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Remittances Continue Slump In 2009 And Into Early 2010

by LADB Staff

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The amount of money that Mexican expatriates sent back home in 2009 fell sharply from 2008, and the downward trend continued into the first part of 2010. Statistics provided by the Banco de Mexico (central bank) showed remittances last year amounted to only US\$21.18 billion, a decline of almost 16% from 2008, a result in large part of the continued slump in the US economy. Although a slight recovery was reported in some sectors of the US economy early in the year, remittances in January and February continued to slump from year-ago levels. In a report early in the year, the central bank said total remittances for 2009 were down almost US\$4 billion from 2008.

In subsequent reports, the Banco de Mexico reported remittances in January amounted to about US \$1.32 billion, down almost 16% from a year ago. In February, remittances reached US\$1.54 billion, a decline of about 14% from the same month in 2009. The decline in February marked the 16th consecutive month in which remittances were below those of the same month in the previous year. But many analysts believe that the situation could begin to improve by the second half of 2010 as the impact of a gradual US economic recovery begins to trickle down to industries that employ Mexican expatriates. One encouraging sign, said the central bank, is the increase of more than 17% in total remittances sent in February relative to those in January. "This recovery can be explained by the increase in the total number of wire transfers in February, which totaled 4.885 million, an increase of 407,000 relative to January," said the Mexico City daily newspaper La Jornada.

The average amount of money sent back to Mexico in February also increased. That average was US\$317.03, compared with US\$294.91 in January. "That figure is also higher than during December 2009, when it reached only US\$298.87," said La Jornada. US, Mexico promote plan to cut cost of wire transfers Despite the decline in the amount of money expatriates sent to Mexico, financial intermediaries continue to benefit considerably from the wire transfers. A recent study published by the Comision Nacional para la Proteccion y Defensa de los Usuarios de Servicios Financieros (CONDUSEF) said commissions charged by US-based companies to send money to Mexico ranged between US\$8.00 and US\$14.99 per US\$300. These companies, which include the US Postal Service, earn more than US\$50 million per month to transfer funds to Mexico and other countries, said CONDUSEF. The relatively high cost of wire transfers has prompted the US Federal Reserve and the Banco de Mexico to promote a program by which expatriates can reduce the cost of sending funds to Mexico through banks and credit unions. Under the program, Directo a Mexico, the US financial institutions would transfer the money via a link created by the two central banks.

A total of 420 banks and credit unions in the US now offer the wire-transfer service sponsored by the two central banks. "The program allows a substantial saving for immigrants by offering lower fees and a better rate of exchange," Banco de Mexico representative Alberto Mendoza said at a press conference in Dallas. Mendoza estimates that the program will result in savings of US\$500 million per year in transaction costs and another US\$300 million in costs incurred by the rate of exchange between the US dollar and the Mexican peso. Directo a Mexico is actually an extension of a program

initiated in 2003 that allows US retirees who live in Mexico to obtain their monthly benefits through the Fed and Banco de Mexico. In 2005, the program was extended to the general public and is now in use for immigrants.

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