

Remittances – Recovering pace in the fourth month of the year

- **Remittances (April):** US\$5,422.3 million; Banorte: US\$5,067.3mn; consensus: US\$5,200.0mn (range: US\$4,900.0mn to US\$5,490.0mn); previous: US\$5,014.6mn
- **Flows grew 8.3% y/y, improving vs. March (-3.4%) and adding a second straight print above US\$5,000 million.** With this, the accumulated amount in the last twelve months reached US\$63,845.6 million
- **The result was mainly driven by a recovery in the average amount per transaction, coming in at US\$402.55 (+5.3% y/y). The number of operations also improved (+2.8%), with the total at 13.5 million**
- **Sequentially, inflows climbed 0.2%, positive considering a more challenging base effect. Consistent with this, employment indicators for Mexican migrants in the US kept improving**
- **We maintain a relatively favorable view on remittances for the remainder of the year, although performance so far points to a slightly more challenging outlook than originally expected. In addition, MXN strength continues to be a relevant drag for these flows' purchasing**

Remittances return to positive in the annual comparison, regaining speed. The amount sent came in at US\$5,422.3 million, above our estimate (US\$5,067.3 million) and consensus (US\$5,200.0 million). It is relevant to mention that the seasonal effect is usually unfavorable, although we do not rule out that advanced social programs' payments, along with other factors, may have impacted patterns around the amount sent –and in previous months. On a more favorable note, the annual print was very positive at 8.3%, improving relative to March's -3.4%. We note that the overall trend continues to be resilient, which is better reflected, in our opinion, in US labor market figures. In this context, the cumulative amount of remittances received in the last twelve months reached US\$63,845.6 million (+5.5% y/y).

Delving deeper into US economic activity, the period showed mixed to negative figures at the margin. In broad terms, personal spending contracted 0.1% m/m in real terms. This contrasts with the 0.1% uptick in the retail sales' control group. On the contrary, industrial production posted null growth (0.0%), but manufacturing was down -0.3%. In construction, housing starts improved (+5.7%), although with building permits lower (-3.0%). Lastly, on prices, headline inflation was slightly lower than expected at 0.3%, with the annual print moderating to 3.4%.

Recovery in both the average amount per transaction and the number of operations. The average amount per transaction sent was US\$402.55 (previous: US\$381.95), which implies +5.3% y/y, back to positive after the 3.1% decline seen in March. The number of operations climbed to 13.5 million (previous 13.1 million) on a positive seasonal effect. This translates into +2.8%. We believe that a large part of the improvement is related to distortions from the *Easter* holiday and, to a lesser extent, social program payments in previous months. This likely resulted in migrants holding back some of the resources they typically sent when outlays to their families were made locally. After their families had drawn down those resources, migrants accelerated the money sent, which happened in subsequent months.

Additional sequential increase, driven once again by labor market improvements. On a seasonally adjusted basis, remittances rose 0.2% m/m (previous: 1.7%). We believe this is positive considering a more challenging base effect, noting once again better employment conditions.

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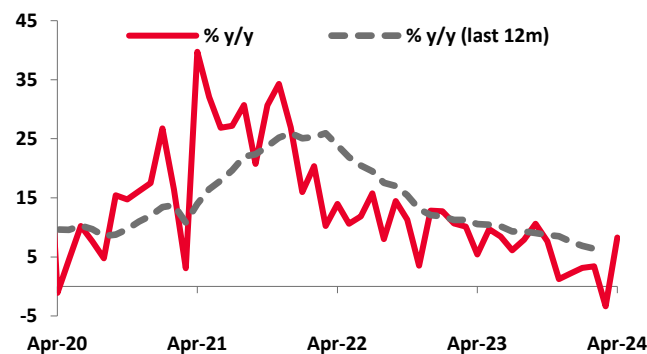


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For the total US population, nonfarm payrolls picked up by 175k jobs, with the unemployment rate climbing 3.9% from 3.8%. The same metric for Hispanics and Latinos expanded to 4.8% from 4.5%. More favorably, the rate for Mexican migrants declined to 4.2% from 4.7%. Specifically, the working age population –including ‘natives’, ‘non-native citizens’, and ‘non-citizens’ (legal and illegal)– contracted by 101.2k, with employed persons up by 39.8k and those unemployed falling by 86.8k.

Family remittances

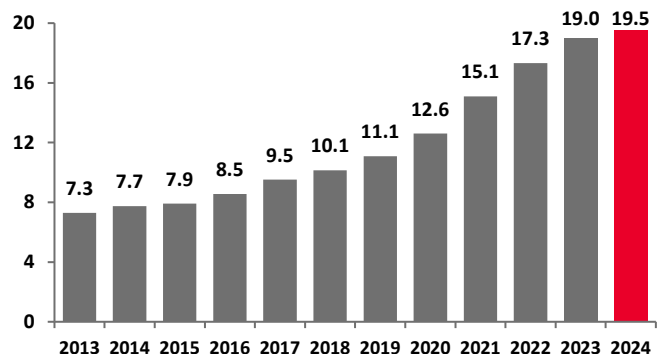
% y/y (nsa)



Source: Banorte with data from Banxico

Family remittances

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



Source: Banorte with data from Banxico

Remittances will remain favorable, with US drivers still pushing along. We believe flows sent by Mexican migrants will be positive in the remainder of the year, with performance –which so far has been modest– improving in coming months. Nevertheless, results in the first four months of the year show that challenges could be somewhat larger than we anticipated in early 2024, with risks to our full-year estimate between US\$66 and US\$67 billion slightly skewed to the downside. In this context, we believe better results could be supported by: (1) A resilient US labor market, where not only jobs continue to be created, but wages are still growing at a healthy pace; (2) some signs of moderation in inflationary pressures, albeit with the need of more evidence that this reduction is not a false signal; and (3) an expansion in the US migrant population. Nevertheless, the possibility of a larger-than-expected economic deceleration and further delays of the start of the Fed’s easing cycle continue to weight on the outlook.

A factor which could prove to be a more relevant driver in migrant’s sentiment is the presidential election in said country. It is important to mention that some events have been brought forward, with debates to be held in June and September, before the normal window between mid-September and October. In this sense, Trump’s rhetoric has remained very aggressive on migration issues, while Biden has also started to talk on this subject, knowing that this is a hot topic in the swing states.

Finally, we will continue to follow MXN dynamics closely given its implication in flows’ purchasing power. Given its strength, the ‘value’ of said resources has been impacted in local currency terms, a situation that has adverse effects on consumption, even though the latter continues to be supported by solid employment levels.

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