ABSTRACT

The purpose of this paper is to know and analyze the behavior in the flow of US remittances to Mexico and its effects on the economic development of the country, with the new guidelines that the new US government wants to impose, such as the application of a tax to the sending of money from that country to Mexico.

Keywords: remittances, immigrants, foreign exchange, family income.

1. INTRODUCTION

Larger remittances received from Mexico from the United States take place a very important factor in the economy of the country, due to the number of national immigrants to that country who are the majority, although the minority of nationals with legal migratory status should not be discarded and who send their savings to their country of origin, that is why the impact of these revenues generated in the national economy is of vital importance and that affect a better life for thousands of families throughout the national territory and that are currently seen threatened with the application of a tax as part of the protectionist policies of the new government of United States. For all the above it is vital to know and analyze their behavior in the flow of dollars coming from that country to Mexico and as it will affect the income of Mexican families dependent on this flow of dollars, as well as the behavior in the collection of foreign exchange by the Mexican government. It should be noted that remittances from Mexicans living in the United States are in third place in foreign exchange earnings after those received by the automotive industry and the agrifood sector, according to data from the Mexican bank for the year 2016.

2. DATA ANALYSIS

2.1 Remittance capture 2013

The operation of the Mexican economy depends on a large extent on the retention of remittances from the United States, so it is important to know and analyze the behavior of the flow of dollars coming from that country, as the government takes this information into account for making its annual planning and thus have an estimate to finance the public expenses through the budget of annual revenues and expenses.

Remittances are the total income of money that non-nationals earn or acquire in another foreign country and transfer to their countries of origin. Immigration is the entry into a country of people from other places. An immigrant is someone who seeks through emigration, improve their standard of living and even their survival, both individually and socially [1]

In 2013 remittances sent by Mexicans, mainly from the United States, totaled 21.597 billion dollars, which is a fall of 3.8% compared to 2012, [2]. In Mexican pesos, it meant 275,849 million, a drop of up to 6.6 percent derived from an appreciation of the exchange rate in 2013 with respect to 2012 (One dollar is equal to 12.90 pesos average in 2012), being one of the most difficult years in relation to the capture of American currencies.
In December, shipments totaled US $1.798 billion, 6.36% higher than in November, representing the highest monthly increase since last September. In annual terms, due to the drop in remittances in the first seven months of the year, the result was low. In March and May of 2013 the biggest falls were observed at annual rate, with 15.2 and 13.2% in each case.

Meanwhile, in September the most important growth of that year was registered, with 8.1 percent. Another factor that influenced the sending of so-called migrant dollars is that it improved employment in the United States [3].

As shown in figure 1 for the second consecutive year, remittances revenues recorded a downward variation, since for the year 2013 the reduction was 3.8% compared to that collected a year before, this reduction is basically explained by the weakness of the US economy, since in that year it had a growth of only 1.9% the lowest of the last three years.

**Fig. 1 Deceleration in income from migrant shipments 2013**

Source: Newspaper the economist, February 4, 2014

According to the United States Census Bureau, in the states of California, Texas and Illinois in 2013, almost 7.5 million Mexican immigrants were found, making up 64.3% of all immigrants of Mexican origin. For its part, the information from World Bank [4] shows that in these three states originated 43.5% of Mexico’s income from family remittances.

Figures 2a and 2b shows the main countries receiving remittances in Latin America and the Caribbean. It should be noted that the remittances received by Mexico from the state of California reach a figure very close to Guatemala's total remittances revenue, which is the second largest recipient of remittances in Latin America and the Caribbean. It also indicates that the remittances received by Mexico from Texas are very close to the total remittances received by Peru and Ecuador.
MAIN COUNTRIES RECEIVING REMITTANCES IN LATIN AMERICA AND THE CARIBBEAN

![Main countries receiving remittances in Latin America and the Caribbean](image)

Source: Prepared by the World Bank, Migration and Remittances Yearbook 2014

<table>
<thead>
<tr>
<th>Global Position</th>
<th>Country</th>
<th>Remittances received in 2010 (Millions of US $)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>Mexico</td>
<td>22,047.6</td>
<td>38.5</td>
</tr>
<tr>
<td>24</td>
<td>Guatemala</td>
<td>4,231.8</td>
<td>7.4</td>
</tr>
<tr>
<td>26</td>
<td>Colombia</td>
<td>4,058.0</td>
<td>7.1</td>
</tr>
<tr>
<td>27</td>
<td>Brasil</td>
<td>3,999.7</td>
<td>7.0</td>
</tr>
<tr>
<td>33</td>
<td>Dominican Republic</td>
<td>3,473.1</td>
<td>6.1</td>
</tr>
<tr>
<td>35</td>
<td>El Salvador</td>
<td>3,449.4</td>
<td>6.0</td>
</tr>
<tr>
<td>39</td>
<td>Honduras</td>
<td>2,639.7</td>
<td>4.6</td>
</tr>
<tr>
<td>40</td>
<td>Peru</td>
<td>2,533.9</td>
<td>4.4</td>
</tr>
<tr>
<td>41</td>
<td>Ecuador</td>
<td>2,331.5</td>
<td>4.1</td>
</tr>
<tr>
<td>48</td>
<td>Jamaica</td>
<td>2,043.6</td>
<td>3.6</td>
</tr>
<tr>
<td></td>
<td>Rest of the countries of L. A.</td>
<td>6,434.3</td>
<td>11.2</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>57,242.6</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

*Remittances received in 2010 (Millions of US $)

Fig. 2b Table of countries that receiving remittances in Latin America and the Caribbean

Source: Prepared by the World Bank, Migration and Remittances Yearbook 2014

2.2 Remittance capture 2014

According to information from the Bank of Mexico [5], as shown in figure 3 of the 2014, Mexican money sent abroad by family members in Mexico totaled $ 23,606.8 million dollars, 10.7% higher than the previous year, the highest since the crisis of 2008 showing a rebound of 7.2%, standing as the largest amount captured by the country in the last six years. Measured in annual rate, this figure is 7.8% higher than the one registered in 2013, which in the first five months were 9,928.12 million dollars according to the Bank of Mexico which exceeded the oil revenues [6]. The strong employment generation in the United States, mainly in the construction sector, continued to favor the growth of remittances. In addition, these remittances remain the country's main source of foreign exchange, even 13.1 percent higher than those generated by oil exports in the same period, which, according to reports by Pemex (Mexican Oil), it
was rose to 8 thousand 628 million dollars [7].

REMITTANCE INCOME 2003-2014

![Fig. 3 Remittance capture 2014](image)

Source: Bank of Mexico report 2015

2.3 Remittance capture 2015

Shipments of money come from the United States, where some 11 million Mexicans live there, making remittances in 2015 the country's largest source of foreign revenue after oil exports and Foreign Direct Investment (FDI).

Until a few years ago, oil exports were the main source of income from abroad and, due to the 45% annual drop, they have been surpassed by remittances and according to specialists, this behavior never seen before since the Central Bank began recording migrant shipments in 1995 as shown in Figure 4a.

![Fig.4a. Revenue from remittances became the first place in the country 2015](image)

Source: Bank of Mexico report 2016

In 2015 Mexico received the fourth largest remittance record in its history with 24.771 million dollars, growing at an annual rate of 4.8%. However, the average remittance in 2015 has registered one of the lowest levels, standing at $292.4, compared to registration of the 2013, when it reached $22.303 million [8].

Data shown by the Bank of Mexico in figure 4b reveals that shipments of immigrant Mexicans residing in the United States grew 4.75% in 2015. In total, US $ 24.771 billion were spent between January and December of last year, while crude oil and its derivatives amounted to $ 23.432 billion and Foreign Direct Investment FDI was $21 billion (as shown in Figure 4a), but estimates from the American Chamber of Commerce of the country indicate that it will 25 and 35 billion dollars by 2016, [9] while tourism income reported an inflow of 17 billion dollars, ranking fourth, according to the Ministry of Economy [10].
Fig. 4b. Flow of family remittances to Mexico

Source: Bank of Mexico report 2016

2.4 Remittance capture 2016

Bank of Mexico’s report [11] announced that in the first eight months of 2016 there were 60.27 million operations, 7.70 percent more than in the same period last year, with an average amount of 293 dollars per Remittance, down 1.01 percent at annual rate.

According to information from the Bank of Mexico, from January to November of 2016 the money shipments were mainly made from California, Texas and Illinois and on average each person sent 300 dollars a month. It is estimated that almost 27 billion dollars entered the country last year coming mainly from immigrant Mexicans residing in the United States, "causing a growth of 24.67% over the same period of 2015, which totaled 24.771 Billion dollars.

In 2016, remittances became the third largest source of foreign exchange in the country, behind only the automotive and agri-food industries, with tourism and oil industry fourth and fifth respectively, as shown in Figure 5.

![Important Source of Foreign Exchange](graphic-source-banxico.png)

**Fig. 5 Important source of foreign Exchange for Mexico 2016**

Source: the economist February 23 and March 6, 2017
3. RESULTS

3.1 International Comparative

One fact to consider is that, according to World Bank reports, in 1996 Mexico was the main country with remittance income worldwide, in 2001 it moved to second place and in 2010 it ranked third.

With the numeral at the end of 2013, Mexico became the fourth country in the world in terms of income, behind only India, China and the Philippines; and slightly above Nigeria and Egypt, according to information from the World Bank [4].

GLOBAL COMPARATIVE OF REMITTANCES RECEIVED 2013
(MILLION USD)

![Fig. 6 Global comparative of remittances 2013](source)

In this context, the World Bank (WB) 2016 reported [12] that the top countries receiving the most remittances are: India, China; Philippines, Mexico, Nigeria, respectively, etc., as shown in the figure 7a and 7b, below.

<table>
<thead>
<tr>
<th>Global Position</th>
<th>Country</th>
<th>Remittances received in 2016 (Millions of US $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>India</td>
<td>72,178</td>
</tr>
<tr>
<td>2</td>
<td>China</td>
<td>63,938</td>
</tr>
<tr>
<td>3</td>
<td>Philippines</td>
<td>29,665</td>
</tr>
<tr>
<td>4</td>
<td>Mexico</td>
<td>24,785</td>
</tr>
<tr>
<td>5</td>
<td>Nigeria</td>
<td>20,865</td>
</tr>
</tbody>
</table>

![Fig. 7a Global comparative of remittances 2016](source)
GLOBAL COMPARATIVE OF REMITTANCES RECEIVED 2016  
(MILLION USD)

![Bar chart showing remittances for various countries in 2016 in million dollars]


**Fig. 7b** Global comparative of remittances 2016

As can be seen in figure 8, there was an increase in the collection of remittances coming from the United States from 1995 to 2007, then in 2008 it presented a decrease with a percentage change of -3.5 and in the following year 2009, it also presented a reduction in percentage of -15.3, being the lowest in the last 14 years, then in the following years it presented a more or less homogeneous growth, reaching a historical level in 2016 of $26,970 million dollars, of which 96.5% were sent by nationals living in that country in an irregular manner [13], and that each year the collection will be threatened if the new president fulfills his campaign promises to tax with a fee for the irregular transfer of Money to Mexico and that would be used to finance the construction of the wall in the border between the two countries.

![Graph showing remittances in historical maximums of Mexico]

**Fig. 8** Remittances in historical maximums of Mexico
As can be seen in figure 9, in the period 2007-2013, remittances in relation to GDP showed a decline. A notable change in 2014 was that this ratio showed a slight increase and a more significant one in 2015 (2.17 in relation to GDP). By 2016, remittances as a proportion of GDP represented 2.52 percentage points, implying an increase of almost four tenths of one percentage point [14].

![Remittances as percentage of GDP](source: Bank of Mexico and the National Institute of Statistics and Geography (INEGI)
Previous Report 2016)

**Fig. 9 Remittances as percentage of GDP**

4. CONCLUSIONS

With the inauguration of the new president of the United States, Mexico-US bilateral relations are deteriorating more and more, due to the new protectionist policies that the new president wants to impose and one of those policies that could affect, is the block in sending remittances of immigrant Mexican workers to Mexico, such is the case that the Mexican government through the Chamber of Deputies approved a request to the Ministry of Finance and Public Credit (SHCP) and the Secretariat of Foreign Relations (SRE) [15], to implement a strategy to provide protection for remittances sent by Mexican workers from that country, to avoid being subject to any kind of taxation by the United States government.

Therefore, faced with the threat of the President of the United States and Republican congressmen who have expressed their intention to tax the shipments of Mexicans to finance the construction of the wall on the Mexican border, and that would affect the development of social programs of Mexico and are not designed to have an impact on the poorest families in the country who depend on this income and that a possible blockade of the flow of remittances and could translate into a disastrous situation in the income of thousands of Mexican families.

For all of the above, it could also force immigrants to prove their legal status in the United States so that they can send money and if not, they would be liable to their arrest and/or imposition of a tax on cash transfers (remittances) from the that country to Mexico, since one of Mexico's main sources of income is the remittances sent by its citizens from the United States. Between January and November 2016, $24.6 billion came to the pockets of Mexicans, sent by immigrant relatives and friends living abroad, and according to the World Bank [13], Mexico is the only major country to a global level that has registered a decline in remittance receipts this year, affecting more and more the flow of money by the new US regulations that reinforce the controls to prevent the illegal flight of dollars from that country.

Such restrictions are already causing the closure of accounts of providers of the remittance service, with the effect that Mexican banks still active impose new commissions to withdraw money, which would cost the recipients of funds.

Acknowledgements. The authors would like to thank the Instituto Politécnico Nacional (Secretaría Académica, EDD, COFAA, SIP, ESCOM), for their economical support to develop this work.
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