.** The average amount sent stood at US\$392.90, up 15.5% y/y despite a more challenging base effect. This was also significantly above the US\$366.15 seen in May. Although this it is likely to be influenced by seasonal factors, it was quite strong as it was the highest since October 2008. In our view, US economic strength and fiscal stimulus measures –which have boosted income, even for migrants– remain as key drivers. On the other hand, the number of operations stood at 11.3 million, growing 8.7% y/y, moderating due to a base effect, as well as the fact that May sees a steep acceleration due to the celebration of Mother's Day, inducing more migrants to send resources. Apart from government support and overall economic dynamism in the US, migrants keep making extraordinary efforts to send as much as possible, underpinning trends observed at least since the start of the pandemic in 2020.

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Source: Banorte with data from Banxico



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**We maintain our call of remittances between US\$48.0 to 48.5 billion in full-year 2021.** Today's report surprising higher again, with year-to-date inflows at US\$23.6 billion, which we see as significant as it translates to 22.4% growth. If we double this amount, total remittances would be slightly above US\$47 billion, close to the lower bound of our 2021 estimate that we maintain between US\$48 to US\$48.5 billion. In our view, coming months will be key to assess whether risks are tilted to the downside or to the upside. Specifically, we will focus on US job market dynamics, particularly in at least two very important factors.

First, and as mentioned above, if the trend in inflows changes as additional unemployment benefits expire. In this sense, 21 out of the 50 states cancelled the disbursement of US\$300 a week for unemployed people in mid- to late-June, with another 4 doing so in July. All states will stop in early September, when they officially end. Hence, labor market dynamics and available resources could slow down as a result. Second, and on the contrary, reports about difficulties to find enough workers in services, particularly in sectors such as restaurants and retail, in which migrants have historically had high participation rates. In turn, this has led to increasing wage pressures. If these trends consolidate, the reduction in support from government programs may be at least partially compensated by wage hikes. Therefore, we will be watching carefully at the details of the US employment report for July, to be published on Friday

Another key risk is that higher COVID-19 cases due to the 'delta' variant could result again in lower mobility and even more restrictions in socially-intensive activities. Nevertheless, our base case is that the economic impact will likely be much more limited than before. This would be due to several factors, including: (1) Progress already achieved in vaccinations; (2) the population's fatigue about the pandemic, refusing to renew lockdowns; and (3) government's unwillingness for new stringent restrictions, given both its lack of popularity but also their economic costs. Lastly, tensions on migration at the US-Mexico border remain high, which may be an additional headwind. Among the most recent issues, the US administration announced that they will resume the enforcement of expedited deportations, as well as extending for at least one month more (until August 21<sup>st</sup>) the closure of the border for non-essential activities.

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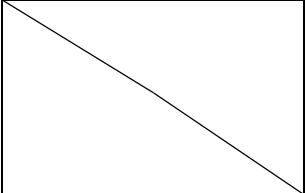
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