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Remittances to Mexico rebound, but for how long?

ON-THE-GROUND

Judging from our region, the increase is more likely a reflection of need back home, not migrants' prosperity.

- Ellen Calmus, The Corner Project

Full Briefing

Remittances to Mexico rebounded in August for the first time in 13 months, but analysts caution the trend is unlikely to last.

After 13 straight months of declines, remittances back to Mexico are up again. If the turnaround stays positive, Mexico could see more robust consumer spending, small business growth, and less reliance on government services. But that's a big if.

Analysts and those familiar with the communities kept afloat by migrants' money caution that the trend is toward declining remittances and suspect the new data may be an aberration.

Remittances from Mexican migrants, mostly living in the United States, rebounded in August 2013, recording a 1.1 percent year-over-year gain to a total of \$1.91 billion.

"This recuperation is due more to a comparison" with the rates from one year earlier, than change in the US or Mexican economies, says Juan José Li Ng, senior economist with BBVA Bancomer in Mexico City. "It doesn't reach the levels seen in previous years."

Adds Ellen Calmus, director of a support service for migrants' families in Mexico known as [The Corner Project](#), "Judging from our region, the increase is more likely a reflection of need back home, not migrants' prosperity."



Eduardo Verdugo/AP

Mexicans abroad remitted a total of \$1.91 billion in August.

Significance

Remittances keep many Mexican pueblos afloat as migrants send home money that maintains households. But with fewer Mexicans crossing the border to work, remittances are unlikely to bounce back to their pre-2008 crisis levels.

Impacts

Business

Remittances are Mexico's second-biggest source of foreign reserves and stimulate consumption and investment in rural regions.

Political

Politicians benefit from stronger remittances as they allow states and municipalities to get away with spending less on social programs.

Social

Many households in rural Mexico depend on remittances, but long-term trends suggest the flow of money will continue

Remittances reached an all-time high of \$26.58 billion in 2007, becoming Mexico's second-largest source of foreign reserves behind petroleum. But remittances subsequently slipped with the world economic crisis.

Mexicans sent \$22.44 billion in remittances last year, according to the Banco de México. The average individual remittance, meanwhile, has fallen from \$344 in 2007 to \$294 in August 2013.

BBVA Bancomer, which studies migration matters, has said in previous reports that the 2008 economic crisis hit Mexican migrants especially hard because so many worked in the construction sector.

Mexican bank Banorte-Ixe said in an Oct. 1 research note that the rate of unemployment among Mexicans without citizenship working in the United States had declined slightly. Since Mexicans without citizenship tend to send more remittances, Banorte-Ixe expected remittances to increase in the coming months.

Mr. Li disagreed, saying most Mexican migrants in the United States have been there for several years now, due, in part, to difficulties in coming and going. Many are pondering longer stays than planned.

“Long term, this drop in remittances that we've had over the past two or three years, is no longer something totally due to the [economic] crisis,” Li says. “It's now due to the lack of migrant flows from Mexico to the United States.”

Mexican outward migration has dropped so substantially over the past five years that the numbers returning to Mexico – voluntarily or otherwise – are now slightly larger than those leaving, according to the Pew Hispanic Center.

Many are staying put in Mexico, Li says, because of poor economic prospects in the United States, the challenges in crossing an increasingly fortified border, new laws targeting undocumented immigrants, and the escalating costs of hiring smugglers – often now affiliated or controlled by organized criminal groups – to help them head north.

Surveys have found that 85 percent of remittance money sent to Mexico is spent on day-to-day living expenses, such as food, clothing, housing, and school supplies, according to Li, while perhaps 5 percent will start some sort of small business – often a mom-and-pop shop.

Calmus, who works in Malinalco, southwest of Mexico City, sees a seasonal aspect in the most recent remittance figures: The Mexican school calendar begins in August, meaning families needed money for supplies, uniforms, and other administrative costs – which can be more expensive in Mexico than the United States.

Many migrants have returned to Malinalco with US-citizen children – who, Calmus says, often lack the proper documents for enrolling in Mexican schools, resulting in extra registration costs. In some cases, the family breadwinner has stayed behind in the United States to support a family now living in Mexico.

“They're still bearing the costs of supporting their children, but now that means sending money to Mexico,” Calmus says.

Country Map



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