

# Remittances to Mexico Fall as Immigration, Incomes Stagnate

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**M**exicans living in the U.S. are sending less money home than they did before the 2008–09 recession.

Remittances to Mexico peaked with the U.S. housing boom in 2006, reaching \$30.1 billion. On an inflation-adjusted basis, remittances have since fallen, totaling \$24.9 billion in 2015. The trend reflects declining Mexico–U.S. migration and stagnant incomes.

The Mexican immigrant population grew 28 percent from 2000 to 2007, peaking at 11.7 million; it hasn't grown since because inflows declined while outflows increased.

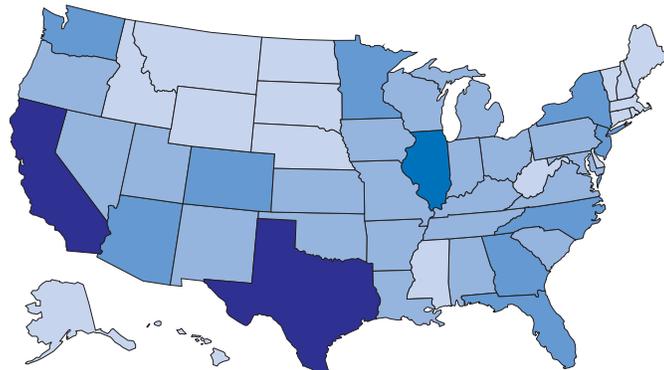
On net, Mexican immigration slowed due to a number of factors: less U.S. economic growth in the postrecession period and more enforcement targeting unauthorized immigrants (including record deportations) amid improved macroeconomic conditions and slower population growth in Mexico. Meanwhile, median household income among Mexican immigrant families fell in the recession and has yet to recover; it declined 9 percent in real (inflation-adjusted) terms between 2000 and 2013.<sup>1</sup>

Financial transfers are highly correlated with the size of the immigrant population, recently released data from Banco de México show (*Chart 1*). California was the top remitter in 2014, with immigrants there sending \$5.3 billion to Mexico. Texas came next, \$2.6 billion, followed by Illinois, \$1 billion; Florida, \$800 million, and New York, \$775 million. The ranking closely matches the geographic distribution of the nation's Mexico-born population, which is concentrated in California, 36.6 percent; Texas, 21.7 percent; Illinois, 5.8 percent; Florida, 2.4 percent, and New York, 2.1 percent.

Remittances have received considerable attention recently with some U.S. officials worrying that these transfers out of the country are suppressing domestic spending.

Chart  
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Texas Among Top States for Cash Transfers



Total remittances in 2014 (millions of dollars)

■ More than 2,500 ■ 1,000–2,500 ■ 300–1,000 ■ 100–300 ■ Less than 100

SOURCES: Banco de México; Bureau of Economic Analysis.

But while remittances represent large shares of migrant income, they make up a tiny fraction of overall economic activity in U.S. sending states—no more than 0.2 percent of state gross domestic product (GDP). Meanwhile, remittances are 2.5 percent of Mexico's GDP and an important source of income to poor and capital-deprived Mexican origin communities.

At the national level in 2015, migrants' transfers exceeded Mexico's revenue from oil exports by 6 percent and foreign direct investment by 15 percent. The central-western states attract most of the financial flows, with Michoacán at the top with \$2.2 billion and 10.3 percent of state GDP in 2014. It was followed by Guanajuato, \$2.1 billion, 5.6 percent of state GDP; Jalisco, \$2 billion, 3.3 percent of state GDP; and Estado de México, \$1.5 billion, 1.7 percent of state GDP.

By comparison, the northern Mexico border states—which tend to be better off and send fewer migrants—receive relatively less in remittances.

In addition to income, migrant remittances depend on factors such as exchange rates and origin country

conditions. While macroeconomic conditions are largely stable in Mexico, the peso has lost 20 percent of its value against the dollar in the last year, a factor that should stimulate cash transfers.

U.S. lawmakers' proposals to tax remittances come with benefits and costs. While taxing remittances would increase revenue and decrease transfers, migrants could choose to save the extra money rather than spend it, so domestic consumption would not necessarily increase. Taxing remittances may also force more transfers via third parties and increase the likelihood of additional fees and fraud.

While proposed measures may be intended to serve as a benefit to the local economy and a deterrent to migration, they could have unintended consequences, providing a negligible impact on the U.S. economy while making migrants' families in Mexico worse off and more likely to migrate.

## Note

<sup>1</sup> Remittance data are from Banco de México, expressed in 2015 dollars. Population and income data are based on the 2007 and 2014 American Community Survey and 2000 census.