

Remittances – Rebound in August as the MXN weakened further

- **Remittances (August):** US\$6,087.3 million; Banorte: US\$5,712.9mn; consensus: US\$5,712.9mn (range: US\$5,500.0mn to US\$6,210.0mn); previous: US\$5,613.6mn
- **Flows climbed 9.3% y/y, accelerating relative to July and even better than suggested by its seasonality.** Considering this, accumulated inflows in the last twelve months reached US\$64,871.9 million
- **The result was explained by both the number of operations to 14.9 million (+8.2% y/y), as well as a higher average amount per transaction, at US\$407.06 (+1.0% y/y)**
- **Sequentially, inflows expanded 10.8%, highlighting higher volatility in the last three months.** In broad terms, employment conditions for Mexican migrants in the US were mixed
- **For the remainder of the year, we continue to believe that flows will remain linked to activity and employment conditions in the US.** In this sense, the presidential election in November could skew flows, although we believe to a lesser extent than in other elections

Remittances accelerated again in August. The amount received reached US\$6,087.3 million, above consensus. The month has a slight favorable seasonal effect –although it had not been seen in the last two years, in our view driven by the end of summer vacations and linked to spending for the beginning of the school year in recipient households. Thus, accumulated remittances in the last twelve months stood at US\$64.9 billion (+4.3% y/y). It is worth noting that the US economy showed mostly positive signals in the month. Industrial production picked up 0.8% m/m, with a strong recovery in manufacturing (0.9%). In construction, housing starts (+9.6%) and permits (+4.9%) posted significant advances. On consumption, personal spending grew 0.2%, while the control group for retail sales at 0.3%. Finally, headline inflation rose 0.2% m/m, in line with expectations, with the annual comparison moderating further to 2.5%.

More operations, with the average amount sent also growing. The number of transactions came in at 14.9 million (previous: 14.0 million), which translates into a 8.2% y/y increase (previous: +0.8%). On the other hand, the average amount per transaction was higher at US\$407.06 (previous: US\$402.15), which implies 1.0% y/y, recovering from a drop in the previous month (-1.7%). We believe that at least two factors drove both operations and the higher amount: (1) A further depreciation of the Mexican peso; and (2) the start of classes. It is worth noting that this occurred even though labor conditions for Mexican migrants in the US were mixed.

Double-digit increase in sequential terms. Using seasonally adjusted figures, remittances increased 10.8% m/m. We highlight greater volatility over the last three months. It is worth noting that this materialized despite mixed adjustments in labor market data for Mexican migrants in the US. For the total working-age population in said country, nonfarm payrolls picked up +142 thousand, improving vs. the previous month, with the unemployment rate down by 10bps to 4.2%. The same metric for Hispanics and Latinos increased to 5.5% from 5.3%. The rate for Mexican migrants was larger, to 5.7% from 5.3%. Specifically, the working age population in the latter group –including ‘natives’, ‘non-native citizens’, and ‘non-citizens’ (legal and illegal)– expanded by 553.6k, with employed persons increasing by 297.5k and those unemployed expanding by 109.5k.

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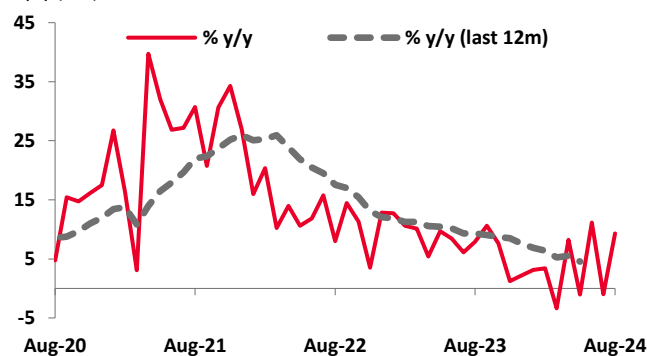


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Family remittances

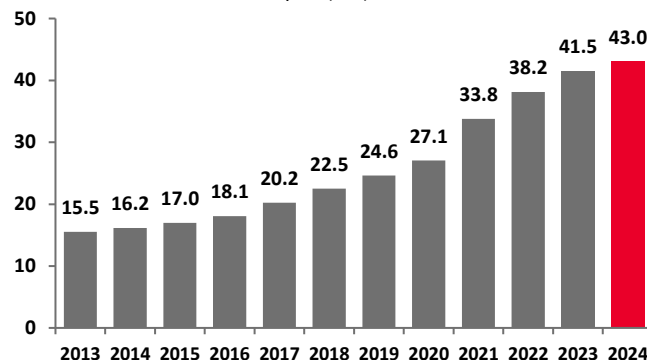
% y/y (nsa)



Source: Banorte with data from Banxico

Family remittances

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



Source: Banorte with data from Banxico

Flows will remain linked to US activity and the labor market, with the presidential election probably having a more modest influence. Immigration policy proposals within the US presidential campaigns are usually taken as a relevant variable for remittances. However, and according to our analysis in [View from the Top](#), we believe the effect could be more limited this time around relative to 2016 (with Donald Trump's victory). It is likely that migrants will consider that the candidates' speeches as part of the electoral process do not accurately reflect what they will end up doing when governing, with the latter being more measured versions of what they are now promising. Finally, we must remember that these flows may face a certain degree of rigidity as they face other constraints related to the availability of resources, such as incomes and savings.

In this context, we will remain focused on the performance of US activity for the remainder of the year. Specifically, on: (1) Industrial production and construction; (2) employment; (3) inflationary pressures; and (4) household consumption patterns. Delving further into the first point, we believe there is still room for moderate gains in manufacturing in the very short term, while construction could accelerate as rates begin to fall. Regarding employment, our view is that the gradual cooling will continue, to which we must add that the unemployment rate for Mexicans has adjusted more meaningfully in recent months, implying a potential moderation in flows. On the third point, if inflation keeps falling—with wages still rising—, higher disposable income for remittance senders could be in store. Finally, on consumption patterns, we believe that the pace of cuts adopted by the Fed will be relevant. An accelerated path would boost consumption and thus increase the demand for employment in service industries, where migrants are more likely to fill positions.

Based on these elements, we believe that level of remittances in 2H24 will be influenced to a greater extent by economic activity of our main trading partner, leaving the electoral process in second place. Thus, we reiterate our estimated range for full year inflows between US\$66.5 and US\$67.5 billion.

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