Study Shows Mexican Expatriates Send Only One-tenth of their Earnings via Remittances

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In 2015, remittances sent by expatriates in the US and other countries surpassed oil-export revenues as a source of foreign exchange for the Mexican economy, due partly to the slump in global oil prices (SourceMex, Jan. 13, 2016). Even though remittances approached US$25 billion in 2015, the amount represents only about one-tenth of the total earnings of Mexican expatriates residing in the US, according to a study conducted by the Centro de Estudios Monetarios Latinoamericanos (CEMLA).

CEMLA said the statistics for 2014 are typical of most years. The center, based in Mexico City, estimated the earnings of Mexican expatriates in the US that year at about US$225 billion, of which about US$22.8 billion was sent back to Mexico. The earnings abroad were used in large measure to cover the living expenses of the expatriates and their families, including housing, food and clothing, consumer items, tax payments, health expenses, and social security.

“Surely a part of the earnings are saved in US financial institutions,” said Jesús Cervantes, director of economic statistics for CEMLA, whose mission is to conduct research and facilitate the exchange among monetary authorities in Latin America. “The remaining 10% of their earnings is sent to Mexico in the form of remittances. There are some members of the community who send more than 10%, but this is balanced by those who send nothing or who have stopped sending remittances back home.”

A US campaign issue

The issue of remittances has surfaced in the US presidential campaigns, particularly in the speeches by Republican candidate Donald Trump, who has threatened to block all money transfers to Mexico by expatriates as a means of putting pressure on the Mexican government to pay about US$5-10 billion for his proposed expansion of a wall along the US-Mexico border.

One of the companies that would be affected by such an action is the wire-transfer enterprise Western Union. A US federal law already requires companies like Western Union to keep detailed information about its clients to avoid having criminals use the wire-transfer enterprise for money-laundering purposes. “Nevertheless, there could be enormous logistical problems involved in applying a law to prevent undocumented migrants from sending money,” said the daily business newspaper El Economista. “US citizens would presumably have to demonstrate they are not undocumented immigrants before being allowed to transfer money overseas.”

Western Union is not the only US business that would be affected by Trump’s proposal.

The giant retailer Walmart, for example, recently set up a service at its US stores that allows its clients to send money to Mexico and other countries. “To continue offering this service, Walmart would have to create some type of system to verify the passports or migration documents of its clients,” El Economista wrote.
“Undocumented migrants could easily find loopholes to send money to Mexico and Central America, including having their friends and relatives with legal status send the funds,” El Economista added.

For Western Union, remittances sent between the US and Mexico, primarily from the former to the latter country, represent about 4% of its total global business. According to company officials, the funds sent by Mexican and some Central American expatriates tend to spike close to Mother’s Day, which is celebrated on May 10 in Mexico, Guatemala, and El Salvador.

In a communiqué, Western Union cited statistics from Mexico’s central bank (Banco de México, Banxico) that indicate remittances sent in May of 2015 were about 11% higher than the average for the year because of Mother’s Day.

According to the company, nearly 44% of the households that receive remittances in Mexico are headed by a woman. “Normally, the remittances that arrive in Mexico, which are administered by women, are used to cover the basic necessities of the family: food, housing, education, health, and emergency expenditures,” Western Union said.

An increase for 2016
Despite the threats from Trump and other politicians to target the earnings of undocumented immigrants, Mexicans continue to send remittances at a steady pace. In a report released on May 2, Banxico noted a significant increase in the amount of remittances that expatriates—primarily in the US—sent back to Mexico in the first quarter of 2016. The caveat is that remittances for March alone declined by the highest level since March of 2013.

According to the Banxico report, expatriates sent US$6.2 billion in January-March 2016, an increase of 8.6% from the first quarter of 2015. In addition to the amount, there was an increase in actual activity, with nearly 21.2 million transfers recorded in January-March, an increase of 11% from the first quarter of 2015. The majority of the funds were sent from three states: California, Illinois, and Florida.

The average amount sent to Mexico in the first quarter of 2016 was about US$293, compared with about US$289 in January-March 2015. Because of a weak peso relative to the US dollar throughout this year, the value of remittances has increased in local currency, spurring an increase of consumption in Mexico during the first quarter of the year.

Despite the solid statistics for the entire quarter, the trend was not as favorable for the month of March. According to Banxico, remittances during the third month of the year amounted to US$2.2 billion, a decline of 2.4% from March 2015. The total was the lowest for March since 2013, Banxico said.

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