Remittances Set Historic Record for Third Consecutive Year with US$33,481 million in 2018

Juan José Li Ng

- In 2018 US$33,481 million in remittances entered Mexico, 10.5% more than the previous year, reaching a new historical record. To reach this amount about 104 million transactions were recorded, with an average remittance of US$321.4.

- Of the remittances received by Mexico in 2018, 94.1% came from the United States, 97.7% were sent by electronic means and 71.7% were disbursed in non-banking institutions (stores, pharmacies, self-service, etc.).

- Seven states accounted for half of the remittances that arrived in the country: Michoacán (US$3,393 million), Jalisco (3,288), Guanajuato (3,046), State of Mexico (1,903), Oaxaca (1,731), Puebla (1,699) and Guerrero (1,615).

- The municipality that received the most remittances was Tijuana, in Baja California, with US$450 million, followed by Puebla, Pue. (US$435 million), Morelia, Mich. (US$426 million) and Guadalajara, Jal. (US$421 million).

- In 2018 US$1 billion in remittances left Mexico, 43.8% for the United States (US$438 million). Next in importance: Colombia (US$155 million), China (US$72 million), Peru (US$28 million), Guatemala (US$21 million) and Honduras (US$20 million).

- In BBVA we estimate that remittances in 2019 could have a growth of 6.9% and reach US$35,790 million.

- The outward remittances to Mexico could be affected if President Trump’s administration applies more severe anti-immigrant measures or directly taxes the flow of this resource. However, what could have important impacts on future outward remittances to Mexico would be a decrease in economic activity in the United States.

1. Third consecutive year with a new record high for remittances

Throughout 2018, Mexico received US$33,481 million in family remittances, representing a double-digit growth of 10.5% over the previous year. The amount received in 2018 marks a new historic high for the receipt of these resources from abroad, in fact it is the third consecutive year in which remittances reach a new record, surpassing the revenue records that they reached in 2016 (US$26,993 million) and 2017 (US$30,291 million).
For the sending of remittances in 2018 close to 104 million transactions were recorded, with an average remittance of US$321.4. The months in which the highest revenues from remittances were received were: May, with US$3,156 million, and June with US$3,141 million, followed in order of importance by the months of October, December and November.

**Remittances in 2019 could grow 6.9%.** In BBVA Research we estimate that remittances will continue their growth path in subsequent years, due to favorable economic conditions and the low unemployment rate in the United States (country where much of the Mexican population sending remittances resides), which in recent months oscillates around 4.0% the unemployment level. We estimate that remittances could have a growth of 6.9% in 2019 and reach US$35,790 million, which would reach a new historic high.

However, it should be considered that the outward remittances to Mexico could be affected by the possibility that President Trump’s administration may apply more severe anti-immigrant measures or directly tax the flow of this resource, as he threatened during his presidential campaign. While these measures could have certain repercussions, we believe that the most important factor is the economic one: what could have important impacts on future remittance flows to Mexico would be a decrease in economic activity in the United States.

**Chart 1. Household remittances to Mexico, 2005-2019p (Millions of dollars)**

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Source: BBVA Research based on Banco de México data.
p/ Estimate of BBVA Research.
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**Chart 2. Household remittances to Mexico, by month, 2018 (Millions of dollars)**

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Source: BBVA Research based on Banco de México data.
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2. **94.1% of remittances come from the United States, 97.7% are sent electronically and 71.7% are disbursed in non-banking institutions.**

Of the total remittances that Mexico receives, 94.1% were sent from the United States with about US$31,519 million, which means that almost all revenues from remittances come from a single country. Other countries with significant amounts of remittances to Mexico are Canada (US$507 million) as second place and the United Kingdom (US$181 million) as third place.

Almost all remittances to Mexico are received by electronic transfers (97.7%), 1.8% are sent in cash or in kind and 0.5% by money orders. Banks pay 28.3% of remittances arriving in Mexico, and non-banking institutions (stores, pharmacies, self-service, etc.) the remaining 71.7%.

**Chart 3. Composition of family remittances to Mexico, 2018 (Millions of dollars and %)**

Source: BBVA Research based on Banco de México data.
3. Michoacán, Jalisco and Guanajuato are the main recipients of remittances.

Remittances received in Mexico present a significant concentration by destination. In 2018, nearly half of the remittances that arrived in the country were concentrated in only 7 states: Michoacán (US$3,393 million), Jalisco (US$3,288 million), Guanajuato (US$3,046 million), State of Mexico (US$1,903 million), Oaxaca (US$1,731 million), Puebla (US$1,699 million) and Guerrero (US$1,615 million).

The states that had the highest annual growth rates in 2018 were: Chiapas (+25.7%), Tabasco (+25.6%), Chihuahua (+19.1%), Baja California Sur (+16.9%) and Sonora (+16.8%).

**Chart 4. Remittances to Mexico by State, 2017 - 2018 (Millions of dollars and % change)**

<table>
<thead>
<tr>
<th>State</th>
<th>2017</th>
<th>2018</th>
<th>Chge. %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Michoacán</td>
<td>3,038</td>
<td>3,393</td>
<td>+11.7%</td>
</tr>
<tr>
<td>Jalisco</td>
<td>2,881</td>
<td>3,288</td>
<td>+14.1%</td>
</tr>
<tr>
<td>Guanajuato</td>
<td>2,774</td>
<td>3,046</td>
<td>+9.8%</td>
</tr>
<tr>
<td>State of Mexico</td>
<td>1,778</td>
<td>1,903</td>
<td>+7.0%</td>
</tr>
<tr>
<td>Oaxaca</td>
<td>1,534</td>
<td>1,731</td>
<td>+12.8%</td>
</tr>
<tr>
<td>Ciudad de México</td>
<td>1,306</td>
<td>1,415</td>
<td>+8.4%</td>
</tr>
<tr>
<td>Morelos</td>
<td>1,614</td>
<td>1,699</td>
<td>+5.3%</td>
</tr>
<tr>
<td>Baja California Sur</td>
<td>1,286</td>
<td>1,376</td>
<td>+7.0%</td>
</tr>
<tr>
<td>Other states</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: BBVA Research based on Banco de México data.
4. The municipality of Tijuana ranks 1st in remittances with US$450 million

Data from the Banco de México indicate that the municipality that received more remittances in 2018 was Tijuana, Baja California, with US$450 million. They follow in order of importance: Puebla, Pue. (US$435 million), Morelia, Mich. (US$426 million), Guadalajara, Jal. (US$421 million), as well as other important cities and capitals of the Mexican Republic.

It is worth mentioning that this does not necessarily imply that many of these remittances reach families residing in these recipient municipalities. This is due to the fact that, since they are important regional urban centers, it is possible that many families receiving remittances come from neighboring municipalities and collect the remittances in the nearest cities either for reasons of payment infrastructure, security issues, ease of transportation or to make a purchase.

Chart 5. The 10 main municipalities receiving remittances in Mexico, 2018 (Millions of dollars)

Source: BBVA Research based on Banco de México data.
5. One Billion Dollars in Remittances Left Mexico in 2018

During 2018, US$999.6 million in remittances left Mexico, 24.0% higher than the outward remittances in 2017, which were US$806.2 million. In total, nearly two million transactions were recorded as resources sent abroad, and the average remittance was US$509, 19.2% more than the previous year.

The main destination of remittances from Mexico to abroad is the United States with US$438 million in 2018 (43.8% of the total). Other important destinations of remittances sent from Mexico were: Colombia (US$155 million), China (US$72 million), Peru (US$28 million), Guatemala (US$21 million) and Honduras (US$20 million).

Table XX. Outward remittances from Mexico to the rest of the world, 2017-2018

<table>
<thead>
<tr>
<th>Concept</th>
<th>2017</th>
<th>2018</th>
<th>Chge. %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outward remittances (US$ millions)</td>
<td>806.2</td>
<td>999.6</td>
<td>24.0%</td>
</tr>
<tr>
<td>Number of transactions</td>
<td>1,911,071</td>
<td>1,962,341</td>
<td>2.7%</td>
</tr>
<tr>
<td>Average remittance (US$)</td>
<td>427</td>
<td>509</td>
<td>19.2%</td>
</tr>
</tbody>
</table>

Source: BBVA Research based on Banco de México data.

Chart XX. Main destination countries of outward remittances from Mexico, 2018 (Millions of dollars and % of total)

Source: BBVA Research based on Banco de México data.
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