April 1, 2025

Remittances – Signs of weakness stressed by calendar and base effects

- **Remittances (February): US$4,458.5 million; Banorte: US$4,557.2mn; consensus: US$4,557.2mn (range: US$4,385.0mn to US$4,805.0mn); previous: US$4,660.2mn**
- **Flows decreased 0.8% y/y, with a more challenging base effect remembering that 2024 was a leap year. Thus, the accumulated amount for the last twelve months reached US$64,797.0 million (1.9% y/y)**
- **The number of operations slowed to 11.7 million (-0.2% y/y), with the average amount per transaction slightly lower at US$380.9 (-0.6% y/y). In our opinion, uncertainty on the immigration front skewed the data**
- **Sequentially, inflows accelerated marginally by 0.1% m/m, with a negative base effect and adverse signals on the labor market for Mexican migrants in the US**
- **We believe that the US anti-immigration stance will drive higher volatility in flows in the short-term. On the other hand, higher inflation expectations combined with signs of a slowdown in US employment imply downside risks for inflows**

Remittances declined in February, with seasonal and calendar effects impacting the result. The amount received reached US$4,458.5 million. This implies a reduction of 0.8% y/y, consistent with the challenging base effect due to the leap year in 2024. Other factors at play that also influenced them include mixed signals in the labor market, positive regarding job creation in services and wage gains, but a slowdown in temporary positions and with private employment figures (ADP) below expectations. On the other hand, the US economy remains driven by consumption, while industry managed some resilience. On the latter, the sector increased 0.7% m/m, with manufacturing accelerating to 0.9%. In construction, numbers were also mixed, with housing starts bouncing back strongly, up 11.2% m/m, but with permits backtracking 1.0%. On consumption, personal spending accelerated to 0.4%, with the retail sales control group more positive at 1.0%. Finally, inflation moderated to 0.2% m/m, with the annual comparison decelerating to 2.8% from 3.0% the previous month. In this context, accumulated remittances in the last 12 months were at US$64.8 billion (1.9% y/y).

Lower number of operations, with the average amount slightly to the downside. 11.7 million transactions were carried out vs. 12.1 million in January, which implied -0.2% in the annual comparison (previous: 2.9%). The average amount per transaction was US$380.91 (previous: US$385.48), a 0.6% fall (previous: -0.9%). In this sense, the negative seasonality and a challenging base effect –post leap year– were key to explain the moderation. However, we believe that additional efforts by migrants to send larger amounts in January, with stress due to the government's anti-immigration approach weighing on the total.

Uptick in sequential terms. With seasonally adjusted figures, remittances rose 0.1% m/m, recognizing a challenging base effect after expanding 6.5% in January. The labor market backdrop for Mexican migrants was negative. In the US, total non-farm payrolls advanced by 151k jobs, with the unemployment rate rising 10bps to 4.1%. The same metric for Hispanics and Latinos grew further, at 5.2% from 4.8%, with an upward adjustment also for Mexican migrants, at 5.6% from 5.2%. It is relevant to say that working-age persons in the latter group –including 'natives', 'non-native citizens', and 'non-citizens' (both legal and illegal)– fell by 324.7 thousand, with those employed down by 425.2 thousand, but with those unemployed growing by 51.4 thousand. It is not entirely clear whether this is influenced by the actions of the federal government, although we cannot rule it out.


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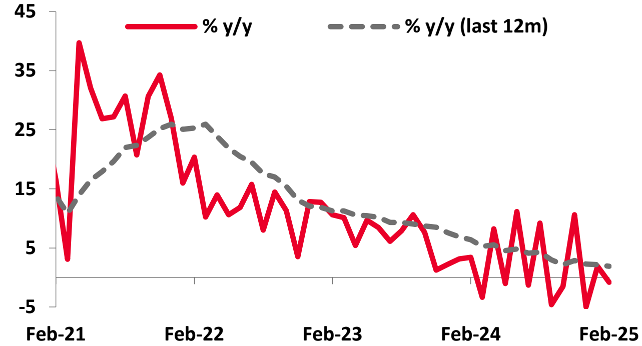
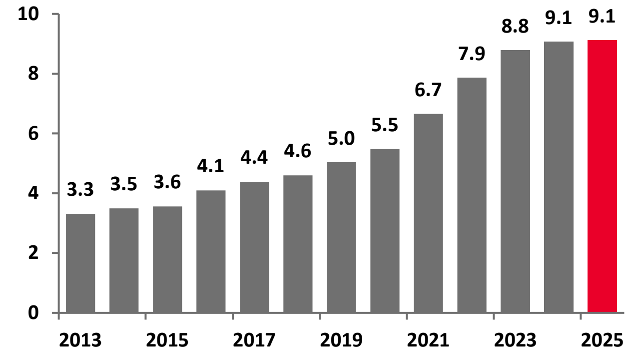
Family remittances
% y/y (nsa)



Source: Banorte with data from Banxico

Family remittances
US$ billion, accumulated in the year (nsa)



Source: Banorte with data from Banxico

Downside risks because of new US policies. The US economy maintains high interest rates and expectations of a longer pause in the Fed's easing cycle in the face of a possible rebound in inflation. Moreover, the high level of uncertainty surrounding its protectionist approach in trade has caused companies to be more cautious in terms of job creation. In addition to this, there have been job cuts in government entities. In this context, we expect the labor market in said country to show some signs of deceleration in the coming months. If we focus on activities that hire most migrants, we believe that job creation will also be affected by these drivers, so we recognize that the flow of remittances could be impacted.

As we have already reiterated in previous notes, another driving factor for remittances in 2025 will be immigration policies in the US. For the time being, the drop in the number of people entering or wishing to enter that country through the southern border could translate into lower remittances, given that these flows include resources directed to the population in transit within Mexico. This premise was addressed in our *Norte Económico* podcast (available only in Spanish), by Jesús Cervantes, director of Economic Statistics at the Center for Latin American Monetary Studies, pointing out that the "*…effect of remittances sent to Mexico for migrants in transit reached its peak at the end of 2023 and possibly, currently, has practically disappeared for all the additional things we know.*"

Finally, we will keep an eye on the path of the exchange rate since it is a relevant variable for migrants who send remittances. In recent episodes, the appreciation of the Mexican peso had translated into a higher level of resources sent so that recipient households could maintain their disposable income as much as possible. This premise takes on special importance when analyzing the destination of remittances within household spending. According to a study by the consulting firm *KANTAR*, 50% of households use them to purchase consumer products (*e.g.* food, beverages, etc.), while 38% use them to pay for services (*e.g.* water, electricity, internet, etc.).

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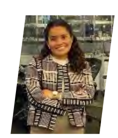

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