Mexico

Economic Watch

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Migration

Growth in remittances at the start of 2011

- **In January, remittances recorded annual growth in dollar terms of 5.8%, marking the fourth consecutive month of increases. The rise in January is mainly explained by the greater number of transactions, which recorded 5% growth. No positive change in remittances has been observed in the first month of the year since January 2007.**

- **The appreciation of the peso in January and inflation, which is normally high in January, adversely affected the families receiving the remittances.**

- **In the United States, the Latino population continues to recover jobs, which will, in turn, keep benefiting the recovery of remittances to Mexico.**

According to the Bank of Mexico, revenues from remittances to Mexico in January totaled 1,401.8 million dollars, marking an annual increase of 5.8% in dollar terms. The average remittance also recorded annual growth of 0.8% to 297.6 dollars, while the number of transactions reached 4,711.2 thousand, up 5%. The latter was the primary factor behind the growth of remittances.

Chart 1
Family remittances to Mexico
% Annual change in dollars
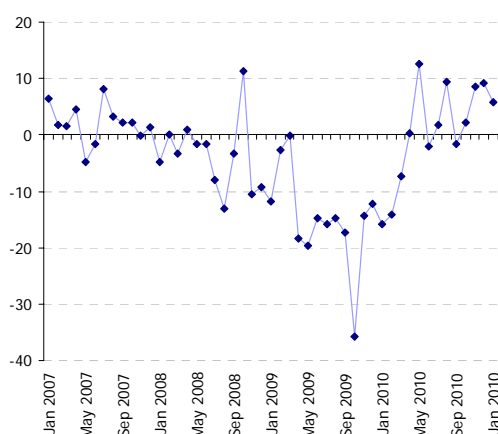
Source: Banxico

Chart 2
12-Month remittance flow to Mexico
Accumulated flows, 12 months, million dollars
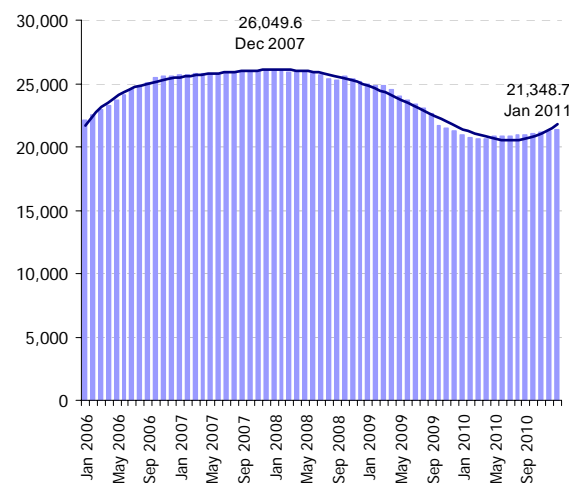
Source: Banxico

Although remittances in the first month of the year were down with respect to those captured in December 2010, January is generally a month in which remittance revenues tend to be relatively low. No positive change in remittances has been observed in the first month of the year since January 2007.

Thus, remittances continue their upward trend in dollar terms. The 12-month remittance flows (including January) totaled 21,348.7 million dollars, their highest level since November 2009, and registered 3.7% growth on the figure for March 2010, when they were at their lowest. Therefore, in dollar terms, remittances have recovered slightly less than 4% from their lowest point, but they are still 18% below their peak in December 2007.

The exchange rate and inflation in the month of January were factors that adversely affected the families receiving the remittances; once the remittances were converted to pesos and the inflation was discounted, the real value of remittances fell by nearly 3.2% in the month.

In the future, we expect remittances to maintain the upward trend they initiated in the second quarter of 2010, though growth will be gradual and moderated. The Latino population in the United States, especially Mexican migrants, is recovering employment at higher levels than the average for the total population. As we stated previously, by year-end 2011, remittances will have reached levels slightly over 22 billion dollars.

Chart 3
Remittances to Mexico
Millions of pesos and millions of dollars
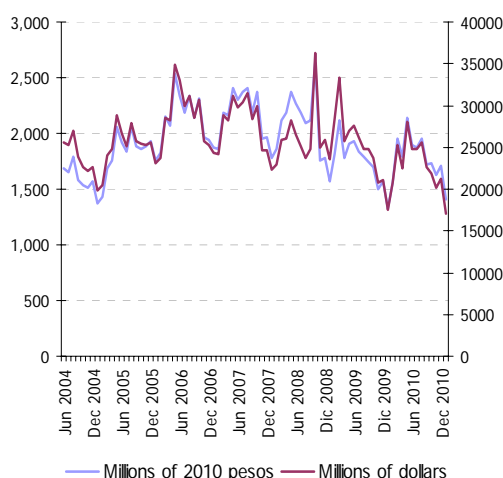
Source: BBVA Research based on Banxico figures

Chart 4
United States: Employed workers
Millions

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

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