

BBVA Research Flash Migration

Mexico

Remittances may have increased at the highest annual rate in 5 years in September

- **We estimate that remittances could have increased by over 20% in September 2011 in terms of their annual growth rates. We regard this as being anomalous and unlikely to be repeated.**
- **There are a number of reasons which might explain these figures: as a result of a weaker exchange rate and increased employment of Hispanics in the United States, migrants may have decided to send more or larger remittances than normal. The relatively low levels of remittances in the same month last year may also have had an influence.**

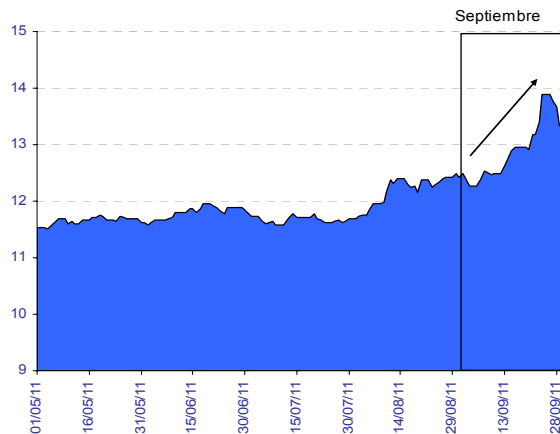
On November 1, the Bank of Mexico will release figures on remittances received in September this year. The combination of a number of factors leads us to expect a significant increase in remittances in the month that may be the largest recorded in the last 5 years.

The first factor is that remittances fell significantly in the same month of the previous year, to one of the lowest levels of the year. Another factor is that employment of Hispanics reached its highest level since 2008 in September, as a result of the US economy exceeding growth forecasts for the third quarter: preliminary figures from the Bureau of Economic Analysis released on 27 October showed that growth could be 2.5%, exceeding the 1.3% recorded in the second quarter.

However, the factor that may be most relevant to this increase in remittances is the appreciation of the exchange rate (peso-dollar), which appreciated by a little over 11% on its level at the start of the month in September. As a result of knowing that their dollars would be worth more as a result of the higher exchange rate, migrants would have been incentivized to increase their remittances.

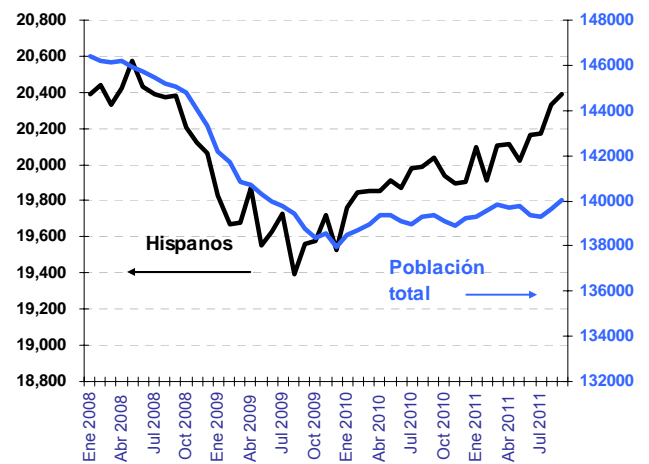
Based on these factors, we estimate that remittances may have increased at an annual rate in excess of 20%.

Chart 1
Peso-US dollar exchange rate on bonds denominated in foreign currencies



Source: BBVA Research with Banxico figures

Chart 2
United States: Total and Hispanic employment (Thousands)



Source: BBVA Research with Bureau of Labor Statistics data

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