

Family remittances maintain a healthy pace in September

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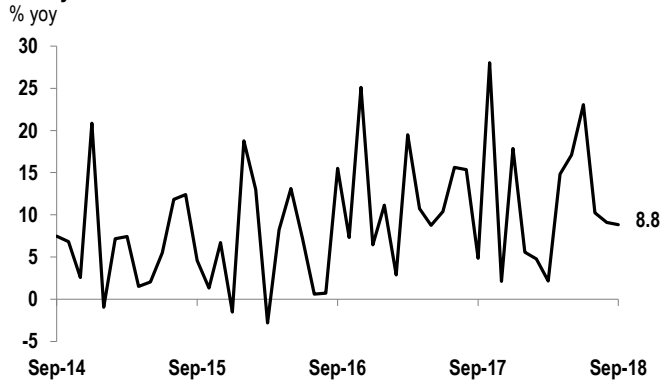
- **Remittances (September): US\$2,709.3mn; Banorte: US\$2,741.5mn; consensus: US\$2,784.9mn; (range: US\$2,741.5 to 2,870.0mn) previous: US\$2,856.2mn**
- **Family remittances increased 8.8% yoy, slightly below the 9.1% of the previous month and the year-to-date increase of 10.8%**
- **The reduction in the flow of remittances is explained by both lower number of operations and average amount sent, in spite of still strong dynamics in the US job market**
- **Moreover, remittances were likely limited by the relative strength and stability of the Mexican peso during the month**
- **In spite of this moderation, we believe remittances will maintain a strong pace of growth as fundamentals remain healthy and the Mexican peso has recently weakened**

Remittances grow 8.8% in September. According to Banxico, the flow of remittances sent during the ninth month of 2018 reached US\$2,784.9 million, marginally below our US\$2,741.5 million forecast. This implies a 8.8% yoy expansion, slightly below the 9.1% of the previous month and the year-to-date increase of 10.8%. In this respect, year-to-date family remittances amounted to US\$24,676.5 million, in pace to surpass once again the US\$ 30 billion mark by the end of 2018.

In spite of a more moderate flow, remittances remain quite healthy. In this respect, we note the reduction in the number of operations at 8.6 million vs. 8.8 million in the previous month, along with the decline of the average amount sent from US\$324 to 317 during the same period. In our view, this could have been explained by the relative strength and stability of the Mexican peso, averaging 19.02 per dollar. It is worth remembering that FX appreciation encourages migrants to send a lower amount of remittances, considering that they have a lower purchasing power when translated to local currency. On the other hand, the job market in the US remains strong, benefitting Mexican-born employees in that country (both with and without citizenship), which increased by 9.9 thousand and in positive territory for the second consecutive month.

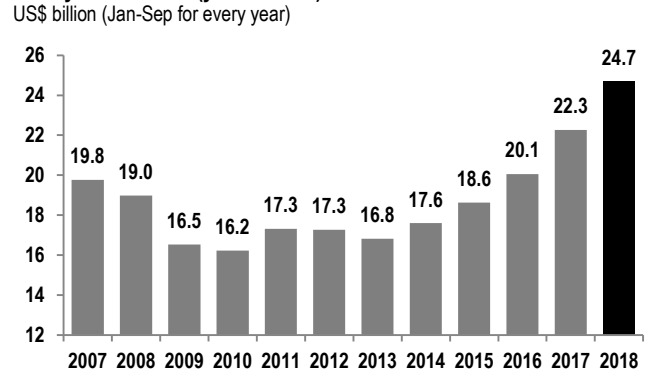
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Family remittances



Source: Banxico

Family remittances (year-to-date)



Source: Banxico

We believe remittances will maintain a strong pace of growth as fundamentals remain healthy and the Mexican peso has recently weakened.

Overall, support for remittances is likely to stay in place as fundamentals remain strong. First, the US labor market has kept adding new opportunities, with the unemployment rate at a low since 1969 and economic activity still supported by the fiscal stimulus deployed at the beginning of the year. With the US economy near or at full-employment levels, wages for Mexican migrants are likely to keep increasing. Nevertheless, it is worth monitoring the possibility of a reduction in the pace of job creation due to the late-cycle stage of the economy.

We still believe that the main risk going forward is a more aggressive immigration stance by the Trump administration, which so far has induced migrant workers to discount a higher probability of being deported and increased their desire to save. In this respect, we will keep following recent tensions in this front, particularly with the migrant caravan on their way to the US, which increases the risk of at least a temporary close of the border.

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