

Remittances – Large positive surprise and a new historical high in June

- **Remittances (June):** US\$6,213.2 million; Banorte: US\$5,486.5mn; consensus: US\$5,525.0mn (range: US\$5,480.0mn to US\$6,300.0mn); previous: US\$5,624.5mn
- **Flows surged 11.3% y/y**, its largest expansion since early 2023. The amount surpassed the US\$6,000 million mark for the first time in history. Considering this, accumulated inflows in the last twelve months reached US\$64,423.2 million
- **The result was driven by a higher number of operations at 14.8 million (8.1% y/y)**, as well as an increase in the average amount per transaction, at US\$418.71 (2.9% y/y)
- **Sequentially, inflows expanded 14.4%**, its largest uptick since the start of the pandemic. This contrasts with a slight deterioration in employment conditions for Mexican migrants in the US
- **We will closely follow remittances' drivers as we anticipate a moderation in US activity during the rest of the year. In addition, we will be looking into the potential effects from the election cycle in said country, possibly skewing flows**

Substantial acceleration in inflows during the sixth month of the year. The amount received came in at US\$6,213.2 million, above consensus (US\$5,525.0 million) and our estimate (US\$5,486.5 million). This is a new historical high and the first time flows they surpass US\$6,000 million. It is relevant to note that the period tends to have a downward seasonal skew after the increase in the previous month, although this has faded out in the last couple of years. With this, accumulated remittances in the last twelve months stood at US\$64.4 billion (+4.8% y/y). Regarding the US economy, figures were broadly positive. Personal spending expanded 0.3% m/m, in line with expectations. The control group for retail sales posted a large sequential increase at 0.9%. Meanwhile, industrial production remained to the upside for a third consecutive month at 0.6%, with manufacturing also positive at 0.4%. In construction, both housing starts (+3.0%) and building permits (+3.4%) recovered, favorable given the participation of migrants in this sector. On prices, headline inflation declined 0.1% m/m, resulting in a moderation in the annual print (3.0%).

Increases in the number of transactions and in the average amount sent. The number of operations came in at 14.8 million (previous: 14.8 million), which translates into +8.2% y/y (previous: +1.4%). Meanwhile, the average amount per transaction came in at US\$418.71 (previous: US\$380.92), which implies 2.9% y/y (previous: -2.3%). The result is consistent with the abovementioned economic data, while they could possibly have been boosted by the depreciation of the Mexican peso in the month. On the contrary, employment conditions for Mexican migrants stumbled, a situation that we explore further in the following section.

Strong sequential uptick. With seasonally adjusted figures, remittances climbed 14.4% m/m (previous: -2.7%). This happened in a context in which labor conditions for Mexican migrants in the US deteriorated. For the total US population, nonfarm payrolls picked up by 206k jobs –moderating at the margin–, with the unemployment rate climbing to 4.1% from 4.0%. On the contrary, the same metric for Hispanics and Latinos improved to 4.0% from 5.0%. Nevertheless, the rate for Mexican migrants increased to 5.1% from 4.3%. Specifically, the working age population –including ‘natives’, ‘non-native citizens’, and ‘non-citizens’ (legal and illegal)– contracted by 255.7k, with employed persons declining by 392.4k and with those unemployed expanding by 135.6k.

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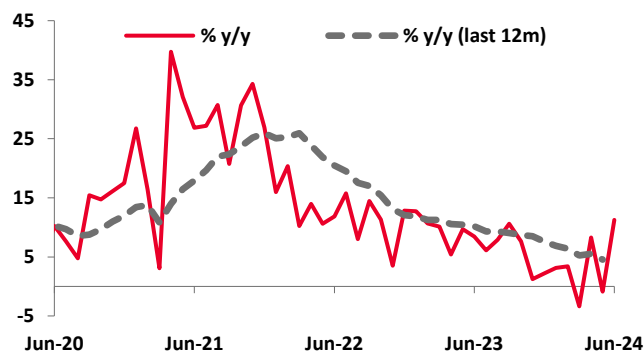


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Family remittances

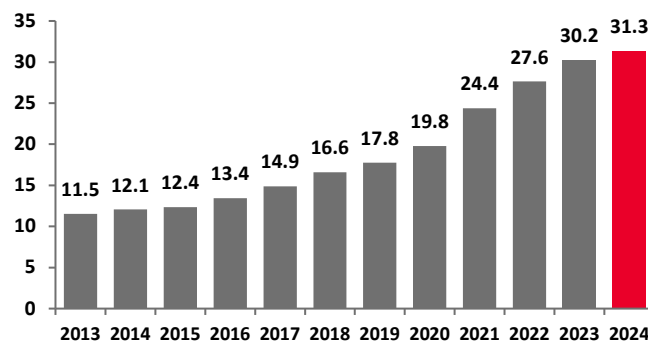
% y/y (nsa)



Source: Banorte with data from Banxico

Family remittances

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



Source: Banorte with data from Banxico

Mixed signals for remittances in 2H24. Considering the results in previous months, as well as expectations for the US economy –still anticipating a moderation–, we remain attentive to the drivers that will influence flows during the rest of the year. In that regard, our analysis will focus on: (1) Job creation; (2) inflation; (3) the trajectory of wages; (4) campaign pronouncements on election issues; and (5) a possible victory of Donald Trump.

On job creation in the US, focus will be on tomorrow's non-farm payrolls. So far, timely figures suggest a moderation, including a negative impact of various circumstantial factors (*e.g.* adverse weather conditions, re-tooling in automotive production lines, etc.). Following this, expectations point to further slowdown. We see two contrary trends for employment demand that traditionally has a direct implication on Mexican migrants. The positive note would be the resilience of construction, while the headwinds would center on services, associated with the expected moderation in US household consumption.

Regarding the electoral campaigns, Trump's warnings of tougher immigration laws and a more restrictive approach if he becomes president stand out. Thus, some policies include: (1) Attacking migrant crossings with greater conviction; and (2) developing policies such as those of Ron DeSantis in Florida and Greg Abbott in Texas this past couple of years that limit the hiring of migrants and prevent access to certain services. Currently, the impact of a possible Trump victory is not clear. On one hand, migrants in 2016 accelerated their remittances given the threats and promises made in terms of tightening immigration policy. However, if some of these new policies are formalized, flows could moderate.

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