

Migration

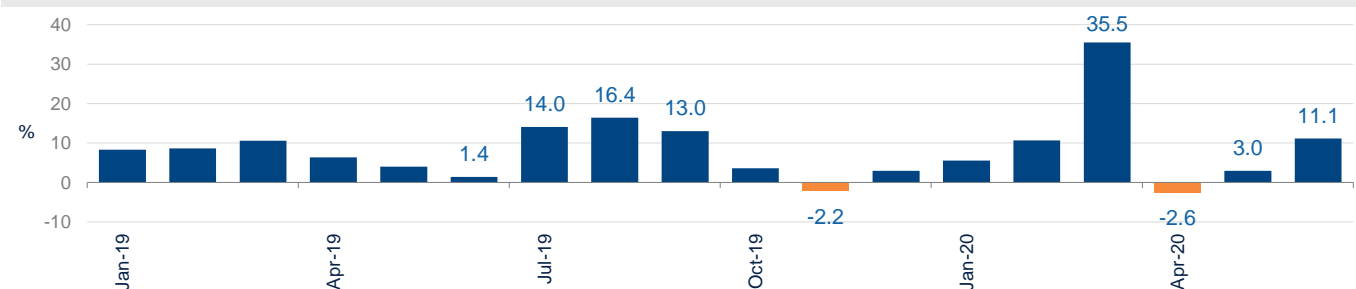
# Mexico | Remittances in the time of COVID-19: hypothesis and different effects by region

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- In June, Mexico received USD 3,537 million in remittances, an 11.1% increase on the annual rate while, in real terms, growth was 23.8%. In the first half, remittances have amounted to USD 19,075 million, a 10.5% increase compared to the same period last year (USD 17,255 million).
- During June, a recovery was observed in remittances to Latin America and the Caribbean. The Dominican Republic received 25.7% more remittances, while Guatemala and El Salvador experienced growth of 9.2% and 9.8%, respectively.
- In the second quarter of 2020, there were a number of marked impacts on the receipt of remittances by region in Mexico. The states in the Northwestern region and the traditional region (Bajío-Occidente) experienced an increased flow of remittances, while most of the states in the Central and South-Southeastern region experienced reductions, leading us to propose three hypotheses:
- Hypothesis 1: Many cross-border migrants and commuters sent remittances to Mexico, rather than delivering them directly.
- Hypothesis 2: Remittances from migrants from diasporas that are more established in the United States were largely unaffected by the COVID-19 crisis.
- Hypothesis 3: Remittances from recently arrived migrants with fewer social networks may have been the most affected by the COVID-19 crisis.

Banco de México reported that in June, it received USD 3,537 million in family remittances, a year-on-year growth 11.1% compared to June 2019. This increase in remittances is due to a 9.4% increase in the number of transactions recorded as remittances, which was 10.4 million operations, as well a 1.5% spike in the average remittance to USD 340.

Figure 1. **Family remittances to Mexico, 2019–2020**  
(YoY % change in USD)



Source: BBVA Research based on Banco de México data

In June, remittances to households in Mexico amounted to around MXN 78,500 million. Discounting inflation and considering the fluctuation in the exchange rate, remittances grew by 23.8% in real terms compared to 2019. So far, in the first half of 2020, remittances have amounted to USD 19,075 million, a 10.5% increase compared to the same period last year (USD 17,255 million).

## Despite difficult economic conditions in the United States, remittances to Mexico continue to grow

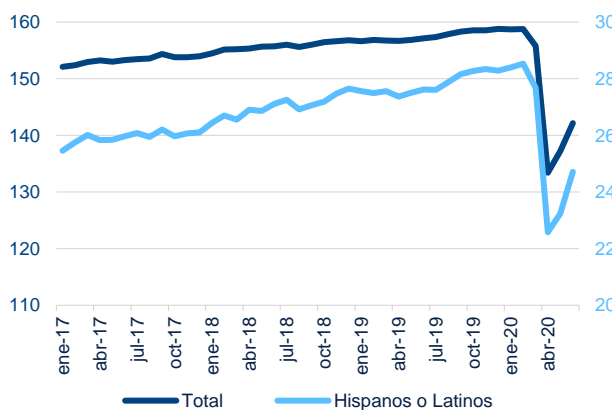
The United States is the country of origin for more than 95% of remittances to Mexico. As a result of the COVID-19 pandemic, like many countries around the world, the United States experienced sharp contractions in economic activity and employment in the second quarter of 2020.

According to data from the US Bureau of Labor Statistics, both the employment rate for the population as a whole and for the Hispanic population declined steeply in April — by 14.9% and 17.5%, respectively. In April, the national employment rate reached 14.7%, a level not seen even during the last global financial recession. The employment rate has recovered somewhat during May and June, but not substantially. The latest available data indicates that in June the unemployment rate stood at 11.1%.

Despite these adverse economic conditions, remittances to Mexico have performed very positively during April and May 2020, compared to many countries in Latin America and the Caribbean which reported significant reductions in the flow of remittances (up to 40%).

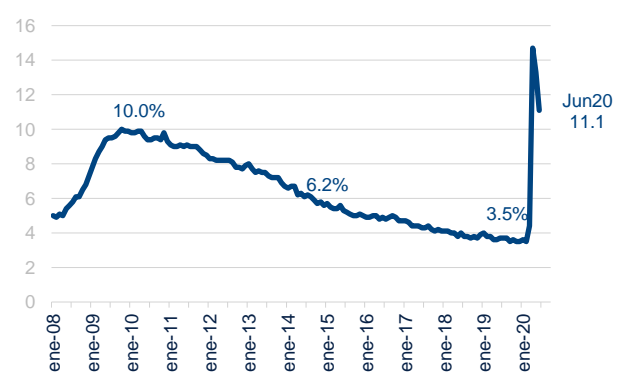
During June, all the countries analyzed in the region received increased remittances compared to the same month in 2019. It must be noted that the Dominican Republic received 25.7% more remittances, while Guatemala and El Salvador experienced growth of 9.2% and 9.8%, respectively.

Figure 2. **United States: Total employed population and employed Hispanic population** (Millions)



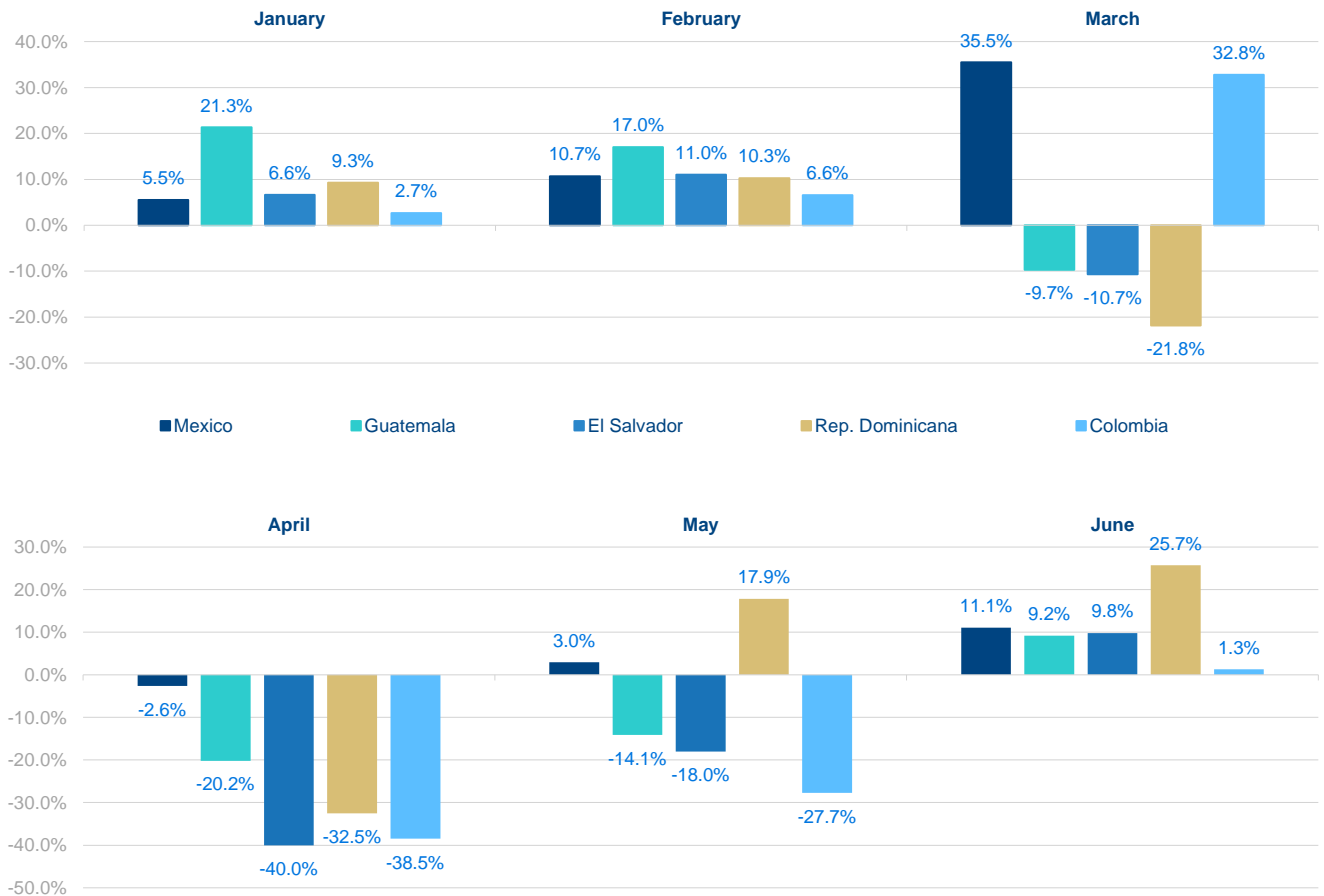
Source: BBVA Research based on data from the US Bureau of Labor Statistics

Figure 3. **United States: National unemployment rate** (%)



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

Figure 4. **Monthly remittance flows, selected countries in Latin America and the Caribbean, 2020**  
(% change in USD)



Source: BBVA Research based on data from Banco de México, Banco de Guatemala, Banco Central de Reserva de El Salvador, Banco de la República de Colombia, Banco Central de la República Dominicana, 2020.

## Which regions were the most affected by or benefitted from the COVID-19 crisis? Facts and hypotheses

It is difficult to estimate, in isolation, the impact of the coronavirus crisis on the flow of remittances to Mexico. The data allows us to analyze the flow of remittances by Federal State or region during the second quarter of 2020, and conclude that, in some ways, certain Federal States or regions fared better or worse during this period as a result of the COVID-19 and the containment measures to mitigate infections.

During the second quarter of 2020, 19 Federal States experienced growth in the flow of remittances and 13 States showed reductions. Baja California had a 36.9% rebound in the receipt of remittances, while other states that saw significant growth during this period were: Sonora (+17.3%), Sinaloa (+16.7%), Chihuahua (+15.5%) and Jalisco (+14.6%). The greatest decreases were seen in Tabasco (-29.6%), Yucatán (-19.9%) and Tlaxcala (-19.4%).

Based on the data analyzed, we formulated three hypotheses regarding the flow of remittances to Mexico in the time of coronavirus, during the second quarter of 2020:

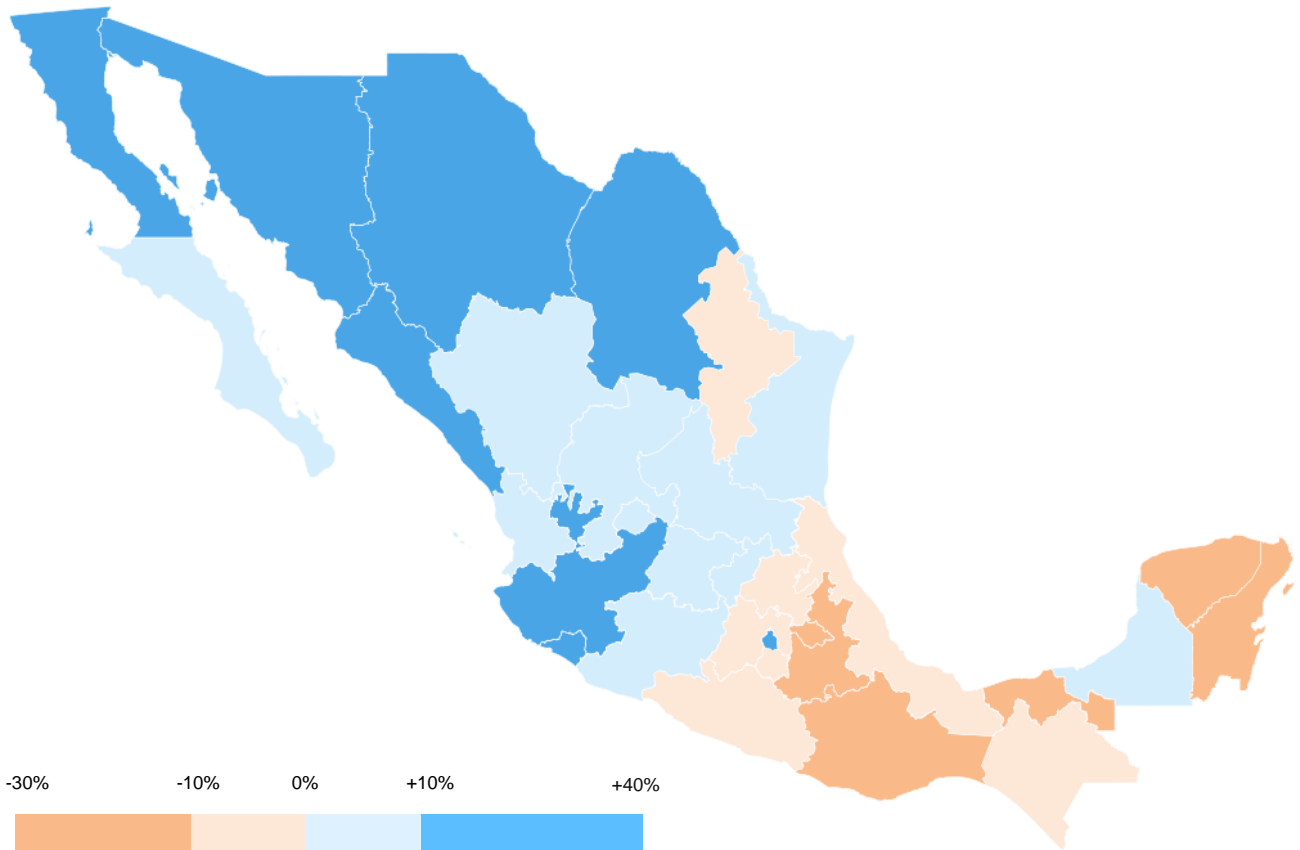
- 1) **Many cross-border migrants and commuters sent remittances to Mexico, rather than delivering them directly.** The states in the Northwestern region showed the greatest increases in the flow of remittances during the period. It is possible that, due to the limitations of cross-border mobility, many cross-border migrants and commuters (people who normally live in Mexico and work in the United States) chose to send money through the financial system instead of delivering it in person to Mexico as they usually did before the pandemic.
- 2) **Remittances from migrants from diasporas that are more established in the United States were largely unaffected by the COVID-19 crisis.** The states in the traditional region (Bajío-Occidente) generally saw the flow of remittances grow during the period. Those states that have more long-standing diasporas in the United States may have weathered the crisis caused by the pandemic better than those migrants from states with more recent arrivals. These long-standing ties may lead to a higher percentage of migrants with citizenship and permanent residence, more formal and higher quality jobs and increased social networks (friends and family) for support and protection.
- 3) **Remittances from recently arrived migrants with fewer social networks may have been the most affected by the COVID-19 crisis.** Most of the states in Mexico that experienced reductions in remittances were from the Central and South-Southeastern region. Much of the diasporas from these states in the United States were formed in the last 30 years; while states in the traditional region and border states have more well-established diasporas. This would also explain why remittances to Guatemala and El Salvador were also among the most affected during this period, given that a significant percentage of their migrants arrived in the United States in the last 15 years.

Table 1. **Family remittances to Mexico by destination Federal State, 2Q19 vs. 2Q20**  
(Millions of USD and % change)

Federal State	2Q19	2Q20	% change	Federal State	2Q19	2Q20	% change
Baja California	241.6	330.7	+36.9	Aguascalientes	128.3	133.7	+4.2
Sonora	154.8	181.5	+17.3	Zacatecas	292.6	302.0	+3.2
Sinaloa	233.8	273.0	+16.7	Tamaulipas	230.7	235.6	+2.1
Chihuahua	298.9	345.2	+15.5	State of Mexico	533.3	525.7	-1.4
Jalisco	899.5	1031.2	+14.6	Hidalgo	252.0	247.1	-1.9
Colima	76.1	85.6	+12.6	Guerrero	456.2	446.9	-2.0
Mexico City	438.8	492.9	+12.3	Nuevo León	253.0	244.3	-3.5
Coahuila	164.0	181.1	+10.4	Veracruz	392.7	374.2	-4.7
Michoacán	911.3	997.4	+9.5	Morelos	184.6	172.2	-6.7
Baja California Sur	22.8	24.7	+8.3	Chiapas	276.8	252.7	-8.7
Nayarit	148.9	160.3	+7.6	Oaxaca	467.5	414.8	-11.3
Campeche	23.5	25.1	+6.7	Quintana Roo	48.7	42.6	-12.6
Durango	223.8	238.1	+6.4	Puebla	458.8	400.7	-12.7
Guanajuato	854.4	906.6	+6.1	Tlaxcala	67.6	54.4	-19.4
Querétaro	184.3	193.2	+4.8	Yucatán	56.1	44.9	-19.9
San Luis Potosí	348.1	363.7	+4.5	Tabasco	78.9	55.6	-29.6
				<b>Total</b>	<b>9402.6</b>	<b>9777.8</b>	<b>+4.0</b>

Source: BBVA Research based on Banco de México data.

Map 1. **Family remittances to Mexico by destination Federal State, 2Q19 vs. 2Q20**  
(% YoY change)



Source: BBVA Research based on Banco de México data.

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