

Mexico Migration Flash

Remittance to Mexico recorded eight consecutive-months with declines

- In February remittances declined 11.1% in dollar terms, recording eight consecutive months with falls
- Weakness in employment for Mexican immigrants in the U.S. and exchange rate decrease (pesos per US dollars) might influenced this fall
- Forward, we estimate the next coming months with declines in remittances, but we could experience increases mainly in the second half of the year

Mexico received in February 1,589.95 million dollars in remittance inflow, according to figures released by Banco de México, representing a decrease of 11.1% y/y, the highest since last October. The number of operations for remittances showed an annual drop of 2.85% to 5.423 million transactions, while the average remittance fell 8.5% to settle at 293.16 dollars.

This reduction of remittances in dollar terms was higher than expected (-3.8% consensus and -6.5% BBVA). In this way, as we announced in our previous Flash of March 27th, it broke the trend towards recovery between October 2012 and January 2013 when decreases had tended to moderate from -7.1% in the first month to -2.3% in January 2013. In real pesos (after inflation) remittances declined just over 14%.

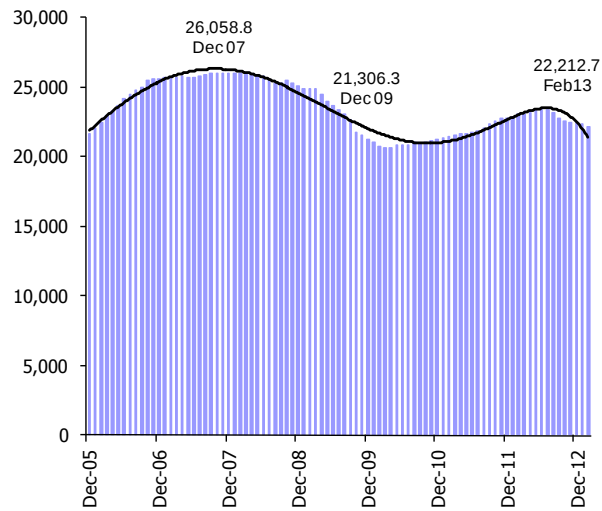
There are two main factors that led to the fall in remittances in February: 1) the downward trend in the exchange rate (pesos per dollar) in recent months, and 2) the still weak employment of Mexican immigrants in the U.S.

While the Hispanic population as a whole has recovered all the jobs lost after the last economic crisis, the Mexican immigrants are still far from their highest levels reached just before the economic crisis. This is due to three main factors: 1) Mexican immigrants are concentrated in sectors with low job creation in the U.S. such as construction, manufacturing, trade, and leisure and hospitality, 2) anti-immigrant laws have pushed some Mexican immigrants to lose their jobs, and 3) the U.S. economy is demanding high-skilled immigrants, affecting Mexican immigrants to get jobs because they are, among the largest immigrant groups in the U.S., those with the lowest levels of education on average.

Looking forward, we estimate remittances will continue declining in the next coming months, but we could expect some increases towards the second half of year, related with the expectations of the creation of new jobs in the construction sector. Thereby, accumulated remittances inflow to Mexico could be settle at about 22 billion dollars in 2013.

Chart 1

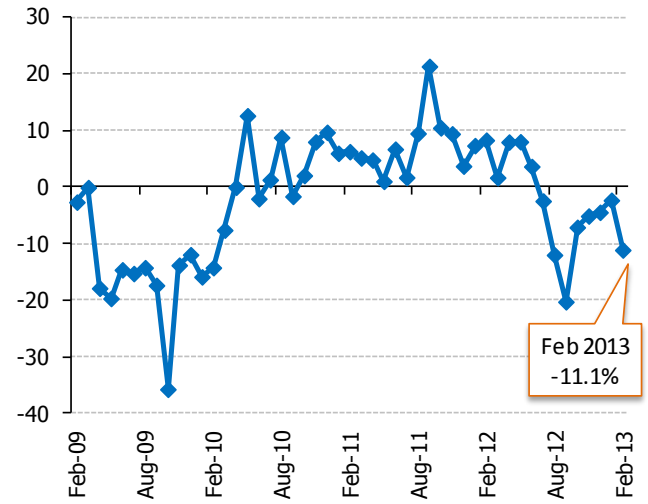
Accumulated 12-month remittance inflows to Mexico (Millions of dollars)



Source: BBVA Research with Banxico figures

Chart 2

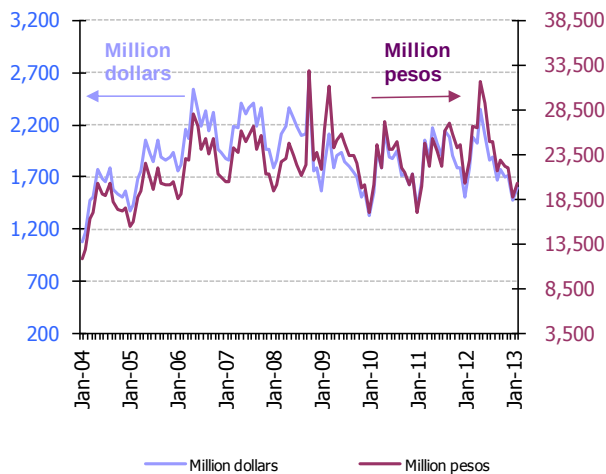
Family remittances to Mexico (Annual % change in dollars)



Source: BBVA Research with Banxico figures

Chart 3

Monthly remittances to Mexico in dollars and pesos



Source: BBVA Research with Banxico figures

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Notice

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