

## Family remittances – Inflows keep advancing at a strong pace

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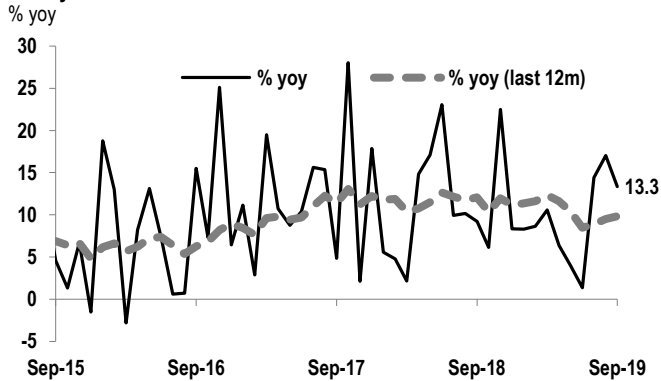
- **Remittances (September): US\$3,080.8mn; Banorte: US\$3,258.9mn; consensus: US\$3,120.9mn; (range: US\$2,950 to 3,650mn) previous: US\$3,374.6mn**
- **Remittances remain dynamic, advancing at a strong pace of 13.3% yoy, with a double-digit expansion for a third consecutive month**
- **The latter was mainly driven by the number of operations, increasing 9.5%, while the average amount rose 3.5%**
- **Year-to-date, remittances have reached US\$26,980.3 million, 9.2% higher than in the same period of 2018**
- **Overall, remittances have shown a better performance than we had anticipated, which is positive in a context of downward surprises in private consumption dynamics**

**Remittances increased 13.3% in September.** The amount sent reached US\$3,080.8 million, lower than consensus at US\$ 3,120.9 million and also to our forecast (US\$3,258.9 million). Inflows' dynamics remain strong, with the annual growth rate running at a double-digit pace for three consecutive months. In this regard, the year-to-date amount stands at US\$26,980.3 million, +9.2% yoy and higher when compared to the 8.7% at the end of August (see chart below on the right). In our view, the month's performance remains favorable considering that, according to our monitoring, there was no significant news on immigration measures and/or events in the US during the period. This is relevant as it is our take that these have induced greater fear among migrants about the probability of detention or deportation, impacting positively the flow of remittances.

Despite the downward surprise relative to expectations, we continue believing there is some evidence suggesting that the more aggressive US immigration policy is a structurally positive factor behind flow dynamics. In this respect, we highlight that remittances remain relatively strong despite the fact that employment of migrants without citizenship –which includes people with work permits as well as those working illegally– has fallen to multi-year lows. In contrast, employment among those with citizenship –born in the US and those that obtained it– has improved after decelerating at the start of the year. Some of this difference may be explained by a lower number of undocumented migrants. Nevertheless, we believe that the pace of growth observed so far is high enough to suggest that, additional to this, there has been a greater effort to send more resources by migrants already in the country.

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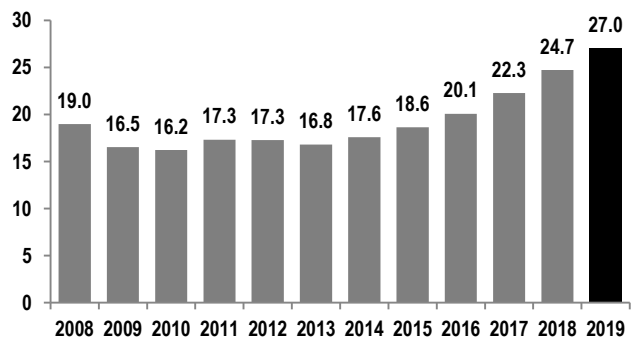
**Family remittances**



Source: Banxico

**Family remittances**

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



Source: Banxico

**Number of operations keeps increasing at a higher pace.** In particular, these reached 9.4 million transactions, advancing 9.5% yoy and with three consecutive months accelerating to a pace close to 10%. On the other hand, the average amount sent stood at US\$328.19 (3.5% yoy), breaking with six consecutive months of nominal increases. Nevertheless it should be mentioned that the average amount typically decreases relative to August, likely related to the US Labor Day holiday.

**Remittances keep sending positive signals about private consumption, despite the deceleration of this component of aggregate demand.** Inflows have been higher than our expectations at the beginning of the year, which, as already mentioned, we attribute in great part to efforts made by migrants to send higher resources. In our view, a less tolerant rhetoric by the US administration towards migration will continue and is likely to increase before next year’s presidential election in that country. In our view, this backdrop will keep supporting remittances. On the other hand, it is also important to take into account that expectations of a moderation in US economic activity could result in lower job creation among migrants, a headwind to their current dynamism.

Overall, we believe that recent strength in remittances will extend in coming months, which is important as these are among the most relevant factors to support private consumption. The latter has decelerated, a situation likely driven by high uncertainty that has probably induced an increase in households’ savings. Moreover, formal job creation has moderated despite some rebound in September, also limiting its underlying strength. We continue expecting a gradual improvement in consumption, with low inflation also positive and a better signal in the latest trade balance report, showing an advance in non-oil consumption goods imports. For details, see: “*Trade Balance – Manufacturing exports temporarily affected by weakness in autos*”, <[pdf](#)>, October 28, 2019.

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