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Remittances from Mexican Expatriates Decline for Third-Consecutive Month in September

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The slow US economic recovery in the construction and services industries has contributed to a steady decline in remittances sent home by Mexican expatriates during the summer months and into the early fall. A small percentage of the remittances come from Canada and some European countries, but the vast majority of the money originates in the US.

In a report published in early November, the Banco de México said remittances during September fell for the third-consecutive month relative to a year ago. The central bank, also known as Banxico, said September remittances amounted to only US$1.66 billion, down 20% from US$2.08 billion in September 2011. That was the largest decline since October 2009, when the amount of money sent home by expatriates declined by 36%. This was at the height of the global economic crisis, when migrants in the US were struggling to find jobs (SourceMex, June 3, 2009, and April 14, 2010).

The decline in September appears to be part of a three-month trend. Remittances also declined by 11.9% in August and 2.4% in July. The declines cast some doubt that remittances for the entire year would surpass the US$22.7 billion sent in 2011. Remittances for January-September stood at about US$17.2 billion, or about US$51.5 million below the levels reported in the first nine months of 2011. Remittances increased slightly for all of 2011 (SourceMex, Feb. 22, 2012).

Still, numbers are relative, since there is still a strong chance that the total could approach or match the US$21.1 billion sent in 2010.

Some migrants might have delayed sending money home

Some analysts believe an unfavorable exchange rate has prompted some expatriates to delay sending money home, especially with the value of the Mexican currency strengthening to 12.93 pesos per US$1.00 in September. "Mexican workers who reside in the US preferred to delay sending dollars, since they would carry a lower value when converted to pesos," Manuel Guzmán, director of economic strategy of the Banco Ve por Más, told the daily newspaper Milenio.

But other analysts note that the sharp decline in September relative to a year ago was somewhat skewed because total remittances in September 2011 had increased by about 21% from the same month in 2010. Still, some economists believe that the lack of strong recovery in the US economy—particularly in the construction, manufacturing, and tourism sectors—remained an overriding reason for the slowdown in remittances during July-September. These are the sectors that employ most Mexican expatriates.

Analysts point out that many communities in Mexico rely heavily on funds sent home from US expatriates. By some estimates, funds sent from the US benefit about 1 million households in Mexico.

"A decrease in the amount of remittances can have a significant impact on our economy and even more at a local level in areas such as [the states of] Puebla, Zacatecas, Michoacán, or Guérrero,"
where most of the migrant population is concentrated," said Alejandro Villagómez, an economist at the Centro de Investigación y Docencia Económicas (CIDE).

The decline in remittances has affected a number of communities around Mexico. For example, the Confederación Nacional Campesina (CNC) reports that remittances received by residents of the municipality of Altamira in southeastern Tamaulipas state have declined by an average of 3.8 million pesos (US$290,000) each of the past three months. "There are 1,500 families in 30 ejidos [communal farms] whose livelihood depends in large measure on this money, and there are another 500 families who rely 100% on the remittances," said Milenio. "Therefore, the quality of life in these communities has fallen significantly."

Similar situations exist in other parts of the country. In Hidalgo state in central Mexico, remittances have declined by almost US$20 million between January and September of this year. Hidalgo, which ranks tenth in the amount of remittances received from expatriates, reports the total for this year at US$562.9 million in the first nine months of the year, compared with about US$582.5 million in the same period in 2011.

The other top states that benefit from remittances—Michoacán, Guanajuato, Jalisco, México state, Oaxaca, Puebla, Guerrero, and Veracruz—also reported declines. A large majority of the Mexican migrants in the US originate from four of those states: Jalisco, Michoacán, Guanajuato, and Zacatecas. In contrast, the impact is smaller on states that receive the least amount of remittances, such as Baja California Sur, Quintana Roo, and Tabasco.

But some analysts noted that the impact of a decline in remittances on a community depends on how the money is used. "The effect is different when the money is invested as opposed to spent immediately," said Milenio.

In some communities that rely heavily on remittances, bank withdrawals are down because of the decline. "The most people are taking out nowadays is 1,200 (US$91), 1,500 pesos ($114) when they used to withdraw up to 5,000 pesos ($383)," Miriam Aguirre, a branch manager for Banco Azteca in Ciudad Nezahualcóyotl, México state, said in an interview with ABC News.

**Economic prospects mixed for migrants**

Analysts expect remittances to continue sluggish for the rest of the year and most of next year. "We know that the economy is slowing down in the US and growth is almost zero in Europe. Forecasts from the main international organizations are that this will continue through 2013," said CIDE's Villagómez.

But others see the possibility of a bump in construction hiring in parts of the US in the next few weeks, as New York City and other parts of the Northeast and Midwest recover from the effects of Hurricane Sandy in October 2012. This would create some employment opportunities for expatriates in the area.

"There is a chance that reconstruction efforts in coming months could result in hiring Mexican immigrants, not only in the construction sector but also in other rehabilitation and recovery services," said analyst Alejandro Cervantes of Banorte-Ixe.

Cervantes noted that a similar situation occurred in 2005, in the aftermath of Hurricane Katrina, which caused major damage in New Orleans and other parts of the US Gulf Coast. Mexican immigrants played an important role in reconstruction efforts that year *(SourceMex, Sept. 14, 2005).*
Still, most Mexican expatriates in the US do not reside in the northeast. The majority is in California, followed by Chicago, Nevada, Arizona, and Atlanta. In most of these areas, construction is expected to slow down because of adverse weather, including rain and snow. "This means that construction will not recover until next year, according to some forecasts," said Enrique Martínez Curiel, a professor at the Universidad de Guadalajara. [Peso-dollar conversions in this article are based on the Interbank rate in effect on Nov. 7, 2012, reported at 13.06 pesos per US$1.00.]

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