

## Family remittances – Moderating on lower US economic activity

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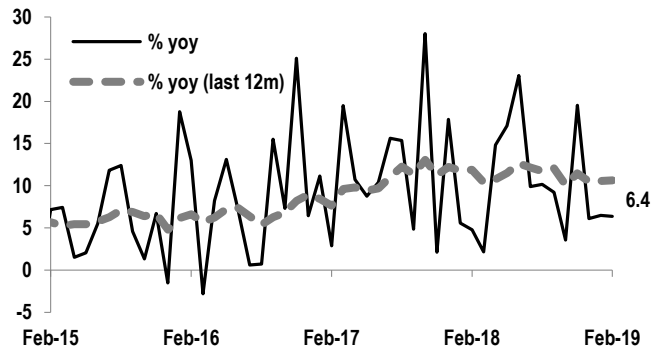
- **Remittances (February): US\$2,387.4mn; Banorte: US\$2,399.4mn; consensus: US\$2,480.0mn; (range: US\$2,319.3 to 2,835mn) previous: US\$2,414.9mn**
- **In its annual comparison, remittances advanced 6.4%, above the 4.8% rate observer in the same month of the previous year**
- **During the month, the flow of remittances was driven by both higher number of operations (3.4% yoy), but also a higher average amount sent (2.8%)**
- **Year-to-date, remittances amount to US\$4,802.3 million, 6.4% higher than the amount seen in the same period of 2018**
- **Today's report is consistent with our view that remittances will likely decelerate on more modest economic activity in the US, with rhetoric on immigration a relevant issue most likely during the whole year**

**Remittances grew 6.4% in February.** The amount sent in the second month of 2019 reached US\$2,387.4 million, below consensus at US\$2,480.0 million but practically in line with our forecast (US\$2,399.4 million). Remittances grew 6.4% yoy, higher than the 4.8% in the same month of the previous year. In addition, the YTD amount stands at US\$4,802.3 million, 6.4% above the figure seen in the same period of last year. Part of the increase could be explained by exchange rate dynamics, considering that it depreciated an accumulated 2.3% vs. the same month of 2018. In addition, we believe an additional factor that could have helped was the uncertainty regarding the border wall, and subsequently, the migration stance of the US Federal Government. In this context, it should be noted that on February 15<sup>th</sup>, President Trump declared a national emergency due to the situation on the southern border, turning the spotlight again on this matter.

**Third consecutive month of slowdown in the average amount sent.** In particular, the average amount stood at US\$ 311.5, below the US\$ 313.2 of the previous month. Nevertheless, in the annual comparison this represented a 2.8% advance. On the other hand, the number of operations grew 3.4%, reaching 7.6 million. Part of this deceleration could be explained by the slowdown in the pace of growth of employment for Mexican migrants in the US. In this regard, the amount of migrants with citizenship working grew 3.8% yoy, lower than the 5.8% seen in January. In addition, those without citizenship expanded by 1.5% vs. 1.9% in the previous month.

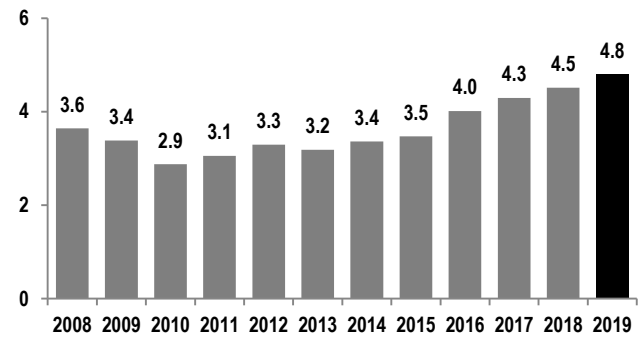
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**Family remittances**  
% yoy



Source: Banxico

**Family remittances**  
US\$ billion YTD Jan-Feb



Source: Banxico

**Today's report is consistent with our view that remittances will likely decelerate on more modest economic activity in the US.** In particular, it is our take that the expected deceleration in activity will be the main driver behind the slowdown as employment growth also moderates, as suggested by figures of the past two months. Nevertheless, dynamism remains relatively high, a situation expected to prevail if anti-immigration rhetoric in the US keeps increasing. In this respect, it is worth noting that just last week, President Trump threatened to close the border on allegations that the Mexican government is not doing enough to stop migration from Central America. The latter has been observed even in spite of some advances in the relationship, particularly operational procedures at points of entry. As a result, we believe that migrants will keep discounting a higher probability of being deported, which in our view is an additional incentive for remittances growth and is likely to extend further this year as the US election in 2020 approaches. Considering these factors, we believe remittances could moderate their dynamism in 2019 when compared to the previous year, likely growing again at single-digit rates. Nevertheless, we anticipate they will remain quite healthy, maintaining their role as key source of foreign currency for our country and support for domestic consumption.

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