

MIGRATION

Remittances start 2017 with an increase of 6.3%

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January 2017 saw US\$2,055.2 million of remittances to Mexico, 6.3% more than in January 2016.

This increase is partly explained by structural and short-term economic factors. On the one hand, the dynamism of the US economy and the low unemployment rate (4.8% in January 2017) also benefits Mexican immigrants in the US, who send remittances to Mexico.

Additional boosts to remittances came from the appreciation of the dollar against the peso and preventive measures being taken against possible future restrictions on remittances.

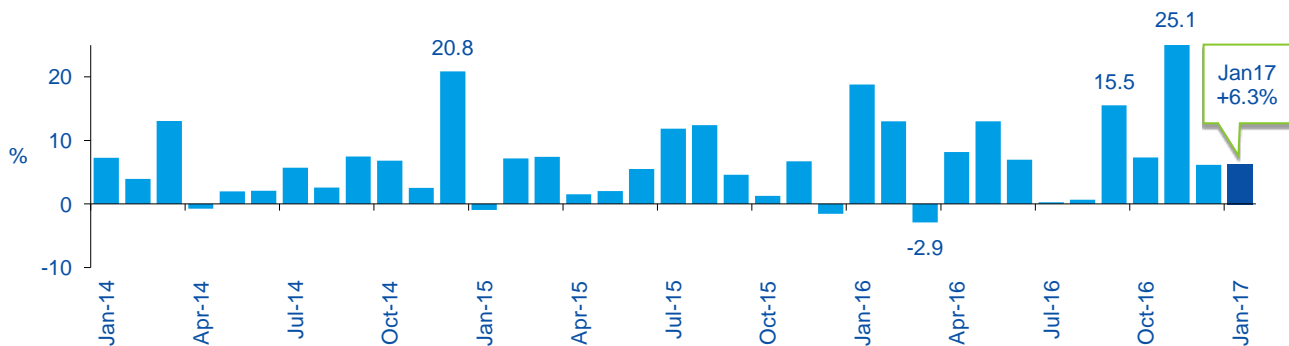
The US\$26.97 billion of remittances received by Mexico in 2016 surpassed inward Foreign Direct Investment for the year (US\$26.74 billion), income from tourism (US\$19.57 billion) and oil exports (US\$18.74 billion).

January remittances amounted to US\$2,055.2 million

Mexico's central bank, Banco de México, reported that family remittances in January totalled US\$2,055.2 million, representing an increase of 6.3% relative to the amount received in January 2016. These remittances came from nearly seven million transactions, mostly from the United States, with the average remittance amount being US\$295.

Figure 1

Family remittances to Mexico (% annual variation in dollars)



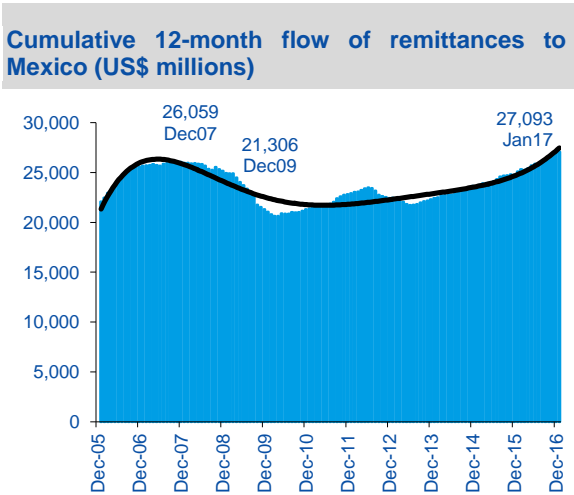
Source: BBVA Research based on Banco de México data.

Remittances boosted by structural and short-term economic factors

During 2017, the increase in remittances to Mexico will be driven by both structural and short-term economic factors. The dynamism observed in the US economy and the low unemployment rate recorded in the past few months (4.8% in January 2017) have also led to an increase in the number of jobs for Mexican immigrants. Furthermore, the past year has seen a slight improvement in their working conditions, with a reduction in the proportion of part-time jobs due to economic reasons. BBVA Research forecasts point to this favourable macroeconomic situation continuing throughout 2017.

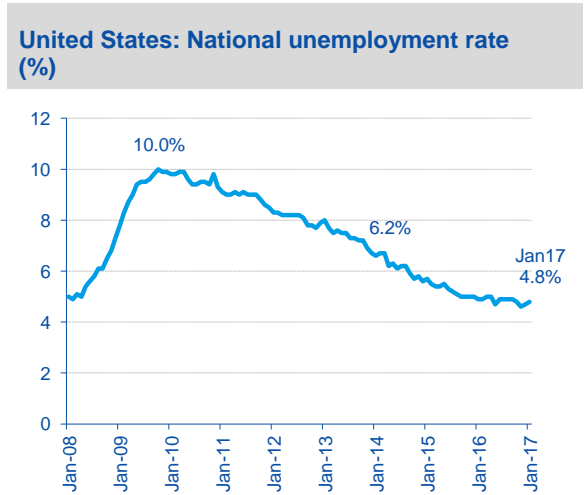
On the other hand, two short-term economic factors in particular also favoured an increase in remittances from the US to Mexico: 1) the appreciation of the dollar against the peso seen since November 2016, with the exchange rate holding steady through January 2017; and 2) preventive steps taken by Mexicans against possible future restrictions on remittances that the current US administration might impose.

Figure 2



Source: BBVA Research estimate based on Banco de México figures.

Figure 3



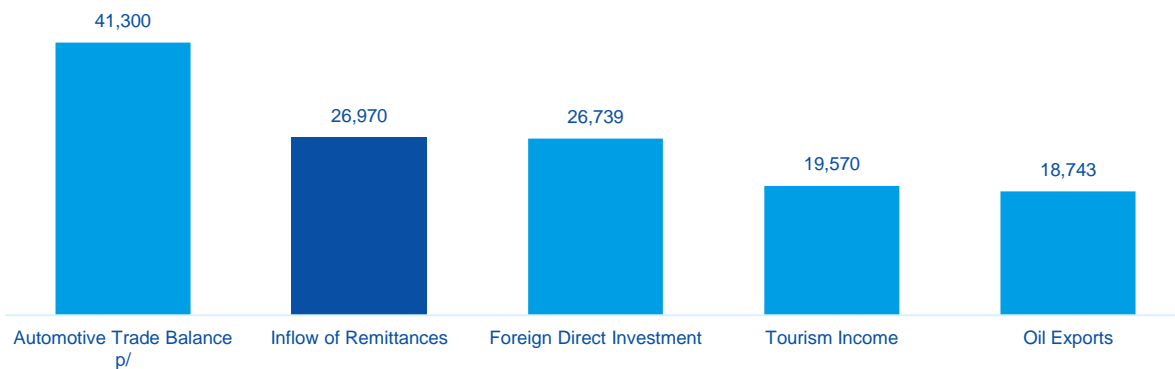
Source: BBVA Research based on figures from the US Bureau of Labor Statistics.
Note: Seasonally adjusted.

Remittances are a major source of foreign currency

The US\$26.97 billion of remittances to Mexico in 2016 exceeded currency receipts in the same year from de Foreign Direct Investment (US\$26.74 billion), tourism (US\$19.57 billion) and oil exports (US\$18.74 billion). Data from the 2015 Intercensal Survey indicate that nearly 1.6 million households in Mexico receive remittances; in other words, just over seven million people in Mexico rely on these resources.

Figure 4

Mexico's foreign currency receipts, selected items, 2016
(Millions of dollars)



Source: BBVA Research based on data from Banco de México and INEGI, the National Statistics Institute. p/ preliminary

Disclaimer

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