

Remittance Prices Worldwide

Special Issue 2 on COVID-19: April 17, 2020

This Special Issue monitors the impacts of COVID-19 on the cost of remittance services.

Remittance Prices Worldwide is available at <http://remittanceprices.worldbank.org>

Introduction

This update provides an overview of international remittances markets considering the recent developments due to the COVID-19 pandemic. The pandemic is expected to affect remittance flows in two ways: (1) migrants' incomes are impaired, impacting the amount of remittances they can send; and (2) widespread closures to prevent the spread of COVID-19 may lead to restricted physical access to locations of remittance service providers (RSPs). An additional, ancillary concern is that volatility in the financial markets, oil prices, etc. may lead to difficulties in pricing foreign exchange, which may eventually be reflected on the cost of sending remittances.

To monitor the developments, the World Bank has launched a study. As part of this study, World Bank will collect cost data for a small number of corridors in the [Remittance Prices Worldwide](#) (RPW) database every week in order to track the impact, if any, of COVID-19 on the cost of sending remittances, and disseminate the analysis through weekly special issues. This note presents the outcomes of the first round of quantitative data collection.

Key Findings

Key highlights from the second RPW update:

- RSPs are still largely functional but with a limited set of services.¹
- Overall, the average cost of sending \$200 via the available services is lower now than it was as of Q1 2020.
- Many jurisdictions have started recognizing RSPs and their agents as essential businesses. However, operational challenges still remain as a barrier to serving remittance beneficiaries in several countries.
- Among the four corridors for which data were collected for two consecutive weeks, the average cost of sending \$200 to Egypt from UAE did not change much, Russia to Tajikistan and UK to Pakistan have observed slight increases and US to Mexico corridor had a decline.

Table 1 includes a list of all corridors for which the data are collected during the week of April 6-10, and the average cost of sending \$100 and \$200. The corridors were selected based on the relative size of flows to include major sending and receiving countries. Furthermore, corridor selection was also

informed by the publicly available information on the lockdowns, with the intention of monitoring the effects of lockdowns on the cost. The set of corridors for which the price data are collected will alternate weekly between two cohorts. In addition, for comparison purposes, Table 1 includes the average total cost of sending \$200 under the business as usual case from Q1 2020 (column 4) and the same for a smaller number of services in Q1 2020 that remain available as of April 10 in these corridors (column 3). RPW collected data on the cost of sending \$100 (column 1) in addition to \$200 (column 2), different from the

¹ A remittance service provider may offer more than one type of service in each corridor. Services are characterized by differences in the instrument used to fund the transaction, access points on the sending side, time it takes to complete the transaction, the instrument used to disburse, and access points on the receiving side.

regular amounts of \$200 and \$500 included in the RPW dataset. The reason for replacing \$500 with \$100 during this period was to capture the cost of sending smaller amounts frequently during times of economic crises on both ends of the corridors.

TABLE 1 – Average cost of sending \$100 and \$200 for different cases for selected corridors.

Corridor	COVID-19 April 10	COVID-19 April 10	RPW Q1 2020 (same services as April 10)	RPW Q1 2020 (business as usual)
	Avg. Total Cost (\$100)	Avg. Total Cost (\$200)	Avg. Total Cost (\$200)	Avg. Total Cost (\$200)
	(1)	(2)	(3)	(4)
UAE to Egypt	5.43%	3.18%	3.94%	3.68%
Canada to Jamaica	10.64%	7.52%	8.32%	8.24%
Spain to Honduras	6.39%	4.29%	4.38%	4.26%
UK to Pakistan	7.30%	4.90%	5.22%	5.12%
UK to Somalia	10.24%	8.49%	8.88%	8.88%
Italy to Ukraine	7.82%	5.85%	5.07%	4.72%
Malaysia to Nepal	5.65%	4.03%	3.03%	3.03%
New Zealand to Tonga	11.39%	8.47%	11.37%	11.65%
Qatar to Bangladesh	5.59%	3.16%	3.97%	3.75%
Russia to Tajikistan	1.50%	1.38%	1.67%	1.67%
Singapore to India	3.29%	2.34%	1.71%	1.73%
USA to Mexico	5.21%	3.15%	3.69%	4.04%
USA to Philippines	5.00%	3.33%	4.49%	4.50%
South Africa to Zimbabwe	16.40%	11.52%	11.39%	14.70%

The number of services operational during the COVID-19 data collection cycle is smaller than that under the business as usual case, and therefore, average costs are calculated using a smaller subset vs. a larger set of services for COVID-19 and Q1 2020, respectively. However, when the pricing of currently available services (column 2) is compared to the pricing of the same group of services under the business as usual case (column 3), the decline in prices, in general, can also be observed.

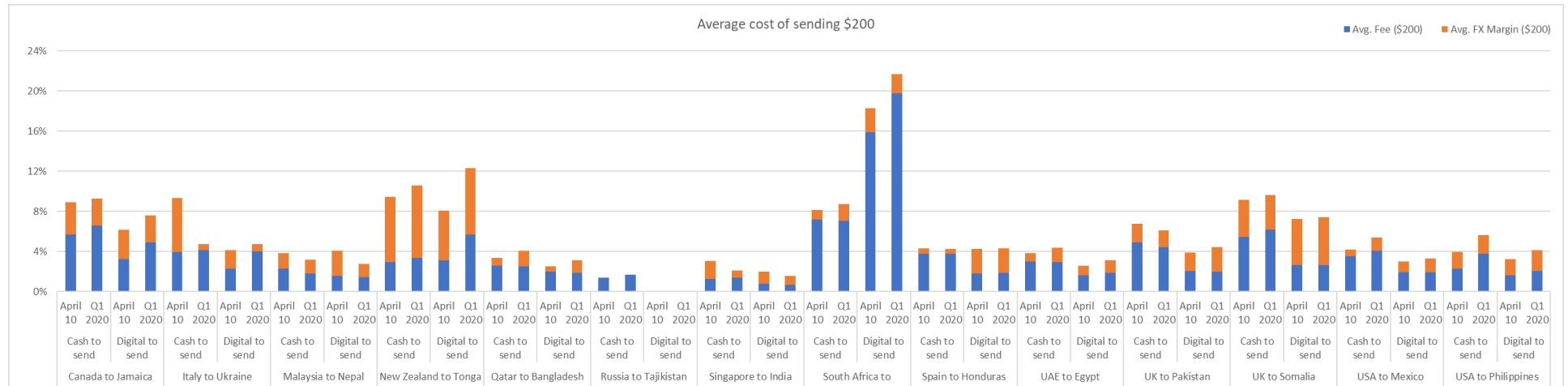
Figure 1 compares the cost of sending \$200 in these 14 corridors for the services available as of April 10 and for the business as usual case, by breaking down the cost into two components: fee and foreign exchange (FX) margin. In panel (a) a further breakdown was introduced: cash vs. digital payment instruments used to fund the transaction. In panel (b), costs are broken down into “in-person” access vs. “remote” access on the sending side of each corridor.

Overall, the findings indicate:

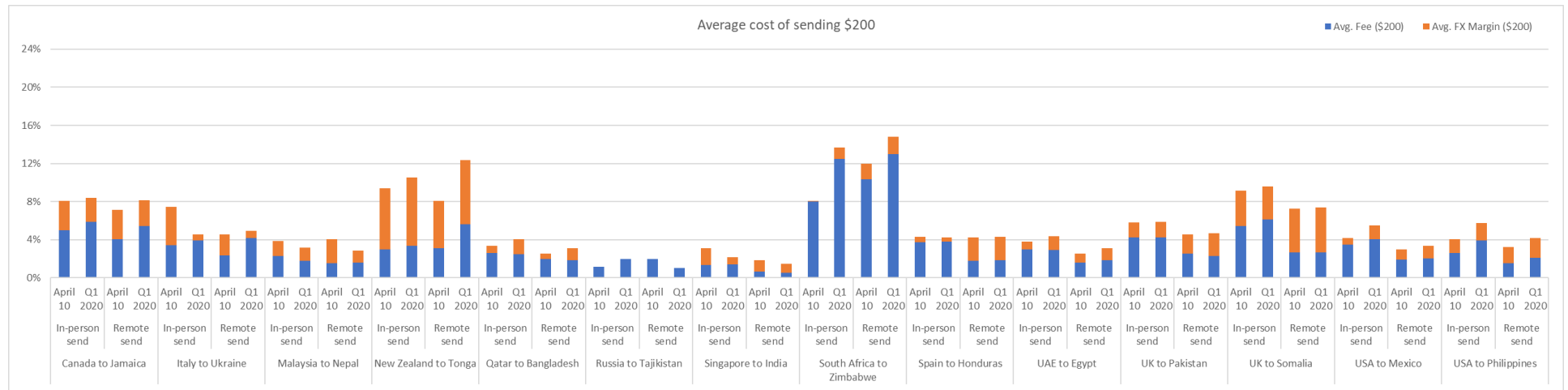
- There are fewer services available during the April 6-10 data collection round.
- The remaining services are mostly funded by digital payment instruments, but those that are sent in cash also remain.
- Sending remotely and sending using digital payment instruments are cheaper, however, these are not feasible options for the financially excluded.

FIGURE 1 - REMITTANCE PRICES WORLDWIDE DATABASE: AVERAGE COST OF SENDING \$200, SELECTED CORRIDORS

Panel a) Cash vs. digital payment instrument to fund the remittance transaction, Q1 2020 vs. April 10



Panel b) Remote vs. in-person access to the service, Q1 2020 vs. April 10



Source: Remittance Prices Worldwide (RPW). Cost of sending \$200 is the sum of the fee and the FX margin charged by the RSPs on the sending side. Receivers may incur additional costs. Cost of sending \$200 is presented in four different ways: cash vs. digital payment instruments used to fund the transaction, and in-person vs. remote access to the service. In-person access includes going to an agent location, a bank branch or post office. Remote access includes using the service over internet, mobile money transfers, and call centers. The number of services that are operational is different in the two panels.

Figure 2 shows a comparison between the two consecutive weeks of data collection for the four corridors for which data were collected during the weeks of April 3 and April 10. While the average cost of sending \$200 to Egypt from UAE did not change much, Russia to Tajikistan and UK to Pakistan and UK to Pakistan have observed slight increases and US to Mexico corridor had a decline in the average cost.

FIGURE 2 – Comparing two consecutive weeks of data collection

