

Economic Watch

Mexico

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Economic Analysis

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Migration and Remittances

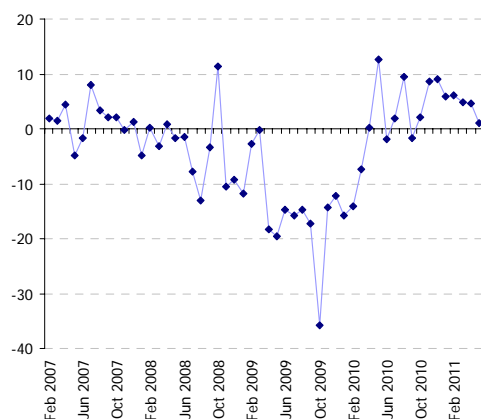
Remittances reach their highest levels since the last quarter of 2008

- In May, remittances towards Mexico recorded annual 1% growth in dollars.
- Such a large volume of transactions for remittances has not been seen since May 2008
- The remittance recovery is set to continue in coming months, albeit moderately, driven by the jobs recovery and discouraged by the uncertainty regarding recent anti-immigrant laws in the US

The Bank of Mexico stated Mexico received 2.1665 bn dollars in remittances. This marks an annual growth of 1% in dollars. Although this is relatively low, such a large remittance inflow had not been seen since the last quarter of 2008.

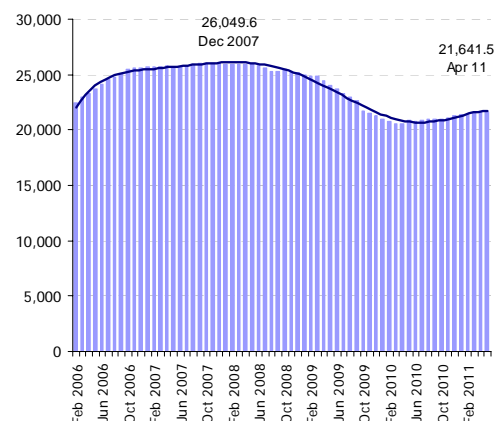
May is generally one of the top months for remittances sent home by Mexican immigrants due to Mother's day. This time round, although average remittances saw a marginal decrease over the same month last year, remittances were driven by the large transaction volume seen, reaching 6.8 million, a level not seen since May 2008.

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



Source: Banxico

Chart 2
12-month remittance flow to Mexico
Accumulated flows, 12 months
(Millions of dollars)



Source: Banxico

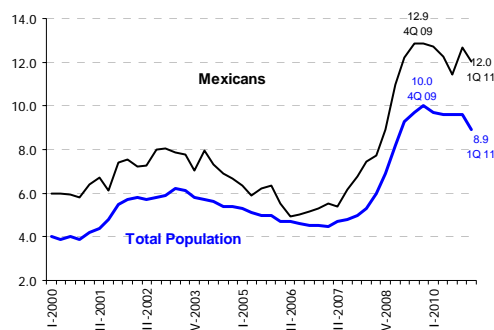
With regard to April, remittances recorded a 15.7% increase in dollars while the change in pesos came in at 15.4%. In this way, in the first 5 months of the year, remittances amounted to 9.1375 bn dollars, 4.2% higher than the same period last year. Nonetheless, there was a 5% reduction in real pesos.

The accumulated remittance flow over 12 months ran to 21.641 bn dollars in April, pointing to remittances being at levels seen at the start of 2006. This means they are continuing to recover at a slow rate and remain far from maximums seen at the end of 2007. As we have stated previously, they are not set to reach these figures again until 2013 or 2014.

The recovery in remittances was driven by the jobs recovery in the US labor market, where Mexicans saw their jobless rate decrease from around 13% in the fourth quarter of 2009 to around 12% in the first quarter in 2011. Undoubtedly, the recovery in employment will continue to favor remittances toward Mexico. Nonetheless, something that could discourage remittances is the recent action taken by some states in the Union which have promoted anti-immigrant laws (many in May 2011) or which are currently debating them such as Arizona, Florida, Indiana, Georgia, Oklahoma, Tennessee, Utah and Texas. This has led to some Mexican migrants leaving some of these states and setting up in others, as set out in the June 2011 **Migration Watch Mexico** Report which can be found at the following website: www.bbva-research.com. These actions and the subsequent move of Mexican migrants to other states have perhaps influenced the job recovery performance of this population sector which has slowed in recent months.

In this way, we forecast that the end of the year will see 5.3% growth in remittances in dollars as a BBVA Research base scenario.

Chart 3
USA: Unemployment rate
 (%)



Source: BBVA Research based on US Census Bureau data

Chart 4
United States: Mexican migrants by state of residence
 (Thousands)

	2007	2008	2009	2010	Change 2007-2010
Population loss					
Florida	387	297	250	245	-142
Arizona	674	693	588	604	-70
Georgia	289	249	273	247	-43
Nevada	229	242	187	197	-32
Colorado	238	256	185	207	-31
New York	241	196	211	213	-28
Tennessee	112	106	141	93	-18
Indiana	109	105	109	94	-15
Population gain					
Texas	2,263	2,305	2,414	2,376	113
California	4,664	4,766	4,713	4,737	73
Washington	160	165	174	228	68
Illinois	627	613	636	635	7
New Mexico	112	121	129	118	7
North Carolina	264	222	203	265	1
Oregon	147	172	158	148	1

Source: BBVA Research estimates based on Census Bureau data, Current Population Survey (CPS), March 2007-2010.

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