

Family remittances – Dynamism moderated in October

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Juan Carlos Alderete, CFA
Senior Economist, Mexico
juan.alderete.macal@banorte.com

Francisco Flores
Economist, Mexico
Francisco.flores.serrano@banorte.com

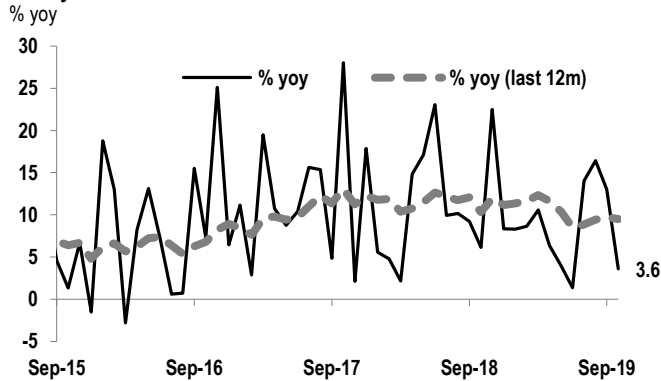
- **Remittances (October): US\$3,125.5mn; Banorte: US\$3,229.6mn; consensus: US\$3,229.6mn; (range: US\$3,173 to 3,320mn) previous: US\$3,071.9mn**
- **Remittances advanced 3.6% yoy, below the 13.3% of the previous month and at a single-digit pace for the first time since last June**
- **The latter was mainly the 0.5% yoy decline in the average amount sent, coupled with the slowdown to 4.1% in the number of operations**
- **Year-to-date, remittances have reached US\$30,067.1 million, 8.5% higher than in the same period of 2018**
- **Despite the relative slowdown in dynamism during the previous two months, remittances remain quite healthy and a positive factor for private consumption going forward**

Remittances increased 3.6% in October. The amount reached US\$3,125.5 million, lower than consensus, which also matched our forecast, at US\$ 3,229.6 million. This is the first print since last June that did not grow at a double-digit pace in the annual comparison. Nevertheless, dynamics so far this year remain quite favorable, with an accumulated balance of US\$30,067.1 million, +8.5% yoy. In terms of immigration policy in the US, we did not identify a specific event during the period that could have driven remittances higher, as it is our take that this factor has explained to some extent the strong performance in inflows. In particular, we believe greater fear among migrants about the probability of detention or deportation has had a positive impact in underlying dynamics, a situation that is likely to prevail ahead of the US presidential election in 2020.

Number of operations keeps increasing, but average amount falls. In particular, the former reached 9.7 million transactions, 4.1% higher when compared to the same period of 2018, but lower than the +9.2% seen in the previous month. On the other hand, the average amount sent stood at US\$321.94, contracting 0.5% yoy and in negative territory for the first time since June. In our view, this may be signaling some effect from the lower employment by Mexican migrants in the US, particularly those working illegally, group which has weakest employment dynamics in recent months, relative to native workers with Mexican heritage and those who are classified as US citizens.

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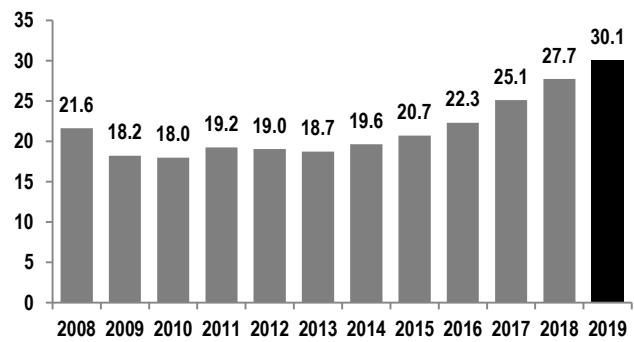
Family remittances



Source: Banxico

Family remittances

US\$ billion, accumulated in the year up to October



Source: Banxico

Remittances remain strong. Despite results below expectations during the last two months, the overall dynamic of remittances remains quite healthy, surpassing the US\$30bn mark one month earlier than in 2018. We maintain our view that growth in full-year 2019 will be below the 11.2% observed in the previous year. Nevertheless, it is still our take that a less tolerant rhetoric by the US administration towards migration will continue and is likely to increase as next year’s presidential election in that country approaches. In particular, we do not rule out that President Trump’s comments may become more aggressive to reinforce support from his political base.

Therefore, we believe remittances will likely continue growing at a healthy pace, which is positive in a context of muted levels of aggregate demand, particularly for the outlook in consumption. The latter has shown a more dynamic performance in recent indicators, highlighting October’s trade balance and September’s retail sales, suggesting stronger dynamics into 4Q19. Moreover, the government’s budget for next year, which prioritizes spending in social programs, could also provide additional support going forward as these consolidate. For additional details, see: “*FY2020 Budget – Focused on social spending, with fiscal responsibility*”, [pdf](#), November 22, 2019. Despite of the latter, we see two main risks to the outlook for consumption, First, cautious consumers in a context of high uncertainty about the future, situation that we believe has reduced willingness to spend, particularly in durable-goods (although this category is starting to show some tentative rebound). Second, low levels of economic activity which seem to be showing more clearly in employment, with the unemployment rate at 3.60% in October, which is a maximum not seen in almost three years.

Overall, remittances should remain one of the most positive drivers for consumption, which is likely to improve in 2020, although limited by other drivers mostly related to general levels of economic activity.

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GRUPO FINANCIERO BANORTE S.A.B. de C.V.
Research and Strategy

Gabriel Casillas Olvera	Chief Economist and Head of Research	gabriel.casillas@banorte.com	(55) 4433 - 4695
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967

Economic Analysis

Delia María Paredes Mier	Executive Director of Economic Analysis	delia.paredes@banorte.com	(55) 5268 - 1694
Katia Celina Goya Ostos	Senior, Global Economist	katia.goya@banorte.com	(55) 1670 - 1821
Juan Carlos Alderete Macal, CFA	Senior Economist, Mexico	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Miguel Alejandro Calvo Domínguez	Economist, Regional	miguel.calvo@banorte.com	(55) 1670 - 2220
Francisco José Flores Serrano	Economist, Mexico	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Luis Leopoldo López Salinas	Analyst, Global Economist	luis.lopez.salinas@banorte.com	(55) 1103 - 4000 x 2707
Lourdes Calvo Fernández	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611

Fixed income and FX Strategy

Alejandro Padilla Santana	Head Strategist – Fixed income and FX	alejandro.padilla@banorte.com	(55) 1103 - 4043
Santiago Leal Singer	FX Senior Strategist	santiago.leal@banorte.com	(55) 1670 - 2144
Leslie Thalía Orozco Vélez	Fixed Income and FX Strategist	leslie.rozco.velez@banorte.com	(55) 5268 - 1698

Equity Strategy

Manuel Jiménez Zaldivar	Director Equity Research — Telecommunications / Media	manuel.jimenez@banorte.com	(55) 5268 - 1671
Víctor Hugo Cortes Castro	Technical Analysis	victorh.cortes@banorte.com	(55) 1670 - 1800
Marissa Garza Ostos	Equity Research – Conglomerates / Financials/ Mining / Petrochemicals	marissa.garza@banorte.com	(55) 1670 - 1719
José Itzamna Espitia Hernández	Equity Research – Airlines / Airports / Cement / Infrastructure / REITs	jose.espitia@banorte.com	(55) 1670 - 2249
Valentín III Mendoza Balderas	Equity Research – Auto Parts/ Consumer Discretionary / Real Estate / Retail	valentin.mendoza@banorte.com	(55) 1670 - 2250
Jorge Antonio Izquierdo Lobato	Analyst	jorge.izquierdo.lobato@banorte.com	(55) 1670 - 1746
Eridani Ruibal Ortega	Analyst	eridani.ruibal.ortega@banorte.com	(55) 1103 – 4000 x 2755
Itzel Martínez Rojas	Analyst	itzel.martinez.rojas@banorte.com	(55) 1670 - 2251

Corporate Debt

Tania Abdul Massih Jacobo	Director Corporate Debt	tania.abdul@banorte.com	(55) 5268 - 1672
Hugo Armando Gómez Solís	Senior, Corporate Debt	hugoa.gomez@banorte.com	(55) 1670 - 2247
Gerardo Daniel Valle Trujillo	Manager, Corporate Debt	gerardo.valle.trujillo@banorte.com	(55) 1670 - 2248

Wholesale Banking

Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(81) 8319 - 6895
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebillos@banorte.com	(55) 5268 - 9996
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 1002
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8318 - 5071
Jorge de la Vega Grajales	Head of Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Head of Private Banking	luis.pietrini@banorte.com	(55) 5004 - 1453
René Gerardo Pimentel Ibarrola	Head of Corporate Banking	pimentelr@banorte.com	(55) 5268 - 9004
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Víctor Antonio Roldan Ferrer	Head of Commercial Banking	victor.rolan.ferrer@banorte.com	(55) 5004 - 1454