

Mexico

Economic Watch

January 4, 2011

Economic Analysis

Juan Luis Ordaz Díaz
 juan.ordaz@bbva.bancomer.com

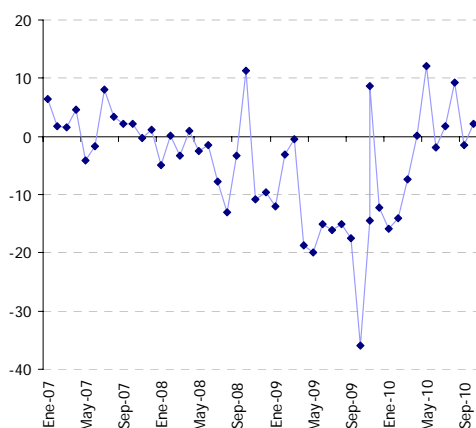
Migration

November remittances to Mexico continued to recover and now stand at early 2006 levels

- In November, remittances to Mexico increased by 8.6% on an annual basis in dollar terms. The number of remittances sent and their average value increased by 5.1% and 3.3%, respectively.
- Remittances fell back to 2005 levels with the crisis. The recovery of remittances, in dollar terms, started in the second quarter of 2010 but barely reached early 2006 levels.
- Though jobs have been recovered, more than 700,000 Mexican immigrants remain unemployed in the US.
- The recovery of remittances will continue in 2011, but they are not expected to reach 2007 levels until 2012 or 2013.

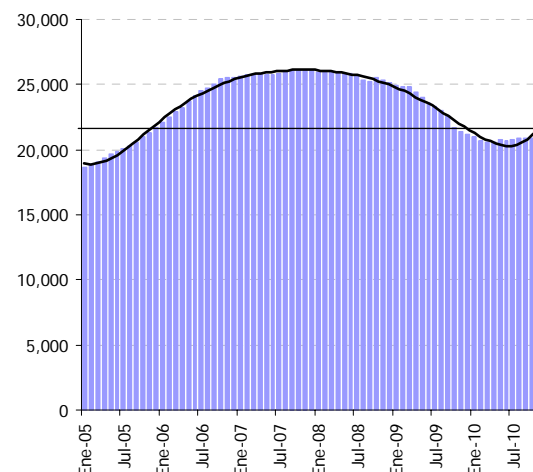
The Bank of Mexico announced that remittances to Mexico in November 2010 stood at \$1,632.2 million, which represented an 8.6% year-on-year increase. In November, a year-on-year increase of 3.3%, up to \$307.1, of the average remittance was observed, while the number of remittance transactions was up 5.2%, at 5,286,300.

Chart 1
Family remittances to Mexico
 % Annual change in dollars



Source: Banxico

Chart 2
12-Month remittance flow to Mexico
 Accumulated flows, 12 months
 (Million dollars)



Source: Banxico

The 12-month accumulated flow, in a reference month, enables an analysis of the months in which remittances reach their maximum and minimum levels in an accumulated manner throughout a one-year period. This indicator reached its peak in December 2007 as it rose to \$26,068.7 million and its lowest level, after the recent international economic crisis, in March 2010, at \$20.524.8 million (down 21.3%) and back to the levels observed in the third quarter of 2005.

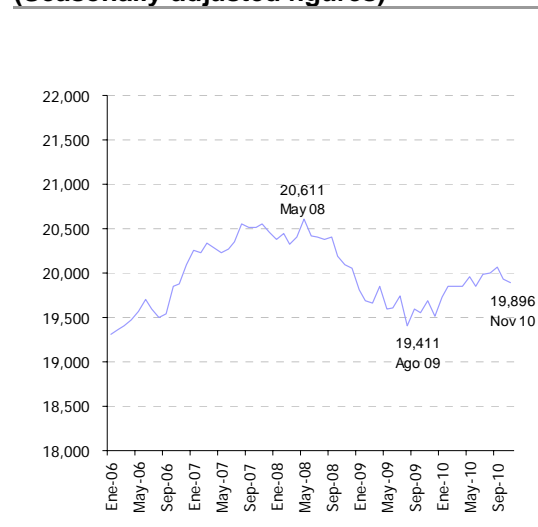
After 17 consecutive months of year-on-year decreases, remittances exhibited a positive change in April 2010. It was in that month that the 12-month remittance flow hit a turning point; since then, the trajectory has been upward, but at a relatively slow pace. As of November 2010, the 12-month accumulated flow was up 2.6% from its lowest point during the crisis and stood at the same levels as at the end of 2005 and beginning of 2006.

The slow rate at which remittances are recovering is associated with the weakness of the economic recovery in the United States, especially in the labor sector for Mexicans. According to figures from the Current Population Survey, between the third quarter of 2009 and the third quarter of 2010, Mexican immigrants in the United States recovered slightly over 230 thousand jobs of the 500 thousand they lost between 2008 and 2009. In turn, second- or higher-generation Mexicans have recovered approximately 160 thousand of the slightly more than 280 thousand jobs lost during the same period. Therefore, nearly 700 thousand Mexican immigrants and 900 thousand second- or higher-generation Mexicans remain jobless.

The upward trend in remittances will continue in 2011. Employment for Mexicans will start and continue to recover, though moderately, and more Mexicans will continue to enter the United States. However, remittances will still be far from their 2007 levels, which will not be achieved until 2012 or 2013.

Chart 3

USA: Latinos employed (Thousands) (Seasonally-adjusted figures)



Source: BBVA Research based on US Census Bureau data

Chart 4

USA: Mexicans employed (In thousands, not seasonally-adjusted) Third quarter of each year

	2007	2008	2009	2010
De origen Mexicano				
Población de 16 años y más	19,985	20,744	20,716	21,170
Fuerza laboral	13,921	14,238	14,140	14,361
Empleados	13,183	13,158	12,350	12,745
Desempleados	738	1,080	1,790	1,616
Tasa de participación laboral	69.7	68.6	68.3	67.8
Tasa de desempleo	5.3	7.6	12.7	11.3
Mexicanos nativos de EEUU				
Población de 16 años y más	8,948	9,429	9,623	9,911
Fuerza laboral	5,954	6,247	6,287	6,432
Empleados	5,548	5,676	5,387	5,546
Desempleados	406	570	899	886
Tasa de participación laboral	66.5	66.2	65.3	64.9
Tasa de desempleo	6.8	9.1	14.3	13.8
Mexicanos inmigrantes				
Población de 16 años y más	11,037	11,315	11,093	11,258
Fuerza laboral	7,968	7,991	7,853	7,929
Empleados	7,635	7,482	6,963	7,198
Desempleados	332	510	891	731
Tasa de participación laboral	72.2	70.6	70.8	70.4
Tasa de desempleo	4.2	6.4	11.3	9.2

Source: BBVA Research based on Current Population Survey figures from the US Census Bureau

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.