December 1, 2023

Remittances – New historical high in inflows in October

- **Remittances (October): US$5,811.5 million; Banorte: US$5,781.2mn; Consensus: US$5,737.0mn (range: US$5,529.0mn to US$5,900.0mn); previous: US$5,612.6mn**
- **Inflows increased 8.4% y/y, a moderation relative to September, albeit a new historical high (previous: US$5,696.9 million in May 2023). As such, accumulated resources in the last twelve months reached US$63,058.9 million**
- **The number of operations came in at 14.6 million (+5.2% y/y). The average amount was US$396.99 (+3.0%)**
- **Sequentially, flows backtracked 1.9% m/m. However, the base was quite challenging, at +5.2% in September. In our opinion, dynamics remain favorable, with higher household disposable income due to a moderation in inflationary pressures**
- **Based on their typical seasonal behavior at the end of 2023, we reaffirm our call of flows between US$63,750 and US$64,250 million for the full year. The latter would be supported by dynamism in US activity, despite our view of a moderation in the last quarter**

October, month with the highest flows so far this year… and in history. The amount sent came in at US$5,811.5 million, surpassing even our estimate which was higher than consensus at US$5,737.0 million. Seasonality is favorable, highlighting that in the last two years the tenth month was the highest in the reception of remittances. Previously it was in May, helped by Mother's Day. In addition, labor market conditions –stable to positive– and lower inflation in the US –with declines in gasoline prices and goods in general, as well as a moderation in lodging– could be easing the pressures on household spending and supporting flows to their families in Mexico. Therefore, in the annual comparison they increased by 8.4%, with a slight moderation compared to the 11.3% in September. As a result, the accumulated amount in the last twelve months reached US$63,058.9 million.

Regarding US economic activity, 3Q23 GDP reaffirmed its strength, with consumption as its main driver. However, timely figures are mixed. Retail sales' control group advanced 0.2% m/m in October. Industrial production in the same month declined by 0.6%, with manufacturing at -0.7%, impacted by a relevant fall in the auto sector. Related to migrant employment, housing starts and building permits were slightly above the previous figure and estimates. Inflation continued to moderate, with energy prices falling. Thus, the annual rate was 3.2%. Finally, employment showed a relatively weak performance, although more stable among migrants (see section below for details).

Acceleration of the average amount. 14.6 million operations were made from 13.9 million in September. Despite of the above, it advanced 5.2% y/y from 8.9% previously. Meanwhile, the average amount sent came in at US$396.99 (previous: US$403.47), climbing 3.0% y/y (previous: 2.2%). In our opinion, these results not only reflect a possible improvement in household's disposable income, but also a new seasonal pattern. We believe the latter could be related to some Mexican festivities (*e.g.* Day of the Dead) or even changes in migration dynamics (both legal and illegal).

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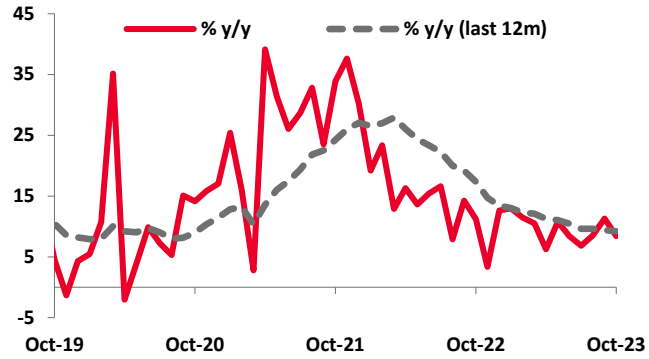
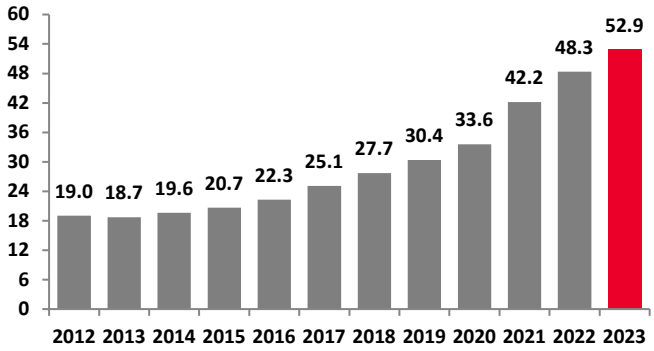
Sequential contraction, although it does not seem to warrant concerns. With seasonally adjusted figures, remittances fell 1.9% m/m (previous: 5.2%). Despite the slight deterioration in the overall unemployment rate, data for migrants were more stable. In numbers, nonfarm payrolls resulted in +150 thousand jobs, with the unemployment rate rising to 3.9% from 3.8%. For Hispanics and Latinos, the latter increased to 4.8% from 4.6%. Specifically, the rate for Mexican migrants rose to 4.5% from 4.3%. Explaining this, the working age population –including 'natives', 'non-native citizens', and 'non-citizens' (legal or illegal)– fell by 56.7k. However, employed persons expanded by 109.8k, with those unemployed increasing by 40.6k.

Family remittances
% y/y, nsa



Source: Banorte with data from Banxico

Family remittances
US$ billion, accumulated to October, nsa



Source: Banorte with data from Banxico

Healthy flows in the remainder of the year, but with greater caution towards 2024. Our view on inflows for all 2023 and 2024 remains positive –with this year's estimate in a range between US$63,750 billion and US$64,250 million. However, when analyzing the current balance of risks, we recognize a higher likelihood that some headwinds will begin to become more prominent.

In order of importance, we highlight factors across the US economy: (1) A slowdown in activity as a consequence of restrictive monetary policy, with our GDP estimate at 1.0% q/q saar for 4Q23 –with less strength in household spending– and 1.1% for all of 2024; (2) weaker labor demand –with consensus anticipating figures below 60 thousand new jobs per month as early as 1Q24–, accompanied by an unemployment rate above 4.0%; (3) a moderation in the construction of new homes, with current forecasts anticipating a recovery in the trend until the third quarter of next year; and (4) electoral campaigns causing uncertainty on migration laws. Other elements we are keeping an eye on are the inflation path and the Mexican peso, as they could indirectly influence the average monthly amount sent.

In other news, based on the report '*Remittances to Latin America and the Caribbean in 2023*' by the Inter-American Development Bank, the increase in the flow of remittances has been a constant for the region. According to their figures, 60% of remittances received in this region came from the US. Three reasons explain most of this, being: (1) An increase in the Latin American labor force (+3.4% y/y); (2) an expansion in average wages of said population (US$860 per week, +3.9% y/y); and (3) a rise in migrant population. However, on this last point, Mexico was the only country that showed a marginal decrease of -0.1%, equivalent to 12 thousand fewer migrants.

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