

July 1, 2025

## Remittances – Regaining some momentum in May on a positive seasonal skew

- **Remittances (May):** US\$5,360.1 million; Banorte: US\$5,083.9mn; consensus: US\$5,269.0mn (range: US\$5,083.9mn to US\$5,800.0mn); previous: US\$4,761.2mn
- The amount is typically high as May is the first or second month of highest flows each year due to Mother's Day. In this backdrop, flows fell 4.6% y/y, somewhat consistent with its recent performance, albeit better at the margin. Thus, the cumulative amount for the last twelve months reached US\$64,001.8 million (+0.3% y/y)
- In local currency, the amount was \$104,176.8 million, expanding 10.4% y/y. It should be noted that the period was characterized by USD weakness, taking the Mexican peso to a level similar to the one between August and September last year
- The number of transactions increased to 13.9 million (-5.7% y/y), with the average amount per transaction higher at US\$385.21 (+1.1% y/y). Figures show that seasonality may have offset other adverse factors at play
- Inflows climbed 4.2% m/m after three months of declines, which was coupled with an improvement in the labor market for Mexican migrants in the US
- The outlook for undocumented Mexican migrants in the US will remain complex, with remittances probably staying volatile for the rest of the year. Our immediate focus remains on a possible tax on these flows as part of President's Trump budget bill, the economic deceleration and the effect on migrant's behavior given ICE's deportation strategies

**Remittances extended their downward trend in May in annual terms.** The amount received reached US\$5,360.1 million. Seasonality is favorable due to Mother's Day, with May typically as the first or second month with highest flows each year. However, the annual comparison came in at -4.6% y/y, marking two months to the downside. In Mexican pesos, the amount reached \$104,176.8 million (+10.4%) despite an appreciation of the Mexican peso caused by USD weakness. Other relevant elements included continuing raids in US cities, with the immigration stance still skewed against migrants. Thus, the cumulative number of remittances in the last twelve months came in at US\$64.0 billion (+0.3% y/y), which in pesos is equivalent to \$1,255.9 billion (+14.9%).

The US economy experienced some headwinds during the month. Consumption showed negative signs, with retail sales down 0.9% m/m and personal spending declining 0.1%. Industry contracted 0.2%, although manufacturing recovered slightly (+0.1%). The outlook for construction was negative, with housing starts falling 9.8% m/m and permits down 2.0%. Finally, consumer prices slowed to 0.1% m/m, with the annual comparison slightly higher at 2.4% from 2.3% in the previous month.

**Sequential acceleration in the number of operations and the average amount.** 13.9 million transactions were carried out (previous: 12.4 million), down 5.7% in the annual comparison (previous: -8.1%). The average amount per transaction was US\$385.21 (previous: US\$384.76), implying 1.1% y/y growth (previous: -4.4%). As has been the case with different metrics, Donald Trump's second term has injected volatility into remittances, both through increased fears of deportation in the migrant population –which as we have mentioned before could have triggered additional cautiousness– along the negative spillover of his policies on economic activity. In this regard, it is worth noting that in the first five months of the year, the average number of transactions was 12.7 million vs. 13.0 million in 2024, while the average amount per transaction was US\$383.91 (previous: US\$387.50).



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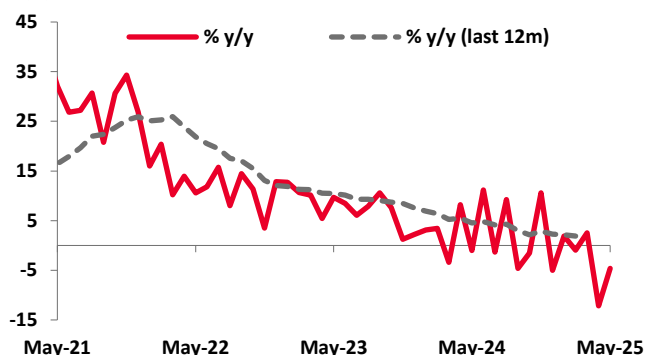
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**Progress in the sequential comparison.** With seasonally adjusted figures, remittances rose by 4.2% m/m, breaking a three-month downward trend. This occurred in a context of a better labor market for Mexican migrants. Overall, total nonfarm payrolls in the US rose 139k, with the unemployment rate unchanged at 4.2%. Unemployment for Hispanics and Latinos remained at 5.1%, with the rate for Mexican migrants lower at 4.8% from 5.0%. It is important to note that the working-age population in the latter group –including ‘natives’, ‘non-native citizens’, and ‘non-citizens’ (both legal and illegal)– increased by 158.4 thousand, with those employed unchanged (263 fewer people) and with those unemployed falling by 38.6 thousand.

#### Family remittances

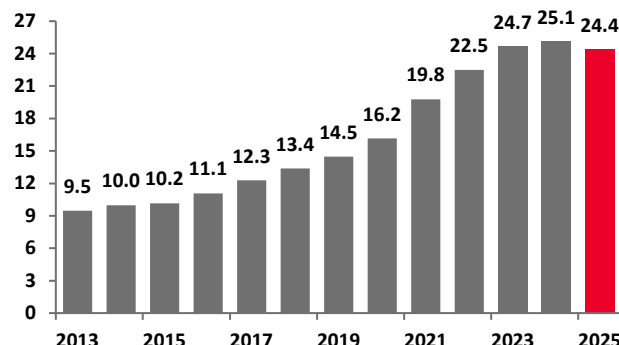
% y/y (nsa)



Source: Banorte with data from Banxico

#### Family remittances

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



Source: Banorte with data from Banxico

**Watching the possible approval of the remittances tax in the US.** As we have mentioned in previous reports, one of the risk factors for remittances is the approval of Donald Trump's budget and tax bill (OBBBA). This was authorized by the House of Representatives on May 22<sup>nd</sup> by a margin of 215 to 214. In the process, the proposed tax rate on remittances was reduced from 5% to 3.5% to reach a Republican consensus. Since the weekend, the legislation has been under discussion in the Senate. The goal is to approve it before July 4<sup>th</sup>, requiring only a simple majority of 50 votes (Republicans: 53 seats; Democrats: 47). Today's news signal that its approval is almost certain to happen between today and tomorrow as enough Republicans back the proposal.

Specifically, section 4475 of the OBBBA, passed by the House of Representatives, had a 3.5% special tax on international remittances sent from the US, regardless of the method of delivery and specifying that US citizens who use an authorized service provider to certify citizenship would be exempt. However, the proposal was significantly modified in the Senate, contemplating: (1) A reduction of the tax to 1%; and (2) exempting money sent abroad via electronic transfer, applying only to remittances in cash. Yesterday, President Claudia Sheinbaum stated that a special program will be presented at the end of the week to reimburse that 1% to those who send cash through a mechanism that will be deployed by the *Financiera del Bienestar*.

Despite the relatively limited scope of the proposal, we cannot rule out an increase in the use of alternative channels (e.g. cryptocurrencies). In this regard, VISA's 2025 *Digital Remittance Adoption report* suggests that the US and Mexican populations already make extensive use of traditional digital banking services to send and receive remittances (US: 69%; Mexico: 60%). Thus, the adoption of a cryptocurrency-based digital service that avoids new regulations could be a relatively fast solution for a significant proportion of this group.

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