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Mexican Tax Collections, Remittances Set Records in 2017

by Carlos Navarro

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Increased remittances and a growth in tax collections provided a shot in the arm for Mexico's economy during 2017. The growth in the two revenue streams to record levels have resulted in a positive outlook for 2018, but observers caution that the behavior of the US economy and the impact of US President Trump's immigration policies could become mitigating factors.

According to the Finance Ministry (Secretaría de Hacienda y Crédito Público, SHCP), Mexico's tax collections set a record of 2.8 trillion pesos (US\$154 billion), or about 108 billion pesos (US\$5.9 billion) above the estimate projected in the expenditures budget (Ley de Ingresos) for the year.

The increase in tax revenues was due in part to an expansion of the tax base, which grew to about 64.7 million taxpayers from about 56.8 million in 2016, according to a report published by the federal tax agency (Servicio de Administración Tributaria, SAT), which is a unit of the SHCP.

The growth in tax revenues is part of a trend that has developed during the administration of President Enrique Peña Nieto. According to the SHCP, tax revenues have increased by about 10% in real terms annually since 2012, and the trend is expected to continue through 2018.

Experts said the growth in tax revenue is a positive development for the structure of the Mexican economy, which has been heavily dependent on oil-export revenues to fund the federal treasury. "We are now depending on healthier sources like taxes, which are less volatile than petroleum," Gustavo Zavaleta, a professor of economics at Mexico's national university (Universidad Nacional Autónoma de México, UNAM), said in an interview with the daily newspaper *Excélsior*.

Tapendra Sinha, an economist at Instituto Tecnológico Autónomo de México (ITAM), credited the tax reforms implemented in 2013 ([SourceMex, Sept. 18, 2013](#), and [Oct. 23, 2013](#)) for the improvement in tax collections.

"It is very positive news that Mexico has reduced the dependence on oil that had been in place since the 1930s," Sinha said. "This is all due to the fiscal reforms approved in 2013, which boosted tax revenues."

While the growth in the taxpayer base is a positive step for Mexico, Sinha noted that the economy is not reaching its full potential because a large segment of the population continues to make a living from the informal economy. He recommended that Mexico develop economic incentives to create more formal jobs.

Remittances continue to grow

The amount of money that Mexican expatriates, residing primarily in the US, sent to Mexico also grew significantly in 2017. According to the central bank (Banco de México, BANXICO), remittances amounted to a record US\$28.7 billion last year, an increase of almost 7% from 2016. The total for 2017 surpassed the previous record of US\$26.9 billion, set in 2016 ([SourceMex, Feb. 15, 2017](#)).

The bank said a number of factors contributed to the growth in remittances, including increased employment opportunities for expatriates, particularly in the US; the depreciation of the Mexican peso versus the US dollar; and the uncertainty surrounding US President Donald Trump's immigration policy, which has prompted Mexicans to send as much money as possible back to relatives ([SourceMex, Feb. 22, 2017](#), [Aug. 2, 2017](#), [Feb. 21, 2018](#)).

The stability of the US economy, however, was the most significant factor driving the growth in remittances. "The increase was the result of the improvement in the US economy, which translated to increased employment opportunities for Mexican workers who reside in the US," columnist Enrique Roviroso wrote in the online news site *La Voz*.

Roviroso said the threat of Trump's anti-immigration policies has also led expatriates to save rather than spend their earnings, and some of those earnings have made their way back to Mexico.

The *La Voz* columnist noted that last year's remittances approached the US\$29.7 billion that foreign entities brought to Mexico via direct foreign investment. Furthermore, remittances greatly surpassed revenues from oil exports, which amounted to US\$19.9 billion in 2017, and from earnings from foreign tourism, which barely surpassed US\$21 billion.

"Remittances not only help maintain the balance of the current account, but they have also been a primary factor in preventing a social uprising," Roviroso said. "The total translates to about 554 billion pesos (US\$34.3 billion). The 14 programs that the social development ministry (Secretaría de Desarrollo Social, SEDESOL) supports were allocated a budget of about 97 billion pesos (US\$5.3 billion) in 2017, which is the equivalent of one sixth of the amount of money that expatriates sent during the year."

Under current conditions, remittances are expected to grow in 2018 to perhaps US\$30 billion, according to a projection by Juan José Li Ng, a senior economist at BBVA Bancomer. However, Li Ng suggested that economic and political conditions in the US could become volatile in 2018, thus affecting the actual amount of remittances.

According to Li Ng, the "American dream" of migrants is at risk because a crackdown on undocumented immigrants could limit the employment opportunities available to expatriates. Other concerns are Trump's constant threat to impose a tax on remittances, and the ever-present threat that a massive number of Mexican expatriates could be deported.

"Remittances represent the stories of Mexican migrants who have been exposed to the economic and political conditions that have occurred in the US since the arrival of Donald Trump to the presidency," he said.

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