

Family remittances – July’s growth explained by the depreciation of the Mexican peso

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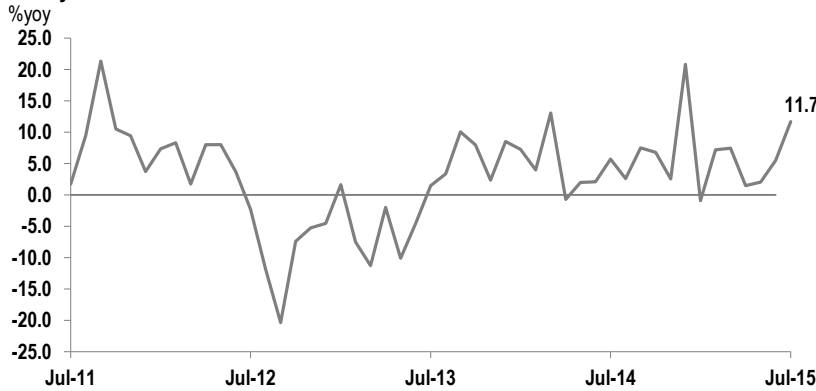
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- **Remittances (July): US\$ 2,231.8 million; Banorte-Ixe: US\$ 2,056.1 mn; consensus: US\$ 2,100 mn (range of estimates: US\$ 1,998.9 mn to US\$ 2,154.2 mn); previous: US\$ 2,155.9 mn**
- **We believe that the 11.7% growth in July’s remittances flows was explained by the significant depreciation of the Mexican currency**
- **Year-to-date, remittances inflows have grown 5% yoy**
- **Payroll gains for Mexican workers in the U.S. amount to 822,344 (year-to-date)...**
- **...while in Mexico, payroll gains for the Mexican formal labor force amount only 479,399**
- **In our view, the better growth prospects for the U.S. economy will continue to support remittances inflows**

Family remittances increased 11.7% yoy in July. According to Banxico, the flow of remittances sent during the seventh month of the year amounted to US\$ 2,231.8 million, which implies a 11.7% yoy expansion. Moreover, the number of operations stood at 7.3 mn (+7.8% yoy) with an average amount of US\$ 304.53 (+3.6% yoy). Year-to-date, family remittances accumulated a balance of US\$ 14,308.2 mn, which implies a 5% yoy expansion.

We highlight that today’s figure was the biggest remittances inflow registered for any July since 2007. In this regard, we believe that today’s expansion was explained in part by the significant depreciation of the Mexican currency, given that the flow of remittances in the short-run is very sensitive to high fluctuations in Mexican peso. In particular, a sharp depreciation may encourage Mexican migrant workers to increase their remittances, given that the purchasing power of the amount remitted is greater in Mexico than in the U.S.

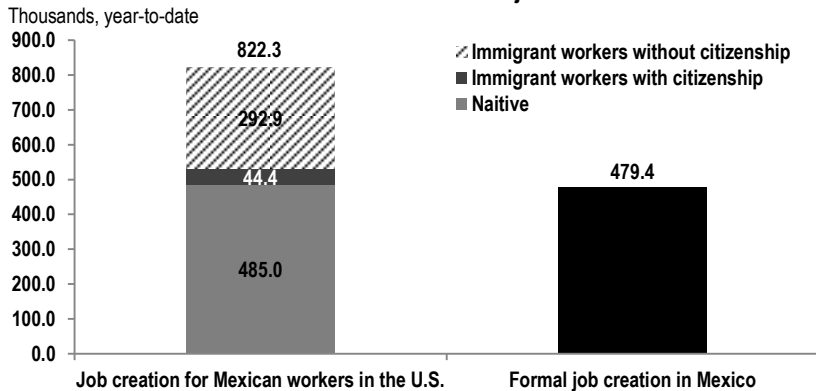
Family remittances



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 workers in the US (including native, immigrant workers with citizenship, and immigrant workers without citizenship) amount to 822,344 , while payrolls in Mexico’s formal labor market amount only to 479,399 (refer to chart below).

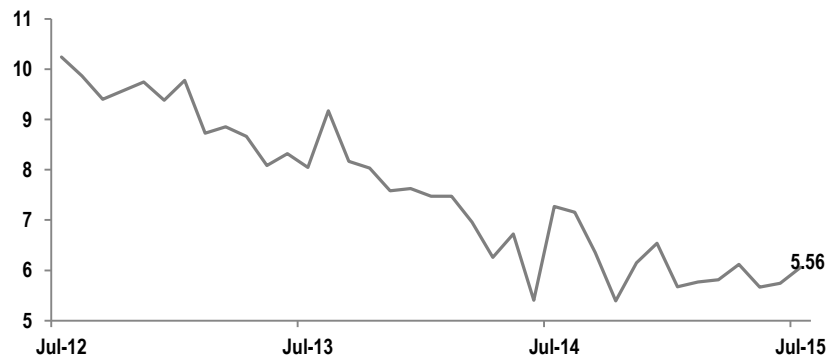
Job creation for Mexican workers in the US vs. formal job creation in Mexico



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

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 stood practically unchanged in July (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 2H15.

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



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

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