

April's family remittances – A pause in the upward trend

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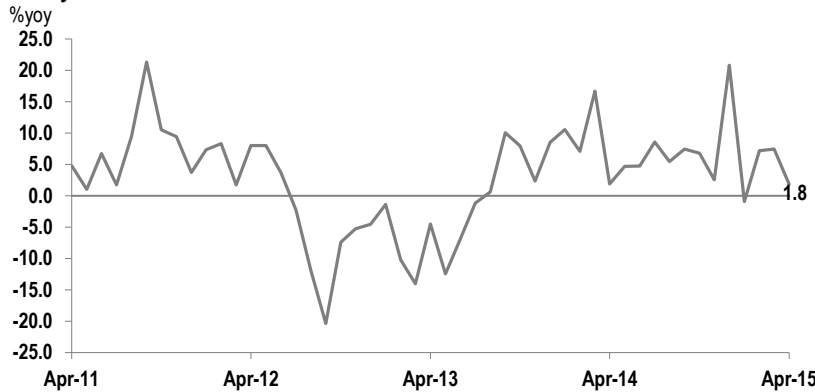
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- **Remittances (April): US\$ 2,012.1 million; Banorte-Ixe: US\$ 2,164.5 mn; consensus: US\$ 2,134.6 mn (range of estimates: US\$ 2,060 mn to US\$ 2,183.4 mn); previous: US\$ 2,254.2 mn**
- **We believe that the 1.8% growth in April's remittances flows was explained by the *artificial growth* in February and March given the significant depreciation of the Mexican currency**
- **Remittances inflows have grown 4% yoy in the first four months of the year**
- **In our view, the better growth prospects for the U.S. economy will continue to support remittances inflows**

Family remittances increased 1.8% yoy in April. According to Banxico, the flow of remittances sent during the fourth month of the year amounted to US\$ 2,012.1 million, which implies a 1.8% yoy expansion. Moreover, the number of operations stood at 6.8 mn (+2.3% yoy) with an average amount of US\$ 297.4 (-0.4% yoy). Year-to-date, family remittances accumulated a balance of US\$ 7,735.8 mn, which implies a 4% yoy expansion.

April's 1.8% yoy expansion was explained by the *artificial growth* in February and March given the significant depreciation of the Mexican currency. As we have mentioned throughout our publications, the average 7.3% yoy growth observed in February and March was explained in part by the significant depreciation of the Mexican currency, given that remittances inflows in the short-run are very sensitive to high fluctuations in Mexican peso. In particular, a sharp depreciation may encourage Mexican migrant workers to increase their remittances, given that the purchasing power of the amount remitted is greater in Mexico than in the U.S. In this regard, the scant 1.8% growth in April was simply explained by the *artificial growth* observed in February and March. Nevertheless, the recent performance of the U.S. labor market suggests that the actual growth rate for remittances should be around 4%, which is consistent with the average growth observed in the first four months of the year.

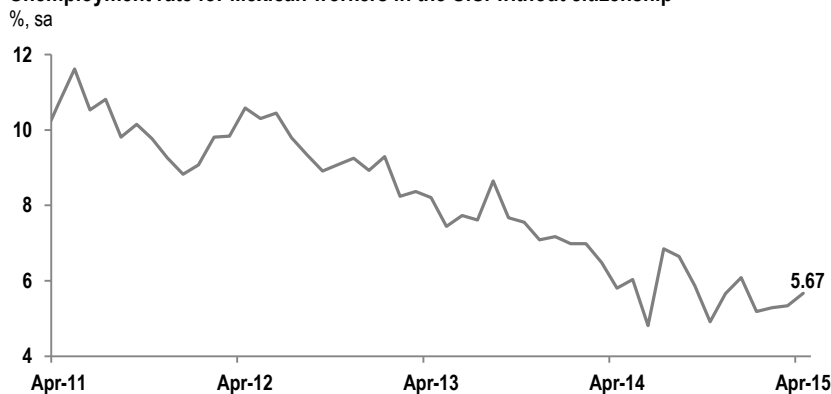
Family remittances



Source: Banco de México

We believe that the flow of remittances will continue to recover given the recent performance in the U.S. labor market. The last employment figures for Mexican workers in the U.S. published by the U.S. Census Bureau shows that the unemployment rate of Mexican workers without citizenship stood practically unchanged in April (refer to the chart below). In fact, unemployment rate's recent trend has been clearly downward sloping for the Mexican migrant workforce since July 2014. Moreover, the number of Mexican employed workers have increased during this same period, which implies that the reduction in the unemployment rate has occurred in a context where the total number of Mexican workers has increased, suggesting that the flow of remittances will continue to show a better performance in the future, since Mexican migrants without U.S. citizenship tend to send a larger amount of remittances than migrants with citizenship. We believe that the growth in the number of Mexican migrant workers will be reflected in an increased flow of family remittances during 2Q15.

Unemployment rate for Mexican workers in the U.S. without citizenship



Source: Banorte-Ixe; U.S. Census Bureau

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