

## Remittances – Seasonal uptick in December drives the yearly total to US\$63.3 billion

- Remittances (December): US\$5,489.7 million; Banorte: US\$5,613.2mn; consensus: US\$5,410.0mn (range: US\$5,000.0mn to US\$5,700.0mn); previous: US\$4,913.0mn
- With this result, inflows in 2023 reached US\$63,312.6 million, growing 7.6% y/y
- In the month, the annual growth rate accelerated to 2.1% (previous: 1.2%). In addition, the number of operations came in at 14.1 million (+2.2% y/y). The average amount was US\$389.63 (-0.1%)
- Sequentially, flows climbed 5.6% m/m, supported by a more favorable base (previous: -5.3%). This figure is quite positive considering that Mexican employment in the US gave some signs of moderation, although dynamism in activity has prevailed
- We expect remittances to reach a total of US\$66-US\$67 billion in 2024, supported by a resilient labor market –especially in key sectors. Nevertheless, we believe the expansion could be limited by the deceleration in activity, along other factors

**Remittances kept growing in the last month of the year, supported by a favorable seasonality.** The amount sent came in at US\$5,489.7 million, close to consensus (US\$5,410.0 million), but lower than our forecast (US\$5,613.2 million). We consider that the boost from year-end holiday was the main driver of remittances in December, this taking into account that: (1) Figures from the labor market in the US showed a slight deterioration for Mexican migrants; (2) prevailing inflationary pressures in some items, such as rent prices. With this, the flow of remittances grew 2.1% in the annual comparison. As such, the total amount of remittances received in 2023 came in at US\$63,312.6, being a new historical high. Moreover, this implies +7.6% y/y.

Regarding US economic activity, the preliminary print for 4Q23 GDP surprised to the upside at 3.3% q/q saar, albeit with a more modest performance of internal demand. Regarding other timely figures, retail sales' control group was positive at +0.8% m/m (with strength in clothing, online sales, and autos). Industrial production climbed 0.1%, with the boost coming from the auto sector –still normalizing after the strike in previous months. Related to migrant employment, housing starts and building permits were mixed –although in both cases with marginal changes relative to November. As already mentioned, inflation accelerated in annual terms, standing at 3.4% (previous: 3.1%). Finally, employment showed a recovery, albeit with figures for migrants skewed to the downside (see section below for details).

**Increase in the number of operations.** 14.1 million operations were made (vs. 12.7 million in November), which represents a 2.2% y/y increase from 3.1%. Meanwhile, the average amount sent came in at US\$389.63 (previous: US\$386.38), down 0.1% y/y (previous: -1.8%). As is usual, during the month dynamism tends to increase given the favorable seasonal pattern, although we believe that part of the acceleration is also explained by the high performance in activity in said country.

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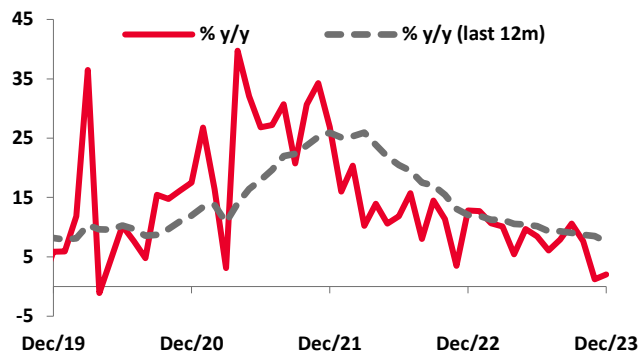


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**Rebound in sequential terms.** With seasonally adjusted figures, remittances grew 5.6% m/m (previous: -5.3%). Despite a slight improvement in the overall unemployment rate, data for migrants was weaker. In numbers, nonfarm payrolls resulted in +216 thousand jobs, with the unemployment rate unchanged at 3.7%. For Hispanics and Latinos, the latter increased to 5.0% from 4.6%. Specifically, the rate for Mexican migrants rose to 4.8% from 4.2%. Explaining this, the working age population—including ‘natives’, ‘non-native citizens’, and ‘non-citizens’ (legal or illegal)—increased by 64.9k. However, employed persons declined by 384.9k, with those unemployed increasing by 103.9k.

#### Family remittances

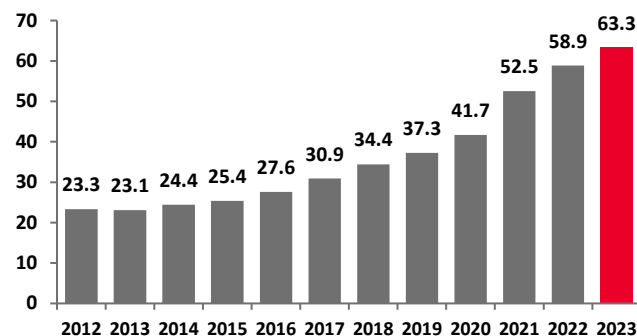
% y/y (nsa)



Source: Banorte with data from Banxico

#### Family remittances

US\$ billion, accumulated in the year (nsa)



Source: Banorte with data from Banxico

**We believe that remittance inflows could reach between US\$66-US\$67 billion in 2024.** This implies growth between 4.2% and 5.8% over the previous year. We believe that activity in the US will remain resilient, with the ‘soft landing’ materializing, resulting in GDP growth of 1.5%. In addition, our projection for the path of inflation is skewed to the downside, with the Fed likely to begin its easing cycle around the middle of the year. In this context, our expectation for the labor market is that it will continue to be strong—at least in the first half of the year—while recognizing some signs of exhaustion that would moderate job creation relative to 2023 later. In this context, we see some tailwinds for Mexican migrants. Specifically, jobs in the construction sector seem to have relatively optimistic signs—with consensus pointing to an acceleration in ‘housing starts’ and ‘building permits’, especially towards the second half of the year—with a possible reactivation supported by lower interest rates and a moderation in inflationary pressures. On the other hand, given that consumption may remain as the engine of domestic demand, employees in the service sector may also be favored.

Uncertainty arises from the US electoral process and its direct implications for migrants. Although the election is at the end of the year, to date we see speeches that begin to put the focus of the political agenda on the issue of migration and its relationship with border security and trade between Mexico and the US. In this regard, we remain attentive to the initiatives proposed by Donald Trump (the likely Republican candidate), remembering that eight years ago these translated into greater flows of remittances both before and after the election. In addition, we are closely following President Biden’s ongoing negotiations with Congress, noting that last week he announced that he would be willing to close the border for the legislative body to reach an agreement on immigration policy. Nevertheless, we maintain a positive bias on remittances, based on recent experience. This is good news for local activity given the importance of domestic demand in our outlook for the economy in the year.

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We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Marissa Garza Ostos, Katia Celina Goya Ostos, Francisco José Flores Serrano, José Luis García Casales, Santiago Leal Singer, Víctor Hugo Cortes Castro, José Itzamna Espitia Hernández, Leslie Thalia Orozco Vélez, Hugo Armando Gómez Solís, Carlos Hernández García, Yazmín Selene Pérez Enríquez, Cintia Gisela Nava Roa, Miguel Alejandro Calvo Domínguez, José De Jesús Ramírez Martínez, Daniel Sebastián Sosa Aguilar, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Isaías Rodríguez Sobrino, Juan Carlos Mercado Garduño, Jazmín Daniela Cuautencos Mora, Andrea Muñoz Sánchez and Paula Lozoya Valadez, certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V. for the provision of our services.

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