

Mexico Migration Flash

In July remittances end streak of 21 consecutive months of growth

- In July, remittances decreased 2.1%. There had been no decline in the annual growth rate since September 2010.
- In those 21 consecutive months of growth, the cumulative 12-month inflow of remittances grew nearly 12%
- The employment stagnation in sectors with a high proportion of working Mexican immigrants was the main factor behind this drop.
- When more complete data becomes available, we will be able to determine if this marks a turning point or simply an extraordinary situation.

According to Banco de México, revenues from family remittances to Mexico totaled 1,866 million dollars in July, marking a 2.1% decrease in dollars compared to the same month the previous year. Though the number of remittances transaction rose 1.6%, the average remittances fell 3.7% to \$314.70.

Given that the exchange rate in July 2011 was much lower than in July 2012, when the remittances were converted to pesos, 7.5% growth in real terms (discounting inflation) was obtained.

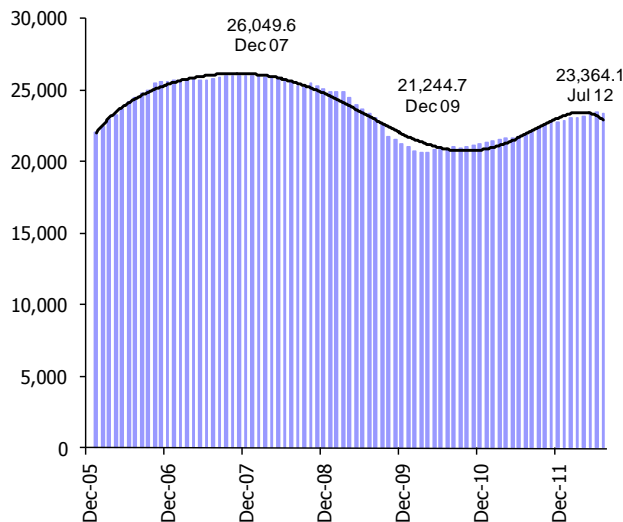
Since October 2010, remittances had posted 21 straight months of rises in dollar terms. In that period, the accumulated 12-month inflow of remittances grew nearly 12% from \$21,031 to \$23,473 million dollars.

In our last "Mexico Migration Flash", we indicated that the positive remittance growth streak would likely be broken. This is due to stagnating employment in some sectors with a high concentration of Mexican immigrants, like in construction, leisure and hospitality, and in retail trade, in which more than 40% of Mexican immigrants are employed. Though the employment figures in these sectors are preliminary for July, some data have showed loss of jobs. In terms of Mexican immigrants, our preliminary estimates show that, in July, employment was no longer growing at its previous rate.

This situation, together with the falling exchange rate (peso/dollar) in July, could be responsible for the drop in July remittances, since the incentive to send money tapers when each dollar is worth fewer pesos. We are waiting for updated data to be able to ascertain if this represents a turning point for remittances that could lead to a downward trend and, subsequently, our forecast to be adjusted or if it is simply an extraordinary situation.

Chart 1

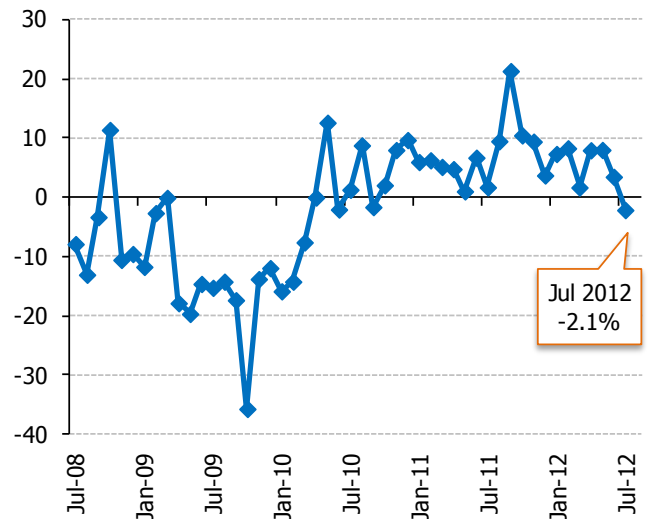
Accumulated 12-month remittance inflows to Mexico (Million dollars)



Source: BBVA Research with Banxico figures

Chart 2

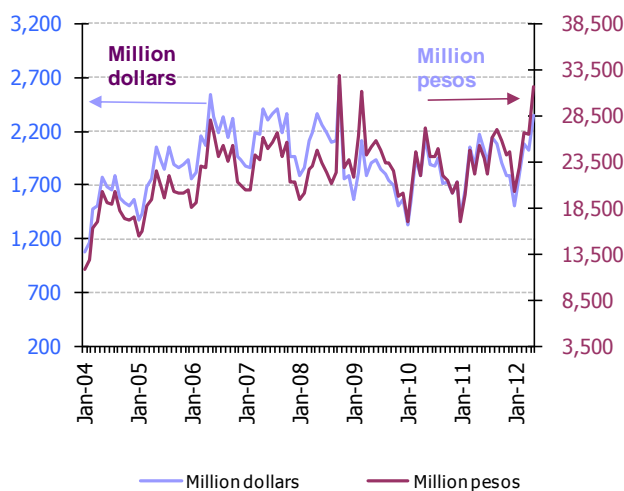
Family remittances to Mexico (Annual % change in dollars)



Source: BBVA Research with Banxico figures

Chart 3

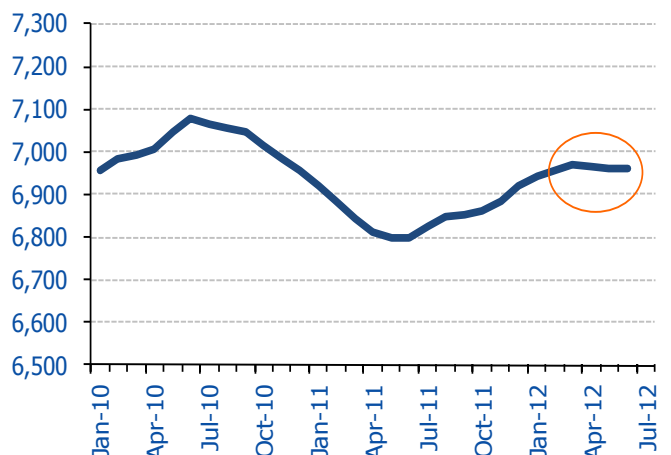
Monthly family remittance receipts in Mexico (Million dollars and Million pesos)



Source: BBVA Research with Banxico figures

Chart 4

Mexican immigrant jobs in the U.S. (Thousands, seasonally adjusted)

Source: BBVA Research with Bureau of Labor Statistics data
Note: Seasonally adjusted using TRAMO-SEATS

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Notice

This publication is a joint initiative between the BBVA Bancomer Foundation and BBVA Research's Economic Research Department, Mexico. It aims to make new contributions in the field of Migration studies that add to knowledge of this important social movement.