



# Migration Observatory

March 1, 2010

**January remittances remain on downward trend, with the devaluation of the peso partly offsetting the fall in income in recipient households**

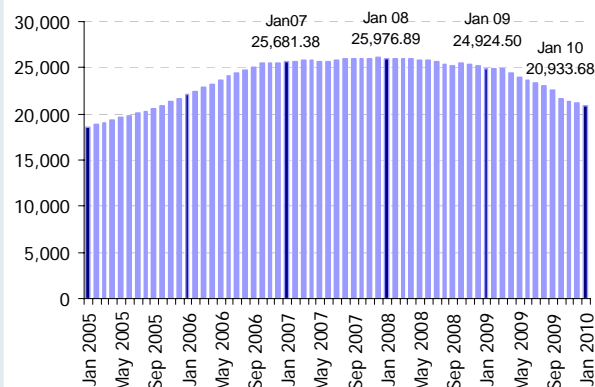
- Remittances fell by an annual rate of 15.8% in dollars in January. The amount is the lowest monthly total since March 2004. This makes 15 consecutive monthly falls.
- The accumulated remittance flow over 12 months continues to decline: up to January 2010 it is 16% lower than a year ago and 19.4% lower with regard to 2008.
- The depreciation of the peso has partly compensated for the fall in remittances.
- Indicators show that remittances could improve towards the 2<sup>nd</sup> half of 2010. US economic performance will be decisive.

**Remittances in dollars received by families of Mexican migrants show 15 consecutive monthly declines.** The Bank of Mexico stated Mexico received 1.32 billion dollars in remittances in January, 15.8% below that seen in the same month the previous year and 15.3% below that seen in December 2009. Although January is generally a low remittance month, only before March 2004 was recorded a figure below this month's. Taking into account the accumulated flow over 12 months, up to January 2010, 20.933 billion dollars came in, 16% below the same indicator for 2009 and 19.4% below that for 2008.

**In pesos, the impact was lower which has partly offset the fall in family income.** In this way, year-on-year figures for the 12 months to January showed a 4.4% decline over the previous year and 10.2% over 2008.

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**México: Flow 12 Months of Remittances**  
(Cumulative flows in 12 months in Millions of U.S. dollars)



Source: Baxico

**México: Flow 12 Months of Remittances**  
(Cumulative flows in 12 months)

	Millions of pesos	Millions of dollars
2008	230,433.5	25,976.9
2009	216,404.3	24,924.5
2010	206,865.1	20,933.7
% Change.		
2008-2010	-10.2	-19.4
% Change.		
2009-2010	-4.4	-16.0

Source: BBVA Bancomer with Banxico data

It would seem that the complicated economic situation and uncertainty for Mexican migrants in the US is one of the key factors behind continued lower remittance income in Mexico. Generally, it should be pointed out that employment is a late variable with regard to economic recovery.

**Certain indicators in the US show that the economic situation faced by Mexican migrants could soon improve.** For example, the job losses among Latinos (where Mexico represents over 60%) seem to have stopped. In this context, the following indicators stand out.

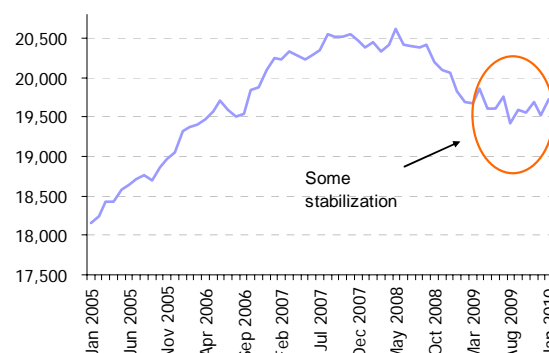
**a) The unemployment rate among Latinos in the US seems to have reached its maximum.** In December 2007, at the start of the crisis, the rate was 6.3%, reaching 13.1% in October 2009. It seems to have stopped expanding, coming in at 12.6% in January this year.

**b) More new houses being constructed in the US.** A highly-linked variable for remittances is the start of new houses. This indicator also shows stabilization and stopped its downward trend, even showing signs of an upswing.

In this way, the performance seen in different indicators linked to remittances to Mexico suggests that, in a few months, remittances could halt their downward trend. As stated, we expect migrant employment to begin recovering in the second half of this year, leading to higher remittances.

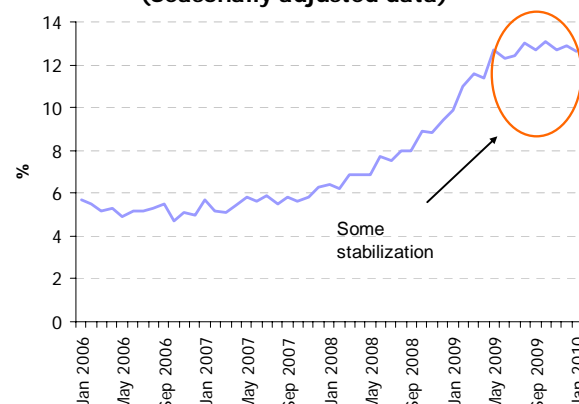
The main risk scenario is the performance of the US economy, delaying recovery or coming in weak, which could trajectory the path set out above.

**United States: Latino or Hispanic Employed Workers**  
(Seasonally adjusted data, thousands)



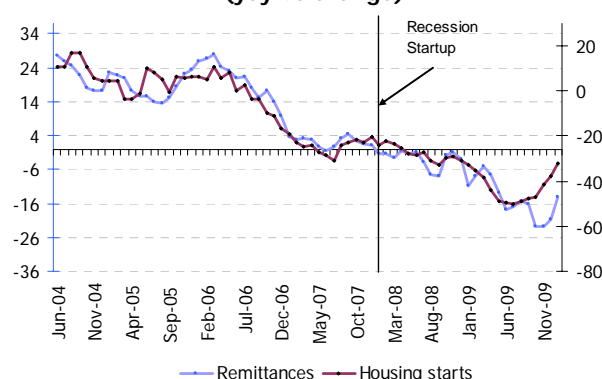
Source: Bureau of Labor Statistics

**United States: Unemployment Rate of Latino or Hispanic Workers**  
(Seasonally adjusted data)



Source: Bureau of Labor Statistics

**Housing Starts and Remittances to Mexico**  
(yoy % change)



Note: 3 month moving average. U.S. housing starts lagged 4 months.  
Source: Bank of Mexico (remittances), US Census Bureau (housing starts)