

Family remittances – Contraction in remittances inflows explained by the artificial growth in January and February

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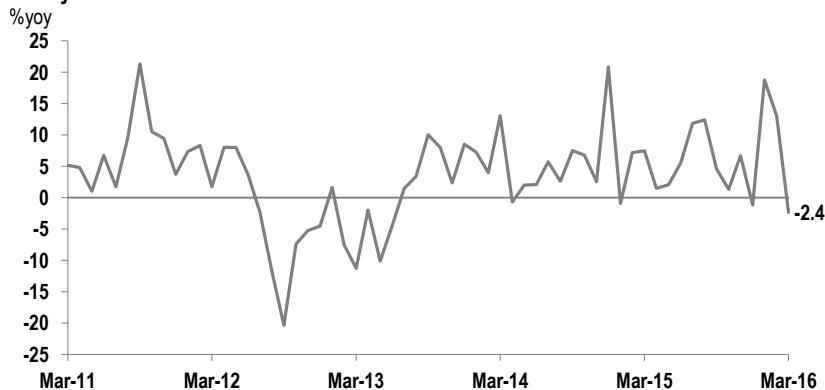
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- Remittances (March): US\$ 2,200.8 million; Banorte-Ixe: US\$ 2,400 mn; consensus: US\$ 2,375 mn (range of estimates: US\$ 2,170 mn to US\$ 2,400 mn); previous: US\$ 2,093.2 mn
- We believe that the 2.4% contraction in March’s remittances was explained by the artificial growth of these inflows within the first two months of the year
- However, we continue to expect a higher growth of family remittances during the second quarter of the year

Family remittances fell 2.4% yoy in March. According to Banxico, the flow of remittances sent during the third month of the year amounted to US\$ 2,200.8 million, which implies a 2.4% yoy contraction. Moreover, the number of operations stood at 7.6 mn (+4.3% yoy) with an average amount of US\$ 291.01 (-6.4% yoy).

We highlight that this is the first 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 January and February –which was favored by the significant depreciation of the Mexican currency– affected the amount sent in March, since there wasn’t any significant changes in the real income of the Mexican migrant workers. As we mentioned in our previous remittances note, the flow of remittances in the short-run is 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 U.S.

Family remittances



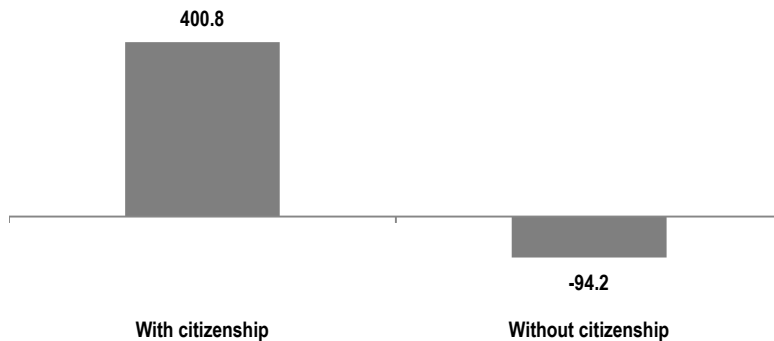
Source: Banco de México

We expect a higher growth of family remittances during the second quarter of the year. As we mentioned in our previous publication, the number of employed Mexican migrant workers with citizenship has increased dramatically during the first quarter of the year (+400,762 new jobs), while the number of employed Mexican migrants in US without citizenship fell by 94,233 workers (seasonally adjusted figures estimated by Banorte-Ixe using the *US Census Bureau's Data Ferret* nsa figures; refer to the following chart). This could be explained by two factors: (1) The Mexican migrant population in the U.S. without citizenship has accelerated the process to acquire its citizenship given the primary presidential elections outcomes for the Republican Party; and (2) U.S. employers have shown a preference for hiring legal migrant workers.

Given the recent dynamics of the US labor market for Mexican migrants, we believe that the remittances flows will continue to grow above 5% during the second quarter of the year. In particular, remittances inflows could increase dramatically as the Republican National Convention approaches on July 18.

New jobs for Mexican migrant workers in the US during 1Q16

Thousands, seasonally adjusted



Source: Banorte

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