May 2, 2025

Remittances – Favorable signals in March, albeit with uncertainty still weighing on flows

- **Remittances (March): US$5,150.3 million; Banorte: US$5,028.6mn; consensus: US$5,000.0mn (range: US$4,418.0mn to US$5,060.0mn); previous: US$4,458.5mn**
- **Flows came in at +2.7% y/y, with different factors in play and a favorable base effect. Thus, the accumulated amount for the last twelve months reached US$64,932.7 million (2.4% y/y)**
- **In local currency, inflows reached $104,250.4 million, which implies a 23.8% y/y expansion, adding five months with double-digit increases due to the accumulated MXN depreciation**
- **The number of operations accelerated to 13.4 million (2.4% y/y), with the average amount per transaction slightly higher at US$383.25 (0.3% y/y). The increase in shipments stemming from the fear of new immigration measures was partly offset by the drop in the number of migrants in transit**
- **Sequentially, inflows fell 1.3% m/m despite a slight improvement in the labor market for Mexican migrants in the US**
- **We continue to believe that risks to remittances prevail, recognizing that headwinds will remain latent. In this regard, we remain attentive to decisions on US immigration policy, as well as to its economic dynamism**

Remittances advanced in March in annual terms. The amount received reached US$5,150.3 million, which implies a 2.7% y/y increase, recognizing a more favorable base effect. Expressed in Mexican pesos, the amount reached $104,250.4 million (+23.8%), marking a fifth month of double-digit growth given the accumulated depreciation of the local currency. The drivers were practically the same as those throughout 1Q25, maintaining volatility in flows. In this sense, approximately 139 thousand people have been deported in the first 100 days of President Donald Trump's term in office (monthly average of ~55.6 thousand vs 22.6 thousand in 2024). Thus, the accumulated amount of remittances in the last 12 months was US$64.9 billion (+2.4% y/y), equivalent to $1,242.0 billion (+13.0%) in pesos.

For the month, the backdrop of the US economy was positive. On consumption, retail sales were very encouraging, up 1.4% m/m, while personal spending accelerated 0.7%. This contrasts with consumer sentiment, which continued to moderate. Within industry (-0.3%), manufacturing grew 0.3%. Construction figures were positive, with housing starts growing 7.4% m/m and permits 0.5%. Finally, 0.1% deflation was recorded in the period, with the annual comparison decelerating to 2.4% from 2.8% in the previous month.

Higher number of operations, with the average amount marginally better. 13.4 million operations were carried out (previous: 11.7 million), implying +2.4% in the annual comparison (previous: -0.2%). The average amount per transaction was US$383.25 (previous: US$380.91), with an expansion of 0.3% y/y (previous: -0.6%). It is worth remembering that the period usually has a positive seasonality. More relevant, the main assumption is that the increase due to precautionary motives of US residents was partially offset by de moderation in flows destined to migrants in transit due to the surveillance measures at Mexico's northern border. In this sense, growth rates were more modest than in Central American countries, with increases above 20% y/y in 1Q25.


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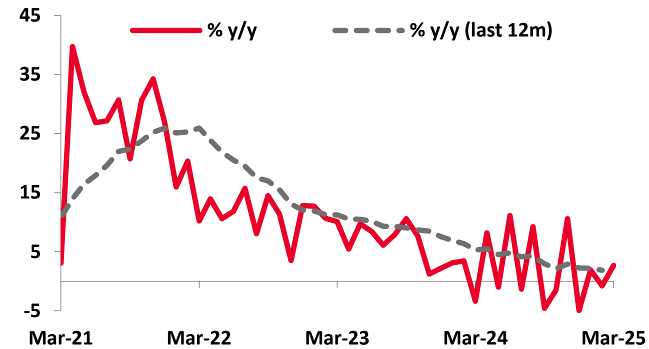
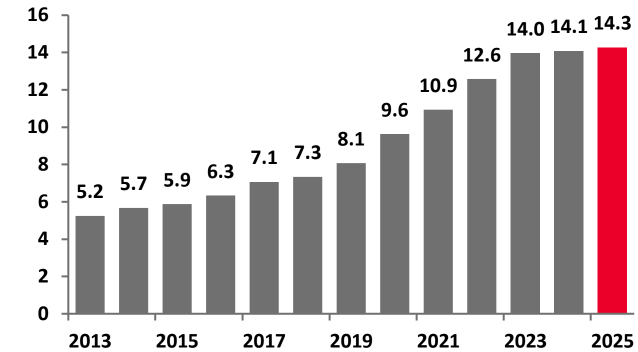
Decline in sequential terms. With seasonally adjusted figures, remittances fell 1.3% m/m. In contrast, labor market conditions for Mexican migrants improved at the margin. Overall, US total non-farm payrolls advanced 185k jobs, with the unemployment rate rising 10bps to 4.2%. The same metric for Hispanics and Latinos improved to 5.1% from 5.2%, with a downward adjustment also for Mexican migrants, at 5.5% from 5.6%. It is relevant to note that working-age people in the latter group –including 'natives', 'non-native citizens', and 'non-citizens' (both legal and illegal)– increased by 128.6k, with those employed up by 339.1k and the unemployed falling by 2.6k.

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

Headwinds for remittances will continue to weigh throughout the year, although we do not rule out some normalization. With 100 days into Donald Trump's second term, the anti-immigration approach in the US keeps advancing mainly via Executive Orders. Among the most relevant are sanctions against sanctuary cities –the possible revocation of federal funds–, strengthening of legal protections for police agents involved in deportations, and a military deployment on the border with Mexico, among others related to the termination of asylum programs. In this context, *US Customs and Border Protection* (CBP) data showed a 94.2% y/y reduction in the number of people apprehended at the US-Mexico border in March (-87.4% of Mexicans). Although the exact proportion of remittances going to migrants in transit has not been determined, the drop in encounters at the border is a sign that conditions to cross are becoming more challenging, which may in turn affect the resources sent to these migrants.

Delving into the latter type, anti-immigrant policies at the state level are also relevant since job opportunities, and thus income for Mexican migrants, may be lower than those seen until 2024. Texas, Florida, Georgia, and North Carolina have passed the strictest anti-immigrant laws in recent years. For example, Florida passed SB-2 in February of this year, which establishes harsher criminal penalties for this type of population, including mandatory death penalty in cases of 1st degree murder, the elimination of in-state tuition exemption for non-citizens, and increased penalties for misdemeanors. Meanwhile, the same state (the fourth with the highest number of immigrant workers with a share of 27.7% in 2023) is seeking to expand the use of the *E-Verify* system, forcing all businesses to use the tool to confirm the employment eligibility of new employees as soon as July 1st. Anna Eskamani, a Democratic representative, has opposed this new law noting that "*...we don't have a workforce to support Florida's growing population in agriculture, tourism, and health care. We rely heavily on immigrant labor...*". According to AP news, Alabama, Idaho, Indiana, Minnesota, South Carolina, and Texas may be considering similar legislation.

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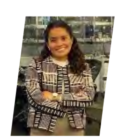
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