

June 2, 2025

Remittances – Sharp slowdown in April even after accounting for an adverse seasonality

- **Remittances (April):** US\$4,761.2 million; Banorte: US\$4,984.8mn; consensus: US\$5,170.0mn (range: US\$4,850.0mn to US\$5,500.0mn); previous: US\$5,141.8mn
- **Flows declined 12.1% y/y**, with an adverse seasonality due to the *Easter* holiday. As a result, the accumulated amount for the last twelve months reached US\$64,259.8 million (0.7% y/y)
- **In local currency**, the amount for the month was \$95,492.4 million, up 4.8% y/y. Nevertheless, it broke five months of double-digit gains, albeit with the accumulated depreciation of the MXN still helping this resource's purchasing power
- **The number of operations fell to 12.4 million (-8.1% y/y)**, with the average amount per transaction stable at US\$384.76 (-4.4% y/y). This likely reflects less pressures to send remittances for precautionary reasons after the first reaction to new immigration measures, giving way to a trend more aligned to seasonality and fundamentals
- **Inflows declined 6.9% m/m sequentially** despite an improvement in the labor market for Mexican migrants in the US
- **We believe the potential tax to remittances by the US government could cause some disruptions in the short term.** If approved, we anticipate higher flows before it goes into effect, with its ultimate impact still quite uncertain

Remittances declined in the annual comparison in the fourth month of the year. The amount received reached US\$4,761.2 million, implying -12.1% y/y. Seasonals are unfavorable as *Easter* was negative for flows. In local currency, the amount reached \$95,492.4 million (+4.8%), breaking with five consecutive months of double-digit increases. Apart from the abovementioned seasonal effect, we believe that (1): The shock on precautionary flows showed signs of stabilization –not ruling out that they may materialize again in the near future; and (2) remittances related to migrants in transit extended their downward trend. The accumulated amount remittances in the last twelve months was US\$64.3 billion (+0.7% y/y), which in MXN is equivalent to \$1,246.1 billion (+13.3%).

The US economy had a favorable performance during the month. Consumption continued with encouraging figures. Retail sales advanced 0.1% m/m after expanding 1.7% in March, while personal spending grew 0.2%. In contrast, in industry (0.0%), manufacturing declined 0.4%, with trade distortions weighing. Meanwhile, construction figures were mixed, with housing starts up 1.6% m/m, but permits down 4.7%. Finally, consumer prices rose 0.2% m/m, with the annual comparison slightly lower at 2.3% from 2.4% in the previous month.

Moderation in operations, with the average amount more stable. 12.4 million operations were carried out (previous: 13.4 million), which implied -8.1% in the annual comparison (previous: +2.4%). The average amount per transaction was US\$384.76 (previous: US\$383.10), a decrease of 4.4% y/y (previous: +0.3%). As previously mentioned, both metrics were impacted by *Easter*, while the increase in shipments and amount in previous months were also drivers to consider, especially taking into account the recovery in remitters' resources.

A sequential drop. With seasonally adjusted figures, remittances declined 6.9% m/m, adding three months lower. In contrast, labor market conditions for Mexican migrants improved. Overall, total US non-farm payrolls increased by 177 thousand jobs, with the unemployment rate unchanged at 4.2%. Also relevant, unemployment for Hispanics and Latinos deteriorated slightly from 5.1% to 5.2%.



Juan Carlos Alderete Macal, CFA
Executive Director of Economic Research and Market Strategy
juan.alderete.macal@banorte.com



Francisco José Flores Serrano
Director of Economic Research, Mexico
francisco.flores.serrano@banorte.com



Yazmín Selene Pérez Enríquez
Senior Economist, Mexico
yazmin.perez.enriquez@banorte.com



Cintia Gisela Nava Roa
Senior Economist, Mexico
cintia.nava.roa@banorte.com



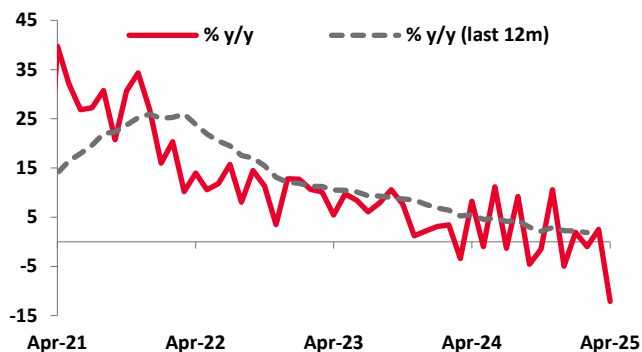
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However, that of Mexican migrants improved strongly, at 5.0% from 5.5%. It is relevant to note that working-age persons in the latter group –including ‘natives’, ‘non-native citizens’, and ‘non-citizens’ (both legal and illegal)– increased by 157.9 thousand, with those employed up by 75.2 thousand, and with the unemployed falling by 101.0 thousand.

Family remittances

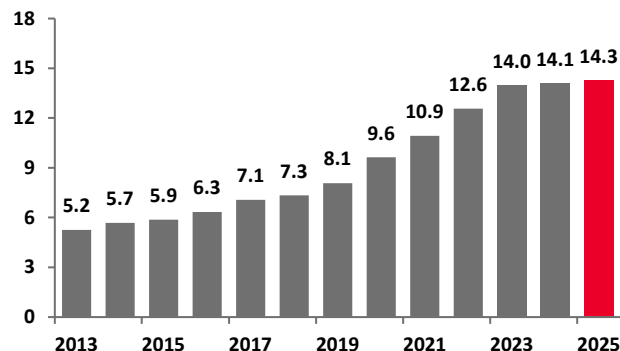
% y/y (nsa)



Source: Banorte with data from Banxico

Family remittances

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



Source: Banorte with data from Banxico

Possible shocks in the near term would trigger an acceleration in flows, although with the full impact on 2025 still uncertain. The new administration in the US continues with its efforts to tighten policies against migrants. In this sense, we continue to see volatility for remittances, with senders feeling a more adverse environment. However, it is important to emphasize that, regarding traditional drivers of flows, we expect greater stability for the remainder of the year.

Recent and forthcoming legislation in the US could lead to possible disruptions in remittances, with different effects in play. The first is the possible tax deduction for tips. It was recently approved that employees earning up to US\$160,000 per year would receive a tax exemption of up to US\$25,000 per year for tip income. According to a study on tax issues at Yale University, four million workers were employed in tipped employment. Nevada is the state with the highest proportion of such jobs (according to the US Census Bureau). In that same year, 23.9% of Nevada’s workforce were migrants. In our opinion, this measure will positively impact the resources available to senders, since those favored will have additional after-tax income. The second is the 3.5% tax on remittances –still to be discussed in the Senate and which we discussed in depth in our [View from the Top](#). In the House of Representatives, a bill was passed to restrict welfare benefits (e.g. Medicare, Medicaid and food stamps) to undocumented immigrant families, which would limit the disposable income of households with a member born in the US –usually benefitted from these programs– if approved. Finally, we will keep following deportation policies, as attempts to streamline them have led to new strategies (including raids by ICE, detentions in immigration courts prior to mandatory hearings, etc.) in recent weeks. In this sense, we believe it is possible that a certain amount of fear among this population will continue to be imbued, which is another catalyst for the flows.

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Raquel Vázquez Godínez
Assistant
raquel.vazquez@banorte.com
(55) 1670 - 2967



María Fernanda Vargas Santoyo
Analyst
maria.vargas.santoyo@banorte.com
(55) 1103 - 4000 x 2586

Economic Research



Juan Carlos Alderete Macal, CFA
Executive Director of Economic Research and
Market Strategy
juan.alderete.macal@banorte.com
(55) 1103 - 4046



Yazmín Selene Pérez Enríquez
Senior Economist, Mexico
yazmin.perez.enriquez@banorte.com
(55) 5268 - 1694

Market Strategy



Santiago Leal Singer
Director of Market Strategy
santiago.leal@banorte.com
(55) 1670 - 1751



Carlos Hernández García
Senior Strategist, Equity
carlos.hernandez.garcia@banorte.com
(55) 1670 - 2250



Marcos Saúl García Hernández
Analyst, Fixed Income, FX and Commodities
marcos.garcia.hernandez@banorte.com
(55) 1670 - 2296



Juan Carlos Mercado Garduño
Strategist, Equity
juan.mercado.garduno@banorte.com
(55) 1103 - 4000 x 1746

Quantitative Analysis



Alejandro Cervantes Llamas
Executive Director of Quantitative Analysis
alejandro.cervantes@banorte.com
(55) 1670 - 2972



Daniel Sebastián Sosa Aguilar
Senior Analyst, Quantitative Analysis
daniel.sosa@banorte.com
(55) 1103 - 4000 x 2124



Alejandro Padilla Santana
Chief Economist and Head of
Research
alejandro.padilla@banorte.com
(55) 1103 - 4043



Itzel Martínez Rojas
Analyst
itzel.martinez.rojas@banorte.com
(55) 1670 - 2251



Francisco José Flores Serrano
Director of Economic Research, Mexico
francisco.flores.serrano@banorte.com
(55) 1670 - 2957



Cintia Gisela Nava Roa
Senior Economist, Mexico
cintia.nava.roa@banorte.com
(55) 1105 - 1438



Marissa Garza Ostos
Director of Equity Strategy
marissa.garza@banorte.com
(55) 1670 - 1719



Hugo Armando Gómez Solís
Senior Strategist, Equity
hugo.gomez@banorte.com
(55) 1670 - 2247



Gerardo Daniel Valle Trujillo
Senior Analyst, Corporate Debt
gerardo.valle.trujillo@banorte.com
(55) 1670 - 2248



Ana Gabriela Martínez Mosqueda
Strategist, Equity
ana.martinez.mosqueda@banorte.com
(55) 5261 - 4882



José Luis García Casales
Director of Quantitative Analysis
jose.garcia.casales@banorte.com
(55) 8510 - 4608



Jazmin Daniela Cuautencos Mora
Strategist, Quantitative Analysis
jazmin.cuautencos.mora@banorte.com
(55) 1670 - 2904



Lourdes Calvo Fernández
Analyst (Edition)
lourdes.calvo@banorte.com
(55) 1103 - 4000 x 2611



Katia Celina Goya Ostos
Director of Economic Research,
Global
katia.goya@banorte.com
(55) 1670 - 1821



Luis Leopoldo López Salinas
Economist, Global
luis.lopez.salinas@banorte.com
(55) 1103 - 4000 x 2707



Víctor Hugo Cortes Castro
Senior Strategist, Technical
victorh.cortes@banorte.com
(55) 1670 - 1800



Leslie Thalía Orozco Vélez
Senior Strategist, Fixed Income and FX
leslie.orozco.velez@banorte.com
(55) 5268 - 1698



Ana Laura Zaragoza Félix
Strategist, Corporate Debt
ana.zaragoza.felix@banorte.com
(55) 1103 - 4000



Paula Lozoya Valadez
Analyst, Equity
paula.losoya.valadez@banorte.com
(55) 1103 - 4000 x 2060



José De Jesús Ramírez Martínez
Senior Analyst, Quantitative Analysis
jose.ramirez.martinez@banorte.com
(55) 1103 - 4000



Andrea Muñoz Sánchez
Strategist, Quantitative Analysis
andrea.muñoz.sanchez@banorte.com
(55) 1105 - 1430