

Remittance Prices Worldwide

Special Issue 3 on COVID-19: April 24, 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

The RPW update as of April 17 for 15 corridors points out to the following findings:

- There are a similar number of providers and services available in the corridors for which data collection is repeated in the week of April 3 and April 17.¹
- On average, prices continue to be lower in the sample corridors compared to the Q1 2020 data. However, some corridors are more expensive, especially from Saudi Arabia.
- Overall, the average cost of sending \$200 via the available services is lower now than it was as of Q1 2020.
- The average cost of sending \$200 for those corridors that are included in both Week 1 and Week 3 shows a mixed picture. Six out of the 8 corridors are cheaper.
- Average cost of sending \$100 increased compared to 2 weeks ago.
- Remote services, on average, have lower prices than in-person services.

Table 1 includes a list of all corridors for which the data are collected during the week of April 13-17, and the average cost of sending \$100 and \$200.² 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 6) and the same for a smaller number of services in Q1 2020 that remain available as of April 17 in these corridors (column 5). RPW collected data on the cost of sending \$100 (columns 1 and 3, for Week 1 and Week 3, respectively) in addition to \$200 (columns 2

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.

² 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.

and 4, for Week 1 and Week 3 respectively), different from the 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.

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. When the pricing of currently available services (column 4) is compared to the pricing of the same group of services under the business as usual case (column 5), the decline in prices, in general, can also be observed, with the exception of Australia to Vietnam, those that originate in France, Saudi Arabia to Ethiopia, and UAE to Nepal.

A closer look at some of these corridors provides further potential explanations for these price increases. Some of these economies have also experienced the impacts of lockdowns and social distancing measures more severely, e.g. France and Nepal. In addition, the Saudi Arabia to Ethiopia corridor does not have any non-cash services available. While sending in cash became more expensive for the Australia-Vietnam corridor as well as sending in-person, sending using digital payment instruments or sending remotely has become much cheaper (Figure 1).

Figure 1 compares the cost of sending \$200 in these 17 corridors for the services available as of April 17 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 13-17 data collection cycle.
- 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.

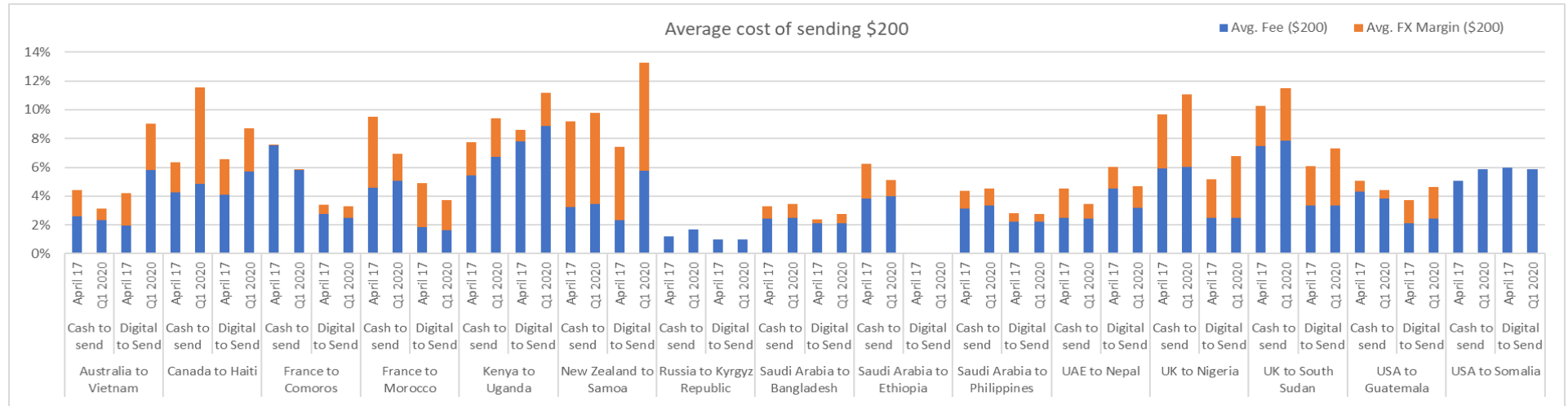
Figure 2 shows a comparison between week 1 and week 3 for those corridors data were collected during the weeks of April 3 and April 17. According to this figure, it is possible to observe the corridors for which prices have recently gone up after an initial decrease in the first week of data collection, such as the New Zealand to Samoa corridor, but also those that have observed price changes in the other way, e.g. an initial price increase followed by a price decrease such as the Saudi Arabia to Bangladesh corridor.

TABLE 1 – AVERAGE COST OF SENDING \$100 AND \$200 FOR SELECTED CORRIDORS

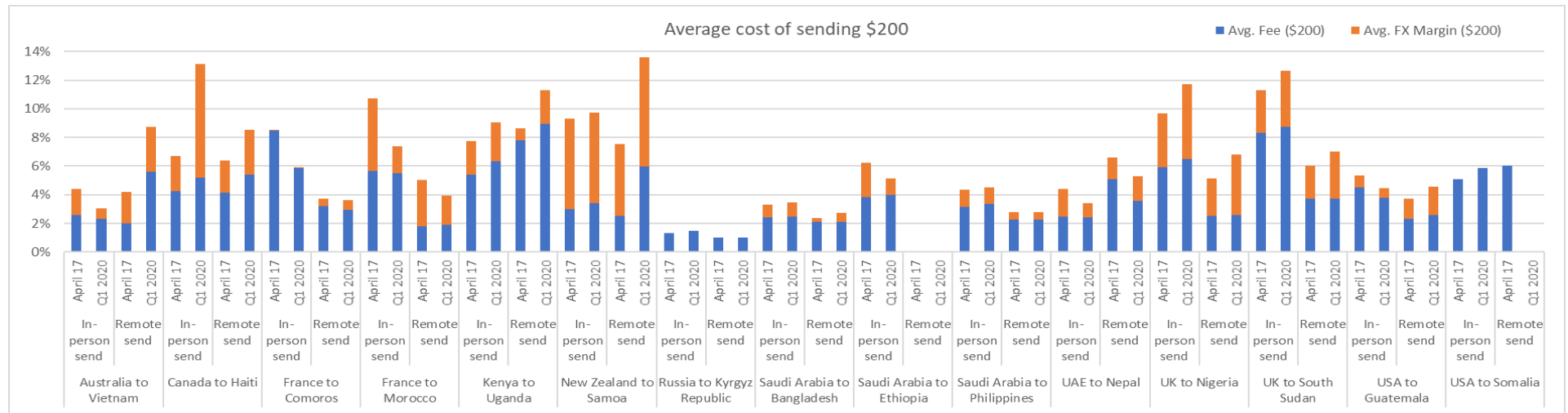
Corridor	COVID-19 April 3 (Week 1)		COVID-19 April 17 (Week 3)		RPW Q1 2020 (same services as April)	RPW Q1 2020 (business as usual)
	Avg. Total Cost (\$ 100)	Avg. Total Cost (\$ 200)	Avg. Total Cost (\$ 100)	Avg. Total Cost (\$ 200)	Avg. Total Cost (\$ 200)	Avg. Total Cost (\$ 200)
	(1)	(2)	(3)	(4)	(5)	(6)
Australia to Vietnam	6.30%	4.35%	6.04%	4.25%	4.14%	6.83%
Canada to Haiti	10.62%	7.21%	9.97%	6.47%	10.74%	10.06%
France to Comoros	n.a.	n.a.	5.88%	4.77%	4.66%	4.66%
France to Morocco	8.33%	6.47%	8.25%	6.46%	5.06%	5.57%
Kenya to Uganda	n.a.	n.a.	13.70%	8.24%	9.82%	10.30%
New Zealand to Samoa	8.82%	6.44%	10.63%	8.08%	10.29%	11.89%
Russia to Kyrgyz Republic	n.a.	n.a.	1.26%	1.20%	1.39%	1.33%
Saudi Arabia to Bangladesh	6.53%	4.15%	5.52%	3.14%	3.48%	3.37%
Saudi Arabia to Ethiopia	9.67%	5.71%	10.08%	6.23%	5.13%	5.13%
Saudi Arabia to Philippines	n.a.	n.a.	7.00%	4.03%	4.13%	4.22%
UAE to Nepal	8.36%	5.11%	8.47%	5.20%	4.48%	3.95%
UK to Nigeria	9.13%	7.67%	8.16%	6.97%	8.65%	8.65%
UK to South Sudan	n.a.	n.a.	11.75%	9.56%	10.79%	10.79%
USA to Guatemala	n.a.	n.a.	7.64%	4.44%	4.62%	4.52%
USA to Somalia	n.a.	n.a.	6.14%	5.21%	5.88%	5.88%

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 – Comparing two weeks of data collection: April 3 and April 17

