

## Family remittances – Solid advance of 7.1% yoy in 1Q19

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- **Remittances (March): US\$2,896.8mn; Banorte: US\$2,791.0mn; consensus: US\$2,815.9mn; (range: US\$2,590 to 2,957mn) previous: US\$2,387.4mn**
- **In its annual comparison, remittances advanced 8.3%, above the 2.2% observed in the same month of the previous year**
- **During the month, the flow of remittances was driven by mostly by higher number of operations (5.4% yoy), with the average amount climbing at a stable rate of 2.8%**
- **Year-to-date, remittances amount to US\$7,699.1 million, 7.1% higher than the amount observed in the same period of 2018**
- **We maintain our view that remittances will decelerate in 2019 despite a stronger-than-expected start of the year, impacted by the slowdown in migrants' employment in the US and a more challenging base effect**

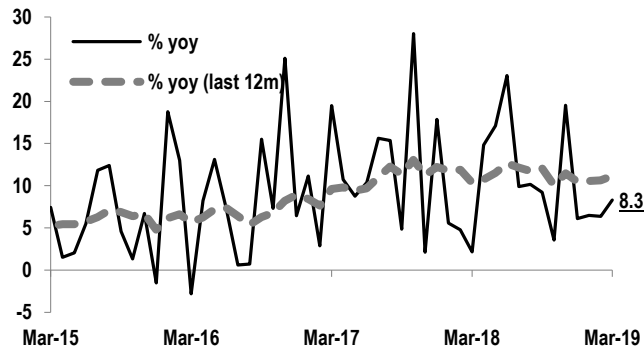
**Remittances grew 8.3% in March.** The amount sent in the third month of 2019 reached US\$2,896.8 million, higher than both consensus at US\$2,815.9 million and our forecast (US\$2,791.0 million). Remittances grew 8.3% yoy, higher than the 2.2% in the same month of the previous year. In addition, the YTD amount stands at US\$7,699.1 million, 7.1% above the figure during 1Q18.

We believe that this result is positive considering that migrants' employment growth has slowed down at the margin, both for those with citizenship (to 2.9% yoy from 3% in February) and without citizenship (at -0.5% yoy, its first decline since September). Considering both groups, employment decelerated to only 0.5% from 2% in the previous month. In our view, immigration policies keep influencing positively the pace of remittances, in spite of not seeing very significant developments during this month according to our news monitoring. In this respect and on a 12-month rolling basis, remittances stood at US\$33,983 million, a 11.2% yoy advance from 10.6% in the previous month.

**Relevant increase in the number of operations.** In particular, these stood at slightly more than 9 million, growing 5.4% yoy from 3.4% in February. Looking at the historical data, March typically sees a sizable increase in this metric when compared to the first two months of the year, albeit the annual comparison did accelerate to its highest since last November. On the other hand, the average amount sent reached US\$ 321.05, above the US\$ 311.53 of the previous month. Nevertheless, the annual rate expansion of 2.8% was of the same magnitude as the one observed in February. In our view, this is mostly explained by the broad stability of the USD/MXN exchange rate, which moved slightly higher to 19.37 per dollar from 19.26 in February (monthly average), with the Mexican peso accumulating a 1.4% YTD gain. It should be remembered that MXN weakness incentivizes higher inflows as the purchasing power of these resources increases in local currency terms.

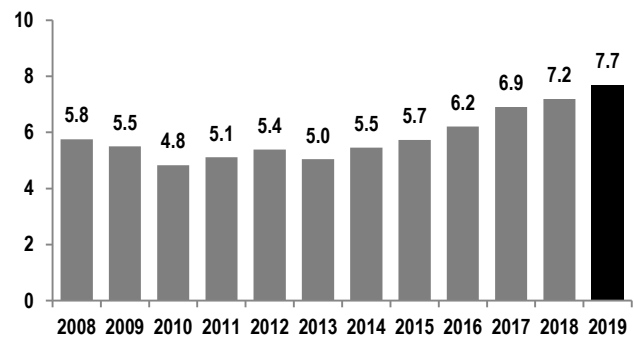
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**Family remittances**  
% yoy



Source: Banxico

**Family remittances**  
US\$ billion, year-to-date



Source: Banxico

**Despite the strength in remittances during 1Q19, we maintain our view that they will decelerate in coming months.** First of all, employment of Mexican migrants in the US has been slowing down, with those without citizenship the most affected in March (as mentioned above). In our view, stronger-than-expected US GDP in 1Q19 was not as good as implied by the headline, with a relative deceleration in consumption spending that could further dampen employment growth. Second, we believe the base-effect will be more challenging in coming months, as remittances grew at above 10% yoy rates during 2Q18. In this respect, we consider flows will keep advancing at a relatively elevated pace but will decelerate in their annual comparison. We do not see an outright contraction as long as the US does not fall into recession, which is not our base-case scenario. Moreover, it is our take that immigration policies will continue influencing positively as migrants discount a higher probability of being deported. In this respect, tensions picked up again in April as a result of increased checks at border crossings, along more aggressive rhetoric by President Trump. This latter driver could become more prevalent the closer we get to the US election in 2020. Considering these factors, we believe remittances are likely to moderate their dynamism in 2019 when compared to the previous year, likely growing again at single-digit rates.

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