

Family remittances – July’s 0.1% yoy reduction in line with our forecast

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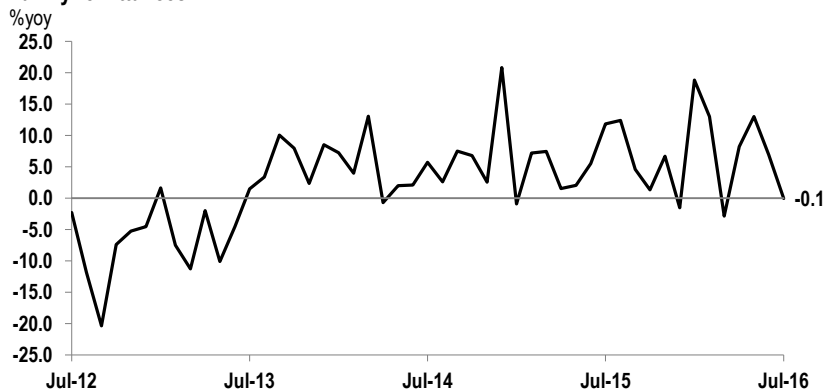
- **Remittances (July): US\$ 2,233.7 million; Banorte-Ixe: US\$ 2,241 mn; consensus: US\$ 2,302 mn (range of estimates: US\$ 2,233 mn to US\$ 2,439 mn); previous: US\$ 2,305.5 mn**
- **We believe that the 0.1% contraction in July’s remittances was explained by the artificial growth of these inflows within the second quarter of the year**
- **The employment of Mexican migrants without citizenship has increased significantly in the last two months**
- **We continue to expect a 7% growth of family remittances throughout the year**

Family remittances fell 0.1% yoy in July. According to Banxico, the flow of remittances sent during the seventh month of the year amounted to US\$ 2,233.7 million, which implies a 0.1% yoy expansion, in line with our forecast (Banorte-Ixe: US\$ 2,241 million; consensus: US\$ 2,302 million). Moreover, the number of operations stood at 7.6 mn (+3.6% yoy) with an average amount of US\$ 293.1 (-3.5% yoy). Year-to-date, family remittances have increased 7.5% yoy.

We highlight that this is the second decline in remittance flows observed during the year. In particular, it is likely that the strong and *artificial* expansion in the flow of remittances during the second quarter of the year –which was favored by the significant depreciation of the Mexican currency– affected the amount sent in July, since there wasn’t any significant changes in the real income of the Mexican migrant workers.

As we have mentioned in our previous flashes, the flow of remittances in the short-run are very sensitive to high fluctuations in Mexican peso, since a strong appreciation may encourage Mexican migrant workers to postpone their remittances. However, a sharp depreciation of the Mexican currency causes a greater increase in remittances as the purchasing power of the amount remitted is greater in Mexico than in the US.

Family remittances



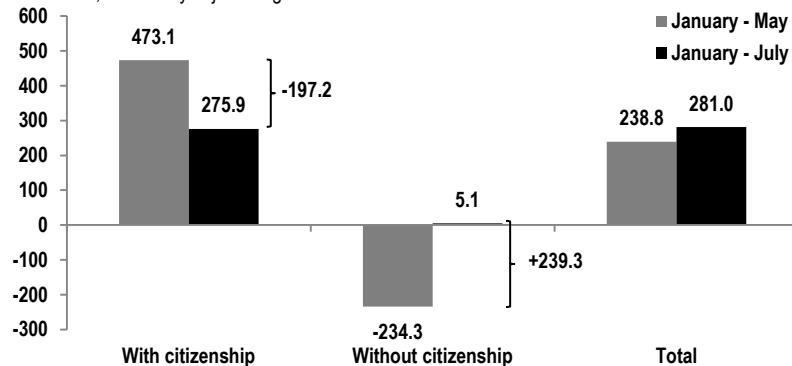
Source: Banco de México

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We expect a higher growth of family remittances during the second half of the year. Employment for Mexican migrants in the US has shown a very volatile behavior over the past two months. In particular, the number of Mexican migrant workers with citizenship fell by 197.2 thousand workers. However, during this period the number of employed Mexican workers without citizenship has increased significantly (+239.3 thousand workers; refer to chart below).

Employment of Mexican Migrant Workers With and Without Citizenship

Thousands, seasonally adjusted figures



Source: US Census Bureau Data Ferret; seasonally adjusted by Banorte-Ixe

We believe that the change in the labor dynamics for Mexican migrant workers can be attributed to the electoral process in the US, as employers are probably discounting a lower probability that Donald Trump could win the elections, which would radically reduce the cost of hiring migrant workers without citizenship, given the higher probability that they could remain in the country.

Taking into account the recent dynamics of the US labor market for Mexican migrants, we continue to believe that the remittances flows will continue to grow above 7% throughout the year. In particular, remittances inflows could increase dramatically as the US elections approaches, if the differential between the Republican and the Democratic Party narrows.

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