

Family remittances – September’s growth in line with our forecast

November 3, 2015

www.banorte.com
www.ixe.com.mx
@ analisis_fundam

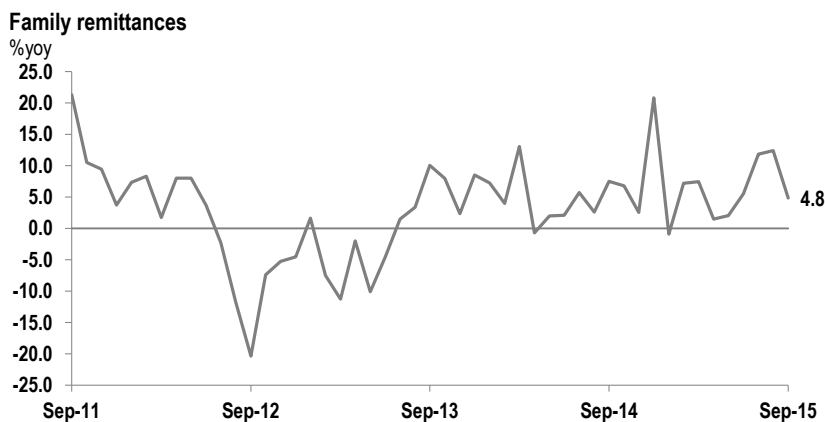
Alejandro Cervantes
Senior Economist, Mexico
alejandro.cervantes@banorte.com

- **Remittances (September): US\$ 2,060 million; Banorte-Ixe: US\$ 2,058.4 mn; consensus: US\$ 2,147.9 mn (range of estimates: US\$ 2,058.4 mn to US\$ 2,219 mn); previous: US\$ 2,266.4 mn**
- **The 4.8% yoy growth in September’s remittances flows came in line with our forecast, and was explained by the better growth dynamics in the U.S. labor market**
- **Year-to-date, remittances inflows have grown 5.9% yoy**
- **In our view, the better growth prospects for the U.S. economy will continue to support remittances inflows**

Family remittances increased 4.8% yoy in September. According to Banxico, the flow of remittances sent during the ninth month of the year amounted to US\$ 2,060 million, which implies a 4.8% yoy expansion. Moreover, the number of operations stood at 7.1 mn (+5.2% yoy) with an average amount of US\$ 289.8 (-0.4% yoy). Year-to-date, family remittances accumulated a balance of US\$ 18,624.5 mn, which implies a 5.9% yoy expansion.

We believe that today’s figure was explained mainly by the better growth dynamics of the U.S. labor market, and did not benefit from the significant depreciation of the Mexican currency. As we have mentioned throughout our publications, a sharp depreciation doesn’t changes the overall growth dynamics of these inflows. Given that the significant growth in remittances during July and August was mostly explained by the peso depreciation, the FX was not a preponderating factor in September’s figures.

Document for distribution among public

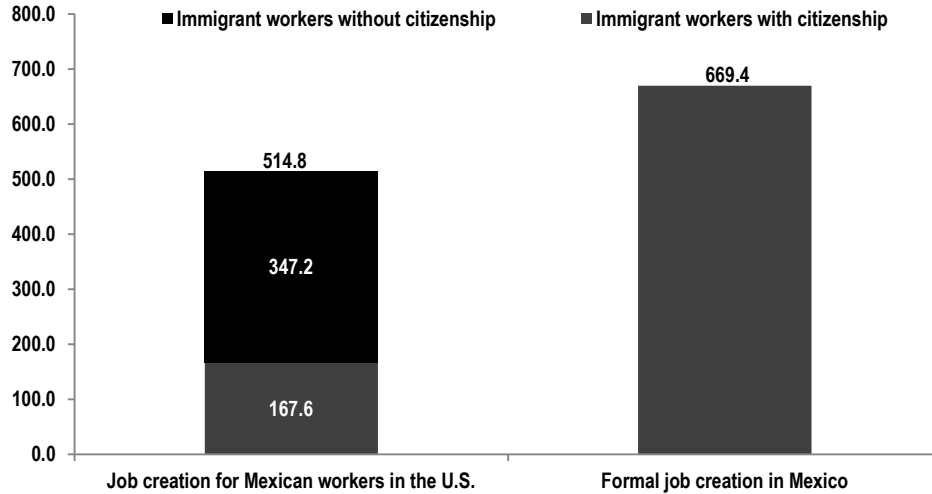


Source: Banco de México

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. Year-to-date, payroll gains for Mexican migrant workers in the US (including immigrant workers with and without citizenship) amount to 515 thousands; while payrolls in Mexico’s formal labor market have shown a similar growth (refer to chart below). However, the recent growth in the employment for Mexican migrant workers is mainly explained by the recovery of the U.S. labor market in the last two years (refer to the second chart below).

Job creation for Mexican migrant workers in the US vs. formal job creation in Mexico

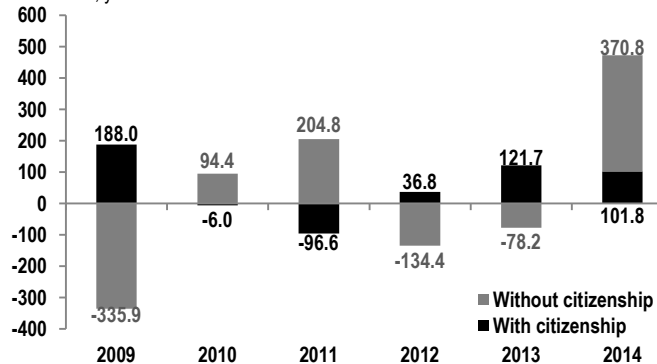
Thousands, year-to-date



Source: Banorte-Ixe; U.S. Census Bureau, and Mexico’s Ministry of Labor

Job creation for Mexican migrant workers in the US

Thousands, year-to-date

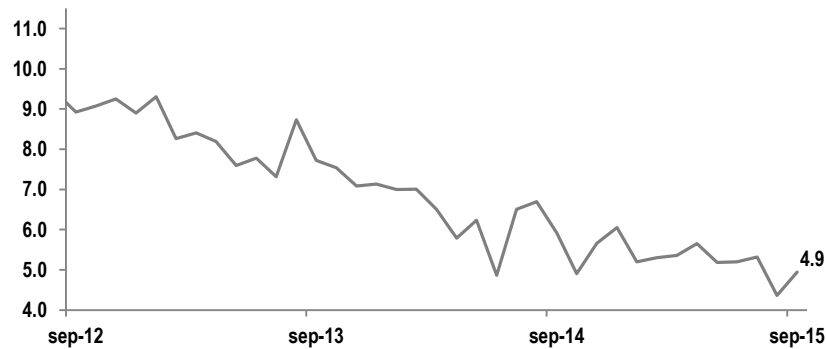


Year	With citizenship	Without citizenship	Total
2009	188.0	-335.9	-147.9
2010	-6.0	94.4	88.4
2011	-96.6	204.8	108.2
2012	36.8	-134.4	-97.7
2013	121.7	-78.2	43.5
2014	101.8	370.8	472.6

Source: Banorte-Ixe and BLS

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 without citizenship has maintained a downward trend (refer to the chart below). In addition, the number of Mexican employed workers have increased during this same period, 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 without U.S. citizenship tend to send a larger amount of remittances than migrants with citizenship. We believe that the growth in the number of Mexican migrant workers will be reflected in an increased flow of family remittances during 4Q15.

Unemployment rate for Mexican workers in the U.S. without citizenship
%, sa



Source: Banorte-Ixe; U.S. Census Bureau

Disclaimer

The information contained in this document is illustrative and informative so it should not be considered as an advice and/or recommendation of any kind. BANORTE is not part of any party or political trend.

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
Alejandro Cervantes Llamas	Senior Economist, Mexico	alejandro.cervantes@banorte.com	(55) 1670 - 2972
Katia Celina Goya Ostos	Senior Global Economist	katia.goya@banorte.com	(55) 1670 - 1821
Miguel Alejandro Calvo Domínguez	Economist, Regional & Sectorial	miguel.calvo@banorte.com	(55) 1670 - 2220
Juan Carlos García Viejo	Economist, International	juan.garcia.viejo@banorte.com	(55) 1670 - 2252
Rey Saúl Torres Olivares	Analyst	saul.torres@banorte.com	(55) 1670 - 2957
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
Juan Carlos Alderete Macal, CFA	FX Strategist	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Santiago Leal Singer	Analyst Fixed income and FX	santiago.leal@banorte.com	(55) 1670 - 2144

Equity Strategy

Manuel Jiménez Zaldivar	Director Equity Research — Telecommunications / Media	manuel.jimenez@banorte.com	(55) 5268 - 1671
Victor Hugo Cortes Castro	Equity Research Analyst	victorh.cortes@banorte.com	(55) 1670 - 1800
Marissa Garza Ostos	Senior Equity Research Analyst – Conglomerates/Financials/ Mining/ Chemistry	marissa.garza@banorte.com	(55) 1670 - 1719
Marisol Huerta Mondragón	Equity Research Analyst – Food/Beverages	marisol.huerta.mondragon@banorte.com	(55) 1670 - 1746
José Itzamna Espitia Hernández	Equity Research Analyst – Airports / Cement / Infrastructure / Fibras	jose.espitia@banorte.com	(55) 1670 - 2249
Valentín III Mendoza Balderas	Equity Research Analyst – Auto parts	valentin.mendoza@banorte.com	(55) 1670 - 2250
María de la Paz Orozco García	Analyst	maripaz.orozco@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	Analyst, Corporate Debt	hugo.gomez@banorte.com	(55) 1670 - 2247
Idalia Yanira Céspedes Jaén	Analyst, Corporate Debt	idalia.cespedes@banorte.com	(55) 1670 - 2248

Wholesale Banking

Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(55) 1670 - 1889
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 Asset Management	pimentelr@banorte.com	(55) 5268 - 9004
Ricardo Velázquez Rodríguez	Head of International Banking	ricardo.velazquez@banorte.com	(55) 5268 - 9879
Victor Antonio Roldan Ferrer	Head of Corporate Banking	victor.rolan.ferrer@banorte.com	(55) 5004 - 1454