

Family remittances – January’s growth explained by the depreciation of the Mexican peso

March 1, 2016

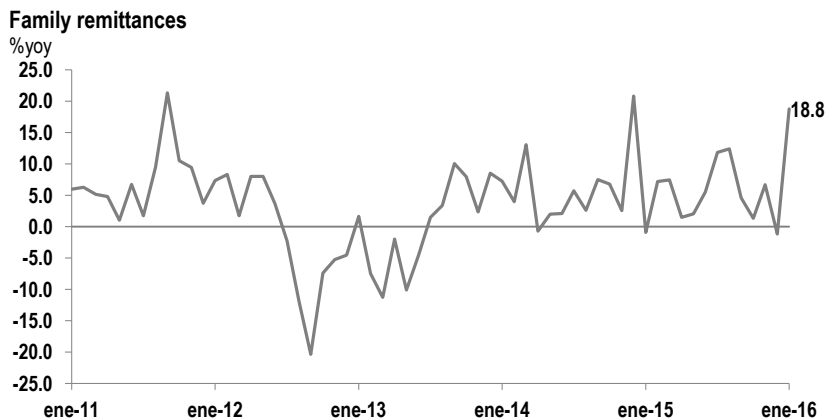
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- **Remittances (January): US\$ 1,932.2 million; Banorte-Ixe: US\$ 1,763.2 mn; consensus: US\$ 1,763.2 mn (range of estimates: US\$ 1,600 mn to US\$ 2,322 mn); previous: US\$ 2,188 mn**
- **We believe that the 18.8% growth in January’s remittances flows was explained by the 4.9% m/m depreciation of the Mexican currency**
- **However, the significant payroll gains and the downward trend in the unemployment rate for Mexican workers in the U.S. will continue to support remittances inflows**

Family remittances increased 18.8% yoy in January. According to Banxico, the flow of remittances sent during the first month of the year amounted to US\$ 1,932.2 million, which implies a 18.8% yoy expansion. Moreover, the number of operations stood at 6.5 mn (+11.2% yoy) with an average amount of US\$ 298.18 (+6.8% yoy).

We highlight that today’s figure was the highest remittances inflow registered for any January since Banxico first started to report this flows. 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.

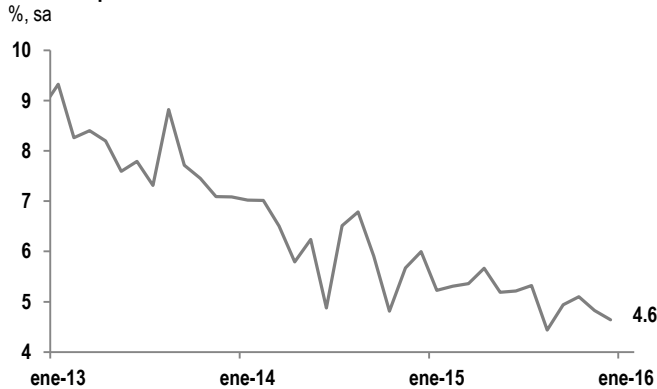


Source: Banco de México

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.

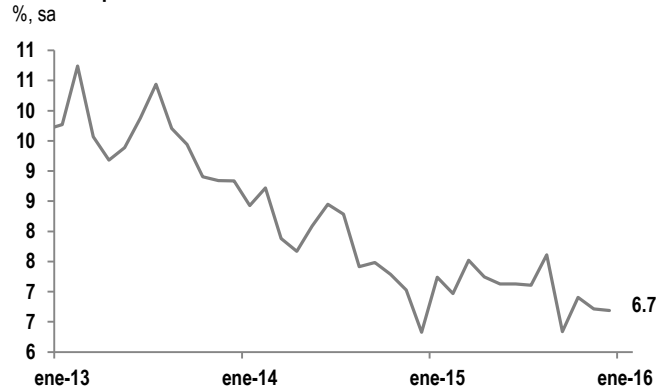
In January, payroll gains for Mexican workers in the US (including immigrant workers with and without citizenship) amount to 46,592 workers. Moreover, the last employment figures for Mexican workers in the U.S. published by the U.S. Census Bureau shows that the unemployment rate of Mexican workers with and without citizenship continues to show a downward trend (refer to the chart below), 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 with and without U.S. citizenship tend to send a larger amount of remittances than native mexicans.

Unemployment rate for Mexican legal migrant workers without citizenship



Source: Banorte-Ixe

Unemployment rate for Mexican legal migrant workers with citizenship



Source: Banorte-Ixe

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