

Mexico Migration Flash

Holy week, exchange rate and Mexican immigrants' employment hit remittances in March

- In March, remittances to Mexico declined 14.7% year-over-year in dollar terms, but increased compared to January and February of this year
- In the first quarter, the states with the largest annual declines were Distrito Federal, Tlaxcala, Veracruz and Hidalgo; the largest increases were in Baja California Sur, Tamaulipas and Baja California
- Thereby, remittances accumulate nine consecutive-months with declines

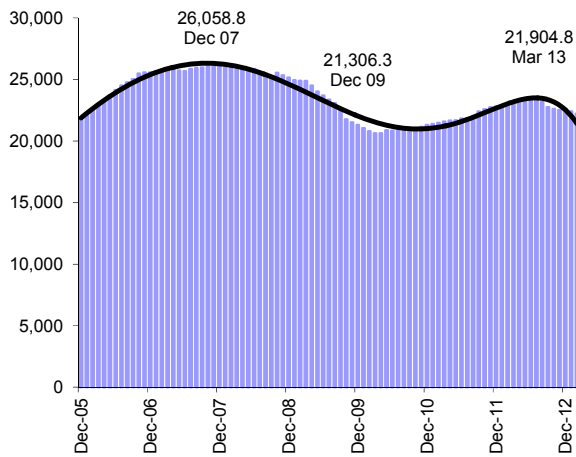
In March of this year, Mexico received US\$ 1,783.55 million in remittances, which represented a reduction of 14.7% year-over-year in dollar terms, in line with BBVA forecast (-14.4%) and far from consensus (-7.7%). This is the largest decrease in dollar terms since September 2012. The number of operations for remittances had a drop compared to the same month of last the year of 5.0% to 5.92 million transactions, while the average remittance was US\$ 301.3, a decrease of 10.2% year-over-year. Despite this fall in annual rate, there was an improvement compared to January and February of this year, when inflows were 1,473.93 and 1,589.91 million, respectively.

In our last "Mexico Migration Flash" of April 30th, 2013 we pointed out the four main factors that explain the decline at annual rate in March: **1) Holy Week**, as from Thursday 28th until the last day of March, most institutions that pay remittances in Mexico were closed, so that remittances received by the end of that month were minimal. **2) Exchange rate**. Between November 2012 and March 2013 the exchange rate (peso-dollar) appreciated nearly 4% which have discouraged remittances. **3) Weakness in employment of Mexican immigrants**. In addition to actions against undocumented immigrants (most of them are Mexicans) imposed in some states of U.S., supply and demand factors are affecting the hiring of Mexican immigrants, as discussed in the November 2012 issue of *Mexico Migration Outlook*. **4) Comparison effect**. The year-over year decline in remittances recorded in the month of March of this year was exacerbated by a comparison effect since March 2012 was the third month with more remittance inflows of that year.

In the first quarter of the present year, US\$4,847.4 million were transferred to Mexico by remittances, the lowest level since 2010Q1. Compared to the first quarter of last year, the largest increases were in Baja California Sur, Tamaulipas and Baja California, highlighting the latter with an increase of 24%. While the largest decreases were in Distrito Federal, Tlaxcala, Veracruz and Hidalgo.

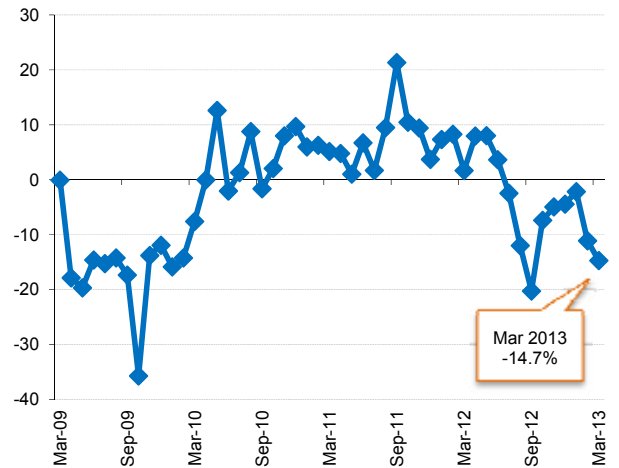
While weakness in employment for Mexican immigrants and exchange rate appreciation still continue, remittance inflows to Mexico will remain stalled.

Chart 1
Accumulated 12-month remittance inflows to Mexico
 (Millions of dollars)



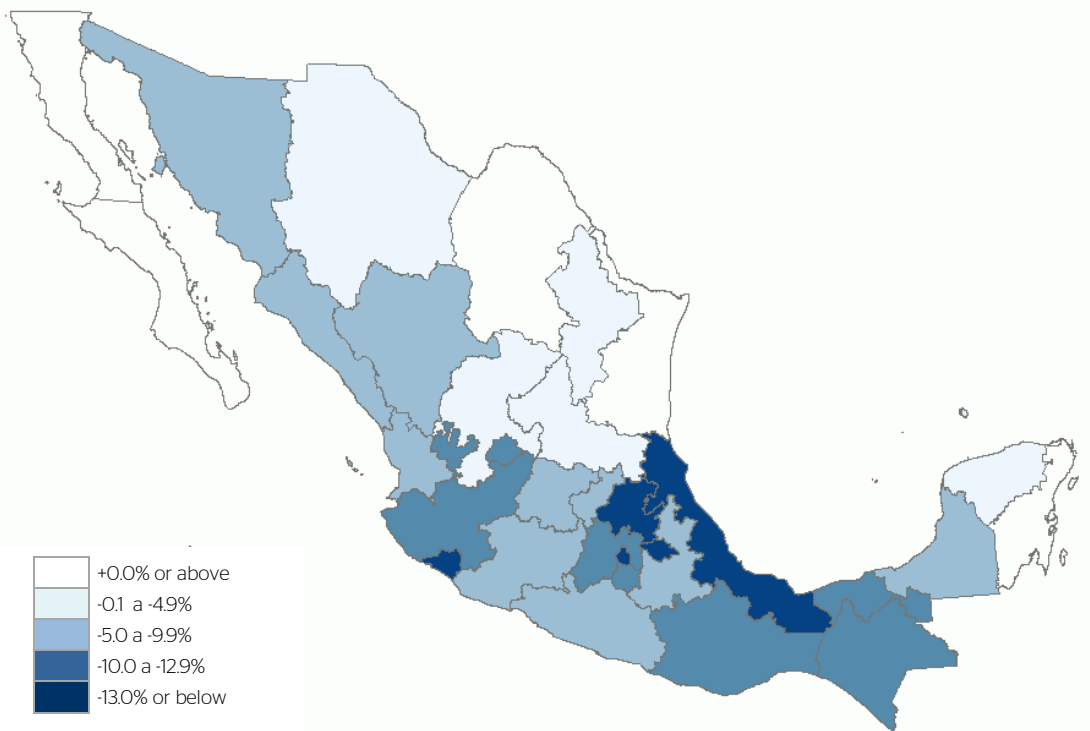
Source: BBVA Research with Banxico figures

Chart 2
Family remittances to Mexico
 (Annual % change in dollars)



Source: BBVA Research with Banxico figures

Chart 3
Annual % change in remittance inflows, first quarter of 2013, by state



Source: BBVA Research with Banxico figures

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Notice

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