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Funds Sent to Mexico Hit Record

Money from abroad totals \$7.9 billion in the first half of the year, reflecting a lack of jobs at home, experts say.

By Marla Dickerson
Times Staff Writer

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MEXICO CITY — The amount of money sent by Mexican emigrants worldwide to relatives in their homeland surged in the first six months of the year, reflecting poor employment prospects in Mexico and lower fees for sending funds.

The emigrants, many of them working in California, sent a record \$7.9 billion to Mexico in the January-June period, according to a report released Thursday by the Bank of Mexico. That was up 26% from the first half of 2003 and on pace to smash last year's record tally of \$13.4 billion.

Remittances are now second only to petroleum as Mexico's largest source of foreign exchange. And though it averages only \$400 a transaction, this flow has become a power to be reckoned with in the economy.

Mexicans toiling abroad in such roles as gardeners and dishwashers last year injected more dollars into their country than did multinational corporations.

Experts said the growing sums reflect burgeoning Mexican immigration — legal and illegal — into the United States, the falling transaction fees and anemic job creation in the Mexican economy.

"Mexico right now is producing 1.3 million people a year that need employment," said Macario Schettino, director of economic research at the Instituto Tecnológico y de Estudios Superiores de Monterrey. "We're going to create 400,000 jobs this year, but it's not enough. That's why we're seeing 300,000 people a year leave for the United States ... and it's why Mexicans there may be sending more money home because their families here can't find employment."

The Bank of Mexico report said foreign remittances, which totaled less than \$6 billion as recently as 1999, "have become a very important source of resources for the country." The central bank projected that 2004 remittances would hit \$16.3 billion, up 22% over 2003.

Though remittances trumped the \$11 billion in direct investment that Mexico received last year from foreign companies, the effect often isn't as obvious as a new factory.

The vast majority of the funds are sent directly to family members in Mexico, who use them mainly for personal consumption, including housing, appliances, school fees, clothing and family celebrations.

"It's going to your Tia [Aunt] Maria rather than some economic development project for the state," said Harry Pachon, president of the Tomas Rivera Policy Institute, a Latino research center at USC. "The bulk of remittances are on a personal, family level."

Some Mexican communities have managed to tap that influx of funding to spruce up their cities and make public improvements. Jose Antonio Baldazo Hernandez, general secretary of Ciudad de Maiz — which means City of Corn — said remittances from his town's emigres in the U.S. are helping build a badly needed irrigation system. Hernandez said thousands of men have fled the town of 30,000, situated in the arid lands of San Luis Potosi state, a little more than 200 miles north of Mexico City.

He said many have headed to Virginia and North Carolina to work in the fields, some ranging as far north as Michigan to cut Christmas trees in the winter months. Recently, more women have followed to take jobs in food processing plants.

"Let's be absolutely clear," Baldazo said. "If we didn't receive remittances, we'd be in crisis.... [Ciudad de Maiz] lives off of the dollars that our countrymen send."

Mexico isn't alone in its reliance on remittances. Executives at Denver-based Western Union Financial Services Inc., a unit of **First Data** Corp., estimate that 175 million people around the globe send more than \$150 billion a year back to their home countries.

Danielle Pereira, a Western Union spokeswoman, said the company's money transfers to Mexico were up 22% last year, even though there are at least 200 competitors vying for that business. Fierce competition has driven down the price of wiring money, fueling demand.

"Certainly there is a need," Pereira said. "That's why competition is as robust as it is."

Times researcher Dan Vazquez contributed to this report.