

## Family remittances – Dynamism continues, supported by favorable conditions

- **Remittances (June):** US\$5,571.5 million; Banorte: US\$5,532.7 mn; consensus: US\$5,462.7mn; (range: US\$5,230.0mn to US\$5,600.0mn) previous: US\$5,693.1mn
- **Inflows climbed 8.3% y/y, moderating on a more challenging base.** As such, accumulated resources in the last twelve months reached US\$61,232.3 million
- **Growth was helped by the number of operations, standing at 13.7 million (8.5% y/y).** However, the average amount sent came in at US\$406.38 (-0.1% y/y)
- **In sequential terms, flows expanded 1.1% m/m, adding three months higher.** This confirms that the positive trend continues, expecting it to remain supported by favorable employment conditions in the US
- **We expect flows in the remainder of the year to remain strong, with the view of a ‘soft landing’ likely to suppress some of the recession fears.** However, we remain on the look about the effects of a strong MXN over their purchasing power

**Remittances keep growing in June.** The amount was US\$5,532.7 million, above the US\$5,426.7 million median forecast from analysts but closer to our estimate (US\$5,532.7 million). This print tends to moderate relative to the previous month on a more adverse seasonal effect. In addition, we must note that there was also a more challenging base relative to May, with the annual print moderating to 8.3% from 10.7%. Despite of this, we believe the result reaffirms that flows are still quite strong, remaining as a key piece of household's income. In this sense, accumulated inflows in the last twelve months reached US\$61,232.3 million, a historical high once again.

Regarding economic activity in the US, data is somewhat mixed. On hard data, the retail sales' control group kept increasing, up 0.6% m/m. Nevertheless, manufacturing output fell 0.3%. On a more adverse note for migrant employment, housing starts and building permits reversed some of the gains seen in May, although we keep thinking that dynamism in the sector is favorable for flows. On prices, inflation came in below expectations (0.2% m/m), with the annual comparison moderating sharply to 3.0%. However, we will remain cautious on the latter metric as base effects will be less favorable in the coming months. Lastly, employment remains relatively strong, although some volatility remain present across figures (see section below for details).

**Acceleration in annual terms in the number of operations.** This metric came in at 13.7 million, lower than the 14.6 million from May –also affected by seasonal factors. Nevertheless, the annual print accelerated to 8.5% from 7.4%, remaining as the driver for growth. Meanwhile, the average amount sent rose to US\$406.38 (previous: US\$391.17), which implies a slight decline of 0.1% y/y, back in negative territory after a spike in the previous month. We take this as a slight sign of caution, considering that wages have continued to climb and inflationary pressures seem to be moderating.

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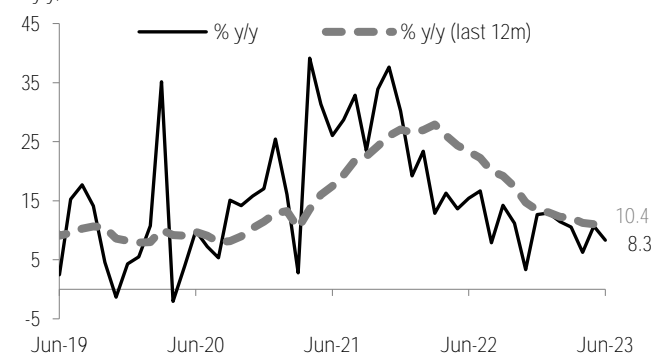


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Nevertheless, we cannot rule out an impact from recent MXN gains, which in our view could be having two diverging effects. On the positive side, the loss of purchasing power in local currency might prompt migrants to send additional resources –with this likely being the prevailing trend; however, we also recognize the possibility that it could also foster some savings in the US, expecting a depreciation in the exchange rate to then send remittances.

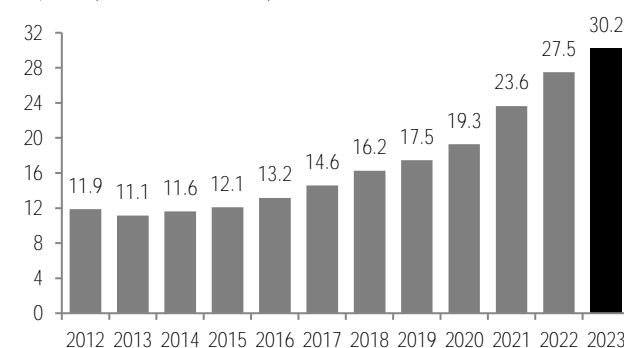
**Sequential progress continues.** Seasonally adjusted, remittances rose 1.1% m/m. This is favorable considering the accumulated expansion of the previous two months (+1.5%). In our view, stability in employment conditions continue to foster flows. Nonfarm payrolls came in below expectations at 209k new jobs, even though the unemployment rate ticked down to 3.6% from 3.7%. Regarding the relevant demographic group, the latter metric for Hispanics and Latinos climbed to 4.3% from 3.6%. In this same line, for Mexicans, the uptick was even larger, estimated at 4.4% from 3.4%. Nevertheless, signs in absolute terms are better. The working age population –including ‘natives’, ‘non-native citizens’, and ‘non-citizens’ (legal or illegal)– rose by 148.3k, contrasting with the performance seen in the last two years. In addition, employed persons picked up by 201.9k, with those unemployed climbing by 190.8k.

Family remittances  
% y/y, nsa



Source: Banorte with data from Banxico

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



Source: Banorte with data from Banxico

### **We expect strength in remittances to continue in the remainder of the year.**

In our view, the result validates that flows stand in a favorable position, most likely extending gains through the remainder of the year. As such, regarding short-term dynamics attention will center on three factors: (1) Job figures in the US to be published this Friday; (2) the CPI report for July also in our northern neighbor next week; and (3) the performance of the MXN.

On the first point, we expect job gains at +225k positions, slightly above consensus, with the unemployment rate unchanged at 3.6%. This result would reaffirm that the labor market remains strong despite accumulated monetary tightening, which would be key to bolster flows. This would be consistent with other timely figures, such as the Job Openings report (JOLTS) released today that still signals a tight market. On the second point, broad expectations are for pressures to keep moderating through the summer, although risks from housing –particularly rent– and energy remain. Lastly, the Mexican peso has stood below USD/MXN 17.00 through most of July, situation that could extend at least through August.

Some uncertainty remains over the adoption of anti-immigrant reforms in some US states, with Florida's recently passed law (see more details in [our previous publications](#)) facing lawsuits from citizens and businesses against it.

Going forward, we believe that the view of a greater possibility of a 'soft landing' –which is in line with our expectation–, will help to lessen fears of a recession. If this translates into an outlook of greater certainty among businesses, we think that employment gains could not only continue but gain momentum, which would be beneficial for flows. However, we remain cautious about the exchange rate, considering both the effects it may have on the flows themselves, as well as its impact at the local level. It should be noted that, in local currency terms, remittances have averaged \$95.7 billion over the last four months, with volatility consistent with seasonal patterns. However, we will keep a close eye on performance in the coming months once flows normalize.

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