

Economic Watch

Mexico

May 2, 2011

Economic Analysis

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

Migration and Remittances

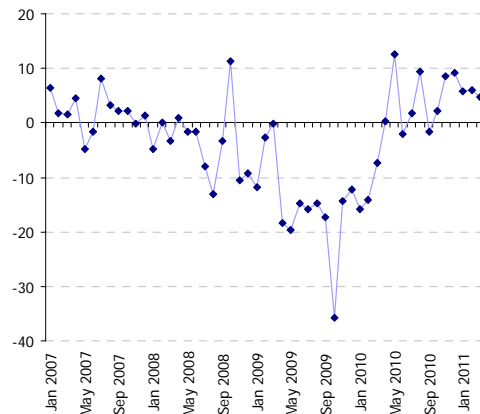
In March, remittances accrued six months of consecutive growth

- In March, remittances recorded an annual increase of 4.8% in dollars, while the average remittance registered a 5.8% increase, reaching its highest level since March 2009. The number of transactions to send remittances fell by 0.9% in annual terms.
- In the first quarter of the year, remittances grew 5.5% in annual terms, while only 6 institutions recorded annual falls in remittance income. Four institutions recorded increases of over 10%.
- In the coming months we expect the recovery in remittances to continue.

In March Mexico received 2,049.05 million dollars in remittances, according to figures published by the Bank of Mexico. This represented an annual 4.8% increase, accruing 6 consecutive months with increases in dollars. The increase in remittances was driven by the average remittance trend, which recorded an annual 5.8% change, taking it to 343.6 dollars, its highest level since March 2009. In March, 5,967.7 thousand transactions were undertaken to send remittances, resulting in a similar level to the previous year.

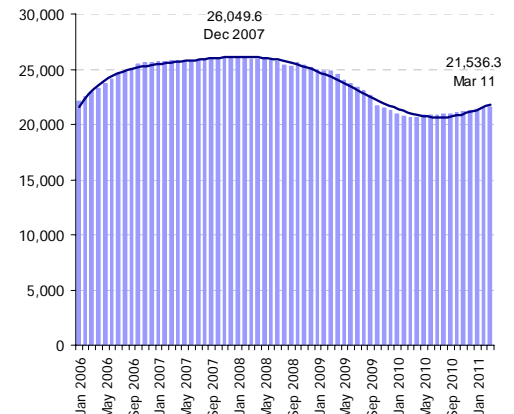
In the third quarter of the year, Mexico attracted 5,098.2 million dollars in remittances, 5.5% up on the same quarter in the previous year.

Chart 1
Family remittances to Mexico
(y/y % change)



Source: Banxico

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



Source: Banxico

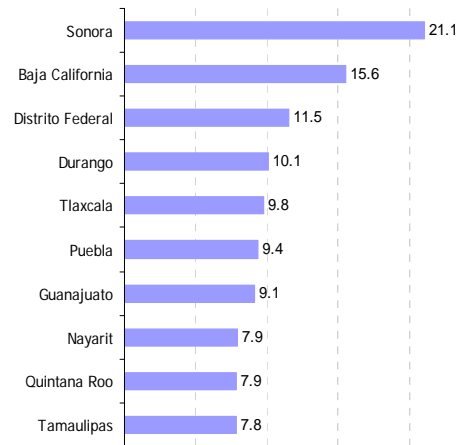
The 12-month accumulated flow shows an uptrend since 2Q10 and in March continued its growth rate, reaching 21,536 million dollars. This represented a 4.6% increase compared to the previous year when it hit rock bottom. Despite this growth, the level of remittances is still 17.3% lower than its highest level back in December 2007, which confirms that although remittances are recording growth, recovery is and will be slow.

Inflation and the exchange rate continued to work against families who receive remittances. In March, remittances recorded a 3.1% fall in real terms, meaning that remittances in the first quarter registered a 3.7% decrease in pesos in real terms.

The recovery in remittances is also evident at the state level. In the past three quarters, the number of states that have seen their remittance income fall is in stark contrast to the last two quarters of 2009, when not one state recorded growth. In 1Q11, only Baja California Sur, Coahuila, State of Mexico, Campeche, Tabasco, and Chihuahua recorded annual falls. On the contrary, Guanajuato, Puebla, Tlaxcala, Durango, Distrito Federal, Baja California and Sonora, recorded considerable changes, over 9%, the latter 4 state recording increases above 10%. Overall, the best recovery in remittances seems to be in states with more organized migration networks.

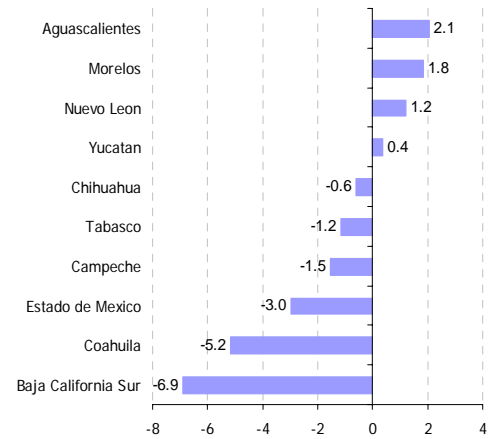
As mentioned above, remittances to Mexico have benefited from the improved employment situation in the United States. In March, the unemployment rate was 8.8%, 1.3 percentage points lower than its all-time high recorded in the recent crisis in October 2009. If the positive employment trend continues in the U.S., Mexican migrant workers will benefit the most, as has been the case in previous recovery situations, due to the fact that the employment sector to which this group of workers belongs is relatively flexible. The situation will probably continue to have a positive effect on remittances to Mexico, although this recovery will be gradual.

Chart 3
States with the most increased income from remittances, first 1Q11 (y/y % change)



Source: BBVA Research based on Banxico figures

Chart 4
States with the least changes in income from remittances, first 1Q11 10 main states (y/y % change)



Source: BBVA Research based on Banxico figures

Legal Notice

This document has been prepared by the BBVA Research department of Banco Bilbao Vizcaya Argentaria, S.A. (BBVA) and by BBVA Bancomer, S.A. Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer, on its own behalf and is provided for information purposes only. The opinions, estimates, predictions, and recommendations appearing in this document are for the date that appears herein, and therefore may change as a result of market fluctuations. The opinions, estimates, forecasts and recommendations included herein are based on information obtained from reliable sources; however, BBVA gives no guarantee, whether express or implicit, about the accuracy, completeness or correctness of such information. This document is not an offer to sell or a solicitation to acquire or dispose of an interest in securities.