

## New historical high in family remittances during 2018, growing 10.5% yoy

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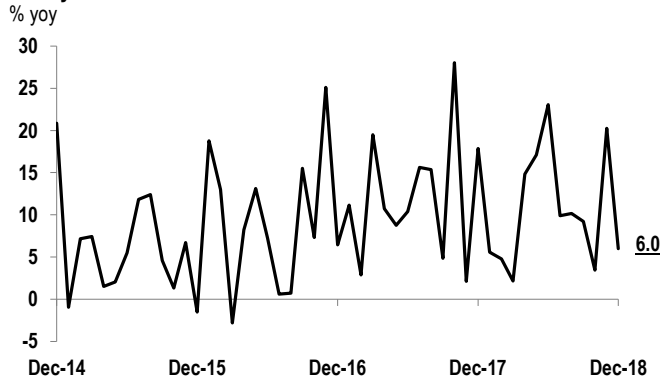
- **Remittances (December): US\$2,925.6mn; Banorte: US\$3,005.9mn; consensus: US\$2,959.3mn; (range: US\$2,860.0 to 3,028.3mn) previous: US\$2,910.7mn**
- **With this figure, family remittances totaled US\$33,480.6 million in full-year 2018, a new historical high and 10.5% above 2017**
- **This increase was lower than the 12.2% advance registered in 2017. Nevertheless, this was the second consecutive year in which remittances grew at double-digit rates**
- **During the month, the flow of remittances was mostly driven by the increase in number of operations (4.2% yoy from 8.6% in November) than from a higher average amount sent (1.7% vs. 10.7%)**
- **We expect remittances to continue growing in 2019, although they could moderate their dynamism due to the possibility of a deceleration in US economic activity**

**Remittances reach a new historical high in 2018.** According to Banxico, the flow of remittances sent in December reached US\$2,925.6 million, below our US\$3,005.9 million forecast. With this figure, remittances in full-year 2018 totaled US\$33,480.6 million, a 10.5% increase when compared to 2017. In this respect, it is worth noting that this was the second consecutive year in which remittances grew at double-digit rates. In the monthly dynamics, remittances grew 6.0% yoy, moderating relative to the 20.2% of November, which was benefitted by a base-effect, but also below the 7.6% average rate during 3Q18. In our view, growth remains positive in spite of a slower pace that could have been influenced by a moderation in US economic activity. On the other hand, the labor market remains pretty strong, suggesting that remittances could keep good dynamics despite of this situation.

**Slowdown in the average amount sent.** During the month, both the number of operations and the average amount sent observed positive annual growth. Regarding the former, the number of operations stood at 9.2 million, 4.2% yoy and above the 8.5 million in the previous month. Nevertheless, the average amount sent moderated as it stood at US\$317.3 from 343.1 in November. In our view, this could have been driven by the relative strength of the Mexican peso during the month, with an average level of 20.11 per dollar from 20.26 in the previous month, actually closing the year at 19.65. It is worth remembering that FX appreciation discourages migrants to send more remittances, considering that they have a lower purchasing power when translated to local currency.

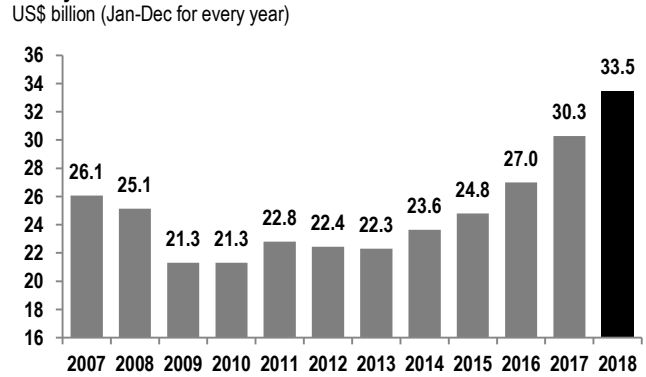
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### Family remittances



Source: Banxico

### Family remittances



Source: Banxico

**In our view, remittances could remain positive but moderate their advance in 2019.** Broadly speaking, we believe that the flow of remittances remains supported as economic fundamentals in the US have stayed strong. The labor market keeps adding opportunities, as suggested by the non-farm payrolls report released earlier today, while the unemployment rate remains low. Nevertheless, we note that the annual pace of growth has moderated, so we will be focused on this dynamic on the back of some tentative signs of a deceleration in US economic activity. On the other hand, we still believe that the anti-immigration rhetoric of the US administration will incentivize flows, with the risk that specific measures to limit these transfers are established. We believe that remittances could moderate their dynamism in 2019, likely growing again at single-digit rates. Nevertheless, we anticipate remittances to remain positive, still key as a source of foreign currency for Mexico and as a support for domestic consumption.

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