

Family remittances – Inflows surprise to the upside on persistent migration uncertainty

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- **Remittances (August): US\$3,374.6mn; Banorte: US\$3,232.9mn; consensus: US\$3,172.5mn; (range: US\$2,970 to 3,290mn) previous: US\$3,270.3mn**
- **Remittances keep advancing at a strong pace, up 17.0% yoy, highest since November 2018 and with four consecutive months above the US\$ 3 billion mark**
- **The flow of remittances was driven by both a higher average amount sent (5.6%) and number of operations (10.8%)**
- **Year-to-date, remittances reached US\$23,899.5 million, 8.7% higher than in the same period of 2018**
- **Based on recent dynamics, remittances could show a stronger performance than previously anticipated, which would be an even more relevant support factor for private consumption**

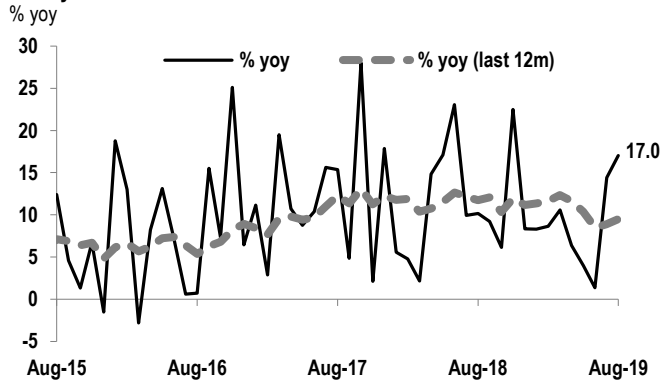
Remittances up 17.0% in August. The amount sent reached US\$3,374.6 million, above consensus at US\$ 3,172.5 million but closer to our forecast at US\$3,232.9 million. Inflows remain quite strong as they grew 17.0% yoy, above the 14.4% increase of the previous month. It should also be mentioned that monthly remittances have been above the US\$ 3 billion mark for four consecutive months. As mentioned in our preview, we believe that events such as the August 3rd mass shooting in El Paso, Texas –in which 22 people were murdered, with the perpetrator looking to attack people of Hispanic heritage– could have increased fear among Mexican migrants. In turn, this could have boosted the flow of remittances to our country. Overall, we also think that uncertainty over US immigration policies is also having a positive effect on remittances, as it has increased the possibility of detention and deportation.

The year-to-date amount stands at US\$23,899.5 million, +8.7% yoy and higher when compared to the 7.4% reached at the end of July (see chart below on the right). In our view, dynamics in remittances should be supportive for private consumption, which has stayed dampened since at least 4Q18. In this respect and on a 12-month rolling basis, remittances reached a new historical high of US\$35,590.8 million

Growth supported by both the number of operations and average amount sent. The former reached 9.8 million transactions, advancing 10.8% yoy and at its strongest pace since last November. On the other hand, the average amount sent stood at US\$343.22 (5.6% yoy), adding five consecutive months on the upside in nominal terms. Broadly speaking, we believe dynamics in both metrics are reflecting the persistent uncertainty faced by Mexican migrants in terms of immigration, both because of policy changes by the US administration and higher anti-immigrant sentiment in that country.

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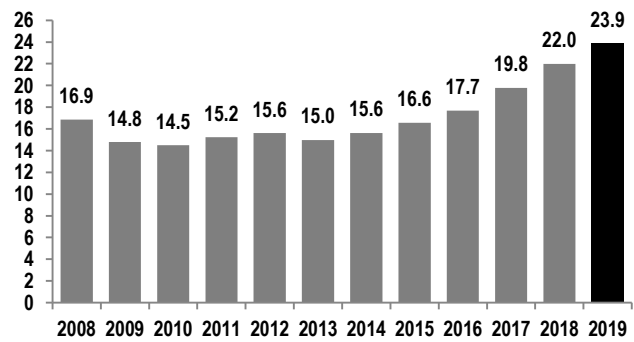
Family remittances



Source: Banxico

Family remittances

US\$ billion, accumulated in the year up to August



Source: Banxico

Positive remittances’ dynamics support private consumption, albeit with signals that dynamism in the latter remains limited. Recent results in terms of the flow of remittances cast a doubt over our view that the annual growth rate will moderate gradually. We believe that their solid advance in spite of a challenging base-effect is to a great extent explained by the fear of anti-immigration policies of the US administration, helping compensate for the impact of a more modest pace of economic activity and job creation in that country. Year-to-date, the 8.7% yoy increase in remittances is below the 11.2% observed during full-year 2018. Although we continue thinking that it will be difficult to surpass this latter growth rate, dynamics are more favorable than we anticipated, resulting in risks to the upside to our expectation of a meaningful slowdown.

We believe that remittances remain as a support factor for private consumption, which keeps showing signs of slowing down. On a positive note, other indicators such as credit growth in the consumption segment keeps growing at relatively favorable rates. On the contrary, the pace of formal job creation keeps moderating and stood at 1.8% yoy in August, a new low since early 2010. Moreover, non-oil consumption goods imports were weak during the same month, failing to confirm tentative signs of a stronger outlook observed in July. For details, see: “*Trade balance – Back to surplus in August on resilient manufacturing exports*”, [pdf](#), September 27th, 2019. Taking all available information into account, we believe recent data about the performance of private consumption has been mixed, suggesting that it remains limited in a context of economic deceleration and elevated uncertainty.

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