

Family remittances – Growth decelerates for second consecutive month

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- **Remittances (May): US\$3,203.1mn; Banorte: US\$3,297.1mn; consensus: US\$3,297.1mn; (range: US\$3,242 to 3,330mn) previous: US\$2,861.1mn**
- **This print represents a new historical high in a monthly basis, although boosted upward by a seasonal effect**
- **In its annual comparison, remittances advanced 1.5%, lowest since August 2016 and affected at in part by a challenging base-effect**
- **The flow of remittances was dragged by the 0.4% yoy decline in the average amount sent, its first contraction in over a year. On the contrary, the number of operations advanced 1.9%**
- **Year-to-date, remittances amount to US\$13,724.3 million, 4.7% higher than the same period of 2018**
- **We maintain our view that dynamism in remittances will likely be limited by the moderation in US economic activity**

Remittances grew 1.5% in May. The amount sent reached US\$3,203.1 million, lower than the consensus which also coincided with our forecast at US\$3,297.1 million. With today's print, remittances reached a new all-time high for a particular month, surpassing the previous record by US\$47.2 million. It should be remembered that the absolute amount of remittances in this month surges as it is benefitted by Mother's Day. Remittances grew 1.5% yoy, its slowest pace since August 2016. Nevertheless, the yearly growth rate was impacted by a challenging base-effect, with remittances in May 2018 growing 17.1% and surpassing the US\$ 3bn mark for the first time in history, an which happened to be the previous historical high.

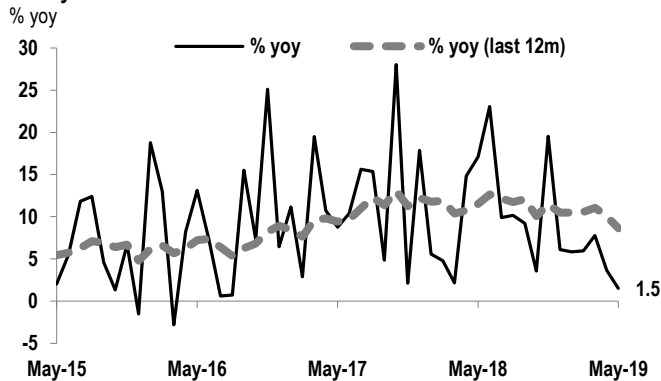
As a result, the year-to-date amount stands at US\$13,724.3 million, +4.7% yoy and decelerating relative to the 5.8% accumulated at the end of April. In our view, a relatively more muted performance this quarter relative to 1Q19 (+6.6%) is virtually certain given the abovementioned unfavorable base effect and signs of a slowdown in US economic activity. In our view, the latter will likely impact employment growth of Mexican migrants. Nevertheless, accumulated results so far this year have been positive, a situation we believe will keep supporting consumption fundamentals in our country, which have recently shown some signs of moderating. In this respect and on a 12-month rolling basis, remittances stood at US\$34,091 million, only an inch higher than the US\$ 34,043.8 million at the end of the previous month.

Growth dragged by a reduction in the average amount sent. In particular, this figure stood at US\$321.71, slipping 0.4% yoy which is its first contraction in a little more than a year. On the contrary, the number of operations grew 1.9% yoy to almost 10 million, also more modest when compared to the 3.1% observed in April. This dynamic could be at least partially explained by higher uncertainty among migrants about the likelihood of being deported, inducing a higher number of operations.

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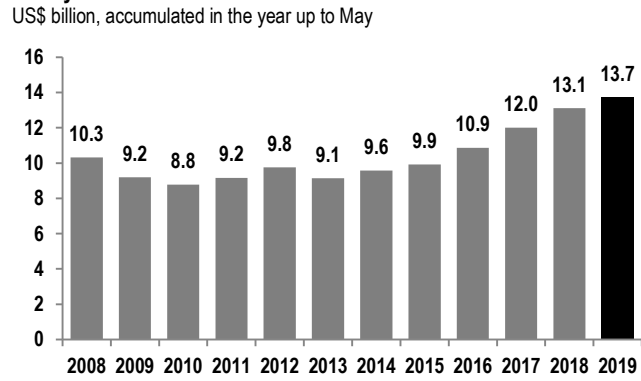
Nevertheless, the slowdown in employment of Mexican migrants could be impacting the average amount sent. We believe anti-immigrant rhetoric in the US –which worsened recently on the threat of the US of imposing tariffs to all Mexican exports due to the increase in the flow of people–, is gradually changing the drivers of remittances

Family remittances



Source: Banxico

Family remittances



Source: Banxico

We maintain our view that dynamism in remittances will likely be limited by US economic activity. As expected, growth in 2Q19 is decelerating meaningfully, tracking now 2.5% yoy vs the 6.6% observed in the first quarter. The latter is a result of a series of factors, including a negative base-effect as remittances surged 18.4% in the second quarter of 2018. Nevertheless and on a longer-term basis in order to isolate the signal from the noise, growth in a 12-month rolling sum basis has decelerated to 8.6% yoy, in a single-digit range for the first time in almost two years.

In this respect, we believe that the slowdown in US economic activity may be having an impact in terms of the possibility of sending more resources. Nevertheless, currently employed migrants may try to send more on higher concerns of being deported, which would be positive for the flow of remittances. The net effect is uncertain to gauge, but in the end we expect it to be a slightly negative, containing the pace of growth. All in all, we reiterate our view that remittances will likely slow down when compared to the previous year. Despite of the latter, we do not foresee an outright contraction as long as the US does not fall into recession, which is not our base-case scenario despite a higher probability due to the escalation in global trade tensions and geopolitical concerns.

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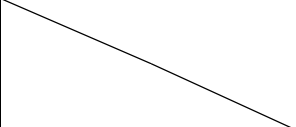
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