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Remittances Surpassed Oil-Export Revenues in Mexico in 2015

by Carlos Navarro

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For the first time in 35 years, remittances sent by Mexican expatriates were a much larger source of foreign exchange for Mexico than oil-export revenues in 2015. Private economists attribute the trend to a slump in the global oil market, which reduced the value of Mexico's crude oil exports last year, and to a recovery in the US economy, which boosted employment in the service and construction sectors, which tend to employ Mexican migrants.

According to government statistics released in early January, the value of crude oil exports in 2015 amounted to about US\$18.8 billion, a steep decline from about US\$43 billion recorded in 2014 ([SourceMex, Feb. 4, 2015](#)). A report from the Secretaría de Hacienda y Crédito Público (SHCP) estimated exports in 2015 at 1.18 million barrels per day at an average price of about US\$43.53 per barrel. This compares with about 1.13 million barrels per day in 2014, at an average US\$89.85 per barrel.

Oil-export revenues in 2014 were the lowest in five years, the government statistics agency (Instituto Nacional de Estadística y Geografía, INEGI) reported in January 2015.

According to INEGI, oil-export revenues have been on the decline for a couple of years, with the 2014 total falling about 13% from 2013.

The slump in the oil market is expected to continue during 2016, partly due to an expected decline in demand from China, along with the continued glut of supplies on the global market. "It's very probable that this trend will continue in the short term," said Valeria Moy, a professor at Instituto Tecnológico Autónomo de México (ITAM).

The weak oil market has forced the government to make some important adjustments for 2016. "The noted decline in international prices and a stagnant oil production have limited public revenues in a significant manner, forcing the government to boost the efficiency of tax collections and to reduce expenditures," columnist Luis Adrián Muñiz said in the daily business newspaper *El Financiero*.

Muñiz said most projections call for the average oil-export price to remain stagnant, ranging between US\$42 and US\$45 during 2016, which will force the government to maintain austere spending policies.

Increase in remittances helps mitigate impact

The increase in remittances in 2015 helps compensate partly for the slump in oil revenues. Last year, remittances reached their highest level in six years, totaling an estimated US\$25.1 billion. This projection was put together by the investment bank Goldman Sachs and the wire-transfer company AirPak-Western Union; the latest official data from the central bank (Banco de México) as of early January only accounted for January-November 2015, with those totals estimated at slightly more than US\$22.2 billion. Some analysts noted, however, that the increase in remittances appeared to

have slowed down in December, which would put the total for the year at about US\$24.9 billion. That figure would still be much higher than the US\$23.6 billion recorded for all of 2014.

Regardless of whether the total for the year surpasses US\$25 billion, the figure is still higher than in recent years. "Historically, the oil market was the most important source of revenue, followed by tourism and then remittances," said Germán Estrada, an official at the Instituto Nacional de Migración (INM). "This year, remittances provided the most revenue, due in part to the decline in oil prices."

Analysts said the increase in remittances was due in large measure to an improvement in the US economy, which helped boost the number of jobs in construction and the service industries, which tend to employ immigrants.

"The good performance of the US economy made it possible for Mexican workers to send more money to their families," said Raymundo Tenorio, director of the Economic Studies department at the Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM).

"Employment levels are on the increase in Texas and California, and that is where many of our fellow Mexicans live," noted Moy of ITAM. "This explains to a large extent why remittances have increased."

Some observers also noted that the increase in the value of the US dollar against the Mexican peso in recent months has contributed to the increase in the total amount of money sent back to Mexico. In mid-January, the exchange rate approached 18 pesos per US\$1, compared with about 14.76 pesos per US\$1 at the same time in 2015 and 13.33 pesos per US\$1 in early 2014.

"The strong appreciation of the dollar, coupled with the stability of prices in Mexico, has resulted in a significant revaluation of the remittances set from the US," said a recent report from BBVA Bancomer. "This has boosted the consumption capacity of the households receiving the funds."

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