

Remittance Prices Worldwide

Special Issue 5 on COVID-19: May 8, 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 May 1 for 15 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
- In the US to Somalia and US to Guatemala corridors, after an initial decline, prices have gradually increased to the pre-COVID levels.
- In the UAE to Nepal corridor where prices have initially increased, during the week of May 1 the cost of sending \$200 went down to the level in Q1 2020.
- The Saudi Arabia to Ethiopia corridor has seen a steady increase in prices since Q1 2020.
- The Canada to Haiti and New Zealand to Samoa corridors have recorded large declines on average compared to Q1 2020.

Table 1 includes a list of all corridors for which the data are collected during the weeks of March 30–April 3, April 13–17, and April 27–May 1. Also included in Table 1 is information on the average cost of

sending \$100 and \$200 in 15 corridors along with the average cost of sending \$200 from the latest RPW data collection cycle, Q1 2020. From the latest RPW data collection cycle in Q1 2020, Table 1 includes the average total cost of sending \$200 under the business as usual case from Q1 2020 and the same for a smaller number of services in Q1 2020 that remain available as of April in these corridors.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

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 is compared to the pricing of the same group of services under the business as usual case, the decline in prices, in general, can also be observed.

Figure 1 indicates, for the majority of the corridors, services with remote access and services that use digital payment instruments to fund the transaction have become cheaper on average.³

Figure 2 plots the trends in the cost of sending \$200 in Q1 2020, and in the weeks of April 3, April 17, and May 1. While there is not one pattern, overall prices have remained lower, with some exceptions. For example, for the US to Somalia and US to Guatemala corridors, after an initial decline, prices have gradually increased to the pre-COVID levels. In the UAE to Nepal corridor where prices have initially increased, during the week of May 1, the cost of sending \$200 went down to the level in Q1 2020. The Saudi Arabia to Ethiopia corridor has seen a steady increase in prices since Q1 2020. On the other hand, the Canada to Haiti and New Zealand to Samoa corridors have recorded large declines on average.

The World Bank has just released a note on [Potential Responses to the COVID-19 Outbreak in Support of Migrant Workers](#). The note describes key challenges migrant workers face in terms of health, livelihoods, and mobility. Both internal and international migrants are considered as part of the note. Policy options available to the governments are presented to address these challenges.

lockdowns on the cost. The set of corridors for which the price data are collected will alternate weekly between two cohorts. 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 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.

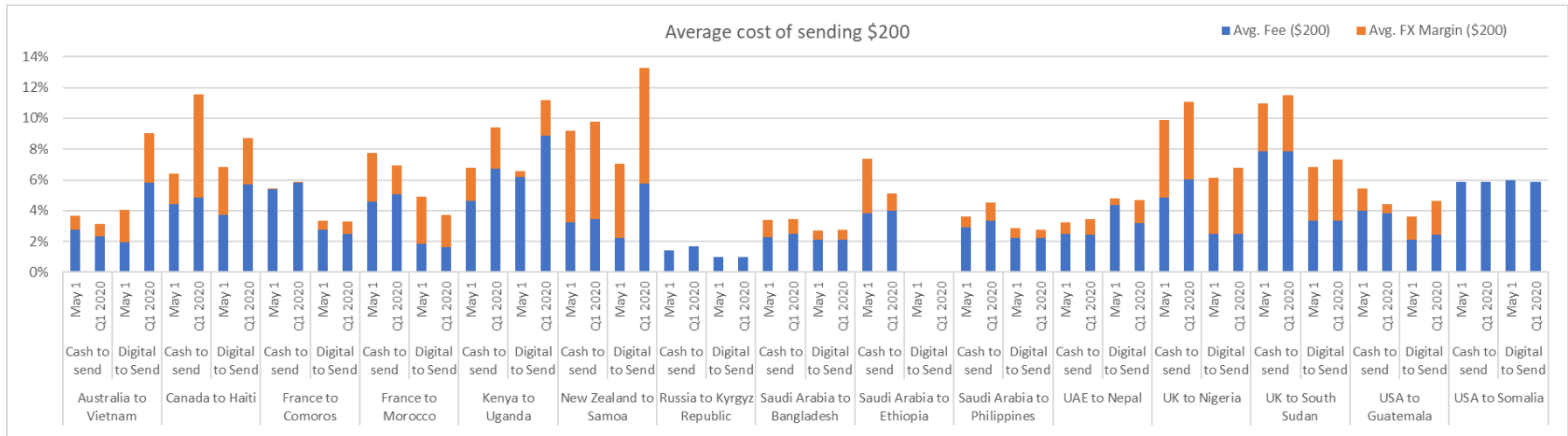
TABLE 1 – AVERAGE COST OF SENDING \$100 AND \$200 FOR SELECTED CORRIDORS

Corridor	COVID-19 April 3	COVID-19 April 17	COVID-19 May 1	COVID-19 April 3	COVID-19 April 17	COVID-19 May 1	RPW Q1 2020 (same services as April 1)	RPW Q1 2020 (business as usual)
	Avg. Total Cost (\$ 100)	Avg. Total Cost (\$ 100)	Avg. Total Cost (\$ 100)	Avg. Total Cost (\$ 200)	Avg. Total Cost (\$ 200)	Avg. Total Cost (\$ 200)	Avg. Total Cost (\$ 200)	Avg. Total Cost (\$ 200)
Australia to Vietnam	6.30%	6.04%	5.65%	4.35%	4.25%	3.91%	4.14%	6.83%
Canada to Haiti	10.62%	9.97%	9.85%	7.21%	6.47%	6.60%	10.74%	10.06%
France to Comoros		5.88%	5.16%		4.77%	4.04%	4.66%	4.66%
France to Morocco	8.33%	8.25%	7.66%	6.47%	6.46%	5.85%	5.06%	5.57%
Kenya to Uganda		13.70%	11.57%		8.24%	6.64%	9.82%	10.30%
New Zealand to Samoa	8.82%	10.63%	10.47%	6.44%	8.08%	7.96%	10.29%	11.89%
Russia to Kyrgyz Republic		1.26%	1.50%		1.20%	1.40%	1.39%	1.33%
Saudi Arabia to Bangladesh	6.53%	5.52%	5.54%	4.15%	3.14%	3.28%	3.48%	3.37%
Saudi Arabia to Ethiopia	9.67%	10.08%	11.20%	5.71%	6.23%	7.35%	5.13%	5.13%
Saudi Arabia to Philippines		7.00%	6.28%		4.03%	3.48%	4.13%	4.22%
UAE to Nepal	8.36%	8.47%	7.13%	5.11%	5.20%	3.92%	4.48%	3.95%
UK to Nigeria	9.13%	8.16%	8.92%	7.67%	6.97%	7.78%	8.65%	8.65%
UK to South Sudan		11.75%	12.19%		9.56%	10.28%	10.79%	10.79%
USA to Guatemala		7.64%	7.61%		4.44%	4.53%	4.62%	4.52%
USA to Somalia		6.14%	6.42%		5.21%	5.88%	5.88%	5.88%

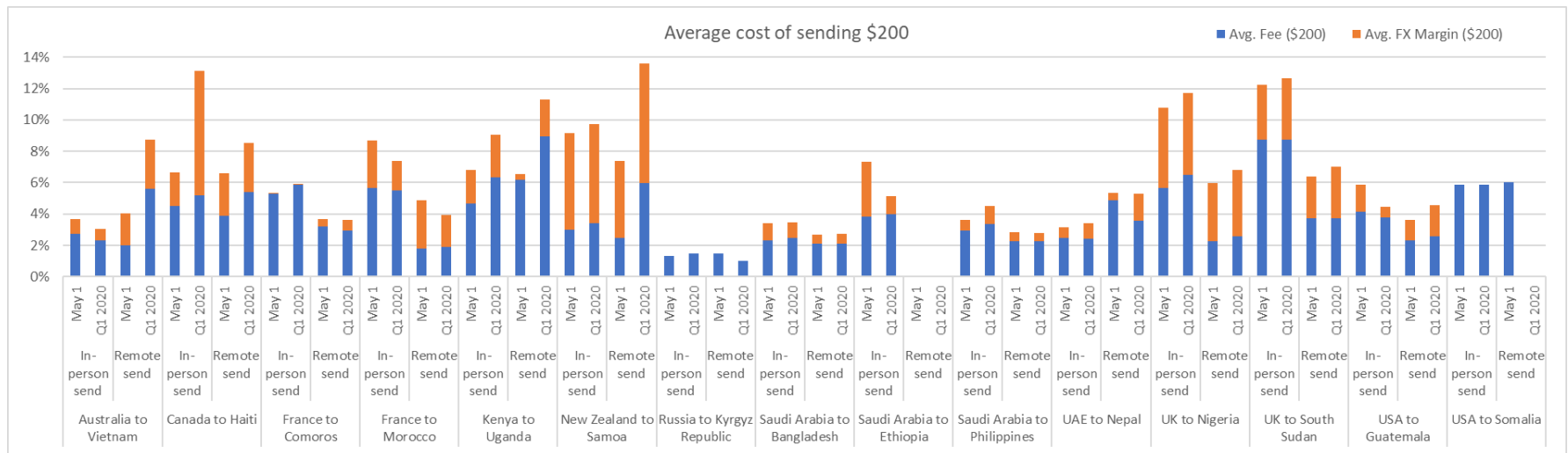
Source: Remittance Prices Worldwide

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. May 1

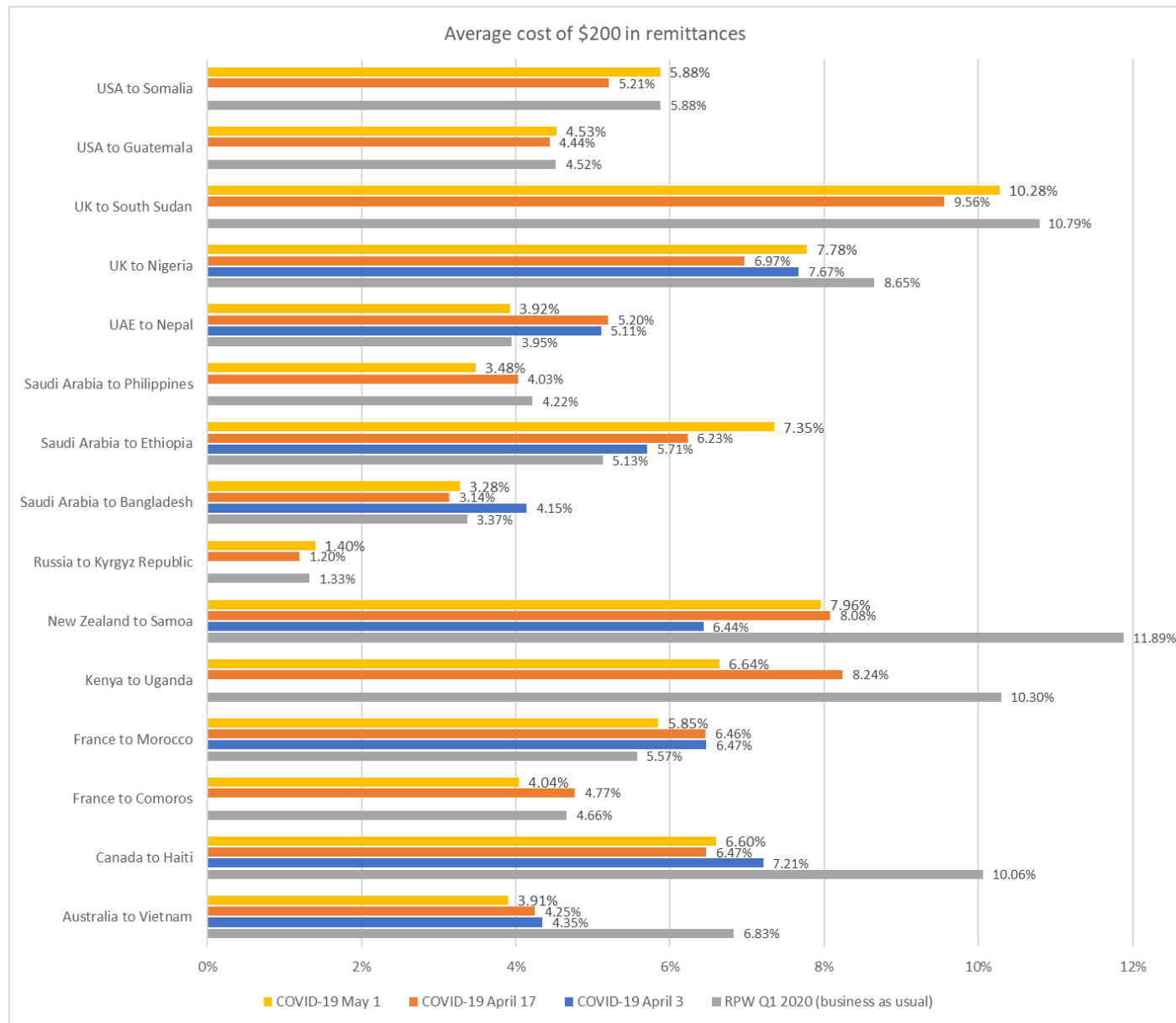


Panel b) Remote vs. in-person access to the service, Q1 2020 vs. May 1



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 DIFFERENT WEEKS OF DATA COLLECTION: APRIL 3, APRIL 17, AND MAY 1



Source: Remittance Prices Worldwide (RPW).