

Family remittances – August’s growth explained by the depreciation of the Mexican peso and the U.S. labor market

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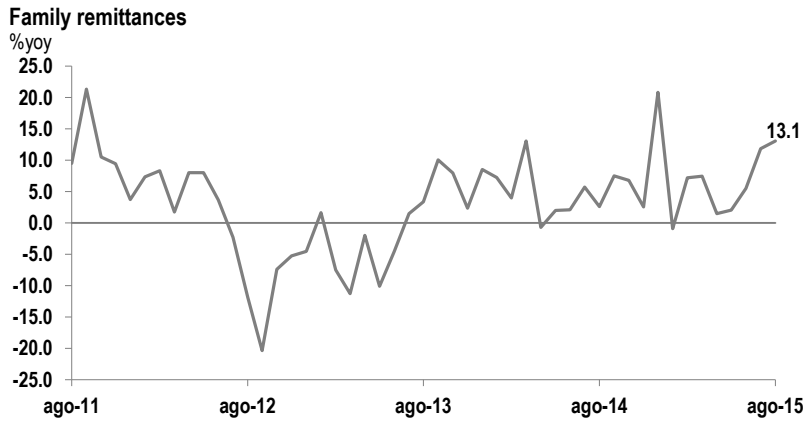
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- **Remittances (August): US\$ 2,266.4 million; Banorte-Ixe: US\$ 2,242.4 mn; consensus: US\$ 2,179.6 mn (range of estimates: US\$ 2,101 mn to US\$ 2,258 mn); previous: US\$ 2,231.8 mn**
- **We believe that the 13.1% growth in August’s remittances flows was explained by the significant depreciation of the Mexican currency**
- **Year-to-date, remittances inflows have grown 6.1% yoy**
- **In our view, the better growth prospects for the U.S. economy will continue to support remittances inflows**

Family remittances increased 13.1% yoy in August. According to Banxico, the flow of remittances sent during the eighth month of the year amounted to US\$ 2,266.4 million, which implies a 13.1% yoy expansion. Moreover, the number of operations stood at 7.6 mn (+10.7% yoy) with an average amount of US\$ 299.13 (+2.1% yoy). Year-to-date, family remittances accumulated a balance of US\$ 16,577.8 mn, which implies a 6.1% yoy expansion.

We highlight that today’s figure was the biggest remittances inflow registered for any August since 2007. In this regard, we believe that today’s expansion was explained in part by the significant 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.

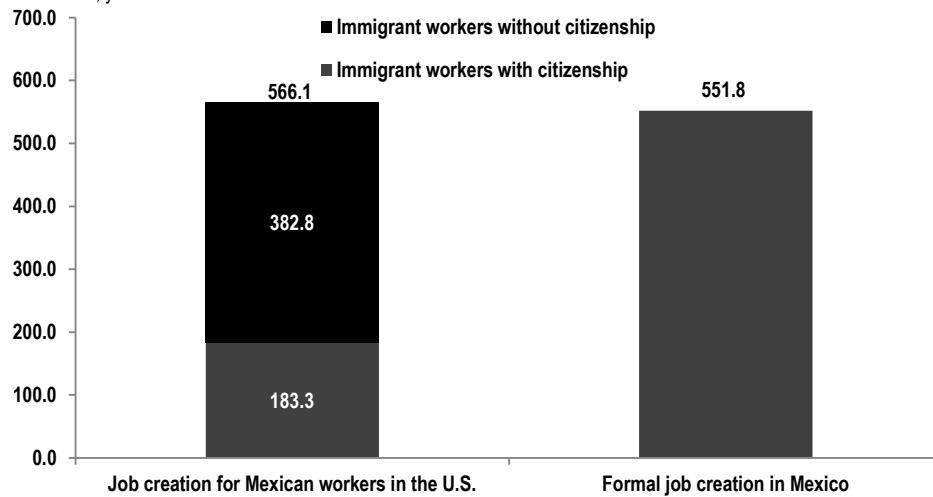


Source: Banco de México

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. Year-to-date, payroll gains for Mexican migrant workers in the US (including immigrant workers with and without citizenship) amount to 566,083 , while payrolls in Mexico’s formal labor market amount only to 551,758 (refer to chart below). However, the significant growth in the employment for Mexican migrant workers is mainly explained by the recovery of the U.S. labor market in the last two years (refer to the chart on the following page).

Job creation for Mexican migrant workers in the US vs. formal job creation in Mexico

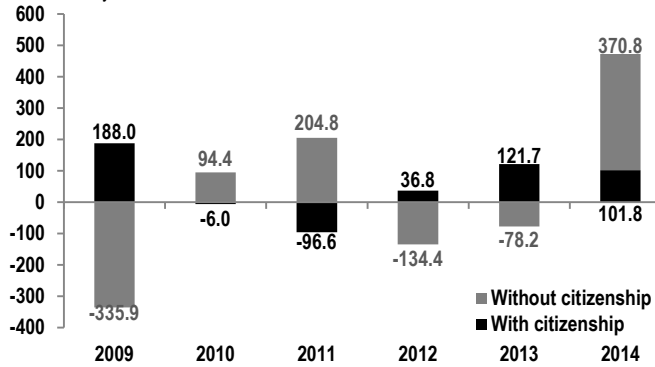
Thousands, year-to-date



Source: Banorte-Ixe; U.S. Census Bureau, and Mexico’s Ministry of Labor

Job creation for Mexican migrant workers in the US

Thousands, year-to-date



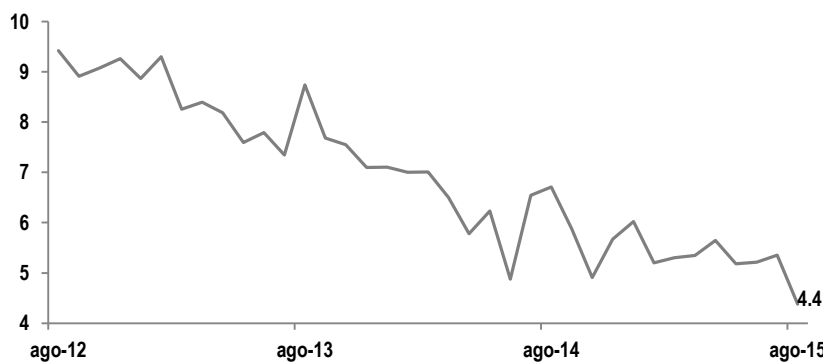
Year	With citizenship	Without citizenship	Total
2009	188.0	-335.9	-147.9
2010	94.4	-6.0	88.4
2011	204.8	-96.6	108.2
2012	36.8	-134.4	-97.7
2013	121.7	-78.2	43.5
2014	101.8	370.8	472.6

Source: Banorte-Ixe and BLS

Moreover, 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 posted a significant fall in August (refer to the chart below). In addition, the number of Mexican employed workers have increased during this same period, which implies that the reduction in the unemployment rate during the last 12 months 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 2H15.

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

%, sa



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

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