

Mexico Migration Flash

Mexico receives fewer remittances in 2012 than in 2011

- On Friday February 1 the Bank of Mexico is due to release its figures on household remittances received in Mexico in December, which will also give us the official full-year figure for remittances received in 2012.
- Factors such as weak employment among Mexican migrants and a relatively high exchange rate have had an impact on income from remittances in the second half of the year.
- In 2013 we expect income from remittances in Mexico to stand at close to 2012 levels in dollar terms.

In 2011 accumulated income from remittances received in Mexico stood at \$22,802.97 million. In 2012 we expect a slightly lower figure, down by around 1%. In 2012 there was quite a contrast between the remittances sent in the first half and those sent in the second half; while between January and June Mexico received \$11,855.5 million in remittances, meaning annual growth of 6% in the period, in the second half remittances shrank by close to 8%. This should be confirmed when the Bank of Mexico releases the December figures.

What happened in the second half that caused remittances to drop off? In previous editions of this **Mexico Migration Flash** and the **Migration Watch Mexico** magazine, we have looked at two variables that are closely correlated with remittances, namely employment among Mexican migrants and the exchange rate (peso/dollar). When both increase then remittances to Mexico also tend to grow, and the opposite is true when they decline. Both variables fell in the second half of 2012.

The exchange rate showed a positive trend in the first half of 2012 and a negative performance in the second half. This meant there were fewer incentives for migrants to send remittances in the second half, as they prefer to send remittances when their dollars convert into more pesos.

Although employment in the United States seems to have improved in some cases and for certain groups, this has generally not been true for Mexicans. This is due to several factors, including: 1) Mexican migrants are concentrated in segments where employment growth is slow, partly as a result of droughts hitting certain states where there is usually demand for Mexican migrant labor. 2) Mexican migrants have been the main target of anti-immigration laws, which has driven some migrants to move states and compete amongst each other for certain employment, and 3) the U.S. economy is now demanding higher-skilled workers, while Mexicans have one of the lowest average levels of schooling among migrant groups.

We expect something of an improvement from employment among Mexican migrants in 2013, but not enough to really drive up remittances. Thus remittances may well hold close to 2012 levels.

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