

February 4, 2025

Remittances – Downward surprise in December, with a modest uptick in full-year 2024

- Remittances (December): US\$5,227.8 million; Banorte: US\$5,731.7mn; consensus: US\$5,660.9mn (range: US\$5,115.0mn to US\$6,000.0mn); previous: US\$5,435.2mn
- This implies a 4.9% y/y contraction, noting a relatively erratic performance in the second half of the year
- The decrease was explained both by a fall in the average amount per transaction to US\$374.9 (-3.8% y/y), as well as a decline in the number of operations, now at 13.9 million (-1.1% y/y)
- With this result, inflows in full-year 2024 reached US\$64,745.5 million –a new historical high for a calendar year–, growing 2.3% y/y
- Sequentially, remittances fell 11.2% m/m. The result is explained by a challenging base and happened under deteriorating employment conditions for Mexican migrants in the US
- President Trump's immigration agenda will be key in the short-term for remittances. We anticipate that in the first month of the year flows may accelerate, although in the medium-term the trajectory is uncertain, especially if measures continue to tighten

Remittances fell in December, with several factors in play. The amount received reached US\$5,227.8 million, below consensus (US\$5,660.9 million) and our estimate (US\$5,731.7 million). The period has a positive seasonal factor, encouraged by the year-end holidays. However, on this occasion we believe that Trump's win and his threats on the immigration front also impacted flows. The moderation also happened despite the US economy showing signs of improvement. Industrial production rose 0.9% m/m, with manufacturing more modest at 0.6%. In construction, signs were mixed, with housing starts up +3.0% but with permits at -2.2%. On consumption, personal spending accelerated to 2.6%, with retail sales control group higher at +0.7%. Finally, headline inflation rose 0.4% m/m, in line with anticipation, with the annual comparison coming in at 2.7% from 2.9% the previous month. With this result, accumulated remittances in 2024 came in at US\$64.7 billion, implying +2.3% y/y. Although this result is a new historical high for a calendar year, the rate of expansion is the slowest since 2013.

A lower average amount, with a decline in operations. In December, the average amount per transaction was US\$374.91 (previous: US\$389.73), implying a setback of 3.8% y/y. On the other hand, the number of operations came in at 13.9 million (previous: 14.1 million), a modest drop of 1.1% y/y (previous: +7.6%). While flows are usually determined by a favorable seasonal pattern, the slowdown is likely explained by the decision to send resources in advance in the previous month and by the uncertainty of new immigration policies in the US.

Decline in flows in the sequential comparison. With seasonally adjusted figures, remittances fell 11.2% m/m (previous: 8.3%), this in a context of an increase in the unemployment rate for Mexican migrants in the US. For the total US population, non-farm payrolls showed an increase of 256 thousand jobs, with the unemployment rate falling 10 bps to 4.1%. The same metric for Hispanics and Latinos fell to 5.1% from 5.3%, although for Mexican migrants the adjustment was to the upside, from 4.5% to 5.0%. It is relevant that working-age persons in the latter group –including 'natives', 'non-native citizens', and 'non-citizens' (both legal and illegal)– increased by 231.6 thousand, with the employed population up 183.5 thousand and the unemployed growing by 110.8 thousand.



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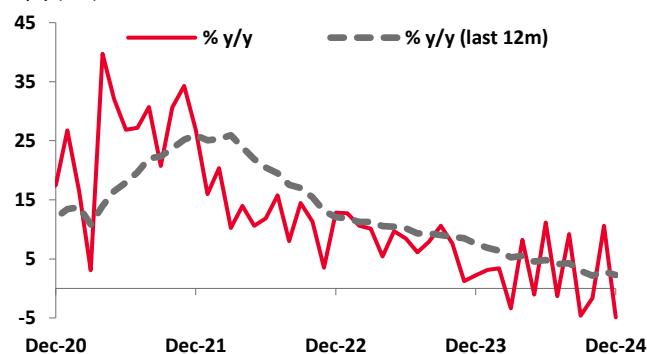


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Family remittances

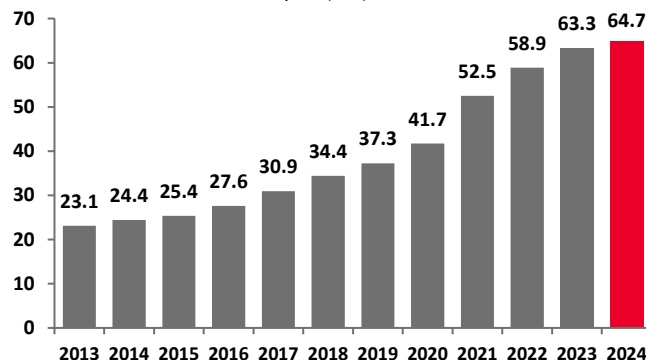
% y/y (nsa)



Source: Banorte with data from Banxico

Family remittances

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



Source: Banorte with data from Banxico

The first measures on migration in this new US term will inject volatility in remittances.

Immigration and security issues at the US southern border have been among the most critical issues for Donald Trump's second term. In this sense, in order to curb irregular migration, the goal now is to detain at least 1,200 migrants per day. Thus, the increase of raids is already a fact in several cities of the country. The focus is on concentrating these operations in three major cities each week (Chicago, New York and Denver, last week to quote an example) and expanding areas where they are carried out (including some that were previously classified as sensitive such as schools, hospitals and churches). In a complementary manner, deportations have increased in the last two weeks. According to data from the White House, daily arrests are around 600, which is at odds with figures from Immigration and Customs Enforcement (ICE), which puts the figure at approximately 1,000 arrests per day.

While the effect of the raids and deportations on Mexican employment in the US is not yet quantifiable, anecdotally the absence of workers is already being felt, especially in agriculture, construction, and services. The president of the industry group *California Citrus Mutual* stated that *"We are in the middle of the citrus harvest [...] People are not going to work and children are not going to school. Yesterday, approximately 25% of the workforce didn't show up and today 75% didn't show up..."*, he also mentioned that the raids would appear to be general and not aimed at people with legal backgrounds.

In this context, some of the main headwinds for the flow of remittances include: (1) The pace and scope of raids and deportations; (2) if anti-immigrant measures –such as the one announced by Florida Governor Ron DeSantis to require an official ID to send remittances–harden; and (3) if the unemployment rate of Mexican workers in the US deteriorates. The latter without ruling out a period of volatility in the short-term, being that a possible strategy for some migrants would be to send as many resources as possible in the face of the risk of being deported.

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