

Remittance Prices Worldwide

Special Issue 4 on COVID-19: May 1, 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 24 for 14 corridors points out to the following findings:

- RSPs are still largely functional as many jurisdictions have declared RSPs as essential services, however, closures continue in some jurisdictions. As before, operational challenges remain as a barrier to serving remittance beneficiaries in several countries.¹
- Relatedly, it was not possible to collect data in the Jordan to Palestine corridor due to strict lockdowns and the unavailability of services. Anecdotal evidence indicates that people are only able to leave their houses on foot (no cars or public transport) and travel a maximum of 1km distance. The World Bank team has been working on confirming this with the authorities.
- Different from the week of April 6-10 when it was surveyed the last, the Italy-to-Ukraine corridor had no cash or in-person services available during the week of April 20-24.
- On average, prices continue to be lower in the sample corridors compared to the Q1 2020 data. However, compared to the week of April 6-10 when the same set of corridors were surveyed the last, prices have increased modestly, on average.

Table 1 includes a list of all corridors for which the data are collected during the week of April 20-24, and the average cost of sending \$100 and \$200.² In addition, for comparison purposes, Table 1 includes 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.

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.

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 in April 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 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.³

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 Spain to Honduras, UK to Somalia, Malaysia to Nepal, USA to Mexico, and South Africa to Zimbabwe.

A closer look at some of these corridors provides further potential explanations for these price increases, comparing the most recent prices to the business as usual case where all services are available. Some of these economies that have seen price increases in related corridors have also experienced the impacts of lockdowns and social distancing measures more severely, e.g. Spain and Nepal. In addition, the Italy to Ukraine corridor did not have any cash/in-person services available during the week of April 20-24.⁴ The USA to Mexico corridor has seen a decline in average fees, while an increase in average FX margins regardless of the payment instrument or type of access (Figure 1).⁵

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.

³ RPW collected data on the cost of sending \$100 in addition to \$200, different from the regular \$200 and \$500 included in the RPW dataset. This was done with the exception of the USA-Mexico corridor in the week of April 20-24 as the average amount sent during the crisis period seems to be around \$500, up from the business as usual average of around \$300-350.

⁴ This concerns the services that are included in RPW in the “business as usual” case, which cover 80-85% of remittance flows globally, and 80-80% share in each surveyed corridor.

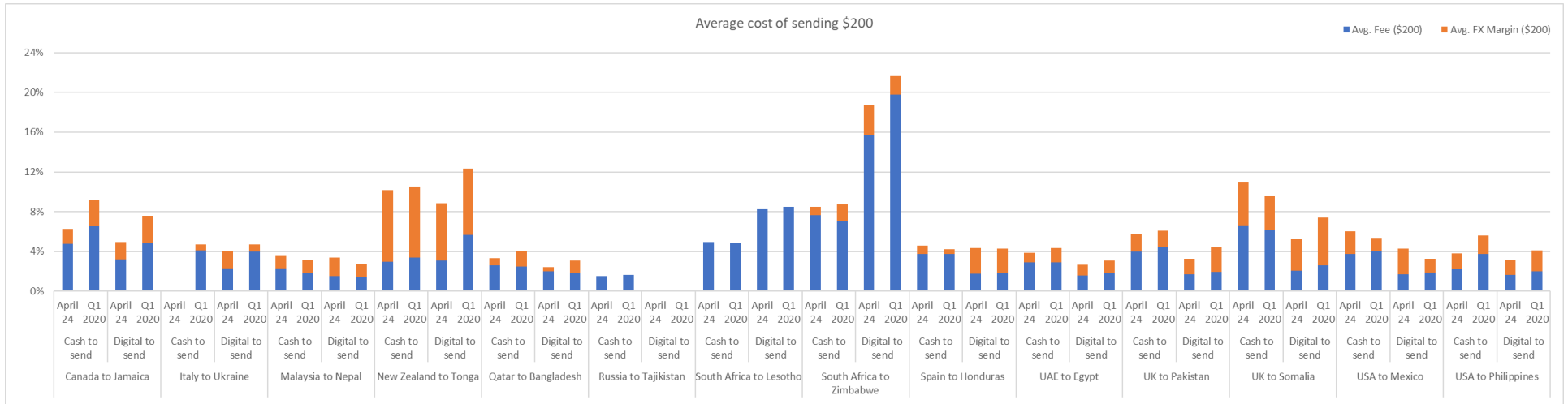
⁵ Figure 1 compares the cost of sending \$200 in these 14 corridors for the services available as of April 24 and for the business as usual case, by breaking down the cost into two components: fee and foreign exchange (FX) margin. In panel (a) a further breakdown was introduced: cash vs. digital payment 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.

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

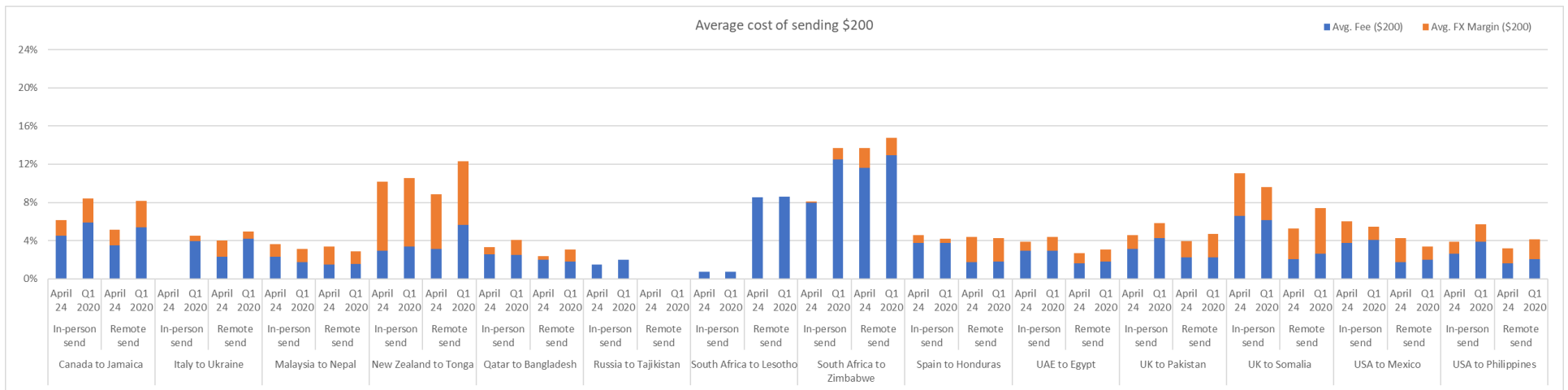
Corridor	COVID-19: Week 2		COVID-19 Week 4		RPW Q1 2020 (Same Services as April)	RPW Q1 2020 (Business as Usual)
	Avg. Total Cost (\$ 100)	Avg. Total Cost (\$ 200)	Avg. Total Cost (\$ 100)	Avg. Total Cost (\$ 200)	Avg. Total Cost (\$ 200)	Avg. Total Cost (\$ 200)
	(1)	(2)	(3)	(4)	(5)	(6)
UAE to Egypt	5.43%	3.18%	5.52%	3.28%	3.94%	3.68%
Canada to Jamaica	10.64%	7.52%	8.37%	5.42%	8.32%	8.24%
Spain to Honduras	6.39%	4.29%	6.58%	4.48%	4.38%	4.26%
UK to Pakistan	7.30%	4.90%	6.37%	4.11%	5.22%	5.12%
UK to Somalia	10.24%	8.49%	9.88%	9.11%	8.88%	8.88%
Italy to Ukraine	7.82%	5.85%	5.42%	4.03%	5.07%	4.72%
Malaysia to Nepal	5.65%	4.03%	5.03%	3.41%	3.03%	3.03%
New Zealand to Tonga	11.39%	8.47%	12.20%	9.28%	11.37%	11.65%
Qatar to Bangladesh	5.59%	3.16%	5.53%	3.10%	3.97%	3.75%
Russia to Tajikistan	1.50%	1.38%	1.67%	1.50%	1.67%	1.67%
USA to Mexico	5.21%	3.15%	n.a.	4.45%	3.69%	1.73%
USA to Philippines	5.00%	3.33%	4.96%	3.26%	4.49%	4.04%
South Africa to Lesotho	n.a.	n.a.	10.88%	6.59%	7.27%	4.50%
South Africa to Zimbabwe	16.40%	11.52%	18.99%	12.89%	11.39%	14.70%

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 24

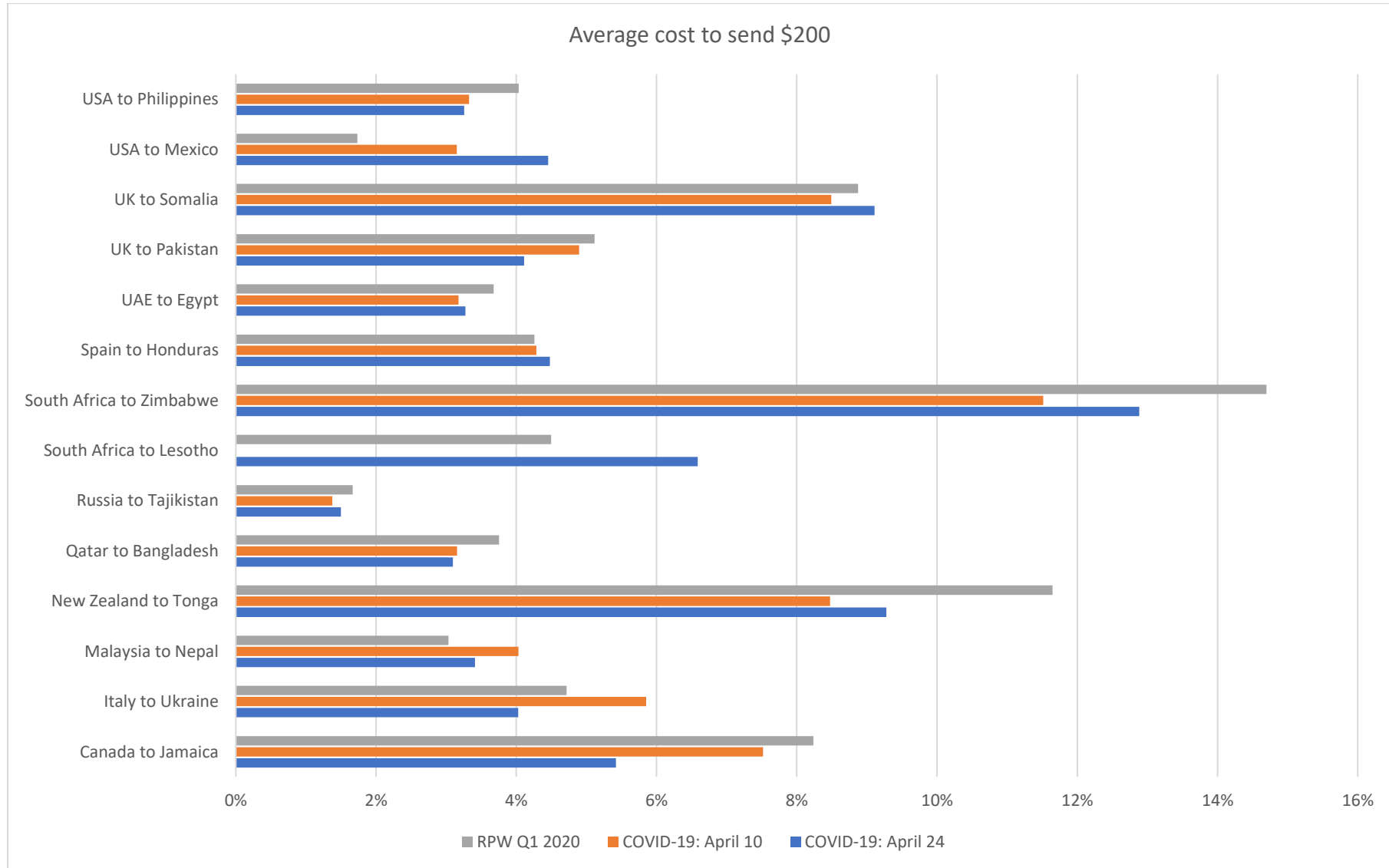


Panel b) Remote vs. in-person access to the service, Q1 2020 vs. April 24



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 10 AND APRIL 24



Source: Remittance Prices Worldwide (RPW).