

Family remittances – New historical high in July despite less fiscal support in the US

- **Remittances (Jul): US\$4,540.3 million; Banorte: US\$3,915.8mn; consensus: US\$4,310.0mn; (range: US\$3,915.8 to US\$4,467mn) previous: US\$4,457.5mn**
- **Growth picked up to 28.6% y/y from 26.0% in June, above the US\$4 billion mark for fifth consecutive month and a new historical high. The result is very strong given the start of the expiration of additional unemployment benefits in the US**
- **The average amount sent stood at US\$390.50 (13.7% y/y). Meanwhile, the number of operations reached 11.6 million, up 13.0% and accelerating at the margin**
- **In seasonally adjusted terms, inflows surged 3.9% m/m, also a new historical high and in our view very resilient on the back of strong employment conditions in the US**
- **In our view, the report is very positive. We will be seeing dynamics carefully in the short-term to gauge if a slowdown is due for the second half of the year**

Remittances above expectations in July. The amount stood at US\$4,540.3 million, above consensus at US\$4,310.0 million and our estimate (US\$ 3,915.8 million). The print is above the US\$4 billion mark for fifth consecutive month and a new historical high, with the annual rate at 28.6% from 26.0% in June. Although partially because of a more benign base effect at the margin, the result signals an acceleration. This is especially relevant considering the start of the expiration of additional unemployment benefits in the US since mid-June. Specifically, 21 out of 50 states cancelled the disbursement of US\$300 a week for unemployed people in the month, with another 4 more in July. Because of their high Hispanic population, we highlight Texas and Florida (both on June 26th) in the former group, as well as Arizona in the latter (July 10th). On the contrary, the top state in which this group resides is California, which will end them until early September, when the measure expires nationwide. Nevertheless, we did not see a relevant impact from this. Moreover, labor market conditions for Mexican migrants in the US improved (see below for details).

Annual growth driven by the number of operations. The average amount sent moderated very slightly, to US\$390.50 from US\$392.90 in the previous month, up 13.7% y/y. Although this may be related to seasonal factors, it remained quite resilient considering the issue about unemployment benefits mentioned above. On the other hand, the number of operations picked up to 11.6 million, growing 13.0% y/y and accelerating at the margin in annual terms (June: +9.1%). We think US economic strength keeps supporting inflows, as well as extraordinary efforts by migrants to keep sending as much as possible to their families at home in a relatively more challenging economic conditions in Mexico.

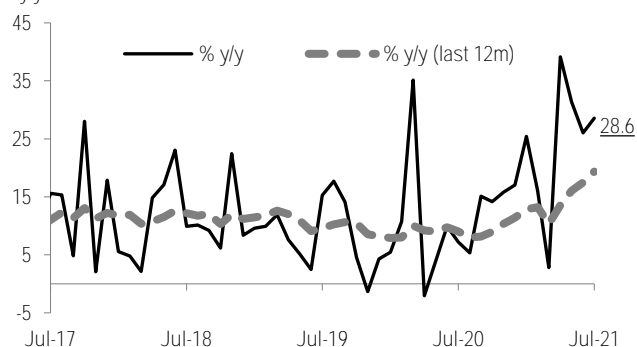
September 1, 2021

www.banorte.com
@analisis_fundam

Juan Carlos Alderete, CFA
Director of Economic Research
juan.alderete.magal@banorte.com

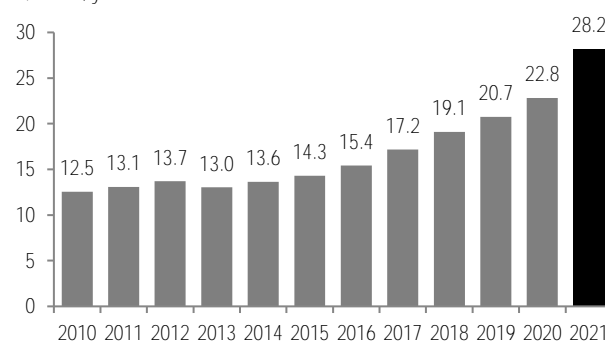
Francisco Flores
Senior Economist, Mexico
francisco.flores.serrano@banorte.com

Family remittances
% y/y



Source: Banorte with data from Banxico

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



Source: Banorte with data from Banxico

Seasonally adjusted, remittances surged 3.9% m/m. Last month, Banxico started to provide seasonally adjusted data for inflows, which is more valuable to judge short-term performance. In this respect, remittances grew 3.9% m/m, also a new historical high and more than reversing the 1.0% drop observed in June. Despite the abovementioned factors, we think US labor market conditions help explain a great deal of this resiliency. Specifically, and seasonally adjusted, the unemployment rate among Hispanics and Latinos plunged from 7.4% in May to 6.6% in July, lowest since the pandemic started. Although positive, the details were less favorable. Working-age Mexican migrants fell for a fifth consecutive month, with 140.9 thousand fewer people. On the other hand, there were 33.6 thousand fewer unemployed—including ‘natives’, ‘non-native citizens’, and ‘non-citizens’ (legal or illegal)—. Meanwhile, employed people fell by 2.4 thousand. Nevertheless, about 36.0 thousand Mexican migrants dropped from the labor force, so the implied unemployment rate for this specific group fell more modestly, from 6.6% to 6.5% in the same period.

Short-term data will be key to assess dynamics during the rest of the year.

Today’s report was very favorable, surprising us meaningfully to the upside. In this sense, year-to-date inflows accumulate US\$28.2 billion (+23.5% y/y). We maintain our forecast that remittances in full-year 2021 will be between US\$ 48 to 48.5 billion, although persistently high dynamism has inserted once again risks to the upside to our estimate.

Despite of this, some caution is still due. First, additional benefits expire nationwide on September 6th, with an estimated 11 million people affected from the end of this or other measures. According to reports, about 3.5 million will stop getting the US\$300-a-week bonus. There has been some talk about extending them, but it will be hard to do so. In this sense, White House officials said they will not continue as they were intended to be temporary, although it has been stated that there is a chance to use other pandemic relief funds for this. The expiration comes at a time when cases due to the ‘delta’ variant have been rising, which in turn could result in some restrictions and/or greater caution to go out. Given this backdrop, we will look closely to Friday’s nonfarm payrolls report for August in the US, particularly the pace of the recovery in jobs for Mexican migrants. If this recovery continues, the expiration may not be as harmful for inflow dynamics, especially as we have also had news of a pickup in wages for workers in the services sector on the back of labor shortages.

On a more positive note, Congress keeps moving forward in the proposals to boost infrastructure spending as part of Biden's economic agenda. According to the Democratic leader in the Lower House, Nancy Pelosi, the goal is to approve the infrastructure bill (for around US\$ 1 trillion) and the budget (US\$3.5 trillion) by October 1st. If successful, funds are likely to start permeating until late this year or in 2022. Nevertheless, we think they would be very favorable. Not only because of its potential effect in US GDP growth, but especially given that the construction industry –which is a good employer of Mexican migrants– may be among the most benefitted.

Lastly, we are also following closely developments in the migration front. Its possible impact on inflows is ambiguous, as harsher policies may reduce the flow of people at the border (affecting cross-border flows) and/or induce higher fear among migrants (which may well induce them to send even more of their available resources). Tensions are clearly rising as land detentions at the southern border have spiked, reaching a new high of 212,672 persons in July. In this backdrop, the Department of Homeland Security announced on July 26th that they would resume the enforcement of expedited removal of people along the US-Mexico border. This policy prevents migrants from waiting in the US while they undertake migration procedures. The Biden administration argued that this, instituted during the Trump presidency, was decided in part because of concerns over the spread of 'delta'. Although likely with a limited impact, it is coupled with further extensions of border closures for non-essential travel.

Overall, it is our take that the potential effect from at least some of these measures may be seen by data releases in the short-term. Therefore, we will analyze them carefully to gauge if a slowdown is due or not for the second half of the year.

Analyst Certification

We, Gabriel Casillas Olvera, Alejandro Padilla Santana, Delia María Paredes Mier, Juan Carlos Alderete Macal, Manuel Jiménez Zaldivar, Marissa Garza Ostos, Francisco José Flores Serrano, Katia Celina Goya Ostos, Santiago Leal Singer, José Itzamna Espitia Hernández, Alik Daniel García Álvarez, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalía Orozco Vélez, Gerardo Daniel Valle Trujillo and Juan Barbier Arizmendi, certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V for the provision of our services.

Relevant statements.

In accordance with current laws and internal procedures manuals, analysts are allowed to hold long or short positions in shares or securities issued by companies that are listed on the Mexican Stock Exchange and may be the subject of this report; nonetheless, equity analysts have to adhere to certain rules that regulate their participation in the market in order to prevent, among other things, the use of private information for their benefit and to avoid conflicts of interest. Analysts shall refrain from investing and holding transactions with securities or derivative instruments directly or through an intermediary person, with Securities subject to research reports, from 30 calendar days prior to the issuance date of the report in question, and up to 10 calendar days after its distribution date.

Compensation of Analysts.

Analysts' compensation is based on activities and services that are aimed at benefiting the investment clients of Casa de Bolsa Banorte and its subsidiaries. Such compensation is determined based on the general profitability of the Brokerage House and the Financial Group and on the individual performance of each analyst. However, investors should note that analysts do not receive direct payment or compensation for any specific transaction in investment banking or in other business areas.

Last-twelve-month activities of the business areas.

Grupo Financiero Banorte S.A.B. de C.V., through its business areas, provides services that include, among others, those corresponding to investment banking and corporate banking, to a large number of companies in Mexico and abroad. It may have provided, is providing or, in the future, will provide a service such as those mentioned to the companies or firms that are the subject of this report. Casa de Bolsa Banorte or its affiliates receive compensation from such corporations in consideration of the aforementioned services.

Over the course of the last twelve months, Grupo Financiero Banorte S.A.B. C.V., has not obtained compensation for services rendered by the investment bank or by any of its other business areas of the following companies or their subsidiaries, some of which could be analyzed within this report.

Activities of the business areas during the next three months.

Casa de Bolsa Banorte, Grupo Financiero Banorte or its subsidiaries expect to receive or intend to obtain revenue from the services provided by investment banking or any other of its business areas, by issuers or their subsidiaries, some of which could be analyzed in this report.

Securities holdings and other disclosures.

As of the end of last quarter, Grupo Financiero Banorte S.A.B. of C.V. has not held investments, directly or indirectly, in securities or derivative financial instruments, whose underlying securities are the subject of recommendations, representing 1% or more of its investment portfolio of outstanding securities or 1 % of the issuance or underlying of the securities issued.

None of the members of the Board of Grupo Financiero Banorte and Casa de Bolsa Banorte, along general managers and executives of an immediately below level, have any charges in the issuers that may be analyzed in this document.

The Analysts of Grupo Financiero Banorte S.A.B. of C.V. do not maintain direct investments or through an intermediary person, in the securities or derivative instruments object of this analysis report.

Guide for investment recommendations.

	Reference
BUY	When the share expected performance is greater than the MEXBOL estimated performance.
HOLD	When the share expected performance is similar to the MEXBOL estimated performance.
SELL	When the share expected performance is lower than the MEXBOL estimated performance.

Even though this document offers a general criterion of investment, we urge readers to seek advice from their own Consultants or Financial Advisors, in order to consider whether any of the values mentioned in this report are in line with their investment goals, risk and financial position.

Determination of Target Prices

For the calculation of estimated target prices for securities, analysts use a combination of methodologies generally accepted among financial analysts, including, but not limited to, multiples analysis, discounted cash flows, sum-of-the-parts or any other method that could be applicable in each specific case according to the current regulation. No guarantee can be given that the target prices calculated for the securities will be achieved by the analysts of Grupo Financiero Banorte S.A.B. C.V, since this depends on a large number of various endogenous and exogenous factors that affect the performance of the issuing company, the environment in which it performs, along with the influence of trends of the stock market, in which it is listed. Moreover, the investor must consider that the price of the securities or instruments can fluctuate against their interest and cause the partial and even total loss of the invested capital.

The information contained hereby has been obtained from sources that we consider to be reliable, but we make no representation as to its accuracy or completeness. The information, estimations and recommendations included in this document are valid as of the issue date but are subject to modifications and changes without prior notice; Grupo Financiero Banorte S.A.B. of C.V. does not commit to communicate the changes and also to keep the content of this document updated. Grupo Financiero Banorte S.A.B. of C.V. takes no responsibility for any loss arising from the use of this report or its content. This document may not be photocopied, quoted, disclosed, used, or reproduced in whole or in part without prior written authorization from Grupo Financiero Banorte S.A.B. of C.V.

GRUPO FINANCIERO BANORTE S.A.B. de C.V.

Research and Strategy			
Gabriel Casillas Olvera	IRO and Chief Economist	gabriel.casillas@banorte.com	(55) 4433 - 4695
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967
Lourdes Calvo Fernández	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611
Economic Research and Financial Market Strategy			
Alejandro Padilla Santana	Executive Director of Economic Research and Financial Markets Strategy	alejandro.padilla@banorte.com	(55) 1103 - 4043
Itzel Martínez Rojas	Analyst	itzel.martinez.rojas@banorte.com	(55) 1670 - 2251
Economic Research			
Juan Carlos Alderete Macal, CFA	Director of Economic Research	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Francisco José Flores Serrano	Senior Economist, Mexico	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Katia Celina Goya Ostos	Senior Economist, Global	katia.goya@banorte.com	(55) 1670 - 1821
Luis Leopoldo López Salinas	Economist, Global	luis.lopez.salinas@banorte.com	(55) 1103 - 4000 x 2707
Market Strategy			
Manuel Jiménez Zaldívar	Director of Market Strategy	manuel.jimenez@banorte.com	(55) 5268 - 1671
Fixed income and FX Strategy			
Santiago Leal Singer	Senior Strategist, Fixed Income and FX	santiago.leal@banorte.com	(55) 1670 - 2144
Leslie Thalia Orozco Vélez	Strategist, Fixed Income and FX	leslie.orozco.velez@banorte.com	(55) 5268 - 1698
Equity Strategy			
Marissa Garza Ostos	Director of Equity Strategy	marissa.garza@banorte.com	(55) 1670 - 1719
José Itzamna Espitia Hernández	Senior Strategist, Equity	jose.espitia@banorte.com	(55) 1670 - 2249
Alik Daniel García Álvarez	Senior Strategist, Equity	alik.garcia.alvarez@banorte.com	(55) 1670 - 2250
Víctor Hugo Cortes Castro	Senior Strategist, Technical	victorh.cortes@banorte.com	(55) 1670 - 1800
Juan Barbier Arizmendi, CFA	Analyst	juan.barbier@banorte.com	(55) 1670 - 1746
Corporate Debt			
Hugo Armando Gómez Solís	Senior Analyst, Corporate Debt	hugo.a.gomez@banorte.com	(55) 1670 - 2247
Gerardo Daniel Valle Trujillo	Analyst, Corporate Debt	gerardo.valle.trujillo@banorte.com	(55) 1670 - 2248
Economic Studies			
Delia María Paredes Mier	Executive Director of Economic Studies	delia.paredes@banorte.com	(55) 5268 - 1694
Miguel Alejandro Calvo Domínguez	Senior Analyst, Economic Studies	miguel.calvo@banorte.com	(55) 1670 - 2220
Wholesale Banking			
Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(81) 8319 - 6895
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebaldos@banorte.com	(55) 5268 - 9996
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Frigolet Vázquez Vela	Head of Sólida Banorte	alejandro.frigolet.vazquezvela@banorte.com	(55) 5268 - 1656
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 1002
Carlos Alberto Arciniega Navarro	Head of Treasury Services	carlos.arciniega@banorte.com	(81) 1103 - 4091
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8318 - 5071
Jorge de la Vega Grajales	Head of Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Head of Private Banking	luis.pietrini@banorte.com	(55) 5004 - 1453
Lizza Velarde Torres	Executive Director of Wholesale Banking	lizza.velarde@banorte.com	(55) 4433 - 4676
Osvaldo Brondo Menchaca	Head of Specialized Banking Services	osvaldo.brondo@banorte.com	(55) 5004 - 1423
Raúl Alejandro Arauzo Romero	Head of Transactional Banking	alejandro.arauzo@banorte.com	(55) 5261 - 4910
René Gerardo Pimentel Ibarrola	Head of Corporate Banking	pimentelr@banorte.com	(55) 5268 - 9004
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Víctor Antonio Roldan Ferrer	Head of Commercial Banking	victor.rolan.ferrer@banorte.com	(55) 5004 - 1454