

Economic Watch

Mexico

July 26, 2011

Economic Analysis

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Migration and Remittances

Are factors in Mexico responsible for stopping migration to the United States?

- In the past immigration in the United States has declined after economic recessions
- Since 2007 the flow of Migrants from Mexico to the United States has held steady
- While there have been economic improvements in Mexico, these have been insufficient to close the wage gap against the United States and make migration less attractive
- The economic crisis and measures taken against migrants are the main factors that have deterred migration, aspects that we believe are situational
- In the short term migrant flows will remain weak, but in the medium and long terms these flows are set to recover, driven by an economic recovery in the U.S. and demand for migrant labor due to the aging population in the U.S.

In the June 2011 issue of *Mexico Migration Watch*¹, we observed that since 2007 the number of Mexican migrants in the United States has held flat. What might explain this situation? An article recently published in the New York Times², as well as some voices of public opinion, have argued that changes in the Mexican economy mean it is now more attractive to stay in the country than to emigrate to the United States, thus explaining the stagnation of migration flows. Is the recent drop in migration flows explained largely by factors in the Mexican economy? Are factors in the US economy behind this situation? Has migration reached an inflection point and, therefore, will decline going forward? In this report we try to find some answers to these questions.

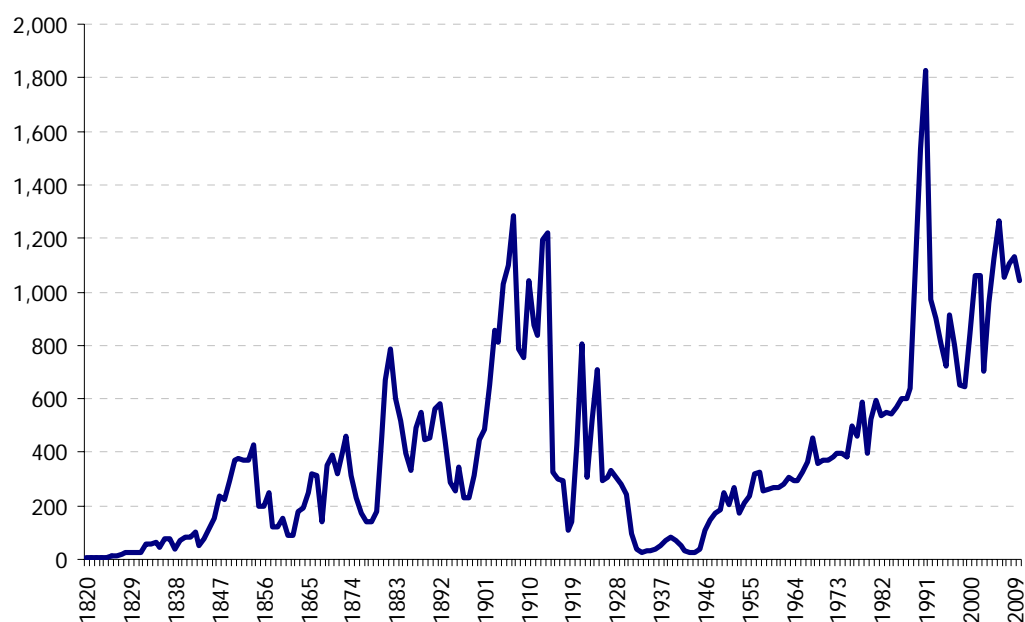
Although migration from Mexico to the United States is not a recent phenomenon, and has been happening since the start of the last century, the migratory flows began growing in size as of the 1990s. Various push and pull forces have been working on migrants both in Mexico and the United States. An assessment of their behavior will help us to identify which factors have the greatest influence on current migratory flows and what to expect in future.

¹ Can be found at the BBVA Research website: www.bbva-research.com

² Can be found at the following link:
<http://www.nytimes.com/interactive/2011/07/06/world/americas/immigration.html?hp>

We first look at the history of legal migration to the United States. Migratory flows have fluctuated; there have been periods of rapid growth and others of decline. In general, the growth periods came during times of economic expansion, while declining migration has followed economic recession in the United States, as occurred in the wake the crises of 1873, 1882, 1914, 1923, 1929, 1991, 2001 and recently in 2007. Thus, one hypothesis is that the recent economic recession is the main factor behind flagging Mexican migration to the United States.

Chart 1
Legal immigration in the United States: 1820 to 2010
(Thousands of permanent legal residents)



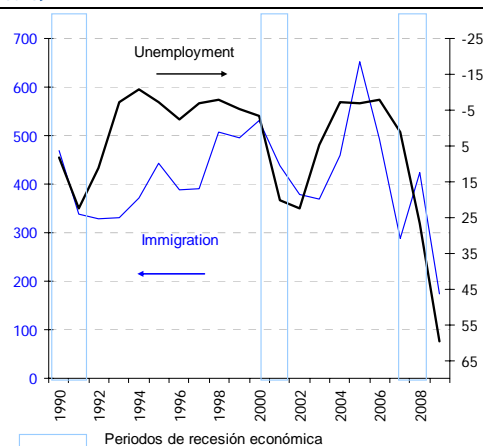
Source: U.S. Department of Homeland Security.

To explore further what may be slowing the migration flows, let's look at the relationship between migration and variables in both the United States and Mexico.

In the 2010 edition of *Mexican Migration Watch* we observed that the variable with the closest relationship with Mexican migration to the United States is employment in the U.S., which has greater influence than the lack of opportunities in Mexico and wage differences between the two countries. Thus, when employment in the United States increases Mexican migration also grows, while the opposite is true when employment declines. This means the main driver of Mexican migration to the United States is demand for Mexican labor. During economic crises demand for workers falls and, with fewer job opportunities available, the incentives for migration are reduced.

Chart 2

Mexican immigration in the USA and unemployment in the USA (thousand and annual % change, inverted scale)

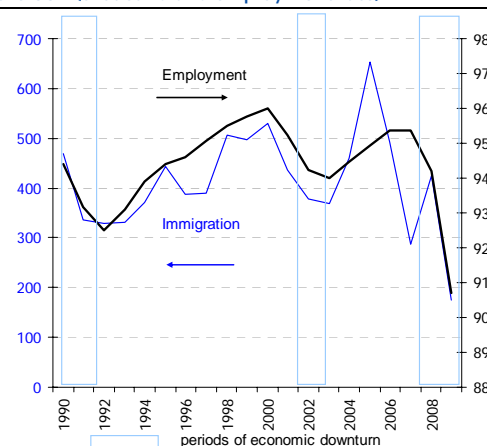


Source: BBVA Research and data from Passel and Suro (2005), Passel (2009) and Current Population Survey (USA).

Note: The unemployment figure is the total number of unemployed in the working population

Chart 3

Mexican immigration in the USA and employment in the USA (thousand and employment rate)



Source: BBVA Research and data from Passel and Suro (2005), Passel (2009) and Current Population Survey (USA).

Why have migration flows not recovered as they did after past crises?

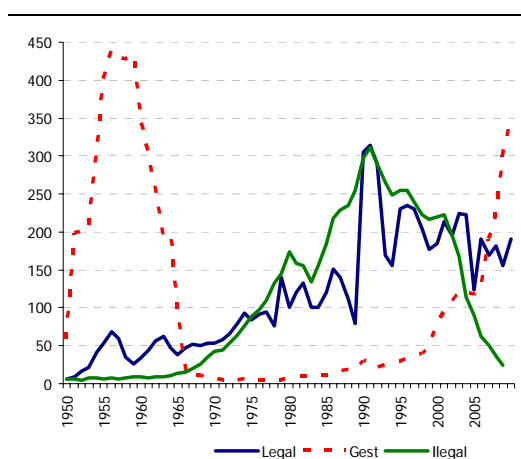
Massey, Pren and Durán (2009) indicate, based on estimates made by the *Mexican Migration Project* and official sources, that while legal migration has held largely steady over the last few years, the flow of illegal migration is at its lowest levels since 1970, at practically nil. Since 1986, with the passing of the Immigration Reform and Control Act (IRCA) and the first militarization of the border, this kind of migration has been in decline. In 2002, in the wake of 9-11, the U.S. began to scale up anti-immigration measures. According to the authors, in 2008 the number of hours of border surveillance hours increased from zero to a factor of 74, the Border Patrol budget grew by a factor of 52 and deportations by a factor of 32.

On top of this, a lack of jobs in the United States has prevented immigration from growing. Of the last 6 recessions in the United States, the most recent recession that began in 2007 was responsible for more job losses in both absolute and relative terms, at more than 8 million jobs, compared with 2 million during the 2001 recession and 1.7 million in other recessions. In relative terms, the drop in employment was of 5.6%, while in all the other recessions employment fell by less than 1.7%. Furthermore, the recovery in employment following this crisis has been slower than after all other recent recessions. In the other recessions, one and a half years after the recession had begun all the jobs that had been lost were fully recovered, while on this occasion around just 21% of jobs lost in the 2007 crisis have been recovered. With employment generation low and a large number of unemployed still in the U.S. economy, migration flows are unlikely to recover, given that if there are insufficient jobs available in the U.S. economy there are no major incentives to emigrate to the country.

Have changes in Mexico made migration to the United States less attractive?

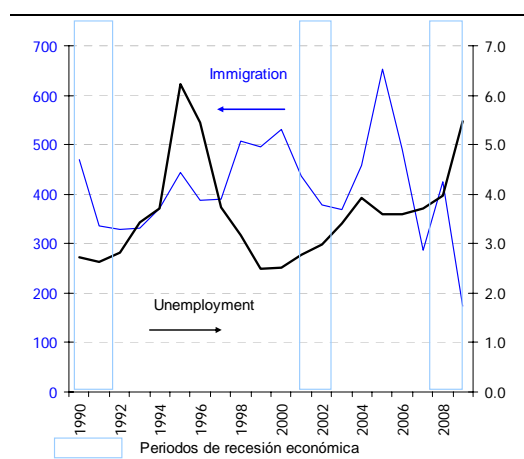
As was also observed in *Mexico Migration Watch*, although the lack of opportunities in Mexico is a factor that drives migration, it is less influential than the United States economic cycle. Mexican migration does not necessarily fall when conditions improve in Mexico. This can be seen when the Mexican employment cycle is static. For example, in the first half of the 1990s, unemployment in Mexico grew but migration at the beginning of the decade fell. From 1996 to 2000, unemployment in Mexico declined while migration during the period did not slow down, but in fact showed the opposite trend. Subsequently, unemployment in Mexico has generally been growing, while migration followed a growth trend up until 2006 and then declined. This means that although a lack of opportunities in Mexico is an important factor behind Mexican migration to the United States, it is less influential than the economic cycle in the U.S. This indicates that until employment and wages in Mexico grows relative to the United States, migration will remain attractive to many Mexicans.

Chart 4
Illegal, legal and temporary workers between Mexico and United States



Source: Massey, Pren and Durán (2009)

Chart 5
Mexican immigration in the U.S. and unemployment in Mexico (Thousands and %)



Source: BBVA Research and data from Passel and Suro (2005), Passel (2009) and ENOE.

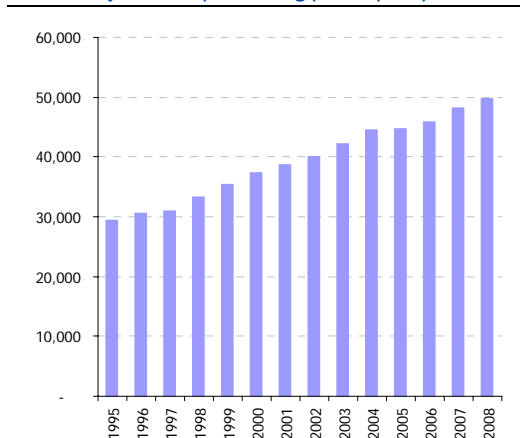
Some conditions have improved in Mexico and have allowed households to own more goods and provide better educational opportunities, resulting in a higher average level of schooling for the Mexican population, which in 1960 was 2.6 grades, in 2000 was 7.5 and in 2010 grew to 8.6 grades. However, the fact is that these improvements have been insufficient to close the pay gap against the United States. Figures from the OECD show that in 1995 the difference in remuneration per industrial sector employee in the U.S. and Mexico was nearly \$30,000 a year, while in 2002 this gap was \$40,000 and by 2009 had increased to about \$50,000.

Meanwhile, data from the National Occupation and Employment Survey (ENOE in its Spanish acronym) and the Current Population Survey showed that on average in 2005 workers born in Mexico and living in the United States earned 4.5 times more than those living in Mexico, while by 2010 this difference had grown to 5 times; evidence that the wage gap between what Mexicans earn in the U.S. and what they earn in Mexico has followed a growth trend.

The most recent National Survey of Income and Expenditure for Mexican Households showed that in general the finances of Mexican households have not improved over the last few years, with the average total income falling by 12% in real terms between 2008 and 2010.

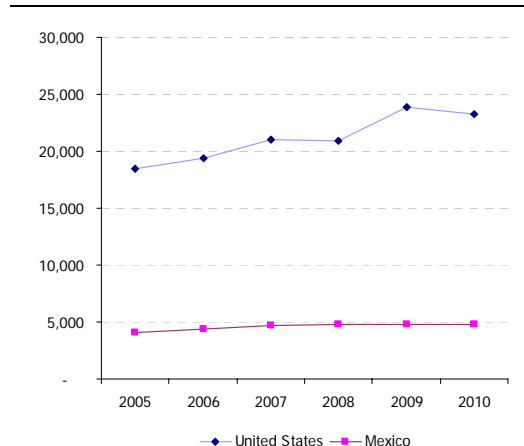
Thus, changes in the Mexican economy are not the main factor behind lower levels of migration to the United States.

Chart 6
Differences in labor wages in the industrial sector between the United States and Mexico (Dollars adjusted for purchasing power parity)



Source: OECD.Stat

Chart 7
Average wages of Mexican workers, based on place of residence (Pesos)



Source: BBVA Research with data from the ENOE and Current Population Survey, March 2005 to 2010.

Note: The ENOE looks at the second quarter of each year. Also the average annual exchange rate is used to convert dollars to pesos.

Prospects for Mexican migration to the United States

Mexican migration to the United States is stagnant mainly due to factors in the U.S. economy, such as the recent economic recession and anti-immigration measures. It is likely that restrictions on migrants entering the U.S. will remain in place in some states. This will make migration more costly, thereby reducing the likelihood of Mexican migrants returning and will make it harder for some Mexican migrants to enter the country illegally.

However, as the U.S. economy recovers, more jobs will be created and therefore demand for migrant workers will grow. On top of this, the U.S. population is aging, which will make migrant labor more important for the U.S. economy. These two factors will eventually have a greater influence than entrance barriers. Therefore, in the short term migration flows will remain relatively low, but perhaps in 2 or 3 years there will be a return to higher levels.

References

Massey, Douglas, S. Pren, Karen y Durand, Jorge, "Nuevos escenarios de la migración México-Estados Unidos. Las consecuencias de la guerra antiinmigrante", Papeles de Población, Vol. 15, No. 61, July-September, 2009, pp. 101-128 Universidad Autónoma del Estado de México.

Passel, J. y R. Suro (2005), "Rise, Peak, and Decline: Trends in U.S. Immigration 1992-2004", Pew Hispanic Center.

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