

Family remittances – Highest monthly print in the history of the indicator

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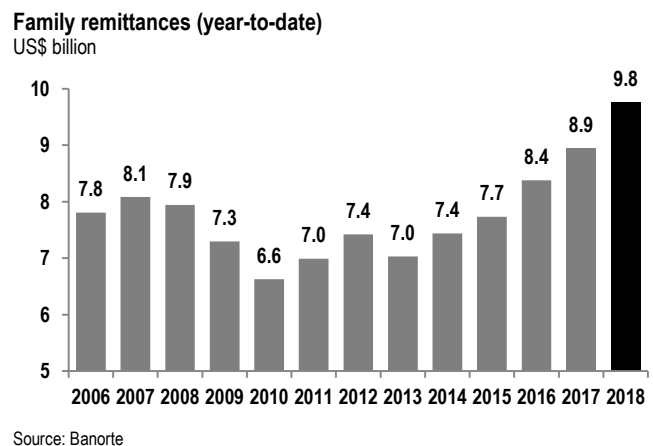
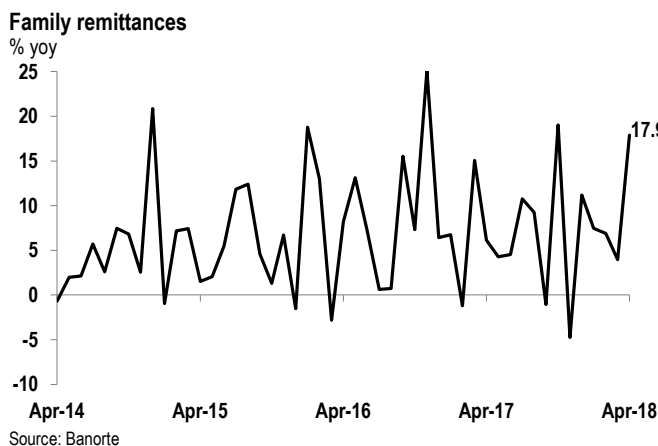
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- **Remittances (April): US\$2,716.9 mn; Banorte: US\$2,446.8mn; consensus: US\$2,500mn; previous: US\$2,620.6mn**
- **Family remittances increased 17.9% yoy in April**
- **As a result, family remittances reached a new historic high for a particular month**
- **April’s flow of remittances was partly explained by the depreciation of the Mexican currency in April**
- **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 fourth month of 2018 amounted to US\$2,716.9 million, above both our US\$2,466.8 million forecast and the US\$2,500mn consensus, which implies a 17.9% 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 8.5 million (13% yoy), with an average amount of US\$319.6 (4.3% yoy). Year-to-date, family remittances amounted to US\$9,752.4 million, which implies a 9% yoy expansion.

The Mexican peso depreciated 3.7% in the second half of April. We consider that the flow of remittances was explained in part by the 3.68% depreciation by the Mexican peso in the second half of April, after reaching a yearly minimum on April 16th. 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.

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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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