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Cash flow to Mexico stays slow

Transfers from Mexicans abroad dropped nearly 18% in the second quarter compared with the same period last year. The central bank report is no surprise but adds more gloomy news for a limping economy.



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By Ken Ellingwood
August 26, 2009

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Reporting from Mexico City - Cash remittances from Mexicans living abroad keep tumbling, with a second-quarter drop of 17.9% compared with the same period last year, officials said Tuesday.

Mexico's central bank said remittances for April through June fell to \$5.6 billion, continuing a downward trend that has lasted more than a year. The money transfers are off 12% during the first six months of 2009, compared with the first half of 2008.

The latest report was no surprise, but it spelled more gloomy news for Mexico's limping economy, which has been hammered by declining oil earnings, a sharp drop in exports and a flu crisis during the spring that put a big dent in tourism.

Remittances are one of Mexico's top three sources of foreign income, along with oil and tourism, and help sustain millions of Mexican families.

Last year -- when remittances totaled \$25.1 billion -- was the first time that Mexico registered a decline in the cash transfers for a full year since the central bank began keeping tally in 1996. Before 2008, remittances had grown year to year.

The central bank report says the quarterly decrease is due mainly to the U.S. economic downturn, especially in the construction industry, which had been a reliable source of income for Mexican migrants working north of the border.

The U.S. recession has dried up many of those job opportunities and, coupled with tighter border enforcement, discouraged many migrants from going back and forth between the two countries in what had become a well-practiced tradition.

The decline in remittances has dealt a blow to the pocketbooks of Mexican families dependent on cross-border money transfers.

The remittance report is more sour news for Mexico. Last week, the central bank announced a second-quarter decrease in gross domestic product of more than 10%. Analysts predict a GDP decrease of 7% or more for 2009, about the same decline that came with the mid-1990s economic meltdown known as the Tequila Crisis.

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