

Family remittances – March’s growth explained by the depreciation of the Mexican peso

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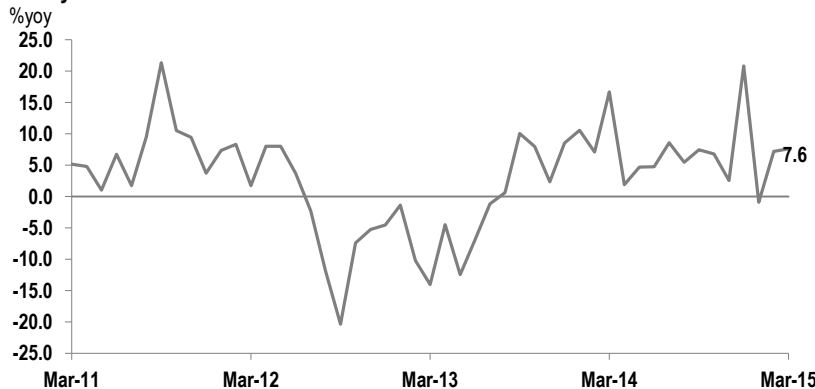
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- Remittances (March): US\$ 2,257.9 million; Banorte-Ixe: US\$ 2,185 mn; consensus: US\$ 2,200 mn (range of estimates: US\$ 2,002 mn to US\$ 2,357 mn); previous: US\$ 1,839.2 mn
- We believe that the 7.6% growth in March’s remittances flows was explained by the significant depreciation of the Mexican currency
- Remittances inflows have grown 4.9% yoy in the first quarter of the year
- In our view, the better growth prospects for the U.S. economy will continue to support remittances inflows

Family remittances increased 7.6% yoy in March. According to Banxico, the flow of remittances sent during the third month of the year amounted to US\$ 2,257.9 million, which implies a 7.6% yoy expansion. Moreover, the number of operations stood at 7.3 mn (+4.4% yoy) with an average amount of US\$ 311.3 (+3% yoy). Year-to-date, family remittances accumulated a balance of US\$ 5,727.3 mn, which implies a 4.9% yoy expansion.

We highlight that today’s figure was the biggest remittances inflow registered in any March since Banxico first began publishing its Balance of Payments report. In this regard, we believe that March’s expansion was explained in part by the 2.1% m/m depreciation of the Mexican currency, given that the flow of remittances in the short-run is 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.

Family remittances



Source: Banco de México

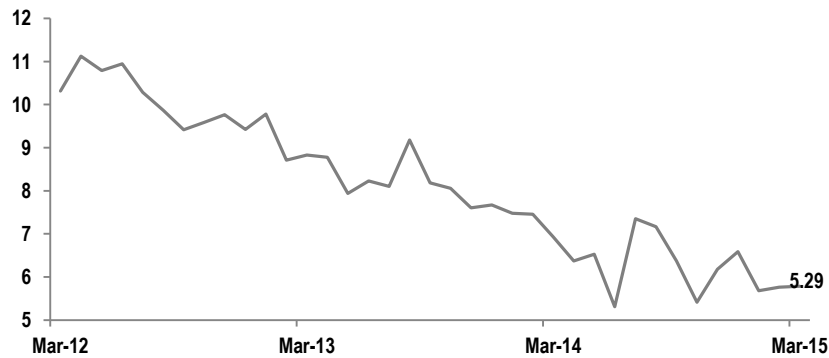
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We believe that the flow of remittances will continue to show better growth dynamics on the back of the recent performance in the U.S. labor market.

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 March (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 1H15.

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

%, sa



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

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