

US-Mexico remittances and their relevance at the regional level (*preliminary results*)

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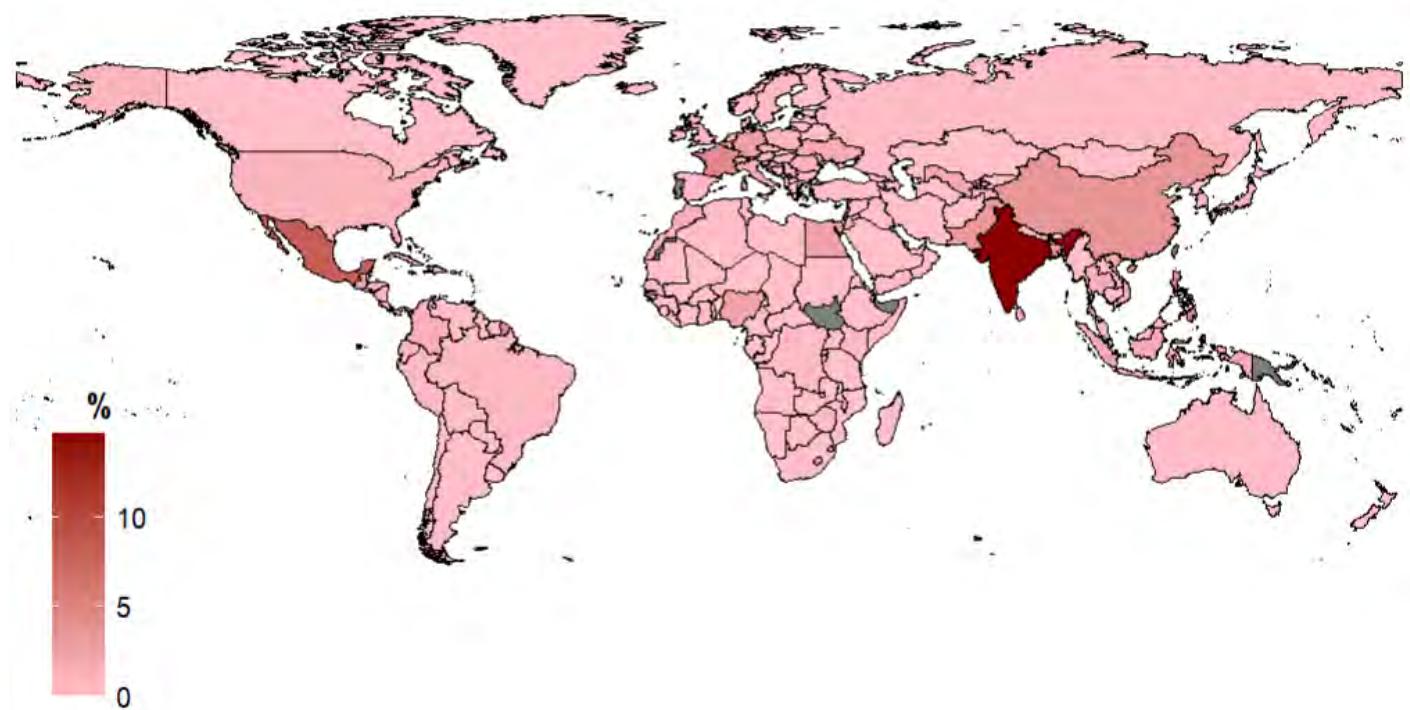
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Overview

- United States remittances to Mexico
 - trends, and relevance
- Remittances from US (state) to Mexico (state), but not origin and destination
 - Matrix to link origin (US state) to destination (Mex state) via immigration flows
- Model remittances
 - Using the wage bill of Mexican workers by sector and region for economic conditions
 - And a proxy for current immigration policy
- Preliminary results show
 - Wage bill robustly behind remittance flows
 - But current immigration policy likely behind the slowdown in flows to Mexico

Mexico is the second largest recipient of remittances globally

Pais	billions USD
India	119.5
Mexico	66.2
Philippines	39
France	36.9
China	29.1



Source: World Bank

Introduction

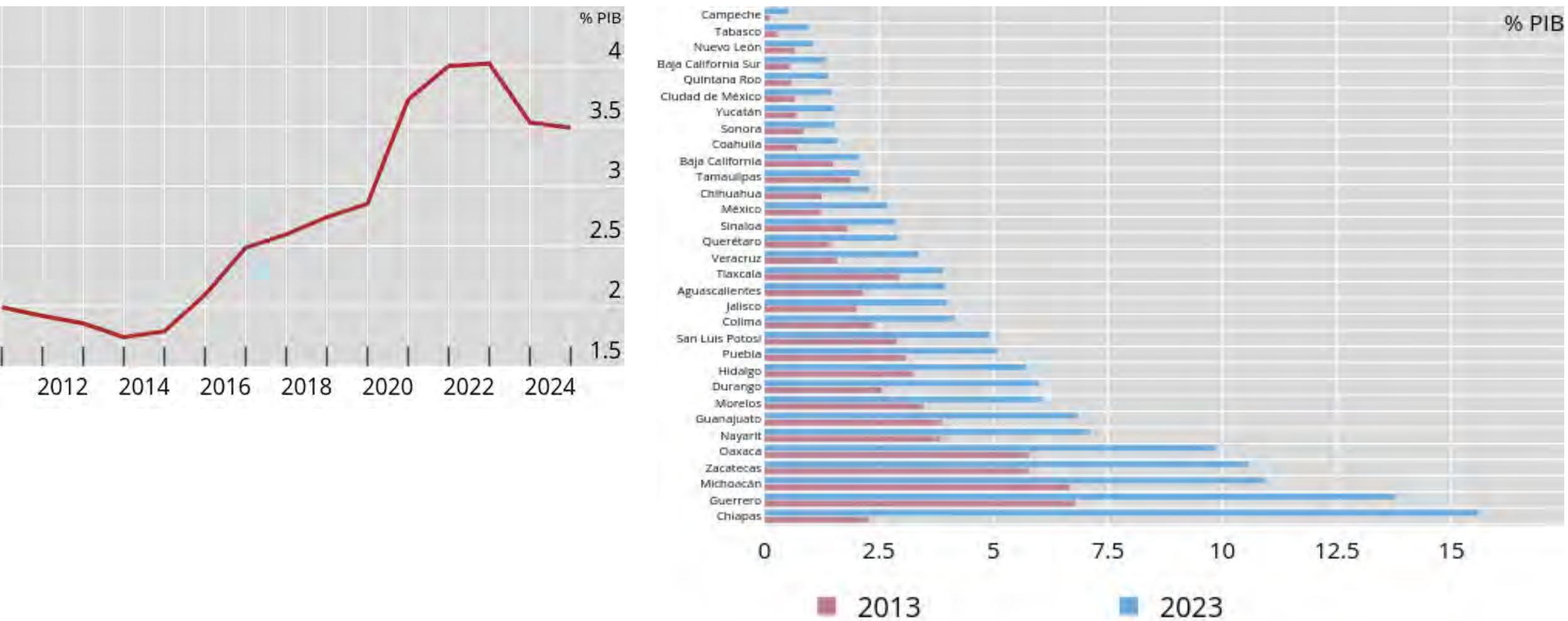
- Remittances from the United States fell about 8% during the first half of 2025.
- Because remittances come from the income of the migrant population, the economic conditions in the local country tend determine the amount sent.

Mexican remittances reflect the conditions of the U.S. labor market.



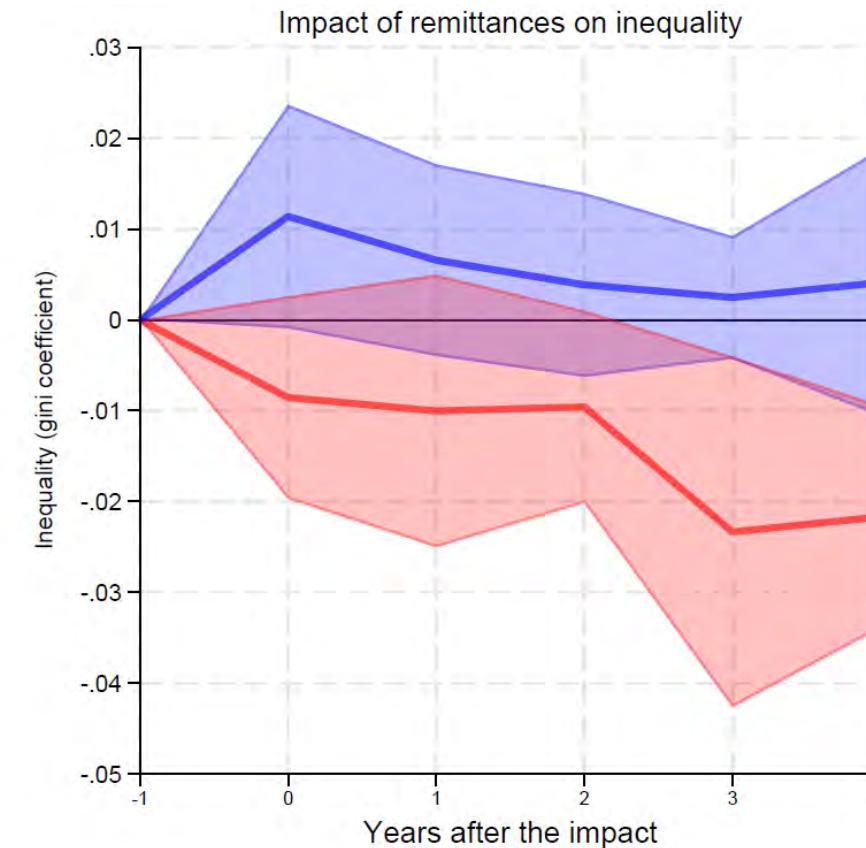
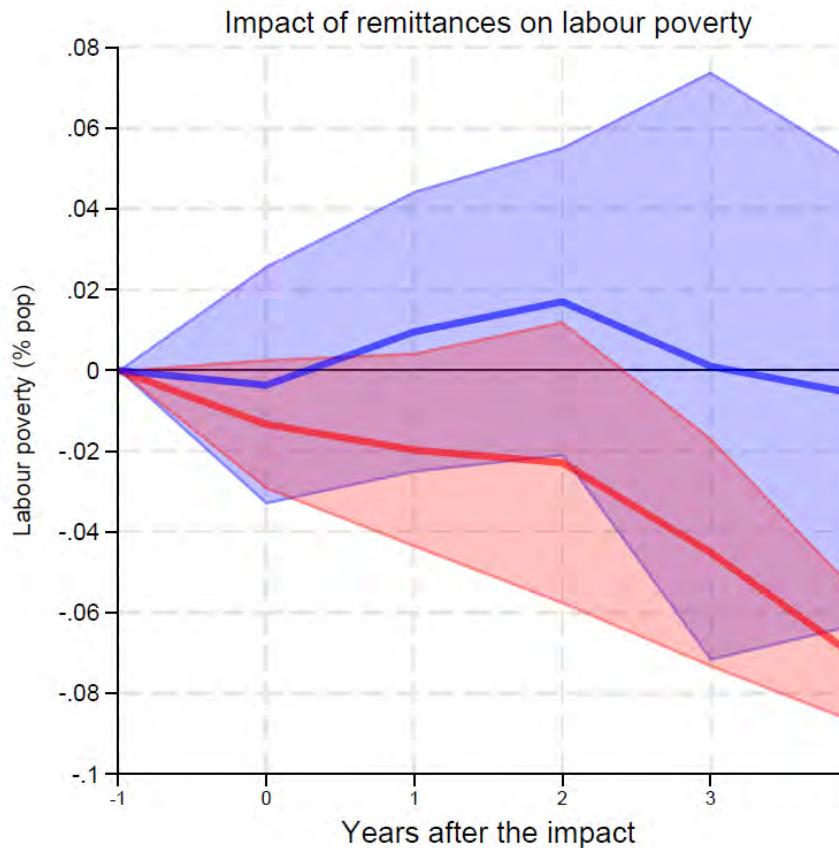
Fuente: Dallas Fed

Dependency of remittances in Mexico



Source: Anuario de migración y remesas México, BBVA Research

Remittances are associated with lower poverty rates and inequality in underdeveloped regions in Mexico



Note: Panel local projections for the 32 states of Mexico from 2013 to 2024.

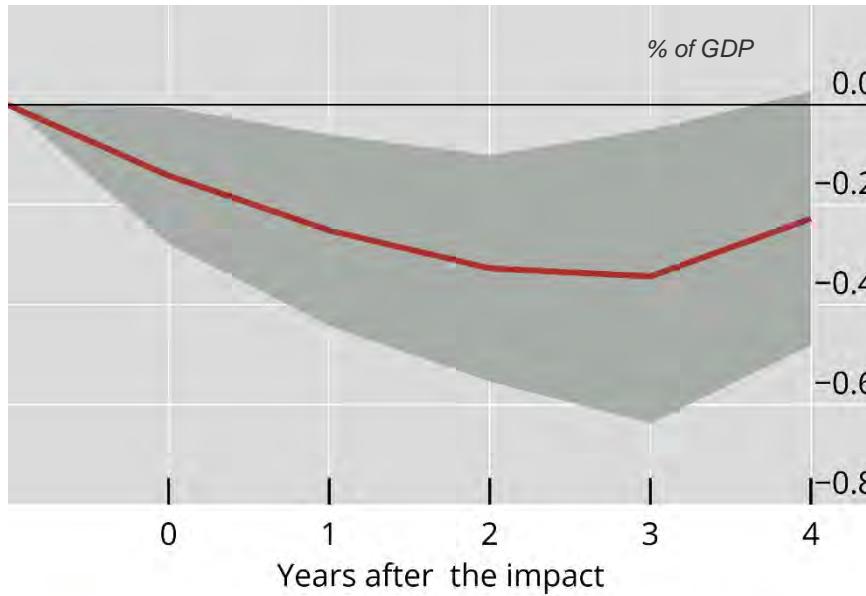
States with high poverty/inequality rates are shown in blue, low poverty/inequality rates are shown in red.

CI at 95% with Driscoll-Kraay standard errors, accounting for cross-sectional dependence. State fixed effects and time fixed effects are included.

Controls: One lag of the dependent variable and one lag of the local business cycle position.

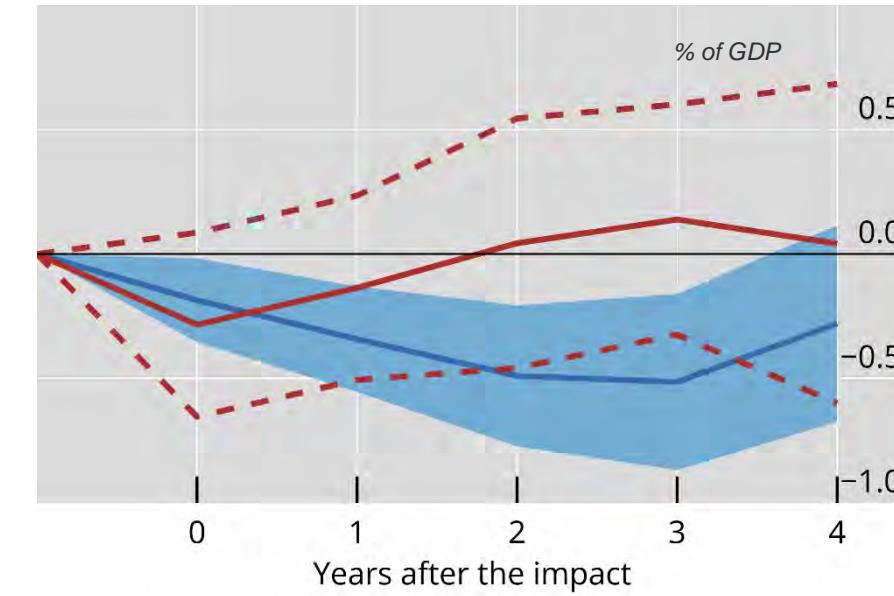
Remittances are also associated with less economic volatility in the Americas¹

A. Remittances significantly reduce output growth volatility....



— Impact of a 1% GDP increase in remittances on four-years-ahead GDP growth volatility

B. ...in countries with above-the-mean exposure to remittances.



Impact of a 1% GDP increase in remittances on four-years-ahead GDP growth volatility:
 — countries with low exposure to remittances
 — countries with high exposure to remittances

¹ Impulse response functions based on panel local projections à la Jordà (2005) for 33 countries in the Americas over the period 2000–24. The regressions include one lag of the dependent variable, a vector of domestic factors (the terms of trade, the level of the current account, the bilateral exchange rate, the quality of institutions, a dummy for the exchange rate regime) as controls, and country and time fixed effects. Confidence intervals are set to 95%, with robust standard errors that account for interdependence across countries. For Panel B, countries with high (low) exposure to remittances are defined as those above (below) the sample mean.

Sources: IMF; World Bank; national data; BIS.

Our approach

- ❖ To propose a method for estimating the origin-destination flows of remittances from each state of the United States to each federal entity in Mexico.
 - Dependence of Mexican states on remittances in relation to their counterparts in the United States.
 - Exposure of Mexican states/regions to remittance flows from U.S. states with pro- and no pro- immigrant stances
 - ✓ *The current immigration policy by the US government has generated uncertainty among the migrant community and could have impacted remittance flows.*
- ❖ Using a spatial gravity model (origin-destination), to determine the factors associated with sending and receiving remittances
 - Special interest in the interaction of the wage bill in pro-migrant vs. non-pro-migrant states

Estimation of the Origin-Destination Remittance Flow Matrix

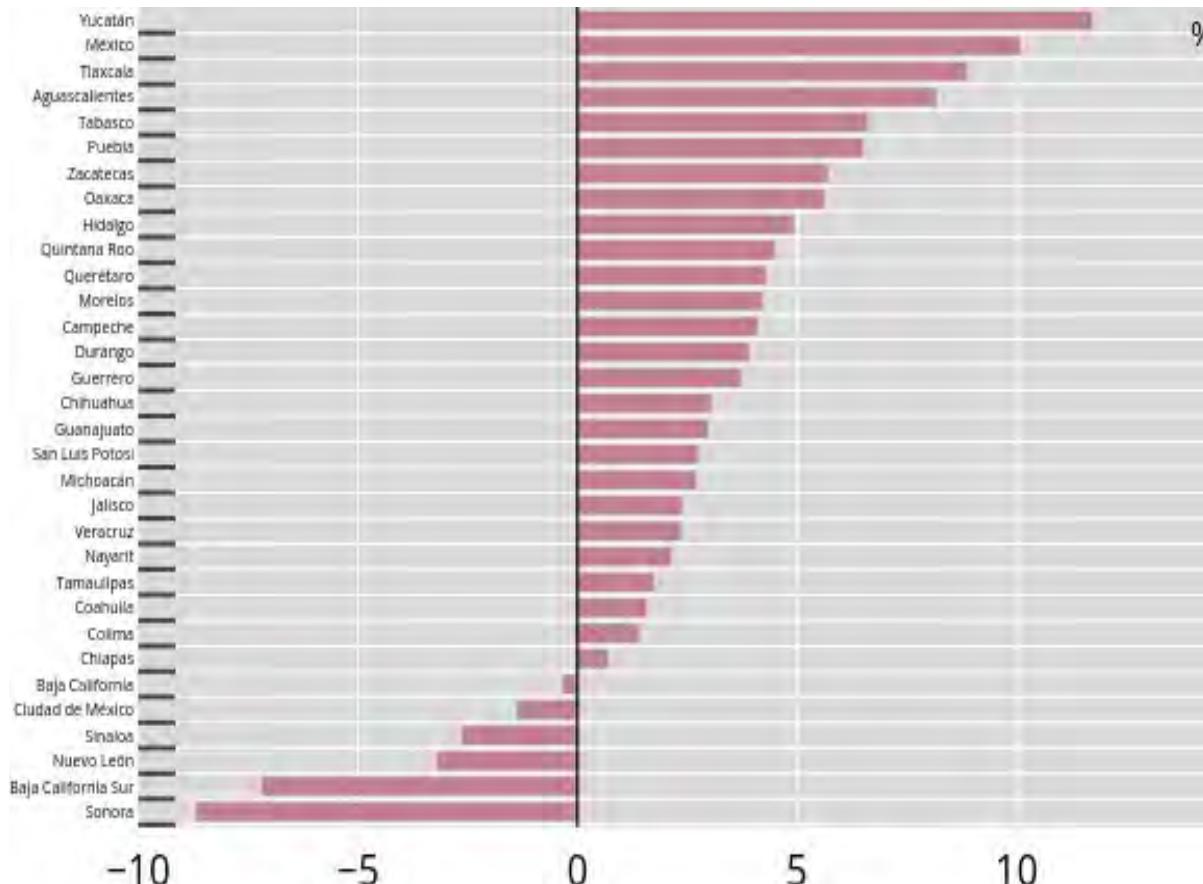
Estimation of the migratory diaspora through Origin-Destination migration flows between each state in Mexico and each state in the United States

- Using the 2018 National Survey of Demographic Dynamics (ENADID). This survey provides information on the federal entity of residence in Mexico of all people who migrated to the United States during the period 2013-2018, as well as the destination state in the United States.
- The procedure for estimating remittance flows is based on evidence of a direct relationship between the flows of migrants from a state in Mexico to a specific state in the United States.
- Then match with remittance data from Banco de Mexico

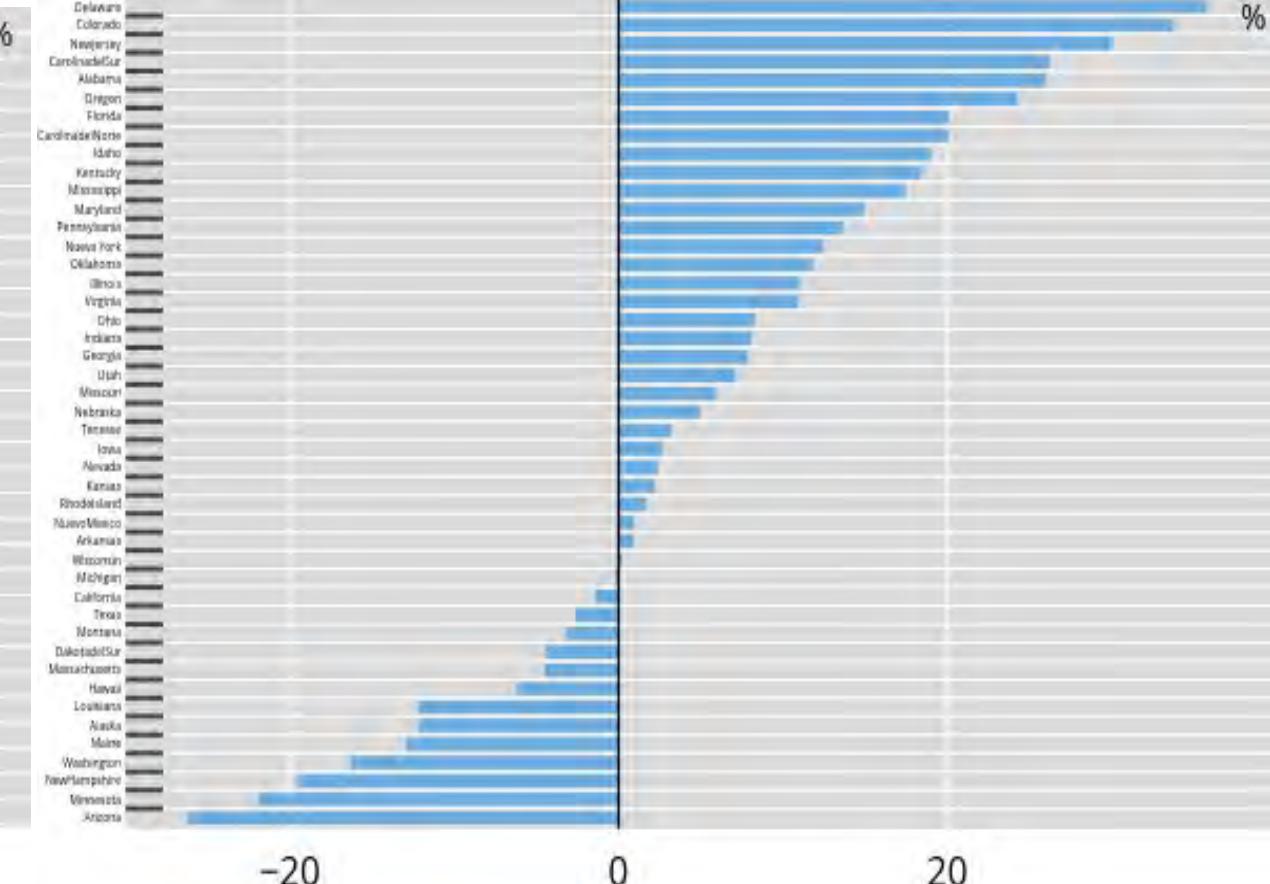
Change in remittance flows shows significant regional differences

Anual change 2023-24

México



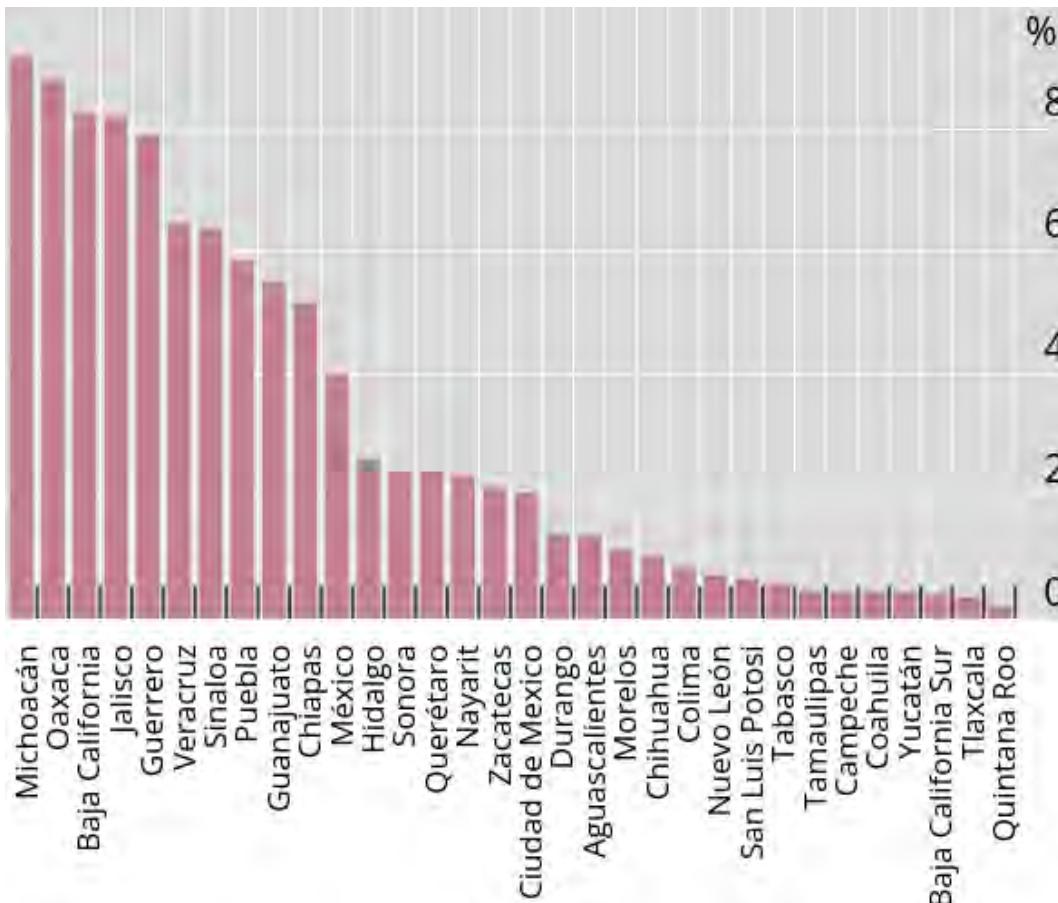
US



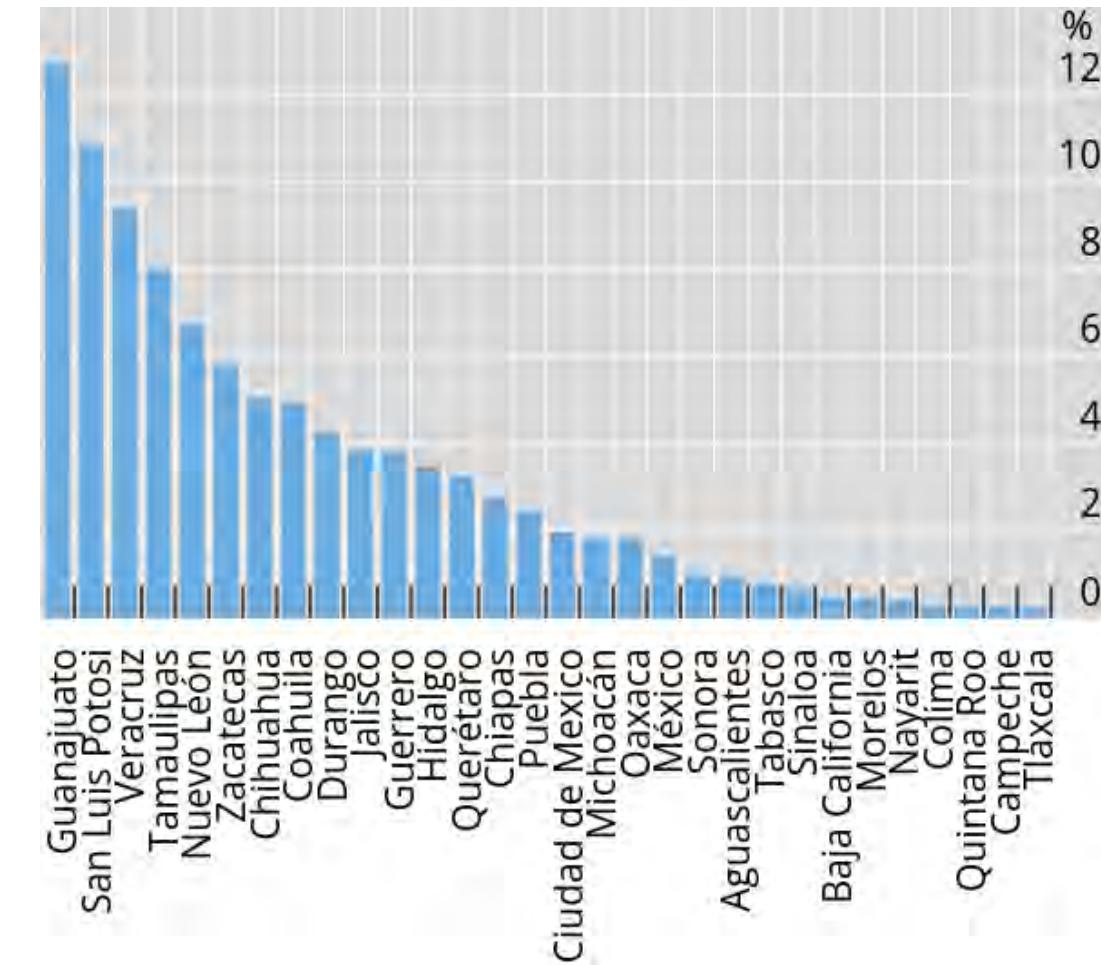
Source: Banco de México; *Encuesta Nacional de la Dinámica Demográfica, 2018*, INEGI; BIS.
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Estimation of the Origin-Destination Remittance Flow Matrix

California



Texas



Source: *Encuesta Nacional de la Dinámica Demográfica (ENADID)*, INEGI ; BIS.

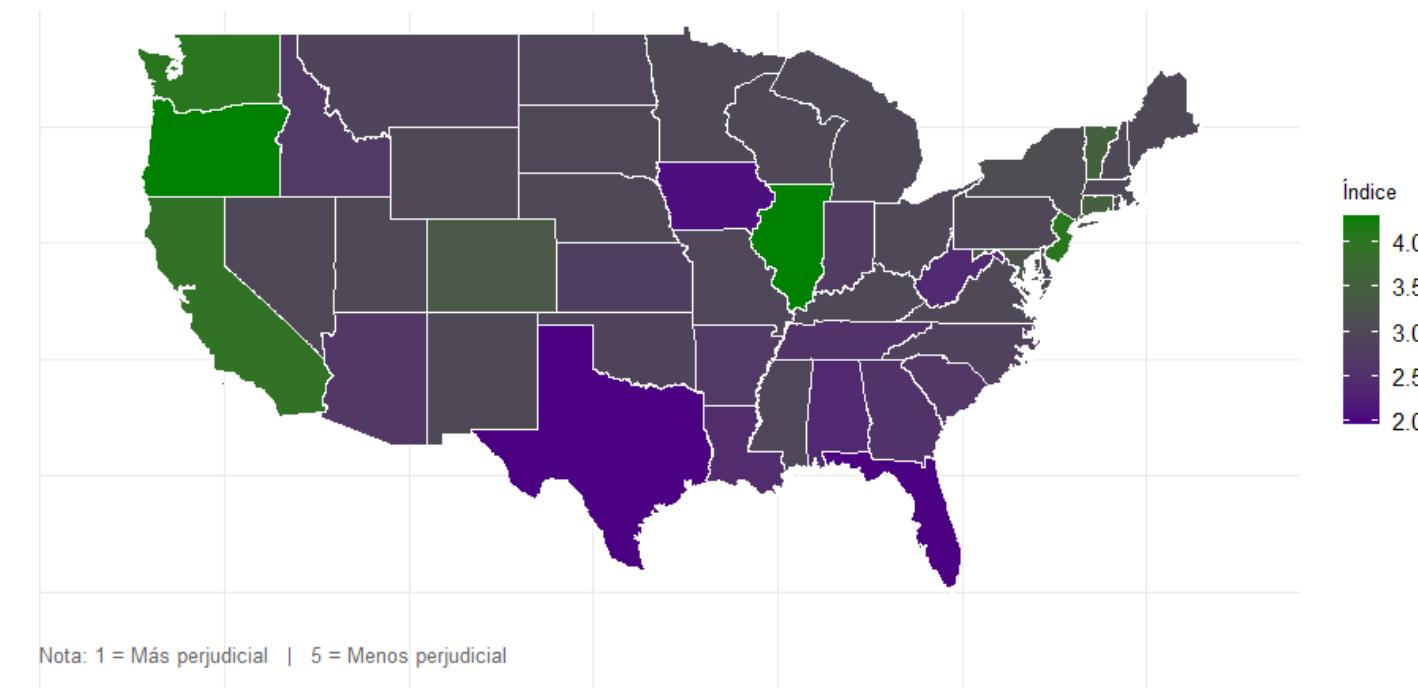
Pro-migrant state vs. No pro-migrant state

In recent months, a heterogeneity has emerged in state policies that expand or limit their collaboration with current immigration policy.

“1” “más perjudicial” **Yes ICE**
“5” “menos perjudicial” **No ICE**

Parameters:

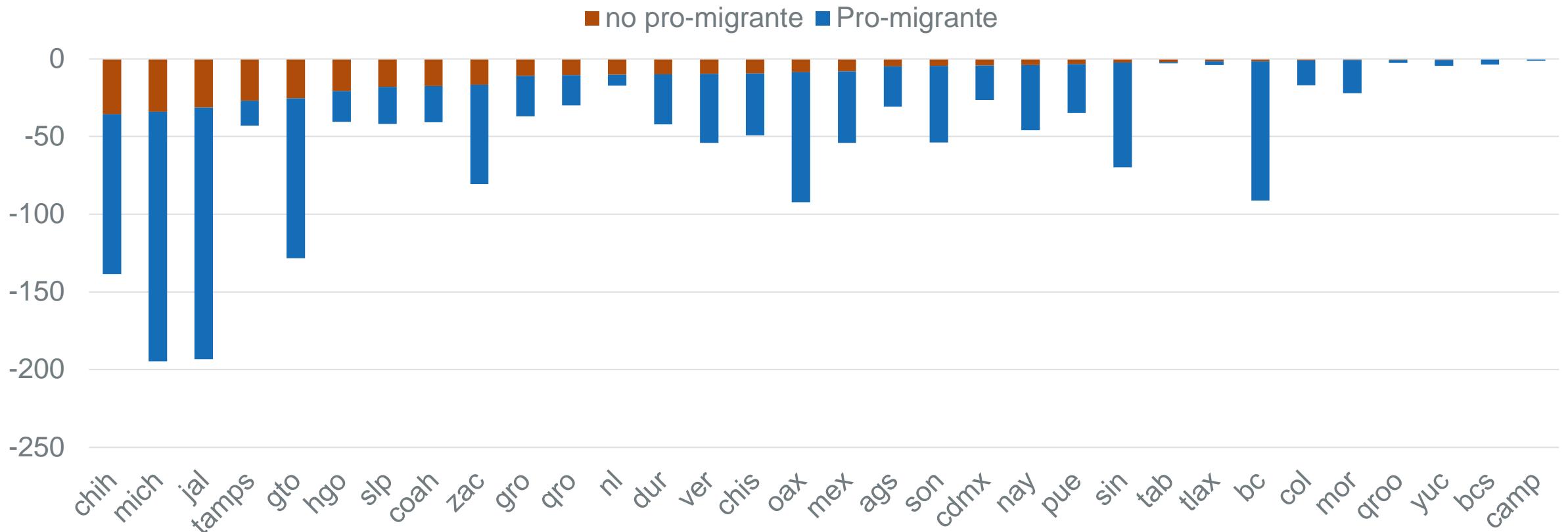
- Sharing of information and resources with ICE
- Transfers from jail to ICE
- Collusion between patrol officers and ICE
- Contracts with ICE or CBP
- State criminalization laws



Source: Immigrant Legal Resource Center.

The current drop in remittances coming from pro-migrant states

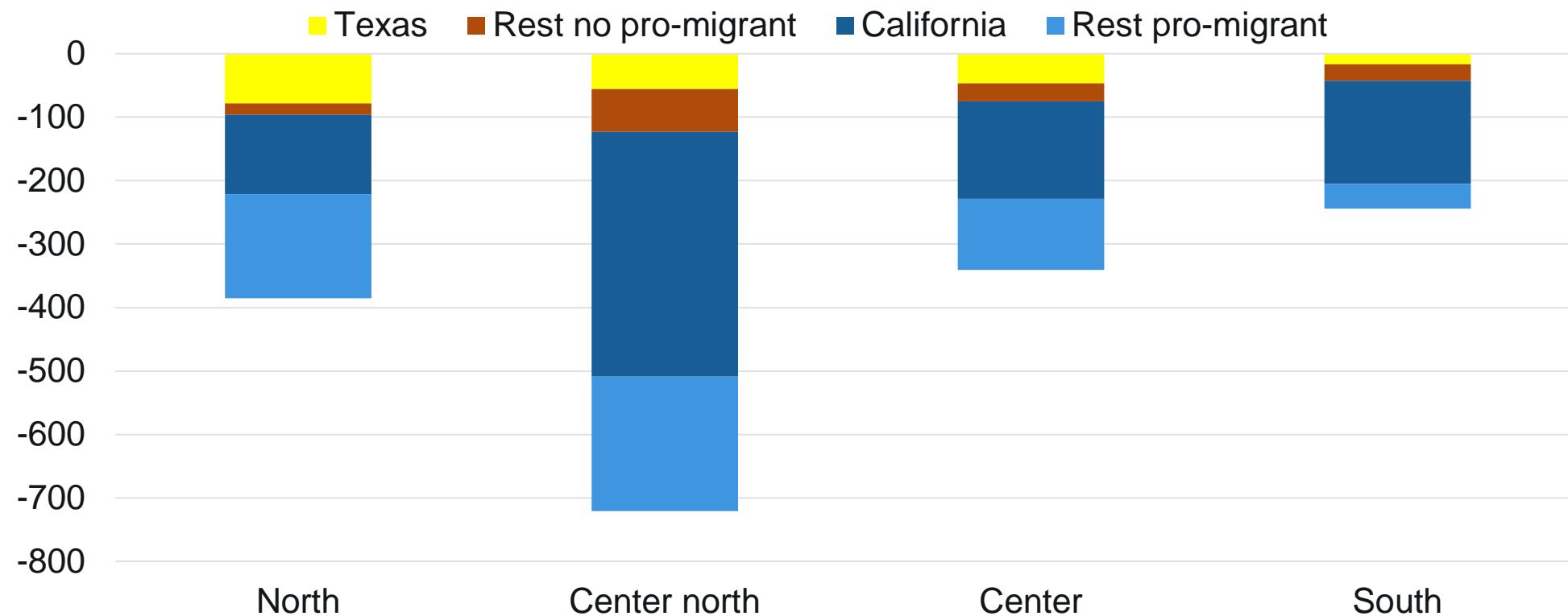
Annual variation in remittance flow receipts by region and US immigration policy, 2025-2024



Source: Banco de México; Immigrant Legal Resource Center; *Encuesta Nacional de la Dinámica Demográfica, 2018*, INEGI; BIS.

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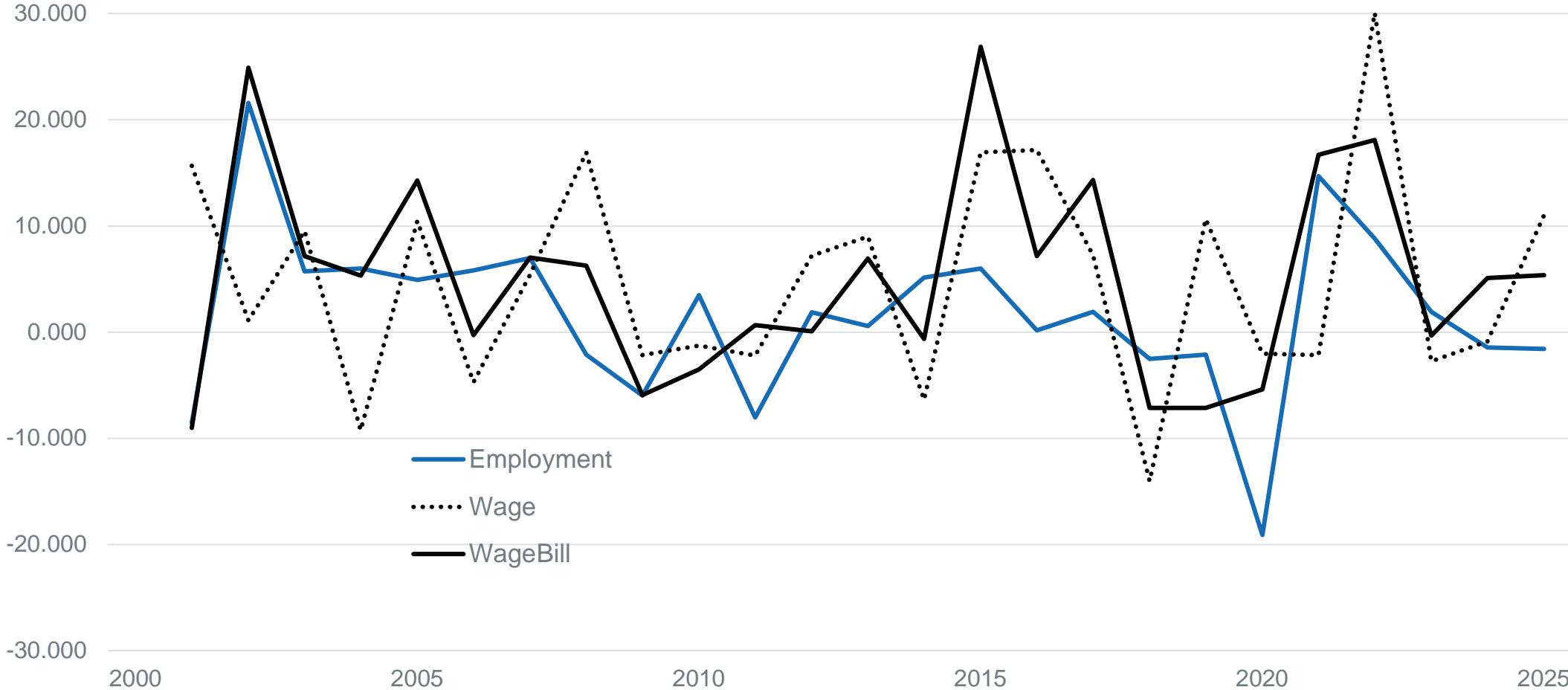
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Source: Banco de México; Immigrant Legal Resource Center; *Encuesta Nacional de la Dinámica Demográfica, 2018*, INEGI; BIS.

Wage bill of Mexicans working in the US improved from last year

Annual Variation (%) of Wage bill Components, 2q, 2024-2025



Preliminary results

- Large variation in the origin-destination of remittances flows to Mexico
 - Marked dependence on California and Texas
- The wage bill of Mexican workers in the US is the principal driving force for remittances
 - Higher and robust effect of the wage bill in pro-migrant states
- However, the fall in remittances Mexico is not due to economic conditions in the US
 - It is likely that current US immigration policy is impacting the flows, as immigrant communities deal with trepidation and increases in precautionary savings
 - Impacting more remittance dependent regions that tend to be the poorest; potentially aggravating immigration push factors

Preliminary results

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
$MS_{USAj,t}$	0.597*	0.597*	0.597*	0.612*	0.626*	0.626*	0.626*
	(0.357)	(0.357)	(0.357)	(0.359)	(0.360)	(0.360)	(0.360)
$Dummy (pro migrante=1)_j$	-8.570**	-8.570**	-8.570**	-8.595**	-8.734**	-8.734**	-8.734**
	(3.689)	(3.689)	(3.689)	(3.834)	(3.860)	(3.861)	(3.861)
$MS_{j,t} * Pro\ migrante_j$	0.309**	0.309**	0.309**	0.310**	0.314**	0.314**	0.314**
	(0.129)	(0.129)	(0.129)	(0.133)	(0.134)	(0.134)	(0.134)
$MS_{MX,i,t}$	0.143*	0.135*	0.129*	0.126	0.111	0.102	0.0986
	(0.0824)	(0.0798)	(0.0780)	(0.0796)	(0.0802)	(0.0777)	(0.0769)
$Temperatura_{MX,i,t}$		-0.00287				-0.00278	-0.00281
		(0.00257)				(0.00225)	(0.00228)
$Precipitación_{MX,i,t}$			0.000143	0.000172	0.000171	0.000144	0.000144
			(0.000127)	(0.000134)	(0.000138)	(0.000123)	(0.000123)
$Tasa\ Informalidad_{MX,i,t}$				-0.117			-0.122
				(0.186)			(0.188)
$Pobreza\ Laboral_{MX,i,t}$					-0.0629	-0.0603	-0.0480
					(0.109)	(0.110)	(0.111)
$ITAE_{MX,i,t}$					0.000769	0.000844	0.000882
					(0.000915)	(0.000925)	(0.000919)
EF estados origen (j)	Yes	Yes	Yes	Yes	Yes	Yes	Yes
EF estados destino (i)	Yes	Yes	Yes	Yes	Yes	Yes	Yes
EF (t)	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observaciones	48,960	48,960	48,960	44,550	44,505	44,505	44,505

La variable dependiente es el flujo de remesas desde los estados de EE.UU. como origen hacia los estados de México como destino (en millones USD) ($REM_{j,i,t}$). Las estimaciones se realizan utilizando el estimador de Máxima Verosimilitud Pseudo-Poisson (PPML). La tabla reporta los coeficientes de regresión y (entre paréntesis) los errores estándar robustos asociados, agrupados por pares origen-destino. *** p<0.01, ** p<0.05, * p<0.1