

Variable Impacts: State-level Analysis of the Slowdown in the Growth of Remittances to Mexico

Migrants' remittances are widely recognized as among the most stable sources of external finance for developing countries. In 2005, workers' remittances to developing countries totaled US\$192.9 billion, of which Mexico received US\$21.8 billion, or approximately 11.3 percent. Unlike other financial flows to the developing world, remittances tend to be countercyclical — increasing in the wake of natural disasters or economic crises as migrants make extra efforts to support their families and contribute to rebuilding their communities. Less is known about the relationship between remittances and economic conditions in countries that host immigrant populations.

Recently, the reputation of remittances as a stable financial flow for Mexico was called into question when the Bank of Mexico announced that, after years of high annual growth (averaging 19.1 percent between 2003 and 2006), remittances stagnated during the first semester of 2007, increasing by just 0.6 percent.¹

However, while there has clearly been a slowdown in remittance growth, upon closer examination some states appear to be more severely affected than others. Since remittances are a vital lifeline for the poor in Mexico, families in states that experience drastic declines in remittances may be particularly exposed to risk. Locating and evaluating this risk is of particular relevance for policymakers in both countries.

Despite a generalized slowdown, and in some cases a decline (see Figures 1 and 2, and Tables 1 and 2), five Mexican states — including Baja California, Baja California del Sur, Guanajuato, Puebla, and Yucatán — registered an increase of greater than 5 percent in remittance flows between the first semester of 2006 and the first semester of 2007. Nevertheless, in no case did the growth exceed first semester growth in 2006.

By contrast, compared to the first semester of 2006, remittances fell by more than 5 percent to Chiapas, Chihuahua, the Distrito Federal, the State of México, and Michoacán. Of the remaining states, 17 experienced moderate to low growth (less than 5 percent) of remittances between the first semesters of 2006 and 2007 while five additional states experienced a moderate to small decline of less than 5 percent.

The destinations of remittances within Mexico have always varied widely by state (see Figure 3). In 2006, the states of Michoacán, Guanajuato, Jalisco, and México accounted for over one-third of total migrant remittances to Mexico. This trend continued through the first semester of 2007, when Michoacán, Guanajuato, Jalisco, and México received

36.6 percent of total remittances to the country. The states receiving the smallest amounts in the first semesters of 2006 and 2007 included Baja California del Sur, Quintana Roo, and Yucatán.

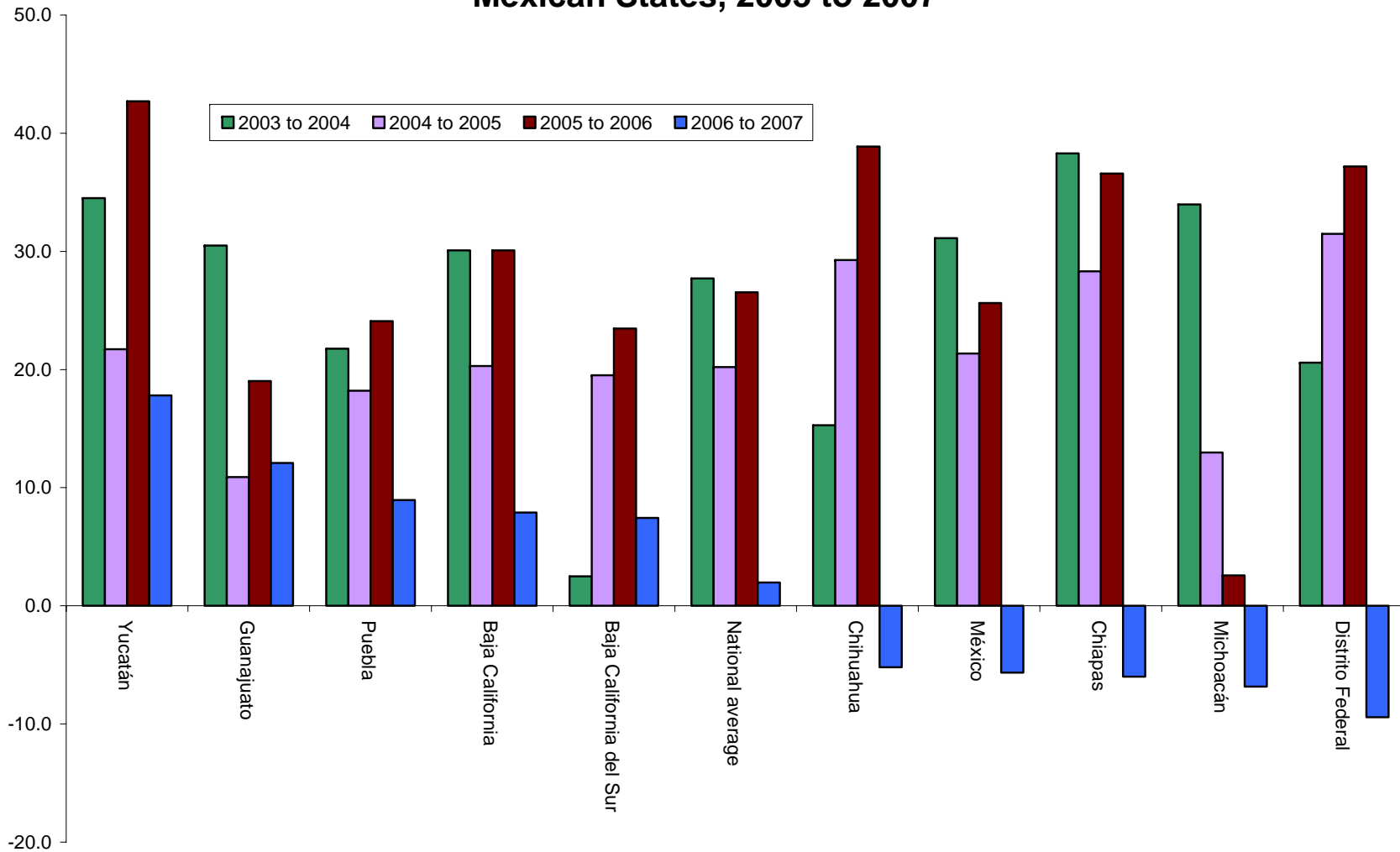
Beyond the concentration of total flows, some states appear more dependent on remittances than others. Dependency on remittances can be measured as the share of remittances respective to the state gross domestic product (GDP). Variable levels of dependency could exacerbate or mitigate the impact of the generalized slowdown. The states of Michoacán, Guerrero, Zacatecas, Oaxaca, Nayarit, and Hidalgo displayed the highest levels of dependency in 2004, the latest year for which state-level GDP data are available. By contrast, Baja California del Sur, Campeche, Distrito Federal, Nuevo León, and Quintana Roo appeared to be the least dependent on remittances, due to comparatively low remittance inflows (in the cases of Baja California del Sur, Campeche, and Quintana Roo) or to comparatively high GDPs (in the cases of Distrito Federal and Nuevo León) (see Table 3).

While it is possible to identify which states may be at risk, the reasons behind the slowdown remain unclear. It may be attractive to link the discrepancy to state emigrant stocks or flows; however, the diversity among the states that have experienced significant growth and significant decline is particularly striking. The states in each group include traditional states of emigration as well as states with relatively small migrant populations as of 2003, the latest year for which migrant population disaggregated by state of origin is available.

The variable growth of remittance flows and the uneven levels of dependency suggest that certain regions of Mexico may indeed be particularly vulnerable to risks associated with fluctuations in remittance flows, but these may not necessarily be the areas with the highest levels of emigration or greatest dependency on remittances.

¹ In this fact sheet, a semester refers to January through June of the same calendar year.

Figure 1: Percent Change in First-semester Remittance Flows to Mexican States, 2003 to 2007



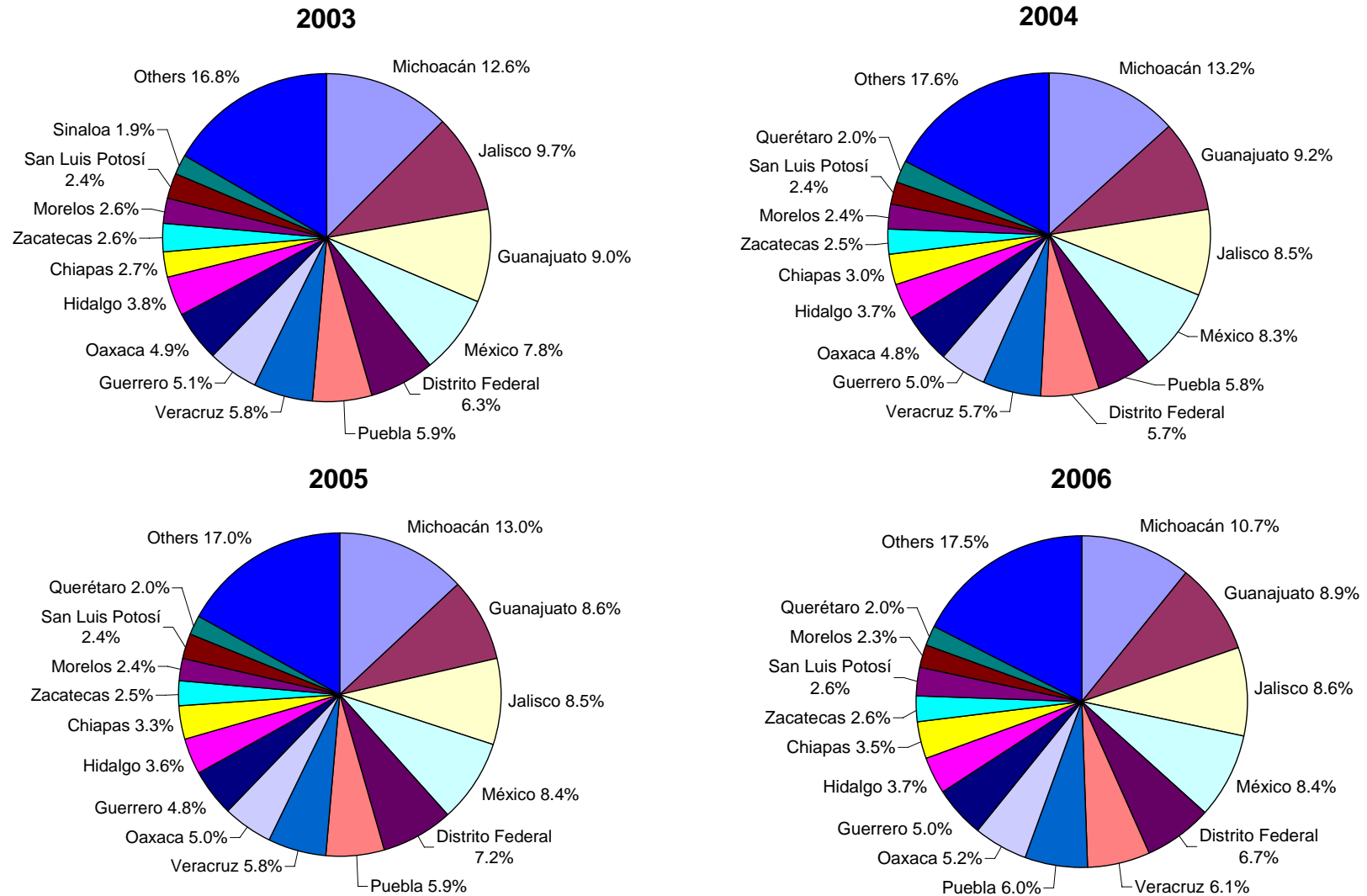
Source: Banxico 2003, 2004, 2005, 2006, and 2007.

Figure 2: Change in First-semester Remittance Flows to Mexico, 2006 to 2007



Note: Only states that recorded a significant increase or decrease (greater than 5 percent) in remittance flows have been labeled.

Figure 3: Annual Remittance Flows to Mexico by State 2003 to 2006 (percent of total)



Source: Banxico 2003, 2004, 2005, and 2006.

Table 1: First-semester Remittances to Mexico by State, 2003 to 2007 (millions of US dollars)

	First semester 2003		First semester 2004		First semester 2005		First semester 2006		First semester 2007	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Total	6,256.5	100.0	7,878.1	100.0	9,278.5	100.0	11,425.0	100.0	11,498.0	100.0
Michoacán	810.0	12.9	1,085.2	13.8	1,225.9	13.2	1,257.6	11.0	1,171.5	10.2
Guanajuato	569.5	9.1	743.1	9.4	824.1	8.9	980.9	8.6	1,099.5	9.6
Jalisco	624.1	10.0	686.0	8.7	813.4	8.8	991.8	8.7	1,020.8	8.9
México	483.5	7.7	633.9	8.0	769.2	8.3	966.4	8.5	911.8	7.9
Distrito Federal	378.0	6.0	455.8	5.8	599.3	6.5	822.2	7.2	744.6	6.5
Puebla	372.8	6.0	453.9	5.8	536.5	5.8	665.8	5.8	725.4	6.3
Veracruz	364.0	5.8	437.7	5.6	527.3	5.7	692.9	6.1	709.5	6.2
Oaxaca	303.7	4.9	373.3	4.7	449.3	4.8	585.3	5.1	607.5	5.3
Guerrero	330.1	5.3	401.0	5.1	460.3	5.0	572.1	5.0	597.5	5.2
Hidalgo	233.3	3.7	286.5	3.6	332.3	3.6	415.2	3.6	410.3	3.6
Chiapas	165.3	2.6	228.6	2.9	293.3	3.2	400.6	3.5	376.6	3.3
Zacatecas	165.7	2.6	204.4	2.6	234.7	2.5	305.8	2.7	310.6	2.7
San Luis Potosí	145.4	2.3	183.8	2.3	219.9	2.4	293.3	2.6	306.0	2.7
Morelos	164.1	2.6	190.5	2.4	222.1	2.4	259.3	2.3	263.9	2.3
Querétaro	107.3	1.7	150.5	1.9	183.3	2.0	232.0	2.0	223.8	1.9
Sinaloa	122.8	2.0	151.5	1.9	173.6	1.9	208.6	1.8	208.7	1.8
Aguascalientes	105.0	1.7	146.5	1.9	141.0	1.5	184.6	1.6	189.9	1.7
Durango	100.6	1.6	130.7	1.7	166.9	1.8	185.3	1.6	188.1	1.6
Chihuahua	91.0	1.5	104.9	1.3	135.6	1.5	188.3	1.6	178.5	1.6
Tamaulipas	87.7	1.4	114.8	1.5	143.1	1.5	177.0	1.5	176.0	1.5
Nayarit	93.5	1.5	112.0	1.4	129.9	1.4	158.8	1.4	164.9	1.4
Nuevo León	64.5	1.0	130.3	1.7	106.1	1.1	141.1	1.2	145.5	1.3
Tlaxcala	59.4	0.9	76.9	1.0	92.8	1.0	120.1	1.1	125.3	1.1
Baja California	54.2	0.9	70.5	0.9	84.8	0.9	110.3	1.0	119.0	1.0
Sonora	47.9	0.8	70.6	0.9	89.5	1.0	112.3	1.0	113.9	1.0
Coahuila	53.0	0.8	68.1	0.9	90.0	1.0	107.7	0.9	106.6	0.9
Colima	49.3	0.8	59.8	0.8	70.8	0.8	82.5	0.7	85.4	0.7
Tabasco	33.5	0.5	41.6	0.5	56.7	0.6	74.1	0.6	70.5	0.6
Yucatán	22.6	0.4	30.4	0.4	37.0	0.4	52.8	0.5	62.2	0.5
Quintana Roo	30.0	0.5	30.6	0.4	37.6	0.4	37.7	0.3	39.5	0.3
Campeche	16.9	0.3	16.6	0.2	21.9	0.2	30.5	0.3	31.8	0.3
Baja California del Sur	8.0	0.1	8.2	0.1	9.8	0.1	12.1	0.1	13.0	0.1

Source: Banxico 2003, 2004, 2005, 2006, and 2007.

Table 2: Change in First-semester Remittances to Mexico by State, 2003 to 2007 (millions of US dollars)												
	2003 to 2004			2004 to 2005			2005 to 2006			2006 to 2007		
	Number	Percent	Rank	Number	Percent	Rank	Number	Percent	Rank	Number	Percent	Rank
Total	1,621.6	25.9		1,400.4	17.8		2,146.5	23.1		73.0	0.6	
Yucatán	7.8	34.5	6	6.6	21.7	12	15.8	42.7	1	9.4	17.8	1
Guanajuato	173.6	30.5	10	81.0	10.9	30	156.8	19.0	27	118.6	12.1	2
Puebla	81.1	21.8	21	82.6	18.2	22	129.3	24.1	20	59.6	9.0	3
Baja California	16.3	30.1	11	14.3	20.3	17	25.5	30.1	13	8.7	7.9	4
Baja California del Sur	0.2	2.5	30	1.6	19.5	19	2.3	23.5	22	0.9	7.4	5
Quintana Roo	0.6	2.0	31	7.0	22.9	10	0.1	0.3	32	1.8	4.8	6
Guerrero	70.9	21.5	22	59.3	14.8	27	111.8	24.3	19	25.4	4.4	7
San Luis Potosí	38.4	26.4	15	36.1	19.6	18	73.4	33.4	6	12.7	4.3	8
Tlaxcala	17.5	29.5	13	15.9	20.7	14	27.3	29.4	14	5.2	4.3	9
Campeche	(0.3)	(1.8)	32	5.3	31.9	3	8.6	39.3	2	1.3	4.3	10
Nayarit	18.5	19.8	26	17.9	16.0	25	28.9	22.2	23	6.1	3.8	11
Oaxaca	69.6	22.9	19	76.0	20.4	16	136.0	30.3	12	22.2	3.8	12
Colima	10.5	21.3	23	11.0	18.4	21	11.7	16.5	29	2.9	3.5	13
Nuevo León	65.8	102.0	1	(24.2)	(18.6)	32	35.0	33.0	7	4.4	3.1	14
Jalisco	61.9	9.9	29	127.4	18.6	20	178.4	21.9	24	29.0	2.9	15
Aguascalientes	41.5	39.5	4	(5.5)	(3.8)	31	43.6	30.9	9	5.3	2.9	16
Veracruz	73.7	20.2	25	89.6	20.5	15	165.6	31.4	8	16.6	2.4	17
Morelos	26.4	16.1	27	31.6	16.6	23	37.2	16.7	28	4.6	1.8	18
Zacatecas	38.7	23.4	18	30.3	14.8	26	71.1	30.3	11	4.8	1.6	19
Durango	30.1	29.9	12	36.2	27.7	7	18.4	11.0	30	2.8	1.5	20
Sonora	22.7	47.4	2	18.9	26.8	8	22.8	25.5	17	1.6	1.4	21
Sinaloa	28.7	23.4	17	22.1	14.6	28	35.0	20.2	25	0.1	0.0	22
Tamaulipas	27.1	30.9	9	28.3	24.7	9	33.9	23.7	21	(1.0)	(0.6)	23
Coahuila	15.1	28.5	14	21.9	32.2	2	17.7	19.7	26	(1.1)	(1.0)	24
Hidalgo	53.2	22.8	20	45.8	16.0	24	82.9	24.9	18	(4.9)	(1.2)	25
Querétaro	43.2	40.3	3	32.8	21.8	11	48.7	26.6	15	(8.2)	(3.5)	26
Tabasco	8.1	24.2	16	15.1	36.3	1	17.4	30.7	10	(3.6)	(4.9)	27
Chihuahua	13.9	15.3	28	30.7	29.3	5	52.7	38.9	3	(9.8)	(5.2)	28
México	150.4	31.1	8	135.3	21.3	13	197.2	25.6	16	(54.6)	(5.6)	29
Chiapas	63.3	38.3	5	64.7	28.3	6	107.3	36.6	5	(24.0)	(6.0)	30
Michoacán	275.2	34.0	7	140.7	13.0	29	31.7	2.6	31	(86.1)	(6.8)	31
Distrito Federal	77.8	20.6	24	143.5	31.5	4	222.9	37.2	4	(77.6)	(9.4)	32

Source: Banxico 2003, 2004, 2005, 2006, and 2007.

	Change in first-semester remittance growth 2006 to 2007	Total remittances, 2004 (USD)	State GDP (USD), 2004	Migrant remittances as a share of total state GDP, 2004
Yucatán	17.8	80,300,000	9,849,817,100	0.8
Guanajuato	12.1	1,531,700,000	25,037,066,600	3.3
Puebla	9.0	955,600,000	24,750,277,100	3.9
Baja California	7.9	149,100,000	24,408,867,700	0.6
Baja California del Sur	7.4	16,800,000	4,178,885,300	0.4
Quintana Roo	4.8	71,700,000	11,423,819,700	0.6
Guerrero	4.4	826,300,000	11,724,762,400	13.1
San Luis Potosí	4.3	392,900,000	12,627,987,900	3.1
Tlaxcala	4.3	173,800,000	3,964,937,500	4.4
Campeche	4.3	37,400,000	8,603,189,500	0.4
Nayarit	3.8	237,500,000	3,750,464,900	6.3
Oaxaca	3.8	804,000,000	10,601,449,400	7.6
Colima	3.5	219,800,000	3,716,694,900	5.9
Nuevo León	3.1	281,700,000	51,747,452,600	0.5
Jalisco	2.9	1,419,200,000	43,928,846,200	3.2
Aguascalientes	2.9	296,800,000	8,557,544,100	3.5
Veracruz	2.4	950,400,000	29,040,964,300	3.3
Morelos	1.8	400,000,000	9,611,994,500	4.2
Zacatecas	1.6	421,800,000	5,267,504,600	8.0
Durango	1.5	278,200,000	9,240,611,800	3.0
Sonora	1.4	147,400,000	18,661,828,300	0.8
Sinaloa	0.0	315,200,000	13,847,200,500	2.3
Tamaulipas	(0.6)	240,900,000	23,243,209,600	1.0
Coahuila	(1.0)	500,300,000	23,482,364,800	2.1
Hidalgo	(1.2)	615,200,000	9,076,796,200	6.8
Querétaro	(3.5)	337,300,000	11,965,704,700	2.8
Tabasco	(4.9)	95,000,000	8,674,811,800	1.1
Chihuahua	(5.2)	126,600,000	30,153,924,700	0.4
México	(5.6)	1,385,000,000	65,994,295,700	2.1
Chiapas	(6.0)	155,200,000	11,807,919,100	1.3
Michoacán	(6.8)	2,195,600,000	15,396,955,000	14.3
Distrito Federal	(9.4)	954,100,000	152,067,710,100	0.6

Source: Banxico 2004, 2006, and 2007 and Instituto Nacional de Estadística, Geografía e Informática 2004.

This information was compiled by MPI Research Assistant Aaron Matteo Terrazas in August 2007. For questions or to arrange an interview with a data expert or policy analyst, please contact Colleen Coffey at 202-266-1910 or ccoffey@migrationpolicy.org. Please visit us at www.migrationpolicy.org.

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