

Migration

Mexico | Remittances almost immune to the coronavirus crisis, decreasing by just 2.6% in April

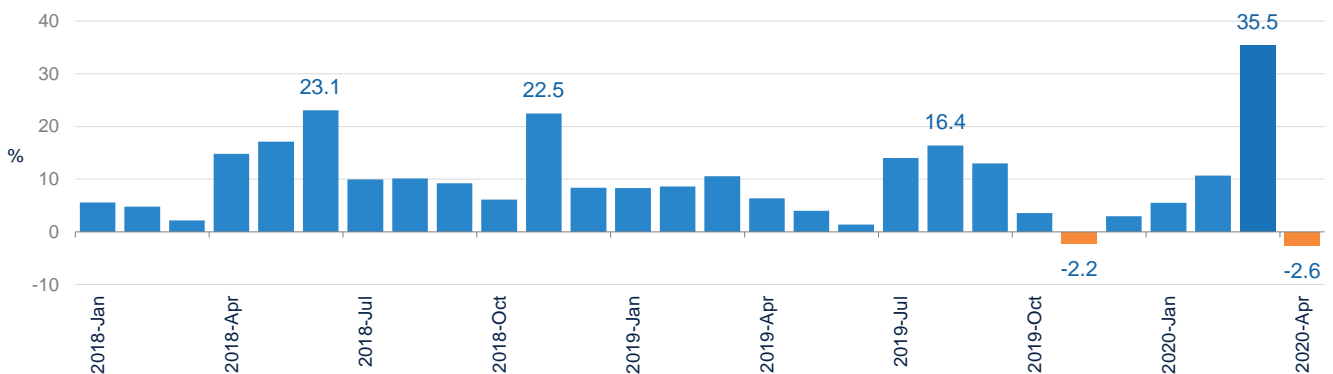
Juan José Li Ng
June 1, 2020

- Despite the unemployment rate increasing from 4.4% to 14.7% between March and April in the United States—the main source of remittances to Mexico—the flow of this resource fell by just 2.6% during April, amounting to USD 2,861 million.
- In other countries with large diasporas in the United States, remittances have fallen sharply. In April, remittances to Guatemala fell by 20.2%, while remittances to El Salvador fell by 40.0%.
- Comparing variables such as the percentage of migrants with citizenship, level of educational and state of residence in the United States among migrants from Mexico, Guatemala, and El Salvador, reveals no evidence to explain the differences in the flow of remittances to these countries. It is necessary to analyze other variables that explain the flow of remittances in the context of the COVID-19 crisis.

Banco de México (Bank of Mexico) reported that Mexico received USD 2,861 million in family remittances in April, a decrease of 2.6% compared to the previous month. This fall is explained by a 4.7% drop in the number of transactions, down to 8.7 million remittance transfers, while the average remittance grew by 2.2% year on year to reach USD 329.

In real terms, remittances sent to Mexican households (converted to pesos) grew by 21.6%, which can be explained by the appreciation of the US dollar against the Mexican peso.

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

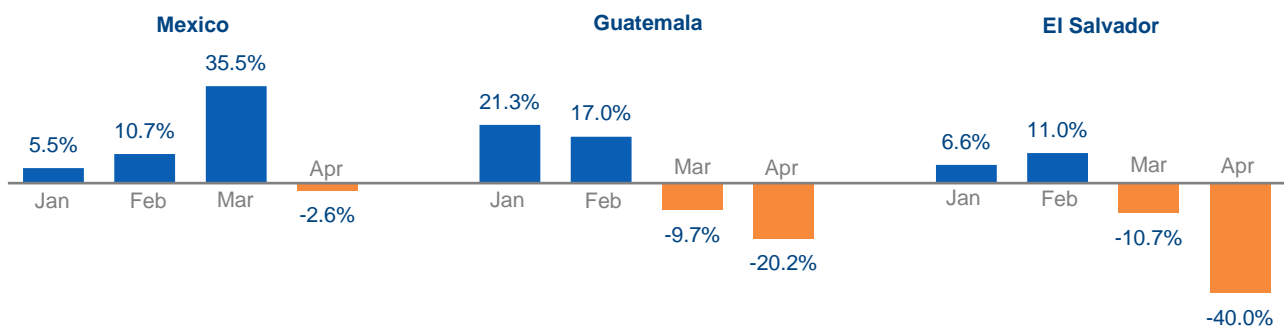


Source: BBVA Research based on Banco de México data

April saw remittances to Mexico perform strongly amid the COVID-19 crisis, while those to Guatemala fell by 20.2% and those to El Salvador by 40%.

Amid the global COVID-19 crisis, which has had a significantly large impact on the United States—the origin of the many of the remittances sent to Mexico, Guatemala and El Salvador—the flow of these resources to Mexico has performed exceptionally in recent months. In March, while this flow of cash to Guatemala and El Salvador contracted by 9.7% and 10.7% respectively, Mexico saw one of its largest ever increases (35.5%). During April, there were sharp declines in remittances to these two Central American countries, 20.2% and 40.0% respectively, while Mexico saw a decline of just 2.8%. All while the unemployment rate in the United States grew from 4.4% to 14.7% between March and April 2020.

Figure 2. **Flow of remittances to Mexico, Guatemala and El Salvador, January to April 2020**
(YoY % change in USD)



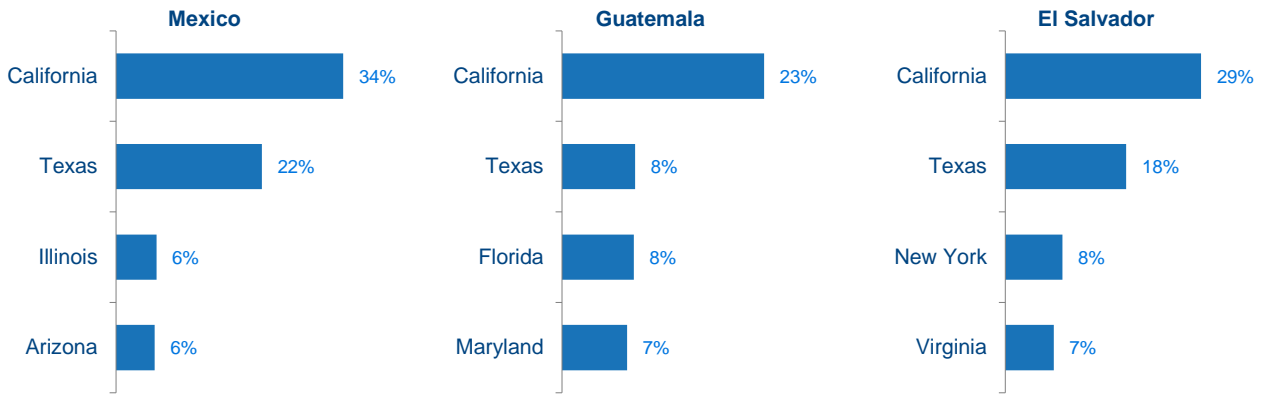
Source: BBVA Research based on data from Banco de México, Banco de Guatemala and Banco Central de Reserva de El Salvador.

The strong growth in remittances to Mexico during March can be explained by the strong appreciation of the US dollar against the Mexican peso (Migration Watch, May 2020). However, this was not the case in April.

According to data from the 2019 Current Population Survey (CPS), the Central American population in the United States (predominantly from Guatemala, Honduras and El Salvador) had a higher rate of US citizenship (36.4%), compared to the Mexican population (34.4%), which should indicate greater economic and labor stability for the former. In addition, the Central American population in the United States has, on average, a higher level of education than the Mexican population: 43.2% of Mexican migrants had a junior high school education or less (up to 9 years of schooling), while among Central Americans this figure was 37.7% in 2019.

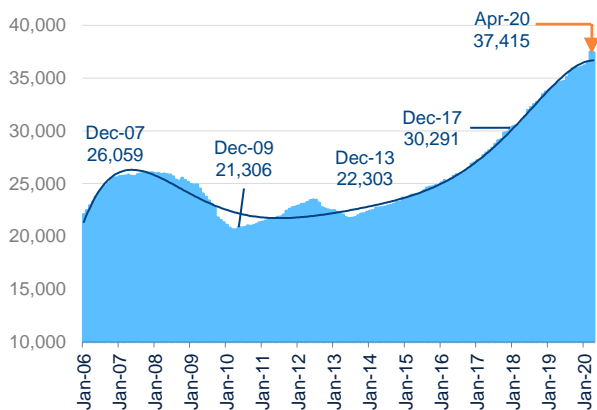
When analyzing the distribution of the population originating from Mexico, Guatemala and El Salvador by state, it can be seen that migrants from these three countries mainly are focused in the same two destination states: California and Texas. Therefore, the variables of percentage of migrants with citizenship, level of education and state of residence do not seem to explain why remittances to Mexico have not been impacted in the same way as the flow of these resources to Guatemala and El Salvador. Other variables relating to the demographic and economic characteristics of migrants from the region should be analyzed in greater depth in order to understand the differences in the performance of remittances. We should also potentially analyze the characteristics of the US-born Mexican population who also send a significant amount of remittances to our country.

Figure 3. **Main US states of residence of the migrant population born in Mexico, Guatemala and El Salvador, 2019 (% of the total)**



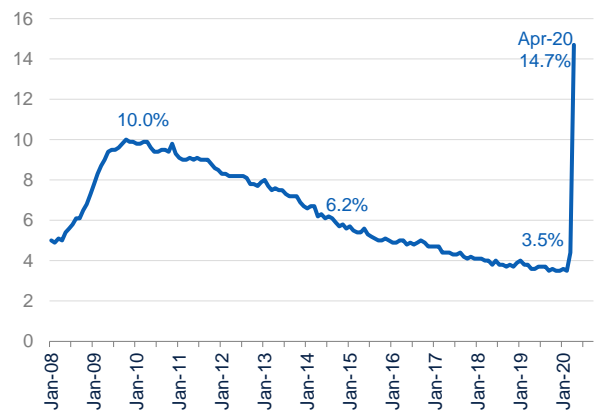
Source: BBVA Research based on data from CPS, 2019.

Figure 4. **Cumulative 12-month flow of remittances to Mexico (USD millions)**



Source: BBVA Research based on Banco de México data.

Figure 5. **United States: National unemployment rate (%)**



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

DISCLAIMER

This document was prepared by Banco Bilbao Vizcaya Argentaria's (BBVA) BBVA Research and BBVA Bancomer S. A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer on behalf of itself and is provided for information purposes only. The information, opinions, estimates and forecasts contained herein refer to the specific date and are subject to changes without notice due to market fluctuations. The information, opinions, estimates and forecasts contained in this document are based upon information available to the public that has been obtained from sources considered to be reliable. However, such information has not been independently verified by BBVA Bancomer, and therefore no warranty, either express or implicit, is given regarding its accuracy, integrity or correctness. This document is not an offer to sell or a solicitation to acquire or dispose of an interest in securities.