

Family remittances – US\$3,096.7 in May, a new historic high

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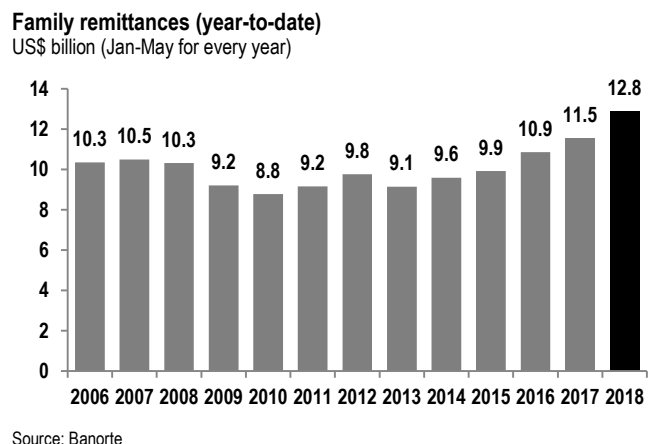
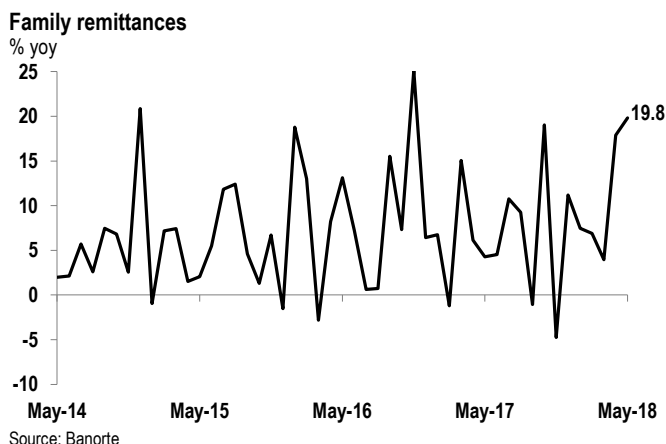
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- **Remittances (May): US\$3,096.7mn; Banorte: US\$2,868mn; consensus: US\$2,851mn; previous: US\$2,716.9mn**
- **Family remittances increased 19.8% yoy in May**
- **With this growth, family remittances reached a new historic high in a monthly basis**
- **May’s flow of remittances was partly explained by the depreciation of the Mexican currency in May**
- **Looking ahead, we continue to believe that the flow of remittances will be influenced by the upward trend in the US labor market, coupled with Trump’s anti-immigration policy**

New historic high. According to Banxico, the flow of remittances sent during the fifth month of 2018 amounted to US\$3,096.7 million, above both our US\$2,868 million forecast and the US\$2,851mn consensus, which implies a 19.8% yoy expansion. We highlight that family remittances reached a new historic high, which has been measured since January 1995. In addition, the number of operations stood at 9.6 million (+10.9% yoy), with an average amount of US\$322.7 (+8.1% yoy). Year-to-date, family remittances amounted to US\$12,849.1 million, which implies an 11.4% yoy expansion.

The Mexican peso depreciated 6.4% in May. We consider that the flow of remittances was explained in part by the 6.4% depreciation by the Mexican peso in May. It should be noted that exchange rate depreciation encourages Mexican migrants to send a greater amount of remittances considering that they have a greater purchasing power in Mexico than in the US. In addition, it is worth noting that the flow of remittances in May tends to be higher as a result of *Mother’s Day*.

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We believe that the growth of remittances in 2018 will continue to be explained by the strength of the labor market and the US immigration policy. In the first case, the upward trend in the US labor market has not only translated into greater labor opportunities for Mexican migrants without citizenship, but also an increase in the real wages of these workers. We believe that the spike in real wages will continue to favor remittances inflows to our country.

In the second case, it could be argued that family remittances are an alternative form of savings for migrants, which implies that the increase observed in the flow of remittances since 2016 can be also explained by Trump's anti-migration policy. It is likely that Mexican migrant workers continue to discount a higher probability of being deported, which would significantly reduce their expectation of permanent income, and consequently increase the desire to save. Looking ahead, we consider that these factors will be preponderant in explaining the flow of remittances in the first half of 2018.

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