

# Economic Watch

## Mexico

August 4, 2011

Economic Analysis

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

## Migration and Remittances

The number of Mexican households receiving remittances fell 27% between 2006 and 2010, but will increase in 2011

- Mainly due to the world economic crisis in 2007, remittances to Mexico fell between that year and 2010 by 18.3% in dollars
- Consequently, the number of Mexican households receiving remittances fell from 1.86 to 1.36 million between 2006 and 2010
- The largest fall was seen in rural households and those in areas suffering high and very high marginalization
- Thanks to the recovery being seen in remittances, the number of households receiving remittances will increase slightly in 2011

In 2007, Mexico saw the highest remittance income ever recorded in dollars, slightly above 26 billion. After the economic crisis which started at the end of that year in the US, remittances saw decreases in the following 2 years, just surpassing 21 billion dollars in 2009; this meant an 18.3% decline in dollars over 2007. A slight increase was seen in 2010 over 2009.

Table 1:  
Remittances to Mexico

	Remittances		Transactions for remittances		Average remittance	
	Million dollars	Annual % change	Thousands	Annual % change	Dollars	Annual % change
<b>2003</b>	15,139		47,986		315.5	
<b>2004</b>	18,332	21.1	57,013	18.8	321.5	1.9
<b>2005</b>	21,688	18.3	64,922	13.9	334.1	3.9
<b>2006</b>	25,567	17.9	74,185	14.3	344.6	3.2
<b>2007</b>	26,050	1.9	75,636	2.0	344.4	-0.1
<b>2008</b>	25,139	-3.5	72,619	-4.0	346.2	0.5
<b>2009</b>	21,245	-15.5	66,937	-7.8	317.4	-8.3
<b>2010</b>	21,271	0.1	67,435	0.7	315.4	-0.6

Source: BBVA Research with Banxico figures

In this scenario, both the number of transactions in remittances and average remittance fell 10.8 and 8.4% respectively between 2007 and 2010. This shows that there was not only a decline in amounts households received but also fewer households receiving this source of income.

The most recent figures from the National Household Income and Expenditure Survey (ENIGH) in Mexico, released by the INEGI, show that there were just over 29 million households in 2010, of which 1.36 million received remittances, 4.7% of the total.

In comparison to 2008, the number of households receiving remittances fell by 14%, with 1.58 million receiving them, while in comparison to 2006 there was a 27% decline since 1.86 million households received income from people overseas that year. In this way, between 2006 and 2010 the proportion of households receiving remittances in the country went from 7 to 4.7% meaning nearly 2 million people stopped benefitting from this source of income at that time. Rural areas (towns with under 2,500 inhabitants) showed the greatest decline in the number of households receiving remittances in percentage terms between 2006 and 2010, coming in at 32.5%, while in cities the decline ran to 22.2%.

Table 2:  
Total number of households and number of households receiving remittances according to town size

			Thousands			%	
			2006	2008	2010	Change 2008-2010	Change 2006-2010
<b>Total</b>	<b>Households Received*</b>		26,541.3	26,732.6	29,074.3	8.8	9.5
			1,858.8	1,583.3	1,357.0	-14.3	-27.0
<b>Size of town</b>	<b>Under 2,500 inhabitants</b>	<b>Households Received*</b>	5,856.1	5,386.7	6,212.9	15.3	6.1
			867.2	642.4	585.5	-8.9	-32.5
	<b>2,500 inhabitants or more</b>	<b>Households Received*</b>	20,685.3	21,345.9	22,861.4	7.1	10.5
			991.5	940.9	771.6	-18.0	-22.2

\*Households receiving remittances

Source: BBVA Research with ENIGH data, 2006, 2008 and 2010

Both in those areas with more marginalization and in those with less marginalization, we see that in 2010 fewer households received remittances in comparison to figures for 2008 and 2006. However, it is in the areas with more marginalization where the greatest declines were recorded in percentage terms. Looking at the 2006-2010 period in areas with very high marginalization, the decline was 54%, in areas with high marginalization, the fall was 47%, while in those with low and very low marginalization decreases were 5.5 and 24.7% respectively over the same period.

Table 3:  
Number of households receiving remittances according to marginalization level (Thousands)

	2006	2008	2010	Change. % 2008-2010	Change. % 2006-2010
<b>Very high</b>	96.4	81.1	44.2	-45.5	-54.2
<b>High</b>	380.7	311.4	202.0	-35.1	-46.9
<b>Average</b>	403.6	341.8	295.1	-13.7	-26.9
<b>Low</b>	412.9	345.2	390.1	13.0	-5.5
<b>Very low</b>	565.1	503.9	425.6	-15.5	-24.7
<b>Total</b>	1,858.8	1,583.3	1,357.0	-14.3	-27.0

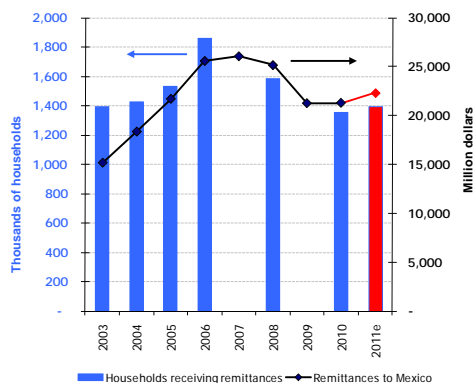
Source: BBVA Research with ENIGH data, 2006, 2008 and 2010

The main factor leading to these results was undoubtedly the recent economic crisis. This led Mexican migrants in the US to suffer the highest unemployment rates ever for this group (around 13%), the highest poverty levels of the decade (just over 27%), a lower number of hours worked, lower salaries and, consequently, remittances fell back to 2005 levels.

Fortunately for households receiving income from those overseas, remittances have started to recover. Nonetheless, as stated before in *"Migration Watch Mexico"*, this recovery is, and will continue to be, slow. An addition factor that will affect the performance of remittance recovery is actions being taken against migrants in some states, including the application of some anti-migrant laws which were passed between May and July this year, such as in Florida, Indiana, Georgia, Alabama and Texas. In this way, we anticipate that at year-end remittances toward Mexico are unlikely to grow by more than 5% as we had projected in our last forecast, and could stand at around 4.7%. With this increase in remittances, the number of households receiving remittances will increase slightly in 2011 and come in around 1.39 million (taking into account the ENIGH data), i.e. 5.4 million people will benefit from this income source in Mexico.

Chart 1

#### Households receiving remittances in Mexico and remittances to Mexico (Thousands and millions of dollars)



For 2003, the number of households receiving remittances for 2002 was used. In 2007 and 2009 there was no ENIGH documenting and, therefore, no figures are reported for those years.  
e: estimated

Source: BBVA Research with Banxico data and ENIGH 2002, 2004, 2006, 2008 and 2010

**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.