

## Family remittances – Strong and above consensus in March

- **Remittances (March):** US\$5,193.8 million; Banorte: US\$5,261.3mn; consensus: US\$4,950.0mn; (range: US\$4,540.0mn to US\$5,261.3mn) previous: US\$4,348.4mn
- **In annual terms, inflows grew 10.7%, slightly lower than in February, but at a double-digit pace for a fourth month in a row**
- **This was mainly supported by the number of operations, rebounding to 13.2 million (+10.6% y/y). The average monthly amount improved at the margin, to US\$393.76 (+0.1%)**
- **Nevertheless, they backtracked 1.2% m/m, suggesting some caution due to a relatively more stable performance in recent months. In our view, flows will remain supported by a good performance of the US labor market**
- **We reiterate our view of strong remittances' dynamics this year, even with the possibility of an additional tailwind due to the resilience of the US economy and labor market**

**Remittances almost at US\$60 billion in the last twelve months.** The amount was US\$5,193.8 million, above consensus. We should recall that inflows typically improve in this period due to seasonality, with the first two months of the year more modest. In any case, they advanced 10.7% y/y, at a double-digit pace for a fourth month in a row. Moreover, it has accumulated US\$59,936 million in the last twelve months, a new historical high and very close to the US\$60 billion psychological level. This happened in a backdrop in which US economic activity was mixed, as well as in an environment of higher volatility due to the problems in some US regional banks. Specifically, *S&P Global's* PMIs suggested a recovery in both industry and services. Nevertheless, hard data were less upbeat. For example, retail sales' control group fell 0.3% m/m, while manufacturing output declined 0.5%. Also negative, housing starts and building permits declined sequentially, remaining as the sector most affected from monetary tightening. On prices, inflation came an inch below expectations (0.1% m/m), with the annual comparison moderating to 5.0%. The latter keeps trending in the right direction, with the labor market not impacted as much so far (see section below). On the other hand, we should also say that average hourly earnings are advancing at a more modest pace than inflation (in the annual comparison). This may well dent consumption ahead, which remained quite vigorous during 1Q23.

**Growth supported by the number of operations.** This metric rebounded to 13.2 million (previous: 11.6million), resulting in 10.6% y/y growth. To some extent, the latter is related to seasonality. Nevertheless, the pace is still favorable relative to last year. On the other hand, the average amount sent reached US\$393.76, also higher when compared to the previous month at US\$375.14. Nevertheless, and in contrast with the former, it only grew 0.1% y/y. In our view, this is relevant as average hourly earnings have been growing less than inflation.

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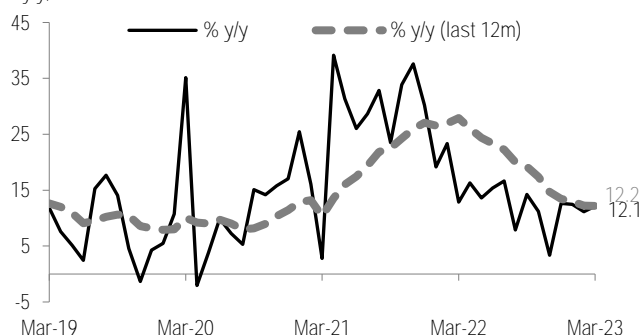
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As already mentioned, this suggests less room for migrants to maximize the resources that they can send to their families.

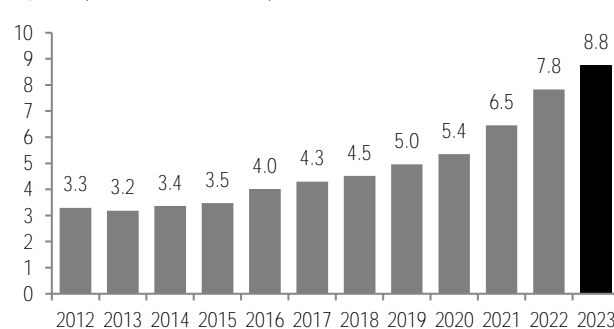
**Relatively stable sequential performance suggests some caution.** Seasonally adjusted, remittances retraced 1.2% m/m, wiping out the 1.0% gain of the previous month. Data suggests that the strong growth trend seen since the pandemic seems to have been stabilizing since the beginning of the year. Nevertheless, growth probably will continue due to: (1) Flows are expressed in nominal terms; and (2) the US labor market remains resilient. On the second point, nonfarm payrolls in the period were in line with expectations at 236k new jobs, with the unemployment rate ticked down to 3.5%. More positively, the latter metric for Hispanics and Latinos fell to 4.6% after three months to the upside. For Mexicans, it fell by a similar magnitude, estimated at 5.2% from 6.1%. In addition, the breakdown suggests more positive dynamics. Among the latter, the working age population –including ‘natives’, ‘non-native citizens’, and ‘non-citizens’ (legal or illegal)– fell by 244.5k, consistent with seasonal patterns. However, employed persons expanded by 74.1k, with those unemployed down by 189.0k. Considering this, we believe that inflows will remain supported by the performance of the labor market.

Family remittances  
% y/y, nsa



Source: Banorte with data from Banxico

Family remittances  
US\$ billion, accumulated to March, nsa



Source: Banorte with data from Banxico

**We still expect good remittances’ dynamics this year.** We reiterate our optimism on the back of the additional impulse that could stem from US economic and labor market resilience. On the former, we recently revised higher our full-year GDP forecast, from 0.8% to 1.7%, anticipating a more significant deceleration towards the second half. Nevertheless, we think a recession will be avoided in 2023. This could also mean more vigorous employment, supporting inflows’ growth. Nevertheless, these will likely decelerate. In this sense, we will closely watch the nonfarm payrolls report for April, due this Friday. We estimate 195k new jobs (previous: 236k), with the unemployment rate increasing to 3.6% from 3.5%.

Other labor market indicators also suggest some slowdown, probably because of the accumulated effect from monetary policy tightening, increased caution by businesses and consumers after recent banking sector issues in said country, along with recent manufacturing weakness (e.g. Philly Fed and Dallas Fed regional indicators). On the other hand, consumer confidence (according to the Conference Board) fell to 101.3pts in April, impacted by the expectations component.

Even with latent economic risks, we believe remittances will keep advancing this year. This would be supported by relatively benign regional growth despite recognizing that uncertainty prevails about potentially weaker dynamism ahead.

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We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Katia Celina Goya Ostos, Francisco José Flores Serrano, José Luis García Casales, Víctor Hugo Cortes Castro, José Itzamna Espitia Hernández, Carlos Hernández García, Leslie Thalia Orozco Vélez, Hugo Armando Gómez Solís, Yazmín Selene Pérez Enríquez, Cintia Gisela Nava Roa, Miguel Alejandro Calvo Domínguez, José De Jesús Ramírez Martínez, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Isaías Rodríguez Sobrino, Paola Soto Leal, Daniel Sebastián Sosa Aguilar and Andrea Muñoz Sánchez, certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V. for the provision of our services.

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