

Mexico Migration Flash

Remittances recorded their highest year-over-year drop in the last three years

- In September, remittances in dollars fell year-on-year by 20.2%, accumulating three consecutive months with declines.
- There are three main factors behind this sharp y/y fall: 1) a comparison effect, given the extraordinary growth in remittances registered in September last year; 2) appreciation of the exchange rate in September 2012 compared with previous months; and 3) the weak employment levels of Mexican migrant workers.
- In October, we expect to see another year-on-year fall in remittances, but on a much lower scale than in September.

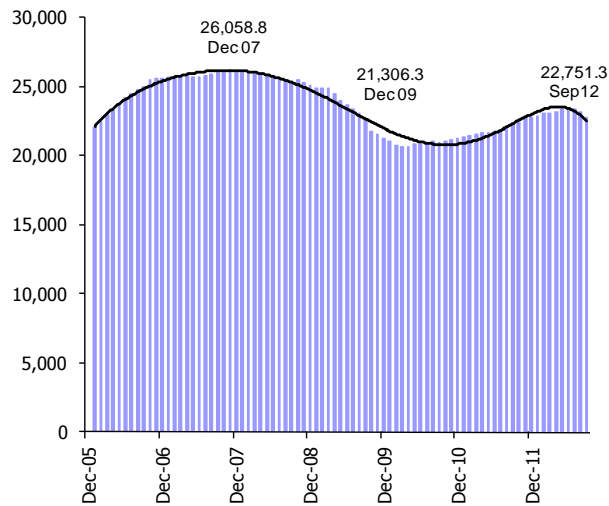
Banco de México has announced that USD 1,663.7 million dollars of remittances entered Mexico in September 2012, 20.2% down year-on-year. This is the second highest fall since 1995 when remittances began to be recorded monthly, only surpassed by October 2009 when it fell 35.7%. The number of transactions fell 6.2%, and the average remittance was down 15.0%. In real pesos (discounting inflation), remittances fell by a little over 23%.

In our last **Migration Economic Watch** of October 17, we warned that we were expecting to see a sharp fall in remittances in dollars in September, higher than that observed in August. As we explained then, we believe this situation has been caused by three main factors:

- 1) *A comparison effect*, given that in September 2011 the exchange rate (peso/dollar) rose by over 6% on the preceding month; this situation, together with the positive trend in employment of Mexican immigrant workers in the U.S., led to extraordinary remittance levels in that month, with growth of 21.4% year-on-year, the biggest increase since 2007.
- 2) *Appreciation of the exchange rate* in September 2012, with a fall of 1.5% compared to previous month and over 7% in relation to June of this year. This meant immigrants were discouraged from sending remittances, knowing that they would be worth less when turned into pesos.
- 3) *Weak employment for Mexican migrants*. Although preliminary figures indicate that the employment of Mexican migrants in the U.S. may have increased in September, it is still below the levels registered in the first half of 2012. There are sectors in which Mexican migrants in the US are finding few jobs, or where the numbers of jobs is falling, such as construction, agriculture, manufacturing and leisure and hospitality.

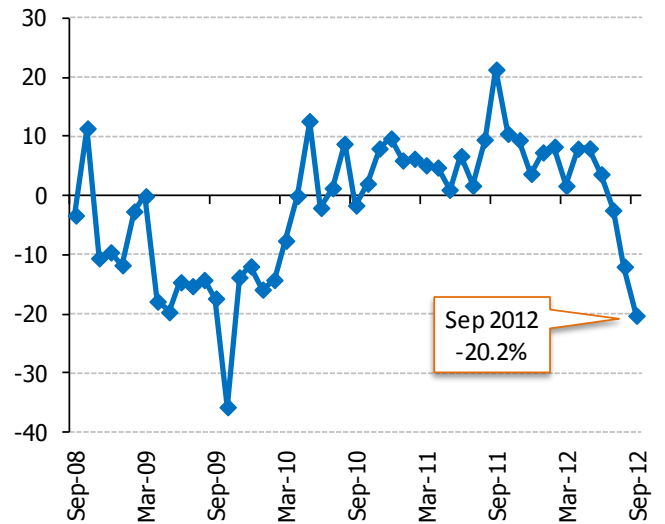
In the next edition of **Mexico Migration Outlook** we will present a more in-depth analysis of the employment among Mexican immigrant workers in the U.S., and we will give our forecast for the remittances inflow to Mexico throughout this year and into 2013.

Chart 1
**Accumulated 12-month remittance inflows to Mexico
(Million dollars)**



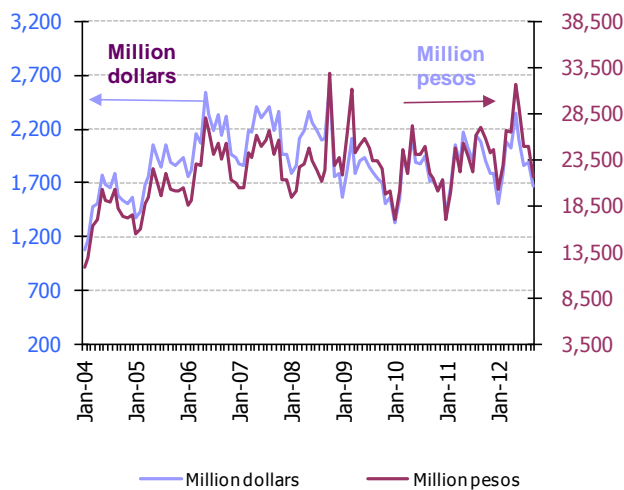
Source: BBVA Research with Banxico figures

Chart 2
**Family remittances to Mexico
(Annual % change in dollars)**



Source: BBVA Research with Banxico figures

Chart 3
Monthly remittances to Mexico in dollars and pesos



Source: BBVA Research with Banxico figures

Juan Luis Ordaz Díaz
juan.ordaz@bbva.com

Juan José Li Ng
juan.li@bbva.com

Av. Universidad 1200, Col. Xoco, Mexico 03339 D.F. | researchmexico@bbva.bancomer.com | www.bbva.com/mexico | Follow us on Twitter

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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.