Fundación BBVA Bancomer



Economic Analysis October 1, 2012

Mexico Migration Flash

August marked the second consecutive month that remittances decrease

- In August remittances declined 11.6% annually in dollar terms. Since the first quarter of 2010, it has not been seen since a decrease of over 11%
- Slowdown in construction, leisure and hospitality, retail, and manufacturing employment in the U.S. affects Mexican migrants because there 60% of Mexican migrant labor force is employed
- The decrease in the employment of Mexican immigrants is the main factor affecting the decline in remittances
- In the following months, weakness in remittances figures could continue

In August Mexico received \$1,895.5 million dollars in family remittances according to figures released by Banco de México, representing an increase of 1.6% compared to July this year, but a reduction of 11.6% with regard to the same month in the previous year. The number of operations fell slightly by 0.6%, while the average remittance decreased by 10.6% year to year, and now stands at \$303.91.

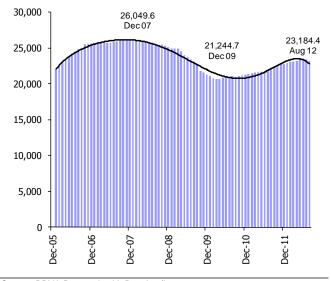
In real pesos (discounting inflation), remittances saw a slight fall of over 8%. Since July 2011, remittances had not decreased in terms of real pesos, which can be attributed to the strengthening of the peso against the dollar which has been observed in recent months, and this has the effect of receiving fewer pesos for the dollars sent.

Previously, in our Mexico Migration Flash we foresaw that the positive streak in remittances would end, as happened in July this year. We also predicted a sharp decrease in remittances for August, which had not been seen since the first quarter of 2010, when remittances recorded variations of over 15%.

We were able to anticipate these situations due to the fact that the employment of Mexican immigrants in the United States is highly correlated with remittances send to Mexico, and certain sectors in the United States which concentrate the greatest proportion of Mexican immigrant labor force are beginning to show signs of a slowdown, as is the case of construction, leisure and the hospitality industry, retail and recently, manufacturing. These four sectors employ 60% of the Mexican immigrants working in the United States.

Due to the slowdown in these four sectors, the employment of Mexican migrants had already begun to fall. Hispanic employment also declined for the first time in the year to date in August. This reduction in the employment of Mexican immigrants is the main factor in the recently recorded decrease in remittances. In the coming months of the year we expect the remittances to continue to show a degree of weakness.





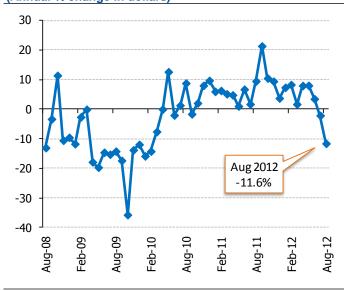
Source: BBVA Research with Banxico figures

Chart 3 US: Total Hispanic employment (Thousands, seasonally adjusted)



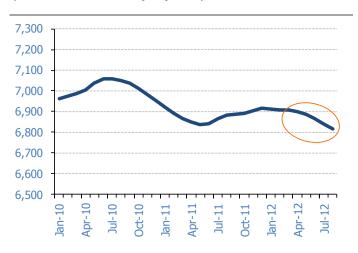
Source: BBVA Research with Bureau of Labor Statistics data

Juan Luis Ordaz Díaz juan.ordaz@bbva.com Juan José Li Ng juan.li@bbva.com Chart 2 Family remittances to Mexico (Annual % change in dollars)



Source: BBVA Research with Banxico figures

Chart 4 US: Total Mexican migrant employment (Thousands, seasonally adjusted)



Source: BBVA Research with *Current Population Survey 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.