

REMITTANCE EUPHORIA: EXODUS, MONEY LAUNDERING & ECONOMIC BOOM

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SIGNOSVIAJES
EL PULSO DE MÉXICO

REMITTANCE EUPHORIA: EXODUS, MONEY LAUNDERING & ECONOMIC BOOM

During the last few years, remittance flows to the country have increased significantly. Synchronically, the Mexican exodus to the United States, a phenomenon that almost stopped by 2019, has been revitalized. The low economic growth and the blow of the social and economic crisis initiated by the pandemic and increased by the abysmal governmental management have drastically deteriorated the welfare conditions of the population, especially the most vulnerable sectors. The wages precariousness increase and family incomes have coincided with the rise in deportations of Mexicans who sought to migrate to the United States of America but were returned to the country. Between January 2022 and January 2023, more than 860,000 Mexicans were arrested by US authorities. The extraordinary support sent by Mexicans abroad amid the health crisis, the increase in the exodus of Mexicans to the United States, the greater flow of foreigners passing through Mexico or staying in the country as refugees or temporary workers, and the alleged money laundering processes via remittances seem to explain the exponential increases in remittances received in Mexico. This already places it as the third country with the highest remittance income in the world, behind China and India.

RECENT REMITTANCE INFLOWS

Shipments began to grow systematically in the second decade of this century. They went from \$22.8 mmdd (mmdd, Billions of Dollars for its acronym in Spanish) in 2014 to \$31.7 mmdd in 2018. Since the pandemic, remittances have increased their weight and relevance to the national economy, remittances reached \$51.6 billion in 2021, reflecting a historical amount. In 2022, Mexico will receive \$58.5 mmdd¹ via remittances. This reflected an annual growth of 13.4% in remittances in 2022, almost double that of just four years earlier. The growth path has not always been smooth but has had stumbles and bursts, often called structural changes or breaks, due to the alteration –in many cases abrupt– in the remittance’s trajectory.

Since there is a record of remittances (1995), we detect four such moments: January 2000, March 2004, September 2014, and November 2018. This last structural change shows a firm break with the trend that cannot be missed. The average monthly growth rate has been 1.1% since the last structural change (November 2018) to December 2022. Only between September 2014 and October 2018 (one month before the last structural change), that rate has been 0.3%. This growth differential has generated a gap between current and long-term growth, estimated at \$15 billion or 20.5 million transactions in 2022. The hole in the amount is 34.6% higher than its long-term trajectory and 15.8% in the case of operations.

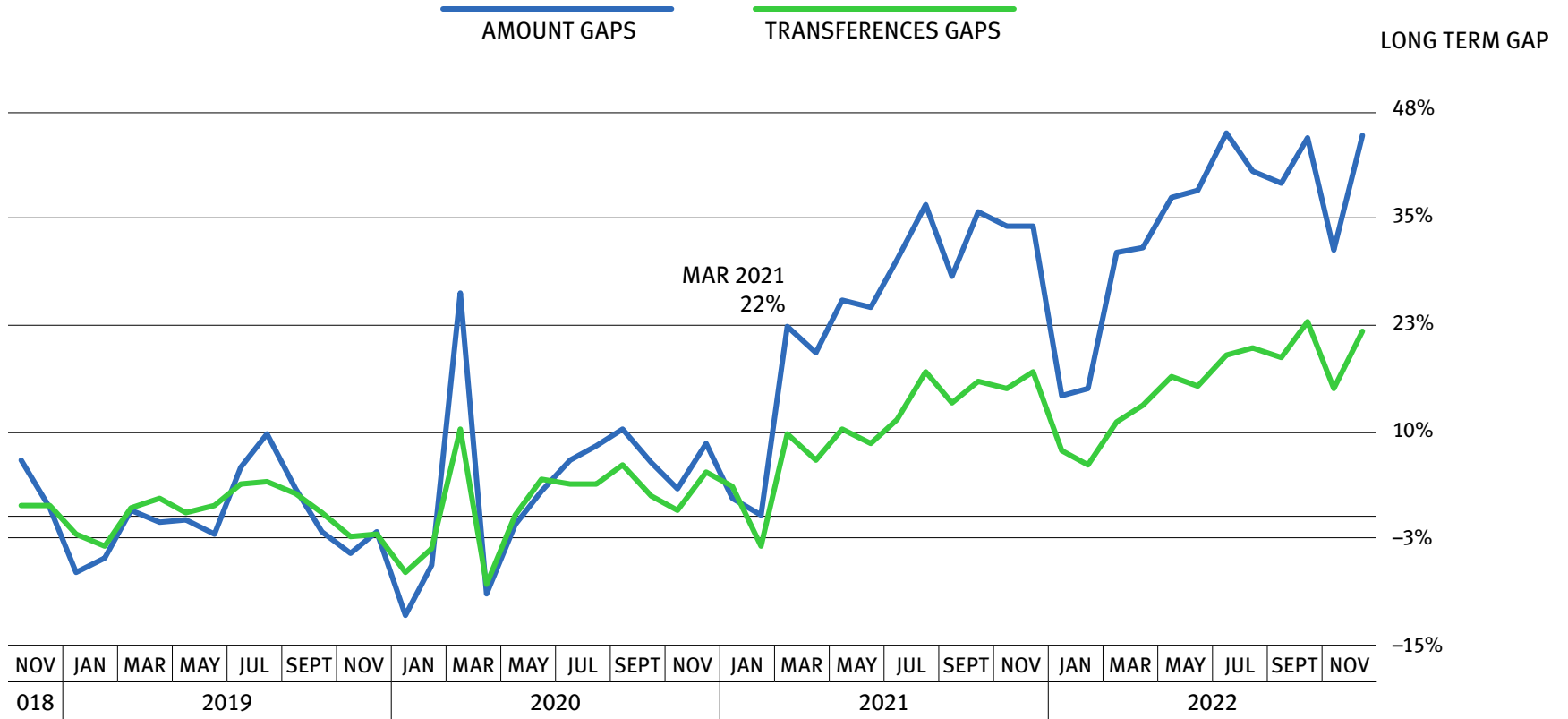
¹ <https://www.banxico.org.mx/SielInternet/consultarDirectorioInternetAction.do?sector=1&accion=consultarCuadro&idCuadro=CE81&locale=es>

SHIPMENTS WENT FROM 22.8 BILLION DOLLARS IN 2014 TO 31.7 BILLIONS IN 2018.

IN 2021, REMITTANCES REACHED 51.6 BILLION DOLLARS.

= ANNUAL GROWTH OF 13.4% IN 2022 (ALMOST DOUBLE THAN FOUR YEARS BEFORE).

GRAPH 1. REMITTANCES GAP WITH RESPECT TO ITS LONG TERM TREND
FROM UNITED STATES TO MEXICO



Note: The long term gap widened substantially in March 2020 because of the US government aid to its population. It then declined and reassumed and even greater growth from March 2021.

Source: In-house elaboration with data from Signos Vitales and Banxico.

In this sense, in 2022, the volume of transactions (transfers) grew 9.8% (variation of 13.4 million transactions) concerning 2021.² Consequently, although the amount and volume of remittances (transfers) contribute to this growth, the amount effect is greater than the volume effect. Thus, the average amount per remittance has grown by 3.3% (12.4 dollars per remittance) concerning 2021. Similarly, in 2022, 95.5% of these remittances came from the United States of America, followed by Central and South America (1.6%), Canada (1.3%), other unidentified countries (1.1%), and the rest of the world (0.5%).³

Mexico's rampant growth of 73.7% (24.8 mdd)⁴ between 2018 and 2022 raises many questions. While worldwide growth is estimated to be only 14.3%, in low and middle-income countries, it will reach 19.6%, India (the largest recipient of remittances in the world) will grow 26.9% (21.2 billion dollars), and China, the contrary, will considerably decrease its remittance inflow (-24.3%) (-16.4 billion dollars) in the same timeframe.⁵

This combination of events already places Mexico as the second-largest recipient of remittances in the world. As for the current government's discourse, President Lopez Obrador has boasted on several occasions about the increase in remittances as an achievement of his administration. It should be pointed out that the actions of Lopez Obrador's government are not directly related to

2 <https://www.banxico.org.mx/SielInternet/consultarDirectorioInternetAction.do?sector=1&accion=consultarCuadro&idCuadro=CE81&locale=es>

3 <https://www.banxico.org.mx/SielInternet/consultarDirectorioInternetAction.do?sector=1&accion=consultarCuadro&idCuadro=CE167&locale=es>

4 <https://www.banxico.org.mx/SielInternet/consultarDirectorioInternetAction.do?sector=1&accion=consultarCuadro&idCuadro=CE81&locale=es>

5 <https://www.knomad.org/data>

this phenomenon. However, the reality exceeded all expectations. During the health crisis, the projections for remittance behavior were highly negative, as the world faced the most severe economic crisis in recent decades. The great financial crisis of 2008–2009 had set a precedent: transfers to Mexico fell at that time by 15.3% at an annual rate of –15.3%⁶ and grew very slowly until they returned to the same level eight years later, while the rest of the world took only two years.



Source: “Lopez Obrador boasts the remittances record” at <https://www.milenio.com/negocios/amlo-estima-ano-remesas-mexico-alcanzaran-record>

⁶ <https://www.banxico.org.mx/SielInternet/consultarDirectorioInternetAction.do?sector=1&accion=consultarCuadro&idCuadro=CE81&locale=es>

MEXICAN POPULATION IN THE USA AND INCOME

Between 2010 and 2021, the population of Mexican origin in the United States increased from 32.9 million people (mdp, millions of people for its acronym in Spanish) to 37.2 mdp,⁷ a growth of 13.1%. According to Mexican law, most of this population is legally or potentially Mexican, and of this population, only 10.7 million were born outside the United States of America, which has decreased by almost one million since 2010 (-8.6%). At the same time, by 2021, 34.6% of this population had already been naturalized US citizens (3.7 million). This figure was only 22.9% (2.7 million) in 2010.⁸ The 38.2% growth of the naturalized population is a highlight of the last decade.

Of this USA naturalized population, 85.4% live in 10 states: California (CA) (1.5 mdp), Texas (TX) (824.8 thousand), Illinois (IL) (239.5 thousand), Arizona (AR) (178.6 thousand), Florida (FL) (93 thousand), Nevada (NV) (78.4 thousand), Colorado (CO) (65.8 thousand), Washington (WA) (54.5 thousand), New Mexico (NM) (48.8 thousand) and Georgia (GA) (47.9 thousand). The case of CA stands out, where 40 out of every 100 people of Mexican origin, born outside the United States, have obtained US citizenship. These same states are home to 82.2% of the population of Mexican origin (30.6 million people).⁹ It is interesting for us

⁷ [https://data.census.gov/table?q=mexican+Population+in+the+United+States&g=0100000US\\$04000\\$001&tid=ACSSPP1Y2010.S0201](https://data.census.gov/table?q=mexican+Population+in+the+United+States&g=0100000US$04000$001&tid=ACSSPP1Y2010.S0201)

⁸ [https://data.census.gov/table?q=mexican+Population+in+the+United+States&g=0100000US\\$04000\\$001&tid=ACSSPP1Y2010.S0201](https://data.census.gov/table?q=mexican+Population+in+the+United+States&g=0100000US$04000$001&tid=ACSSPP1Y2010.S0201)

⁹ [https://data.census.gov/table?q=mexican+Population+in+the+United+States&g=0100000US\\$04000\\$001,\\$0400000&tid=ACSSPP1Y2021.S0201](https://data.census.gov/table?q=mexican+Population+in+the+United+States&g=0100000US$04000$001,$0400000&tid=ACSSPP1Y2021.S0201)

to know both the geographic distribution and the legal status of non–USA–born Mexicans for two reasons: the income of workers and the social benefits available to them, as happened amid the pandemic.

In this sense, Mexican households receiving public cash assistance grew 47.8% (variation of 135.1 thousand homes) between 2018 and 2021. Despite the considerable rise even after confinement, barely 4.1% of households receive this type of aid, which grew 1.1 mmdd in the same period and approached 2.1 mmdd in 2021. In these years, the growth of transfers (pensions, cash benefits, social security, and other complementary income) explains around 13.8% of the growth of Mexican household income, mainly due to the growth of households receiving retirement income (7.9% to 12.1%) (variation of 11.6 billion dollars between 2018 and 2021). In other words, income from work continues to be the most important. Consequently, larger populations, such as California and with a higher rate of naturalized citizens, are expected to generate higher income via salaries and retirement. In the case of California, the revenue of Mexicans is close to 300 billion dollars (\$23.6 thousand per capita). In contrast, a state with a low presence of Mexicans, such as Minnesota, barely reached \$4.3 billion (\$21.6 thousand per capita).

WHERE ARE THE REMITTANCES COMING FROM?

Historically, most remittances come from California and Texas. At the end of 2022, both states accounted for 48.1% of remittances sent from the United States. California and Texas are vital for the relations between both countries, as they concentrate on the largest population of Mexican origin and are the primary sources of remittances. Other states that have contributed, although in a smaller proportion, are Arizona, Colorado, Florida, Georgia, Illinois, New York, North Carolina, and Washington. During 2022, these states will contribute 20.9% of the total remittances sent from that country.¹⁰

With the outbreak of the health crisis, there are three structural changes in geographical trends:

1. The exponential growth change (278.7% between 2018 and 2022) in remittances from states where the population of Mexican origin (or naturalized USA) is relatively smaller than those mentioned above Idaho, Maine, Minnesota, Montana, New Hampshire, North Dakota, Tennessee, and Utah. Up to the fourth quarter of 2022, 11.8% (\$6.6 mmdd) of remittances sent from the United States came from these states, when the share was just 5.5% at the close of 2018 (\$1.7 mmdd). Between 2018 and 2022, remittances from MN, the most emblematic case, have grown 585.3% (\$4 billion)¹¹; 8.3% of remit-

¹⁰ <https://www.banxico.org.mx/SieInternet/consultarDirectorioInternetAction.do?sector=1&accion=consultarCuadro&idCuadro=CE168&locale=es>

¹¹ <https://www.banxico.org.mx/SieInternet/consultarDirectorioInternetAction.do?sector=1&accion=consultarCuadro&idCuadro=CE168&locale=es>

tances originated in this state¹², but only 0.5% of the population of Mexican origin and 0.3% of naturalized USA citizens live in Mexico¹³. MN is already the third most crucial state for remittances from the United States of America, behind only California and Texas.

2. In the same years, there was a 332.5% increase in the number of transactions for which it is impossible to identify the state of origin (an increase of \$927.1 million), now representing 2.2% of total remittances sent from the United States of America.¹⁴ This amount is equivalent to shipments from Colorado (2.2% of the total).
3. Both phenomena explain 23.9% of the change in remittances between 2018 and 2022.

**EXPONENTIAL GROWTH OF 278.7% BETWEEN 2018 AND 2022.
INCREASE OF 332.5% OF TRANSACTIONS IMPOSSIBLE TO IDENTIFY
THE STATE OF ORIGIN.**

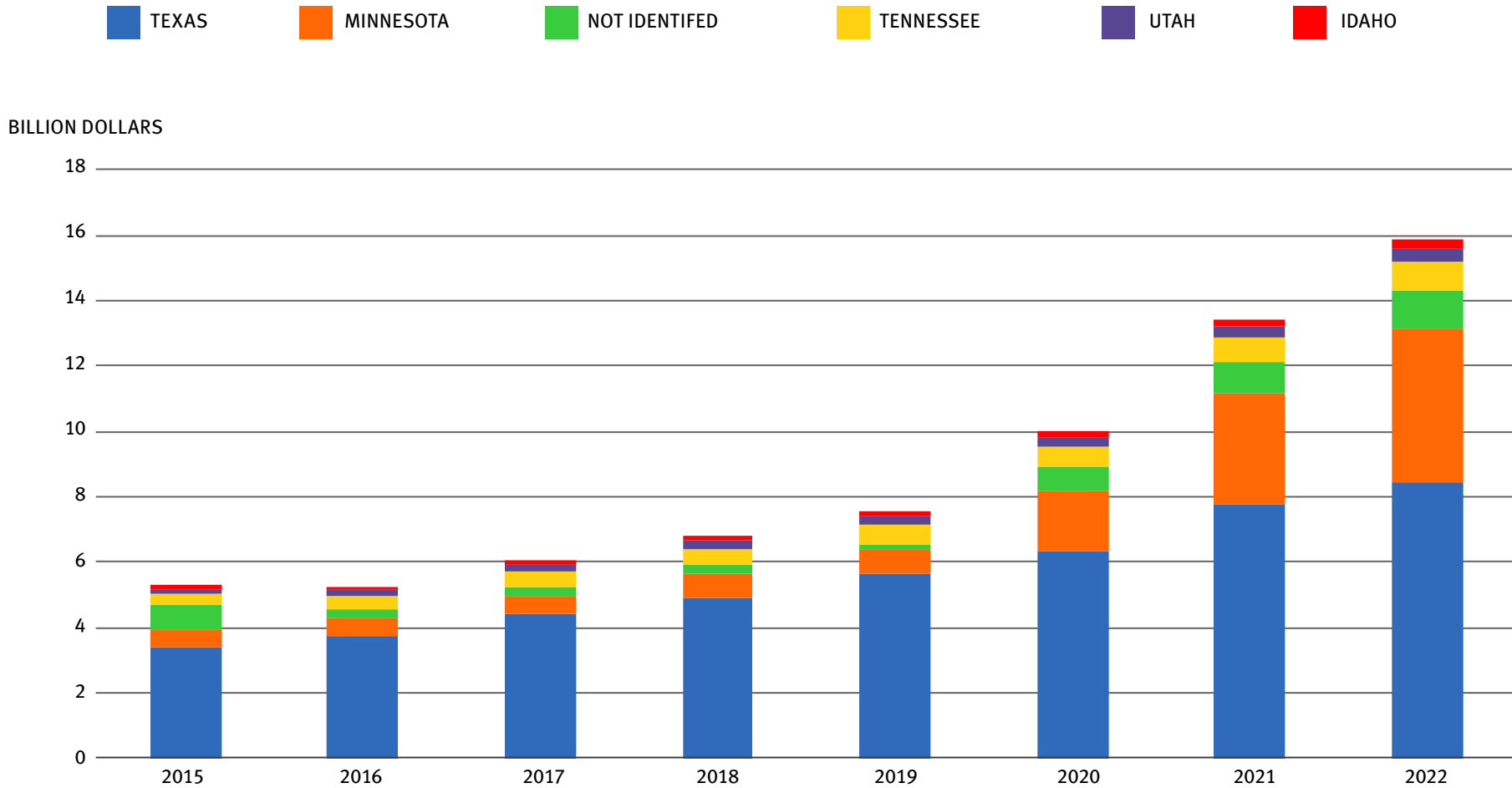
= 23.9% OF THE CHANGE IN REMITTANCES BETWEEN 2018 AND 2022.

¹² <https://www.banxico.org.mx/SielInternet/consultarDirectorioInternetAction.do?sector=1&accion=consultarCuadro&idCuadro=CE168&locale=es>

¹³ [https://data.census.gov/table?q=mexican+Population+in+the+United+States&-g=0100000US\\$04000\\$001,\\$0400000&tid=ACSSPP1Y2021.S0201](https://data.census.gov/table?q=mexican+Population+in+the+United+States&-g=0100000US$04000$001,$0400000&tid=ACSSPP1Y2021.S0201)

¹⁴ <https://www.banxico.org.mx/SielInternet/consultarDirectorioInternetAction.do?sector=1&accion=consultarCuadro&idCuadro=CE168&locale=es>

GRAPH 2. NEW PLAYERS: REMITTANCES FROM STATES WITH SCARCE MEXICAN POPULATION AND ABSENCE OF REMITTANCES INFORMATION (BILLIONS OF DOLLARS) 2015–2022



Source: In-house elaboration with data from Banxico: <https://www.banxico.org.mx/SieInternet/consultarDirectorioInternetAction.do?sector=1&accion=consultarCuadro&idCuadro=CE168&locale=es>

LOCAL RECONFIGURATION

Since authorities have had records of these transnational transfers, a large part of the remittances arriving in Mexico has as their main destinations ten federal entities: Mexico City (CdMx, for its acronym in Spanish), Mexico State (Edo. Mex, for its acronym in Spanish), Guanajuato, Guerrero, Jalisco, Michoacan, Oaxaca, Puebla, San Luis Potosi and Veracruz. Until 2018, these entities received 61.8% of remittances. To a large extent, this condition was maintained before and after the outbreak of the health crisis. Also, these same entities concentrate 58.6% of the variation between 2018 and 2022. However, in the last four years, Chiapas suddenly entered the list of the largest remittance-receiving states.

Until 2017 Chiapas did not figure (2.1% of total remittances), and in 2022 it ended up being the sixth entity that captured the most remittances (5.4% of the total). The accumulated amount in 2022 was \$3.2 mmdd; the growth compared to 2018 is 284.2% (\$2.3 mmdd). Although it is not the only federal entity that presents a significant structural change, it is among all the cases the one that stands out the most for the growth of the amount, the same that detonated the average amount per remittance. On average, during the second quarter of 2022, each remittance collected in Chiapas amounted to 703 dollars, the highest historical amount on record for any state.

On par with Chiapas; CdMx (119.5%), Edo. Mex (83.8%) and Guerrero (82.4%) exhibited rates above the national average (73.7%) between 2018 and 2022. However, these entities have traditionally received high amounts, unlike other states that have experienced a significant change in their long-term trajecto-

ries: Aguascalientes (80.2%), Baja California Sur (172.6%), Campeche (100%), Coahuila (78.2%), Hidalgo (84.9%), Queretaro (80.7%), Quintana Roo (135.3%), Tabasco (105.1%) and Yucatan (90.8%). Despite such high growth rates, these changes are barely perceptible because the total amount traded tends to be unrepresentative of the aggregate (cumulative of \$6.4 billion in 2022) (10.9% of the total). The growth in remittances obtained by the entities mentioned above represents 12% of the total national increase in the last four years.



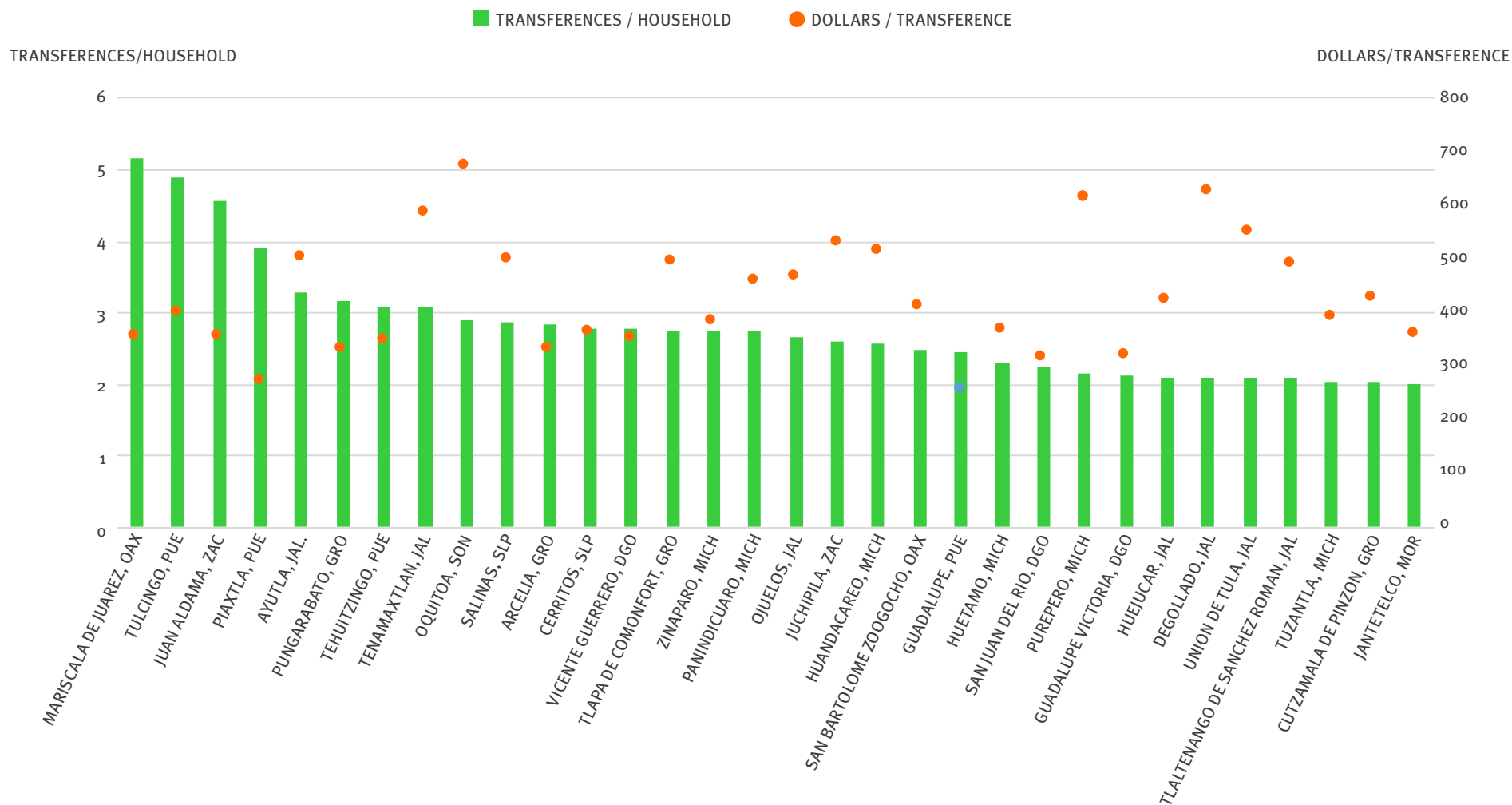
Image: Harvesting vegetables in California at <https://prod.senasica.gob.mx/ALERTAS/inicio/pages/single.php?noticia=16077>

Although the analysis at the state level shows substantial changes in the behavior of remittances, more significant phenomena are currently occurring at the local level:

1. The operations (transfers) number exceeds the number of households in 227 municipalities in the country at least once. In 32 of these municipalities, the transfers double the homes' number. In other words, in 227 of the country's municipalities, 100% of the homes could receive at least one monthly transfer on average. Eight states account for 83.7% of these municipalities: Durango (6.2%), Guanajuato (7%), Guerrero (8.8%), Jalisco (15.4%), Michoacan (16.7%), Oaxaca (12.3%), Puebla (6.2%), San Luis Potosi (4.4%) and Zacatecas (6.6%). In 2022, the accumulated balance of remittances in these municipalities (9.2% of the total number of municipalities) was \$14.3 billion, 24.5% of total remittances. Perhaps this group attracts attention the most due to the number of transactions carried out and their relationship with Mexican households.
2. We detected 365 municipalities where up to the last quarter of 2018, not a single transfer was observed, and at the close of 2022, these same municipalities accumulated \$40.9 mdd in remittances.
3. We observe high growth rates at the municipal level (three times the national average). One thousand–ten municipalities have grown a total of over 221.5%. To a large extent, this growth is the result of the comparison base (in some cases almost zero); however, all of these received \$2.7 billion in 2018, a not insignificant figure, and in 2022 they received \$8.8 billion.

IN 2022, THE ACCUMULATED BALANCE OF REMITTANCES IN THESE MUNICIPALITIES (9.2%) WAS 14.3 BILLION DOLLARS, 24.5% OF ALL REMITTANCES.

GRAPH 3. MUNICIPALITIES IN MEXICO WITH EQUAL OR HIGHER COVERAGE TO 200% AND DOLLARS PER REMITTANCE
FIRST SEMESTER 2022



Source: In-house elaboration with information from Banxico: <https://www.banxico.org.mx/SieInternet/consultarDirectorioInternetAction.do?sector=1&accion=consultarCuadro&idCuadro=CE166&locale=es>.

The coincidences between the groups of municipalities are minimal, although they should not be overlooked. In the last four years, only 54 municipalities in the country have grown at rates higher than 100%, and at the same time, the number of operations carried out would be enough for 100% of households to have coverage. Between January and December 2022, 1.9 billion dollars were settled in these municipalities. Surprisingly, so many operations are enough to cover 50% of any municipality's households since there are more than 500 municipalities in the country in this condition. In any case, remittances may already be reaching more homes than the social programs of all levels of government. This phenomenon implies the Mexican government's inability to provide the population with quality public services and the increasing economic dependence of broad social sectors on remittances.

IN THE LAST FOUR YEARS, ONLY 54 MUNICIPALITIES IN THE COUNTRY HAVE GROWN AT RATES HIGHER THAN 100%, AND AT THE SAME TIME, THE NUMBER OF OPERATIONS CARRIED OUT WOULD BE ENOUGH FOR 100% OF HOUSEHOLDS TO HAVE COVERAGE. BETWEEN JANUARY AND DECEMBER 2022, 1.9 BILLION DOLLARS WERE SETTLED IN THESE MUNICIPALITIES.

POVERTY AND REMITTANCES

If remittances were distributed equally among the inhabitants of the municipalities receiving them, they would serve to alleviate, to a certain extent, the ravages of extreme poverty in terms of income. As of 2020, 296 municipalities in the country received more than \$897.2 per inhabitant per year (\$74.8 per month); these resources are sufficient to break the barrier of the extreme income poverty line (LPEI, for its acronym in Spanish) in Mexico.¹⁵ Thus, it is impossible to explain the precarious income conditions in which the populations of these municipalities are immersed (1.9 million pesos with income below the LPEI) in the face of the incessant flow of dollars. In 2015, in the same communities, there were 2.1 million pesos in this condition; between 2015 and 2020, the reduction was -10.8%, but remittances increased 67% in the same five years (from \$7.6 billion to \$12.6 billion).

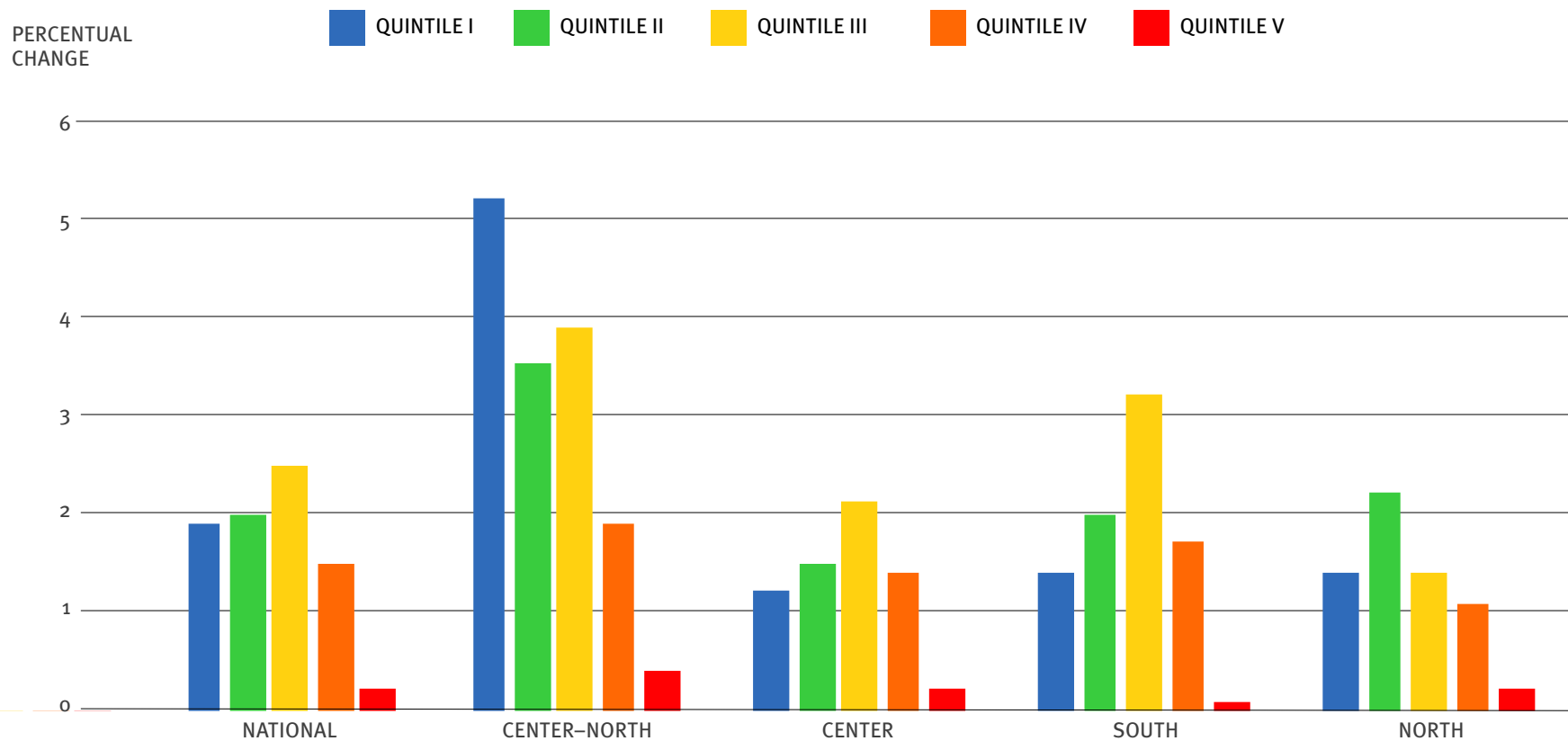
In 2020, and following the same logic, if the remittances received by the 227 municipalities where there could be at least 100% coverage were distributed equally for each inhabitant, they would have received US\$91.4 per month, sufficient income to deal with the extreme poverty line. In 70% of these municipalities, the revenue per inhabitant would be enough for the entire population to leave this condition behind (801.6 thousand people). If these conditions were met, the population in extreme income poverty would have to be 51.9% low-

IT IS IMPOSSIBLE TO EXPLAIN THE PRECARIOUS INCOME CONDITIONS IN WHICH THE POPULATIONS OF THESE MUNICIPALITIES ARE IMMERSSED (1.9 MILLION PESOS WITH INCOME BELOW THE LPEI) IN THE FACE OF THE INCESSANT FLOW OF DOLLARS.

¹⁵ Considering that in August 2020 the extreme poverty line by income (food basket) in urban areas was 1,661.39 pesos and the exchange rate was at 22.2 pesos per dollar.

er than in the last registry. However, income below the LPEI population was 23.4%, and the reduction has been just as poor in recent years (this population was 26.6% in 2015).

GRAPH 4. INCREASE IN HOUSEHOLD CONSUMPTION OF FINAL GOODS AND SERVICES BY INCOME QUINTILE AND REGION IN THE EVENT OF AN INCREASE IN REMITTANCES IN 2020 (%)



Note: The regional classification corresponds to the Banco de Mexico's.

Source: <https://www.banxico.org.mx/publicaciones-y-prensa/reportes-sobre-las-economias-regionales/recuadros/%7B1D16C149-35FB-577B-4262-27DB722C71E8%7D.pdf>

Remittances have often been a mechanism to alleviate poverty. Without remittances, poverty would have increased amid the pandemic by 836 thousand people, and extreme poverty would have increased by 351 thousand.¹⁶ However, the data also show that progress has plodded and is limited, even in the most significant coverage populations. This condition persists since the evidence demonstrated by Banxico suggests they may be more regressive than progressive today when households that show a substantial increase in the final goods and services consumption in the face of the remittances variation are those between the second and third quintile at national level (variation between 2% and 2.5%); and for almost all country regions. The exception is for the center-north part, where the poorest families (last quintile) are the ones that benefit most from remittances¹⁷ (consumption variation of 5.2%).



Source: Municipalities in Puebla in extreme poverty at <https://www.elciudadano.com/mexico/en-19-municipios-de-puebla-la-pobreza-supera-el-90/12/16/>

¹⁶ <https://www.bbvaresearch.com/en/publicaciones/mexico-remittances-achieve-a-record-and-decreased-people-in-poverty-by-836000/>

¹⁷ <https://www.banxico.org.mx/publicaciones-y-prensa/reportes-sobre-las-economias-regionales/recuadros/%7B1D16C149-35FB-577B-4262-27DB722C71E8%7D.pdf>

AMERICAN EXODUS

In 2021, Mexico apprehended 307.6 thousand migrants –the highest number ever recorded in the country. A record 130.9 thousand people also applied for refugee status in Mexico in 2021, the third highest number worldwide according to UNHCR, the United Nations refugee agency. A decade ago, only a few thousand people filed applications in Mexico yearly¹⁸. Almost half of these were Haitians, and around 70% (nearly 90 thousand people) of those who apply for refugee status in Mexico do so in Tapachula¹⁹, In the Chiapas state. This municipality’s remittances have increased 260.3% in the last four years (from \$66 to \$237.8 million).

By mid–2022, when the Mexican government decided to transfer part of the migration crisis from Tapachula to San Pedro Tapanatepec in Oaxaca, more than half a million migrants were received²⁰. Between the second and last quarters of that year alone, remittances received in San Pedro Tapanatepec grew 795.9%; this municipality received only 13.6 million dollars in three months, almost three times the amount it received during the whole of 2021 (5 million dollars), which was already the highest historical amount. This influx of migrants and remittances tells us about the other side of the coin, which is rarely observed. Remittances captured in Mexico are becoming less and less Mexican every day.

¹⁸ <https://www.hrw.org/news/2022/06/06/mexico-asylum-seekers-face-abuses-southern-border>

¹⁹ <https://www.hrw.org/news/2022/06/06/mexico-asylum-seekers-face-abuses-southern-border>

²⁰ <https://www.inm.gob.mx/gobmx/word/wp-content/uploads/2022/12/Tarjeta-Migratoria-271222.pdf>



Image: “Thousands of migrants from Haiti consider staying in Mexico after masive derpotation from the US” at <https://www.eleconomista.com.mx/politica/Migrantes-haitianos-consideran-quequedarse-en-Mexico-tras-desalojo-masivo-en-la-frontera-con-Estados-Unidos-20210925-0005.html>

In principle, this is possible because personal transfers, better known as remittances, computed in the balance of payments do not exclude the nationality of the recipient, i.e., they can be received by any resident of the Mexican economy, even if they have come from Haiti, Venezuela, Colombia, or the United States of America.²¹

In the same sense, there has been an increase in foreigners' arrival to various country regions in the last three years. The most important ones are Mexico City, Quintana Roo (Q.Roo), Jalisco, Nuevo Leon, Yucatan, Baja California Sur, Baja California, and Guanajuato. In 2019, 43.5 thousand temporary resident cards were granted; between January and November 2022, 55 thousand were given, and the growth was 26.9%. More than half of these foreigners (60.3%) reside in only 20 town halls; among the most notable cases are: Miguel Hidalgo (CdMx) (5.1 thousand residents), Cuauhtemoc (CdMx) (3.6 thousand residents), Solidaridad (Q.Roo) (3.2 thousand residents), Benito Juarez (Q.Roo) (3 thousand residents) and Merida (Yuc) (1.7 thousand residents). In turn, 74.5% of these residents come from the American continent and China, mainly from the United States of America (19.5%), Colombia (10.4%), Cuba (8.5%), Canada (5.1%), Argentina (4.4%), China (4.1%) and Venezuela (3.3%).

²¹ For further details, please refer to <https://signosvitalismexico.org.mx/reportes/diagnostico-de-mexico-obscuras-perspectivas/>

Blessed thy remittances

There are at least three reasons why the sharp increase in remittances can be capitalized on politically by the Lopez Obrador administration:

1. REMITTANCES HAVE CONTRIBUTED DYNAMISM TO PRIVATE CONSUMPTION, encouraging demand in the Mexican economy in all regions (1.1%), but especially in the center–north (1.7%) and south (1.2%) of the country. If this had not been the case, during the confinement, consumption would have plummeted –11.6% and not –10.6%.²²
2. As suggested by specialists in the field, REMITTANCES PROVIDE –TO A CERTAIN EXTENT– STABILITY TO THE EXCHANGE RATE²³ because they are one of the three primary sources of income in dollars, above oil exports in 2022 (\$39.2 billion)²⁴ despite high oil prices.
3. BANCO DEL BIENESTAR (BB for its acronym in Spanish) HAS INCREASED ITS PARTICIPATION IN THE PERSONAL TRANSFER MARKET. At the end of September 2022, a total of 1.66 million remittances were settled (1.5% of total transactions), for an amount of 1.04 mmdd (2.4% of the total amount), resulting in 630.6 dollars per remittance, when the average transfer in the country in the same period was 390.2 dollars (61.6% higher than the market average).

²² <https://www.banxico.org.mx/publicaciones-y-prensa/reportes-sobre-las-economias-regionales/recuadros/%7B1D16C149-35FB-577B-4262-27DB722C71E8%7D.pdf>

²³ <https://www.bbva.com/es/mx/el-peso-mexicano-con-pocos-elementos-para-depreciarse/>

²⁴ <https://www.banxico.org.mx/SielInternet/consultarDirectorioInternetAction.do?sector=1&accion=consultarCuadroAnalitico&idCuadro=CA188&locale=es>

However, the growth is mainly due to the so-called L@ Red de la Gente (the People's Network),²⁵ where 63% of the total, or 1 million operations, are executed.²⁶ Among the companies that adhered to the network are Te creemos, Acreimex, and Fincomun.



Image: Different mechanisms to transfer remittances at <https://lareddelagente.com.mx/>

²⁵ Business alliance between BB and Popular Savings and Loan Societies

²⁶ https://www.gob.mx/cms/uploads/attachment/file/786173/Comentarios_de_la_Administraci_n.pdf

THE NUMBERS DON'T ADD UP

COVID-19 was no reason to halt the mammoth growth of remittances (73.7% between 2018 and 2022). We estimate that the amount observed in 2022 exceeded the long-term trajectory by as much as \$15 billion (34.6%). So, here we question this gap that addresses at least two phenomena: exodus in America and money laundering, closely related to drug trafficking activities. While it is true that support to Mexican households in the United States of America by the US government has increased, even after the confinement, mainly due to the withdrawal of Mexican workers (variation of \$11.6 billion or 66.7% between 2018 and 2021), these are insufficient to explain the exponential increase in remittances from states where the Mexican community is too small, in addition to having the lowest rates of naturalized Mexicans.

In recent years we have witnessed the untimely entry into our country –through the southern border– of citizens of various nationalities fleeing violence, climate change, or the economic failure of their countries. Tapachula (Chiapas) is a first border for many of them, a municipality where in the last four years, remittances grew 260.3% (from 60 to 237.8 million dollars). Recently, Chiapas has been placed as one of the six entities that capture more remittances in the country; in all, 2022 received 3.2 mmdd, the growth compared to 2018 is 284.2% (2.3 mmdd). However, this is not all; as of the second quarter of 2022, it is the entity that receives more average dollars per remittance (703 dollars per remittance), and if the trend continues in 2023, it will displace Mexico City and compete with the Mexico State for the fourth place. In recent months, the federal govern-

ment's management of migration issues has led to transferring migrants and remittance flows from Chiapas to the state of Oaxaca, especially neighboring municipalities.

Along with these massive movements of people, the entry of foreigners with temporary resident cards has increased by 26.9% in the last three years. Among the destinations of these residents are municipalities or municipalities that may well be for rest or business in entities such as Mexico City, Jalisco, Nuevo Leon, Guanajuato, and the Yucatan and Baja California peninsulas.²⁷

As the evidence points out, the American exodus motivates the increase in remittances because remittances are not exclusive of the nationality of the person receiving them; in this sense, remittances arriving in Mexico are less and less Mexican, especially in the south of the country. For example, we estimate that in Chiapas, 22.9% of remittances are received by foreigners. However, other entities have not been exposed to these migratory flows but have seen an increase in the remittances they receive, especially at the local level. As of the third quarter of 2022, 227 municipalities in the country are carrying out so many operations that they would be enough to cover 100% of the households that comprise them. These municipalities receive \$14.3 billion (24.5% of the total). Statistically speaking, this type of phenomenon is improbable. Then, if we discount the fact that they are not part of a migratory route and do not enjoy sun and beach or cultural attractions, to give a few examples, such as Cancun (QRoo), Coyoacan (Mexico City) or Los Cabos (Baja California Sur), it is highly suspicious. Whoever operates such a volume of operations has not taken the slightest care to show that their operating capacity is far superior to that of the entire Mexican State.

²⁷ Although here we do not study the reasons for the stay.

In this sense, we point out the (differentiated) relationship between overdose deaths in the southern border states of the United States and remittances sent to Mexico City, Mexico State, Guerrero, Jalisco, and Michoacan. The results show the drain on the US population for each average dollar sent from the USA to these states, which receive 35% of remittances. Up to this point, it is incredibly complex to determine whether the two phenomena (migration and drug trafficking) are already interacting. However, the evidence suggests that they are still events that are not necessarily associated; however, we do not rule out such a hypothesis either. The municipalities that have shown a remittance coverage burst and coincide with some migratory routes are the least likely to be affected.

Balance of payments studies indicates that drug money sent through remittances does not exceed 1%²⁸. If so, that percentage point is very close to the cost of purchasing the Deer Park refinery in the United States of America. From the evidence we present, this figure may well be at least \$4.4 billion in all of 2022 (7.6% of the total in 2022), only considering the excess of remittances in those municipalities that have more than 100% coverage, that is, municipalities where 100% of households receive more than one transfer per household each month. It is true that this exercise only applies in cases where we can somehow control for the effect of other phenomena, but it is a first approach to the magnitude of the problem, which we believe is enormous and could become much more complex than it is now.

On the other hand, two facts are surprising given the strict controls of the US authorities: the growth of operations whose origin (state) is unknown (varia-

²⁸ <https://www.revista.imef.org.mx/articulo/lavado-de-dinero-con-remesas/>

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tion of \$927.1 million or 332.5% between 2018 and 2022) and the explosion of remittances from eight states where the population of Mexican origin is not very representative of the total. The most emblematic case is that of Minnesota (MN), which is now the third state with the highest remittance sending (8.3% of the total) (growth of 585.3% between 2018 and 2022), only below California and Texas. However, the former is home to only 0.5% of the population of Mexican origin and 0.3% of the naturalized USA population.²⁹ In 2022, this state's long-term gap alone explained 27.3% of the total gap we mentioned here. In sum, for that year, both facts (absence of information and exponential growth from states with low representation of Mexicans) explain 35.4% of the gap.

To give us an idea of the implausibility of the increase in Minnesota, suffice it to say that the highest average remittance in the second quarter of 2022 was recorded in Santa Ana Tavela (Oaxaca) (1,637.7 dollars per remittance). Taking the highest remittance as a reference, this means that at least 2.87 million transactions (transfers) would be necessary to make it possible to send \$4.7 billion between January and December 2022 (240 thousand transactions per month). In Minnesota, there are only 200,000 Mexicans (native, naturalized, and born outside the United States), meaning that a little more than one monthly remittance is required for each Mexican in Minnesota throughout the year (14 in the year)—each one of these of 1,638 dollars.

However, the most powerful reason for not believing that Mexicans are sending remittances from Mexico is that the amount sent is equivalent to the gross income of the entire Mexican population during the year, making it financially

²⁹ [https://data.census.gov/table?q=mexican+Population+in+the+United+States&g=010000oUS\\$04000\\$001,\\$0400000&tid=ACSSPP1Y2021.S0201](https://data.census.gov/table?q=mexican+Population+in+the+United+States&g=010000oUS$04000$001,$0400000&tid=ACSSPP1Y2021.S0201)

IT SURPRISES:

THE GROWTH OF OPERATIONS WHOSE STATE OF ORIGIN IS UNKNOWN AND REPRESENTS 332.5% BETWEEN 2018 AND 2022

AND THE EXPLOSION OF REMITTANCES FROM EIGHT STATES WHERE THE POPULATION OF MEXICAN ORIGIN IS NOT VERY REPRESENTATIVE OF THE TOTAL.



Image: Santa Ana Tavela, Oaxaca at <https://sites.google.com/site/ccasantaa-natavela/>

impossible. Therefore, this leads us to the conclusion, as BBVA has also recently concluded,³⁰ The possibility is that it may be a hub that serves as Tijuana in Mexico (one of the reasons why it is the municipality that receives the most remittances in the country) in the provision of services for sending remittances. If this is the case, there are growing doubts about the origin of these resources and whether the phenomenon (a mechanism), already more complex in itself, will continue to spread to other states with similar demographic and economic characteristics.

³⁰ https://www.bbvarsearch.com/wp-content/uploads/2023/02/Remesas_Mexico_Cierre_2022.pdf

IN SHORT, THE THREATS ARE GROWING, WHILE THE MEXICAN GOVERNMENT IS CEDING TERRITORY AND MISSING OPPORTUNITIES THAT IT COULD WELL CAPITALIZE ON, WHILE CONTROLS IN THE UNITED STATES OF AMERICA ARE WEAKER AND WEAKER, AND MEXICO IS STAGNATING.



SIGNOS VITALES
EL PULSO DE MÉXICO

MARCH 2023



