

# Family remittances grow 10.3% yoy in July

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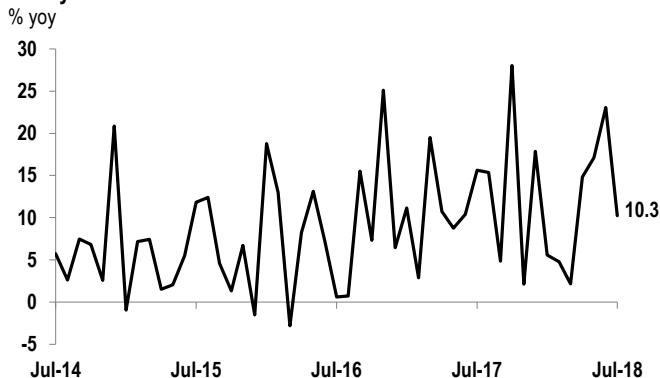
- **Remittances (July): US\$2,866.5mn; Banorte: US\$2,835.3mn; consensus: US\$2,888mn; previous: US\$3,140.7mn**
- **Family remittances increased 10.3% yoy in July**
- **July’s flow of remittances was partly explained by the positive trend in employment of Mexican migrant workers in the US**
- **However, this was partially offset by the 6.3% appreciation of the MXN during the month**
- **Looking ahead, we continue to believe that the flow of remittances will be influenced by the upward trend in the US labor market, coupled with Trump’s anti-immigration policy**

**Remittances grow 10.3% in July.** According to Banxico, the flow of remittances sent during the seventh month of 2018 amounted to US\$2,866.5 million, above our US\$2,835.3 million forecast but below the US\$2,888mn consensus. This implies a 10.3% yoy expansion. In addition, the number of operations stood at 8.8 million (+5.8% yoy), with an average amount of US\$324.4 (+4.2% yoy). Year-to-date, family remittances amounted to US\$19,111 million, which implies an 11.4% yoy expansion.

**Positive trend in employment of Mexican migrant workers in the US.** During the month, the number of Mexican working in the US increased by 316,047 persons, now totaling 16.6 million. This increase, along with positive data in the first half of the year, point to more favorable conditions for these workers, which in turn, enables them to send more remittances to their families in Mexico. However, during July, the Mexican peso appreciated 6.3%, which might have discouraged remittances in July. It should be noted that FX appreciation encourages Mexican migrants to send a lower amount of remittances, considering that they have a lower purchasing power.

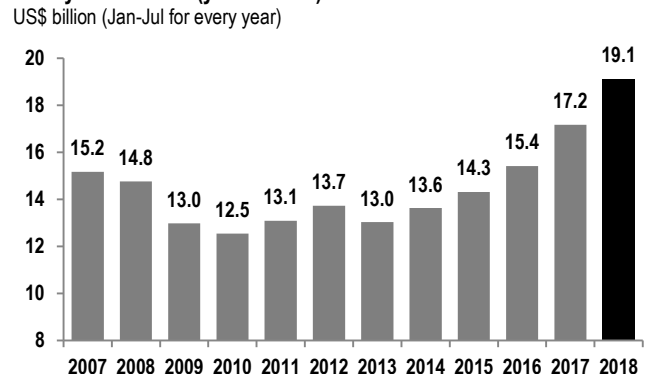
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**Family remittances**



Source: Banxico

**Family remittances (year-to-date)**



Source: Banxico

**We believe that the growth of remittances in 2018 will continue to be explained by the strength of the labor market and the US immigration policy.** In the first case, the upward trend in the US labor market has not only translated into greater labor opportunities for Mexican migrants without citizenship, but also an increase in the real wages of these workers. We believe that the spike in real wages will continue to favor remittances inflows to our country.

In the second case, it could be argued that family remittances are an alternative form of savings for migrants, which implies that the increase observed in the flow of remittances since 2016 can be also explained by Trump's anti-migration policy. It is likely that Mexican migrant workers continue to discount a higher probability of being deported, which would significantly reduce their expectation of permanent income, and consequently increase the desire to save. Looking ahead, we consider that these factors will be the main drivers in explaining the flow of remittances in the first half of 2018.

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