

Migration

Mexico | Record amount of remittances in a single month: USD 4,016 million in March (+35.8%)

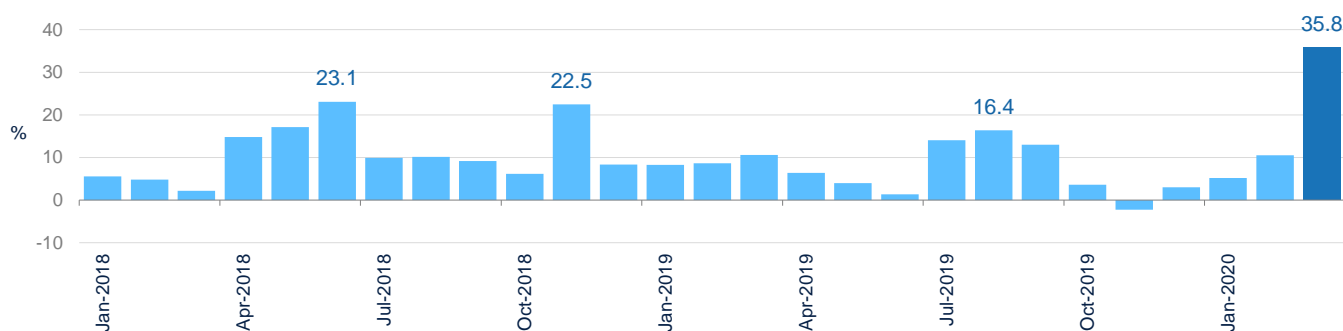
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- As the country reels from the global crisis caused by Covid-19, the number of remittances to Mexico reached a record high of USD 4,016 million in March. This is equivalent to a growth of 35.8% compared to the same month of the previous year – an increase not been observed for 16 years.
- This unaccustomed growth in remittances in March was not observed in other countries with significant diasporas in the United States, such as Guatemala and El Salvador.
- The sudden increase in remittances is partly explained by the strong appreciation of the dollar against the Mexican peso, equivalent to an increase of about 25% in March.
- In Jalisco, Campeche, Mexico City and Baja California remittances grew by more than 25%.
- The municipalities of Tijuana, Guadalajara, Puebla, Morelia and the Álvaro Obregón district of Mexico City received more than USD 100 million in remittances in the first quarter of 2020.

1. Remittances in March reached a record of USD 4,016 million in a single month, 35.8% higher than the same period in 2019

Today, Banco de México (Bank of Mexico) reported that in March of this year, USD 4,016 million of family remittances entered Mexico, an increase of 35.8% over the same month of 2019. Despite the strong economic downturn caused by the onset of the Covid-19 crisis in the United States, from where many of the remittances to Mexico originated, remittances surprised observers with their strong growth rate reaching record levels.

Figure 1. **Family remittances to Mexico, 2018–2020**
(YoY % change in USD)

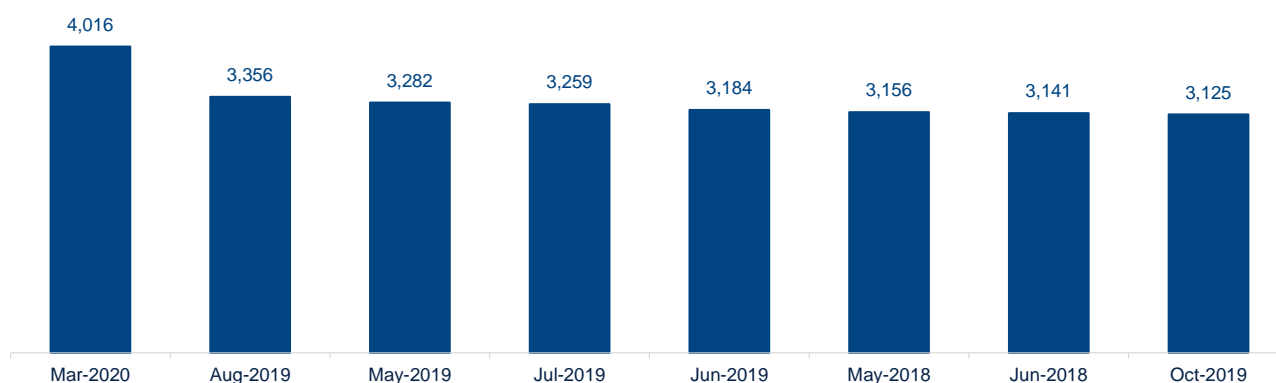


Source: BBVA Research based on data from Banco de México

For the transmission of these resources, 10.6 million transactions were used in March, 35.8% more than in the same month of 2019, and the average consignment increased by 15.1% to USD 378.

The USD 4,016 million received in March 2020 exceeded by USD 660 million the previous one-month remittance record, which was registered in August 2019 and amounted to USD 3,356 million. Moreover, in the Bank of Mexico's remittance records, there had been no such significant growth in remittances since December 2003, more than 16 years ago, when it grew by 45.9% compared to the same month in the previous year.

Figure 2. The largest monthly flows of family remittances to Mexico
(Millions of USD)



Source: BBVA Research based on data from Banco de México

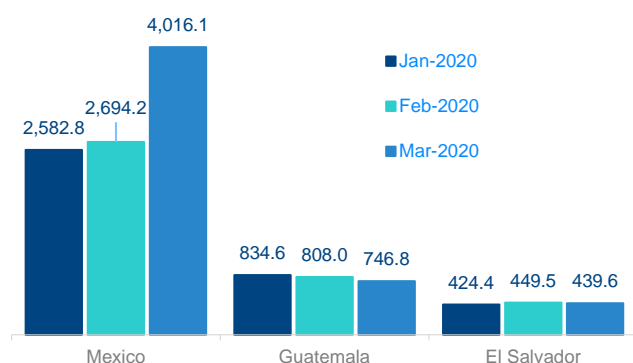
2. Unusual growth of remittances was not observed in other countries with significant diasporas in the U.S., such as Guatemala and El Salvador

To analyze whether this unusual growth in remittances from the United States was widespread or was specific to Mexico, it was compared with data on the flow of this resource for other countries with significant diasporas in that country. Guatemala has about 1.1 million migrants living in the United States, while El Salvador has about 1.6 million. In both cases, most residents live in the states of California and Texas, similar to the case of the Mexican diaspora, which numbers about 12 million migrants in total.

In the case of Guatemala, a reduction of 7.6% was observed in March compared to the previous month, and in El Salvador it fell by 2.2%. The same statistic in the case of Mexico indicates growth of 49.1%. This suggests that the unusual flow of remittances to Mexico in March could be specific to Mexico and not common to the other countries of origin of the other Latin diasporas in the United States.

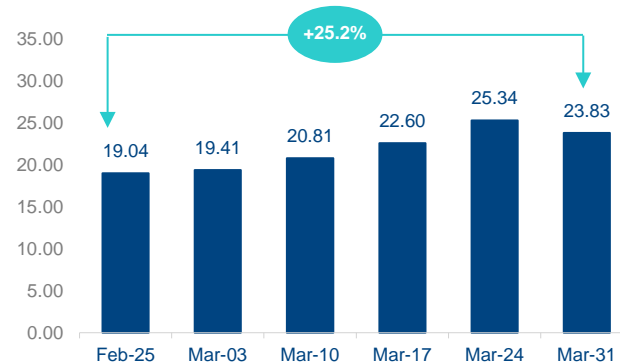
Figure 3. **Flow of remittances to Mexico, Guatemala and El Salvador, January to March 2020**

(Millions of USD)



Source: BBVA Research based on data from Banco de México, Banco de Guatemala and Central Reserve Bank of El Salvador.

Figure 4. **Exchange rate of Mexican pesos to US dollars (MXN/USD)**



Source: BBVA Research based on data from Banco de México

3. The sharp depreciation of the Mexican peso could explain the significant rise in remittances in March

In addition to the structural determinants of the current economic dynamics in the United States (e.g. GDP, employment level and remuneration) as a determinant of the volume of remittances to Mexico, another factor affecting this flow consists of significant fluctuations in the exchange rate. Remittances are very sensitive to significant changes in the Mexican peso exchange rate to the US dollar, despite any economic problems due to the Covid-19 crisis. The Mexican peso was among the currencies that were most affected in March. The Mexican peso/US dollar exchange rate rose by about 25%. This sudden rise led to more Mexicans in the United States sending more remittances to Mexico because of the significant increase in their value in real terms in pesos.

We believe that the increase in remittances to Mexico during the month of March was unusual, largely explained by this strong appreciation of the dollar against the peso. There are no structural factors in the US economy that explain this growth. This is why we believe that in the remaining months of this year, significant reductions in the flow of remittances received by Mexico will be seen. Although this growth in March generated a boost to the total flow of remittances of about USD 1 billion, we maintain our estimate that remittances will finish the fiscal year at a total of USD 30 billion in 2020, or 17.0% less¹ than in 2019.

1: BBVA Research (2020, April 1). Remittances to Mexico could fall 17% in 2020 and recover between 2023 and 2028 due to the economic crisis caused by Covid-19.

4. In Jalisco, Campeche, Mexico City and Baja California remittances rose by more than 25%

During the first quarter of 2020, significant increases in the flow of remittances were observed in much of the Mexican Republic. The states that presented the largest growths were: Jalisco, Campeche, Mexico City and Baja California, with increases of more than 25% compared to the same quarter of 2019. In the states of Colima, Michoacán, Oaxaca, Queretaro and Yucatan, remittances increased by more than 20%. Reductions in the quarterly flow of remittances were observed only in the states of Tlaxcala and Tabasco.

Remittance figures per state are reported quarterly, but considering the national monthly flow of remittances, we can infer that much of this important increase in remittances was presented in March.

Table 1. **Family remittances to Mexico by destination state, Q1 2019 compared with Q1 2020**
(Millions of US dollars and YoY % change)

Federal state	Q1 2019	Q1 2020	YoY % change	Federal state	Q1 2019	Q1 2020	YoY % change
Jalisco	773.8	978.9	+26.5	Hidalgo	199.2	229.5	+15.2
Michoacán	780.3	953.4	+22.2	Durango	176.7	211.6	+19.7
Guanajuato	687.4	812.7	+18.2	Tamaulipas	183.6	203.2	+10.7
State of Mexico	449.4	535.4	+19.1	Morelos	158.0	176.7	+11.9
Oaxaca	395.1	479.3	+21.3	Querétaro	145.9	175.8	+20.5
Mexico City	378.6	476.4	+25.8	Coahuila	138.0	159.2	+15.3
Guerrero	392.8	466.2	+18.7	Sonora	130.8	153.2	+17.1
Puebla	393.8	436.8	+10.9	Nayarit	123.0	147.2	+19.7
Veracruz	320.3	364.6	+13.8	Aguascalientes	109.3	126.8	+15.9
San Luis Potosí	278.9	321.4	+15.3	Colima	66.7	82.4	+23.5
Zacatecas	241.7	286.5	+18.5	Tabasco	59.0	58.5	-0.7
Chihuahua	246.2	281.3	+14.3	Yucatán	48.0	57.8	+20.5
Baja California	208.1	261.7	+25.8	Tlaxcala	53.4	53.2	-0.4
Chiapas	220.2	248.0	+12.6	Quintana Roo	41.4	44.1	+6.7
Sinaloa	200.4	235.0	+17.3	Campeche	18.7	23.7	+26.8
Nuevo León	214.5	230.6	+7.5	Baja California Sur	19.0	22.1	+16.1
				Total	7,852.0	9,293.2	+18.4

Source: BBVA Research based on data from Banco de México

5. The municipalities of Tijuana, Guadalajara, Puebla and Morelia, and the district of Álvaro Obregón (Mexico City) received more than USD 100 million in remittances in the first quarter of 2020

When analyzing data on remittances at the municipal level, it is noted that there have been no major changes in the order of the municipalities that received most of these resources. The main state capitals and other cities in the federal states continue to be the preferred receiving points for the collection of remittances. The following table shows the 20 municipalities that received more than USD 50 million in remittances during the first quarter of 2020. The municipalities of Tijuana, Guadalajara, Puebla and Morelia stand out, as does the district of Álvaro Obregón (Mexico City), which each received more than USD 100 million in remittances during this period.

Table 2. **Family remittances to Mexico by major destination municipalities, Q1 2019 compared with Q1 2020**
 (Millions of US dollars and YoY % change)

Municipality	Q1 2019	Q1 2020	YoY % change	Municipality	Q1 2019	Q1 2020	YoY % change
Tijuana, BC	109	133	+22.6	Zapopan, Jal.	72	76	4.7
Guadalajara, Jal.	93	125	+33.3	Chihuahua, Chih.	66	74	+12.6
Puebla, Pue.	99	116	+17.5	San Luis Potosí, SLP	67	73	+9.9
Morelia, Mich.	95	113	+19.2	Aguascalientes, Ags.	64	71	+10.7
Álvaro Obregón, Mexico City	75	101	+33.9	Durango, Dur.	61	68	+12.3
Culiacán, Sin.	85	85	-0.0	Monterrey, NL	62	67	+8.3
Oaxaca de Juárez, Oax.	71	84	+18.8	Mexicali, BC	46	64	+36.7
Juárez, Chih.	72	84	+15.6	Querétaro, Qro.	49	57	+14.8
León, Gto.	72	83	+ 15.5	Tlapa de Comonfort, Gro.	45	53	+18.3
Cauhtémoc, Mexico City	41	80	+93.4	Tepic, Nay.	44	52	+17.6
				20 main municipalities	1,390	1,659	+19.4

Source: BBVA Research based on data from Banco de México

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