

Family remittances up 6.5% yoy in January

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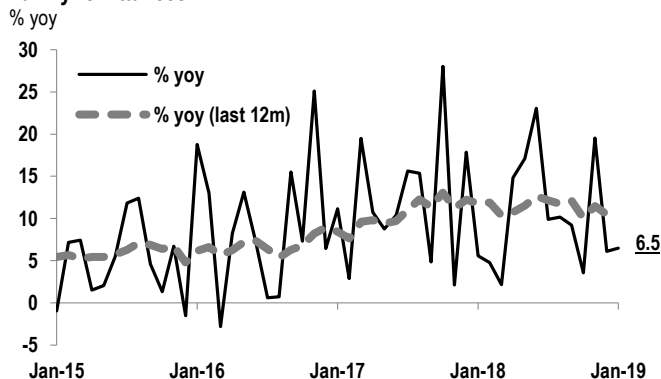
- **Remittances (January): US\$2,414.9mn; Banorte: US\$2,478.6mn; consensus: US\$2,472.8mn; (range: US\$2,424 to 2,750mn) previous: US\$2,929.1mn**
- **In its annual comparison, remittances advanced 6.5%, above the 5.6% rate observer in the same month of the previous year**
- **During the month, the flow of remittances was driven by both higher number of operations (4.4% yoy), but also a higher average amount sent (2.0%)**
- **We maintain our view of a possible slowdown in remittances' growth this year on the back of a deceleration in US economic activity**

Remittances grew 6.5% in January. The amount sent in January reached US\$2,414.9 million, slightly below consensus at US\$2,472.8 million and our forecast (US\$2,478.6 million). In the monthly dynamics, the flow of remittances was US\$514 million lower than in December, mainly driven by a typically weak seasonality every month in the aftermath of the holiday season. In this context, remittances grew 6.5% yoy, higher than the 5.6% in the same month of the previous year. Overall, dynamism in remittances remains strong, supported by a healthy labor market in the US that has benefitted Mexican migrants both with and without citizenship. In this respect, growth in employment in these categories grew 2.5% and 1.8%, respectively.

Second consecutive month of slowdown in the average amount sent. In particular, the average amount stood at US\$ 313.2, below the US\$ 318.9 of the previous month. Nevertheless, in the annual comparison this represented a 2.0% advance. On the other hand, the number of operations grew 4.4%, reaching 7.7 million. Dynamism in annual terms seems to be decelerating relative to the pace of growth observed in the first half of 2018, but it remains quite healthy. In our view, today's results are positive considering that the Mexican peso appreciated 4.7% during the month; nevertheless, the currency is still 1.4% weaker than the average level observed a year ago, a situation that supports growth given that FX depreciation encourages migrants to send more remittances, given that they have a higher purchasing power in local currency terms.

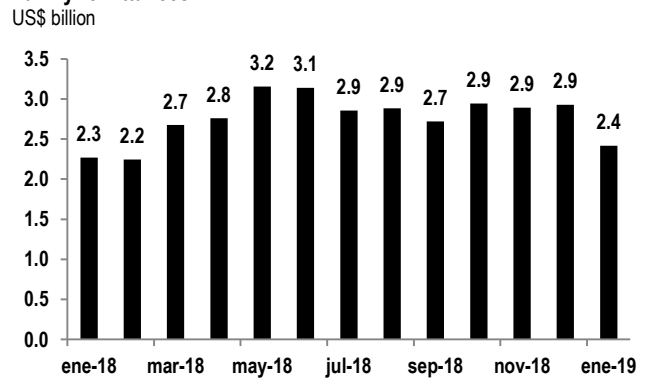
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Family remittances



Source: Banxico

Family remittances



Source: Banxico

In our view, dynamism in remittances will remain strong but will moderate their advance in 2019. In particular, we expect a deceleration of US economic activity this year as global growth slows down and the effect of the fiscal stimulus fades away, among other factors. Despite of the latter, the labor market has maintained a strong pace, inducing modest upward pressures on wages given low economic slack, a situation that could support growth in the average amount sent. Moreover, 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 still present and higher uncertainty about the possibility of deportation of illegal workers. Although present already, this factor could be more relevant as soon as the second half and/or last quarter of this year as the US election in 2020 approaches. Considering these factors, we believe remittances could moderate their dynamism in 2019 when compared to the previous year, likely growing again at single-digit rates. Nevertheless, we anticipate they will remain quite healthy, maintaining their role as key source of foreign currency for Mexico and support for domestic consumption.

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