

## Box 4

**DEMOGRAPHICS, IMMIGRATION AND GROWTH: WHAT CHANGES IF EMIGRANTS RETURN TO MEXICO?**

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**The end of the demographic dividend in Mexico: emigration and population ageing**

Mexico, like the rest of Latin America, is contending with progressive demographic ageing exacerbated by sustained emigration flows.<sup>1</sup> Specifically, in recent decades the country has experienced a steady decline in

the share of younger generations and an increase in the proportion of those aged 65 and over, driving the dependency ratio up to 12.5% in 2025 (Charts 1 and 2). According to demographic projections from the United Nations and ECLAC,<sup>2</sup> this trend will continue over the forthcoming decades. As a result of these demographic dynamics, Mexico is projected to reach an old-age

Chart 1  
Population pyramid: Mexico and Latin America

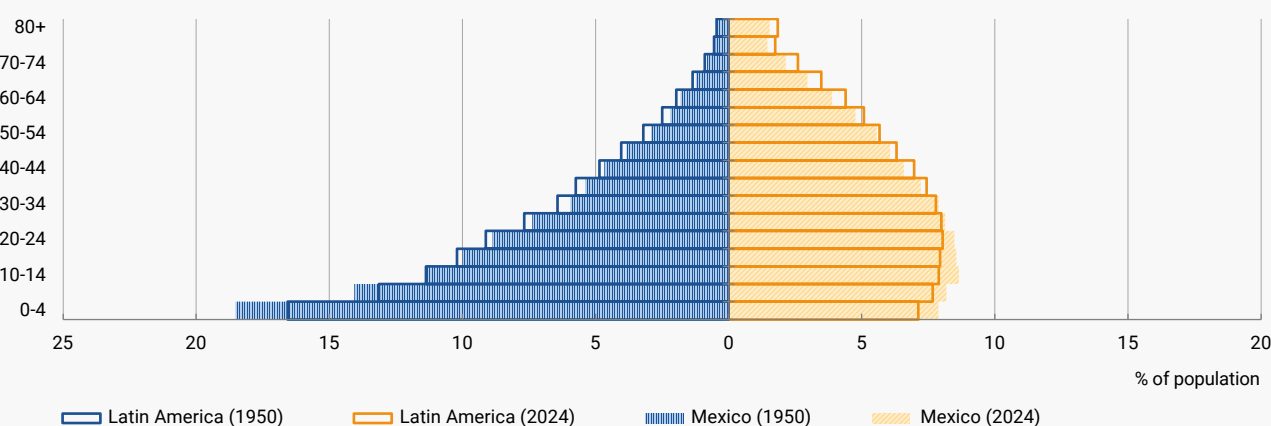
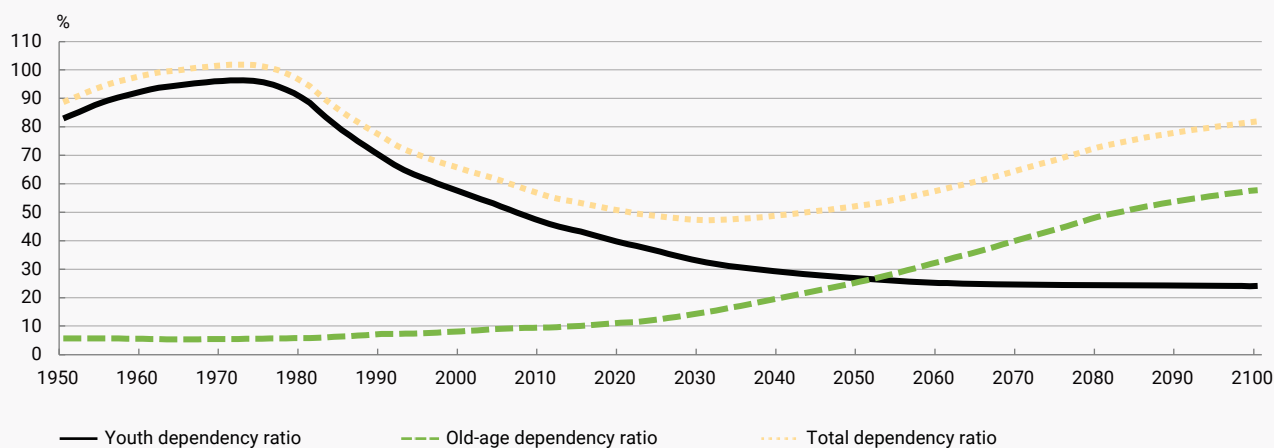


Chart 2  
Median dependency ratio in Mexico (a)



SOURCE: Eikon.

a The youth dependency ratio is the proportion of the population aged 0-14 relative to the working-age population. The total dependency ratio is the sum of the population aged 0-14 and 65+ relative to the working-age population.

1 Juan Carlos Berganza, Rodolfo Campos, Enrique Martínez Casillas and Javier Pérez. (2020). "The end of the demographic dividend in Latin America: challenges for economic and social policies". *Economic Bulletin - Banco de España*, 1/Q2, 2020, Analytical Articles

2 Economic Commission for Latin America and the Caribbean. (2025). *Observatorio Demográfico*, 2025.

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dependency ratio of more than 30% in half the time that advanced economies did and with a per capita income level 50% below the OECD average. Indeed, the old-age dependency ratio is expected to reach 25% in the 2050s and nearly 58% by the end of the century.

The impact of declining fertility<sup>3</sup> and population ageing has been magnified by net emigration among the young working-age population. Although migration flows have eased compared with previous decades, Mexico – like much of Latin America – remains a net emigration country,

with the United States as the primary destination (Charts 3 and 4).

**The impact of stricter US migration policies**

Against this background, the recent tightening of US migration policy could encourage Mexican migrants to return to their country of origin, particularly working-age individuals. The militarisation of border controls and the increase in deportations by the US Government have reduced irregular crossing attempts and led to the

Chart 3  
Regions

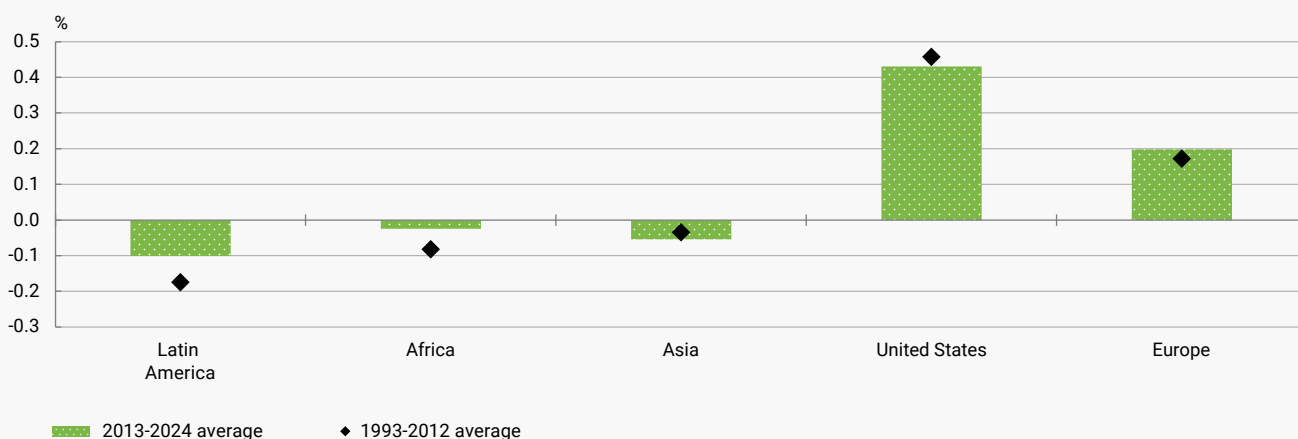
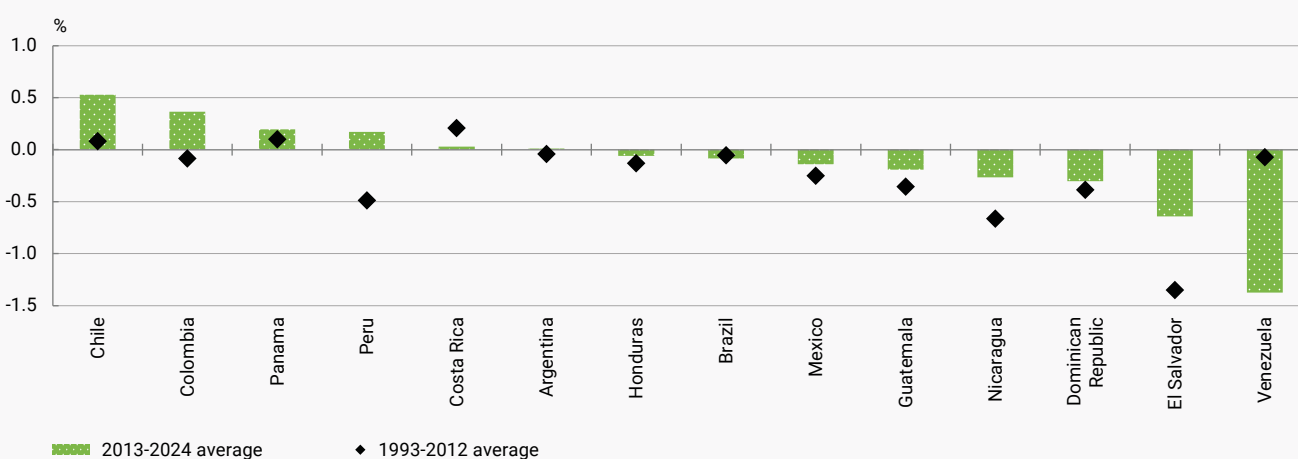


Chart 4  
Latin American countries



**SOURCES:** Banco de España and United Nations data.

3 According to the World Bank, Mexico's fertility rate fell from 2.7 in 2000 to 1.9 in 2023, below the OECD-recommended replacement fertility rate of 2.1 children per woman.

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expulsion of around 500,000 foreign nationals this year, the vast majority of whom are from Latin America. Mexicans have been the most affected group in absolute terms, with more than 200,000 deported or intercepted at US borders in 2025 (Chart 5).<sup>4</sup>

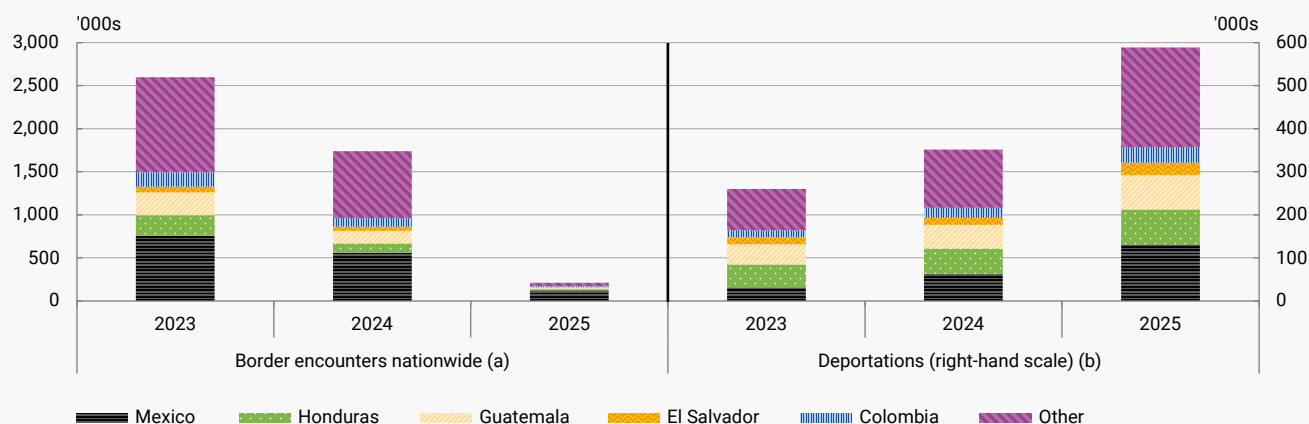
In the short term, however, the increase in the number of returning migrants primarily translates into a reduction in remittances, which play a significant role in the Mexican economy, accounting for around 3.5% of GDP. In 2025 remittances from the United States fell by 4.6%.<sup>5</sup> This decline continued into early 2026, with a cumulative year-on-year drop of 0.5% to February.<sup>6</sup> However, the re-entry of returnees into the labour market and the domestic economy may generate positive effects that could, at least in part, offset the negative impact of lower remittance inflows.

A new wave of return migration could help to mitigate the decline of the demographic dividend, although its impact

on economic growth will largely depend on the Mexican labour market's capacity to absorb returnees. While the labour market has ample absorption capacity, most of it lies in the informal sector, which will foreseeably limit the positive effects of a larger labour force. According to Mexico's National Survey of Occupation and Employment, at end-2025 labour market participation stood at around 60%, with a significant gender gap. Job creation was concentrated mainly in the informal sector (informality rate of 55%) and the services sector.

Part of the labour force growth is attributable to Mexican nationals returning from the United States, primarily deportees without regular migration status. Around one-third of Mexicans living in the United States have irregular status, most of whom work in the services sector. By contrast, the potential contribution of foreign immigration in Mexico has declined sharply, in line with the marked reduction in migratory flows – regular and irregular alike – associated with lower transit migration to the United

Chart 5  
Lower border entries and increased deportations from the United States



**SOURCES:** U.S. Customs and Border Protection, TRAC - Outcomes of Immigration Court Proceedings.

- a** Administrative records of detection, apprehension and processing by border authorities. Number of encounters with border control agents. A single individual may be recorded in more than one encounter.  
**b** Deportation orders and voluntary departures.

<sup>4</sup> Since Trump took office in January 2025, the number of deportations following arrests made in the interior of the United States has already surpassed the total recorded during the entire four-year Biden Administration.

<sup>5</sup> For a multi-perspective analysis of remittances to Latin America and how they are affected by US migration policy, see Banco de España (2025). *Report on the Latin American economy*. Second half of 2025.

<sup>6</sup> To understand the determinants of remittance flows in Mexico, see Box 6.1 in João Ayres and Luciana Juvenal. (2026). *2026 Latin American and Caribbean Macroeconomic Report: Resilience and Growth Prospects in a Shifting Global Economy*.

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States via Mexico.<sup>7</sup> However, this impact could be tempered if a share of migrants from other countries in the region who are expelled from, or denied entry to, the United States choose to remain in Mexico, whether temporarily or permanently, attracted by relatively more favourable economic prospects than in their countries of origin.

Reintegration and reinsertion plans are therefore key to prepare the countries of origin for a possible increase in returnees and, above all, to harness the potential economic benefits of their labour market re-entry, as illustrated by the simulation detailed below.<sup>8</sup>

**Simulating the contribution of returnees to Mexico's GDP per capita growth**

The scale of deportee flows from the United States over the past year underlines the importance of quantifying the economic effects of returning emigrants. The exercise summarised in Table 1 simulates the impact of an increase in returnees on Mexico's GDP per capita growth between

2025 and 2028, considering the demographic and employment channels only, following the methodology used in Cuadrado and Regil (2025).<sup>9</sup>

GDP per capita in Mexico is decomposed into the product of four factors: the working-age population as a proportion of the total population (the demographic factor), the employment rate, the number of hours worked per person employed (average working hours) and productivity per hour worked. The decomposition of GDP per capita is expressed as follows:

$$\text{GDP/N} = \text{GDP/H} \times \text{H/L} \times \text{L/N1564} \times \text{N1564/N}$$

where N is the total population, N1564 is the working-age population (aged 15-64), H is total hours worked and L is total employment.

Accordingly, the GDP per capita growth rate can be approximated by the sum of the rates of change of these four components. In past expansionary periods, such as 2010-2012 and 2021-2023, the primary drivers of GDP per

**Table 1**  
Decomposition of GDP per capita growth in the Mexican economy

	GDP per capita	Demographic factor (a)	Employment rate (a)	Working hours	Productivity per hour
2014-2019	0.7	0.8	0.2	-1.1	0.8
2022-2024	1.8	0.4	1.2	-2.5	2.8
2026-2028					
Baseline scenario	-0.2	0.1	-0.8	-1.4	1.9
Deportations scenario (b)	0.2	0.4	-0.7	-1.4	1.9
Deportations and lower outward migration scenario (c)	0.5	0.6	-0.6	-1.4	1.9

**SOURCES:** Banco de España and national statistics.

**a** The working-age population is persons aged between 15 and 64.

**b** Assuming an annual inflow of 131,833 deportees in the period 2025-2028. The productivity factor and working hours are held constant at 2024 levels.

**c** Assuming an annual inflow of 257,824 deportees and lower net outward migration in the period 2025-2028. The productivity factor and working hours are held constant at 2024 levels.

<sup>7</sup> Between 2024 and 2025 the number of irregular migrants in Mexico fell by 95%. See Juan José Li Ng. (2026). *Mexico. Did Deportations of Mexicans from the U.S. Increase?* Observatorio de Migración y Remesas. BBVA.

<sup>8</sup> OECD (2024), *Return, Reintegration and Re-migration: Understanding Return Dynamics and the Role of Family and Community*, OECD Publishing.

<sup>9</sup> Pilar Cuadrado and Ana Regil. (2025). "An estimation of the contribution of the foreign population in Spain to GDP per capita growth in the period 2022-2024". *Economic Bulletin - Banco de España*, 2025/Q2, 10.

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capita growth were the employment rate and productivity, while the demographic factor played a far more limited role.

For the period 2025-2028, various scenarios for higher numbers of Mexican deportees are examined to assess the impact of their arrival on growth in the demographic factor and employment – both determinants of GDP per capita – from 2025 onwards.<sup>10</sup> According to the 2023 National Survey of Demographic Dynamics, 90% of the Mexicans who returned to their country of origin were of working age, while 76% of them had already re-entered the labour market.

Drawing on the Mexican Government's official projections for the years after 2024, this simulation exercise compares the path of GDP per capita under three scenarios. The baseline scenario assumes population developments in line with the official projections. The second scenario introduces the annual arrival of 131,833<sup>11</sup> deported Mexicans during the period 2025-2028. The third is an extended scenario, which considers the arrival of those deported Mexicans and further assumes a reduction in net outward migration from Mexico associated with fewer illegal entries into the United States<sup>12</sup> compared with the average during the Biden Administration, resulting in a total impact equivalent to 257,824 individuals.<sup>13</sup>

During 2022-2024 the demographic factor contributed around 0.4 percentage points (pp) to Mexico's GDP per capita growth. However, under the third scenario this contribution would rise to 0.6 pp in 2026-2028 due to returning deportees and lower outward migration, helping to ease population ageing pressures and the negative net migration balance (Table 1). The results also show an

initial drop in employment, although this effect would tend to reverse with the appropriate reintegration policies.<sup>14</sup>

The results suggest that the deportees from the United States returning to Mexico would substantially increase the working-age population, resulting in higher GDP growth relative to the baseline scenario, which envisages neither deportations nor a reduction in illegal entries to the United States (Charts 6 and 7). This stronger economic activity would lead to a gradual increase in GDP per capita, up to 2 pp higher in 2028 under the third scenario relative to the baseline. However, as noted in Cuadrado and Regil (2025), the results of this mechanical decomposition of growth in GDP per capita should be interpreted with caution, since the simulation assumes constant contributions from productivity and working hours and is subject to considerable uncertainty regarding both the actual number of returnees and their labour market integration.<sup>15</sup> In the case of Spain, Cuadrado and Regil (2025) finds immigration makes a negative contribution to productivity. However, the characteristics of Mexicans returning from the United States may differ markedly from those of immigrants arriving to the country. Indeed, those who have spent extended periods in the United States tend to display higher productivity levels, whereas those with briefer periods of residence in the country (typical of deportees) exhibit lower observable productivity gains.

The recent literature suggests that return migration can serve as an additional driver of economic growth, since it fosters income growth,<sup>16</sup> job creation and the accumulation and transfer of human capital (Bucheli and Fontenla, 2025;<sup>17</sup> Wahba, 2021).<sup>18</sup> These effects can materialise

10 Assuming constant productivity growth and working hours.

11 Based on the number of deportation orders recorded in 2025.

12 The reduction in illegal entries resulting from stricter migration policy is estimated by converting border encounters that lead to removals into total entry attempts, applying an apprehension rate. The analysis draws on the U.S. Department of Homeland Security. (2023). *Border Security Metrics Report*. Office of Homeland Security Statistics, which indicates an apprehension rate of 81% in 2021 (based on direct and indirect observations). Accordingly, a successful entry rate of 19% is assumed. Comparing the annual average border encounters in the period 2021-2024 with those in 2025, the estimated difference in illegal entries from Mexico amounts to around 126,000 individuals.

13 Based on the number of individuals deported by U.S. Immigration and Customs Enforcement in 2025 and intercepted at the border by U.S. Customs and Border Protection.

14 OECD (2024), *Return, Reintegration and Re-migration: Understanding Return Dynamics and the Role of Family and Community*. OECD Publishing.

15 Interception statistics capture events at the border only and there are no data for successful immigrant crossings. In addition, the data track incidents rather than individuals, meaning they may include duplicates.

16 José R. Bucheli and Matías Fontenla. (2020). "Return migration and financial inclusion in Mexico". Discussion Paper, IDB-DP-812, Inter-American Development Bank.

17 José R. Bucheli and Matías Fontenla. (2025). "The impact of return migration on economic development". *The Review of Economics and Statistics*, 107(2), pp. 393-407.

18 Jackline Wahba. (2021). "Who benefits from return migration to developing countries?". *IZA World of Labor*, 123(v2).

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through various channels, including accumulated savings conducive to investment and entrepreneurship, higher wages linked to skills acquired abroad and knowledge transfers that boost productivity.<sup>19</sup> In sum, return migration

could partially mitigate the decline of Mexico's demographic dividend, although its macroeconomic impact will crucially hinge on the successful integration of returnees into formal and productive employment.

Chart 6  
Impact on the labour force

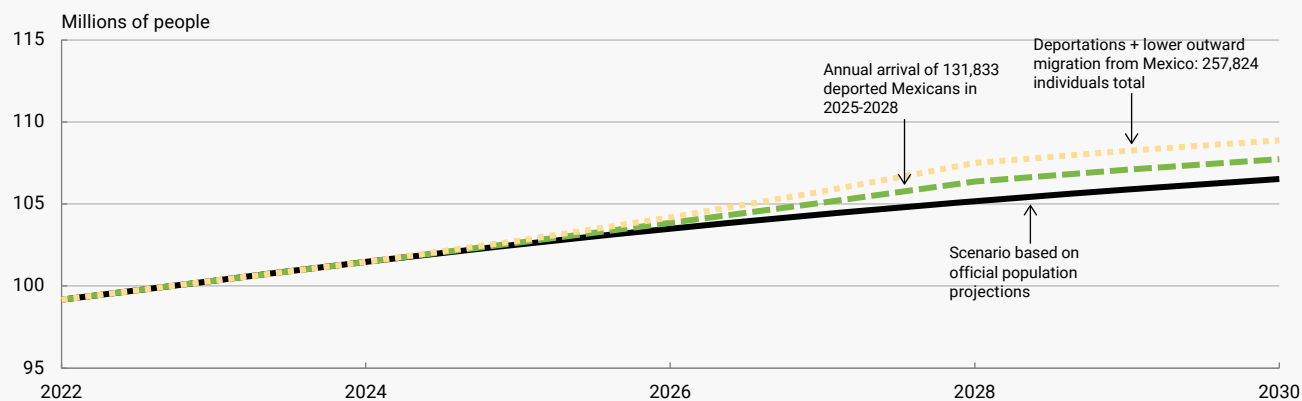
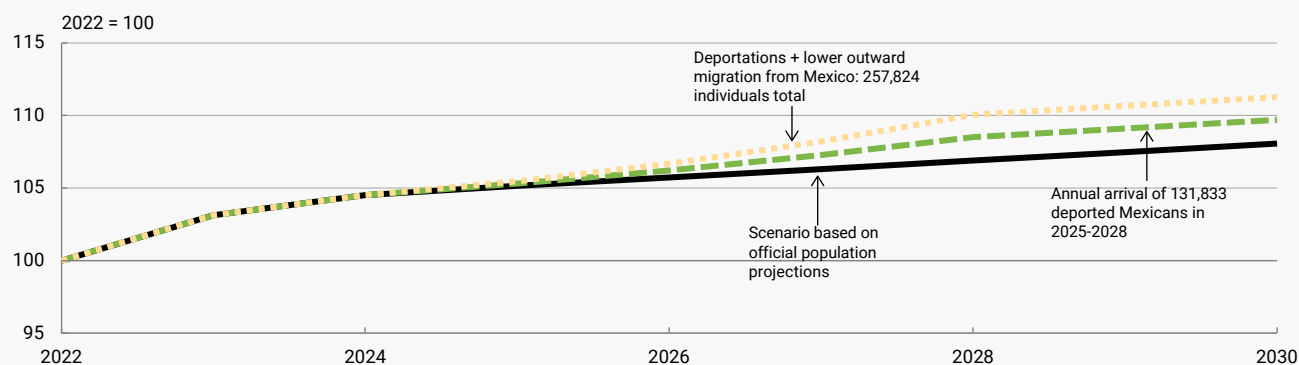


Chart 7  
Impact on GDP (a)



SOURCE: Banco de España.

a Scenario simulations following the decomposition methodology in Cuadrado and Regil (2025).

19 Shan Li. (2018). "Investment and interruption: effects of the US experience on the earnings of return migrants in Mexico". *Applied Economics*, vol. 50(4), pp. 426-440.