

Remittance Prices Worldwide

Special Issue 6 on COVID-19: May 15, 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 15 for 15 corridors points out to the following findings:

- RSPs are still largely functional as many jurisdictions have declared RSPs as essential services. While limited closures continue in some jurisdictions, other countries have started relaxing their lockdown restrictions and a few more services become available again.
 - As before, operational challenges remain as a barrier to serving remittance beneficiaries in several countries.
 - This week of data collection has allowed for the analysis of corridors added later in the process. For example, in week 4 the data for the Jordan to West Bank and Gaza was unavailable due to the lockdown, whereas in week 6, the data was available showing an average total cost of 6.27% for sending \$200, down from 6.96% in Q1 2020. This is an encouraging sign that some corridors are reopening.
 - The average total cost of the surveyed corridors for sending \$200 in remittances is 5.02%, the lowest it has been throughout the pandemic (in these corridors). For the same corridors in Q1 2020, the average total cost was 5.98%.
- The composition of costs shows that fees are lower in week 6 than they were in week 4 and Q1 2020. Overall, remote services are cheaper than in-person transactions.
 - The largest decline in the average cost of sending \$200 from week 4 to 6 is the USA to Mexico corridor, previously 4.45% to 2.73% in week 6. This is a significant drop and supports other data that appeared in the week. Similarly, the average cost of sending \$500 for the USA to Mexico corridor in week 4 fell from 3.46% in week 4 to 1.94% in week 6.

- A few other corridors, however, have seen an increase in costs, but these were smaller in magnitude, for example, the average cost of sending \$200 from Qatar to Bangladesh increased from 3.10% to 3.37% between week 4 to week 6.

Table 1 includes a list of all corridors for which the data are collected during the weeks of April 6-10, April 20-24, and May 4-8. The table includes 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 2020.¹ 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

The number of services operational during the COVID-19 data collection cycle is smaller compared to the period preceding the COVID-19 crisis, 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 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.

Figure 2 plots the trends in the cost of sending \$200 in Q1 2020, and in the weeks of April 10, April 24, and May 8. While there is not one pattern, overall prices have remained lower, with some exceptions. For example, for the US to Mexico, New Zealand to Tonga, UK to Pakistan, Spain to Honduras and Canada to Jamaica corridors, there were sharp declines between weeks 4 and 6 in the cost of sending \$200.

¹ 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.

² 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. 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 monitored. This was done with the exception of the USA-Mexico corridor in the week of April 20-24 as Mexican authorities noted that the average amount sent during the crisis period have on average been around \$500, up from the business as usual average of around \$300-350.

TABLE 1 – AVERAGE COST OF SENDING \$100 AND \$200 FOR SELECTED CORRIDORS³

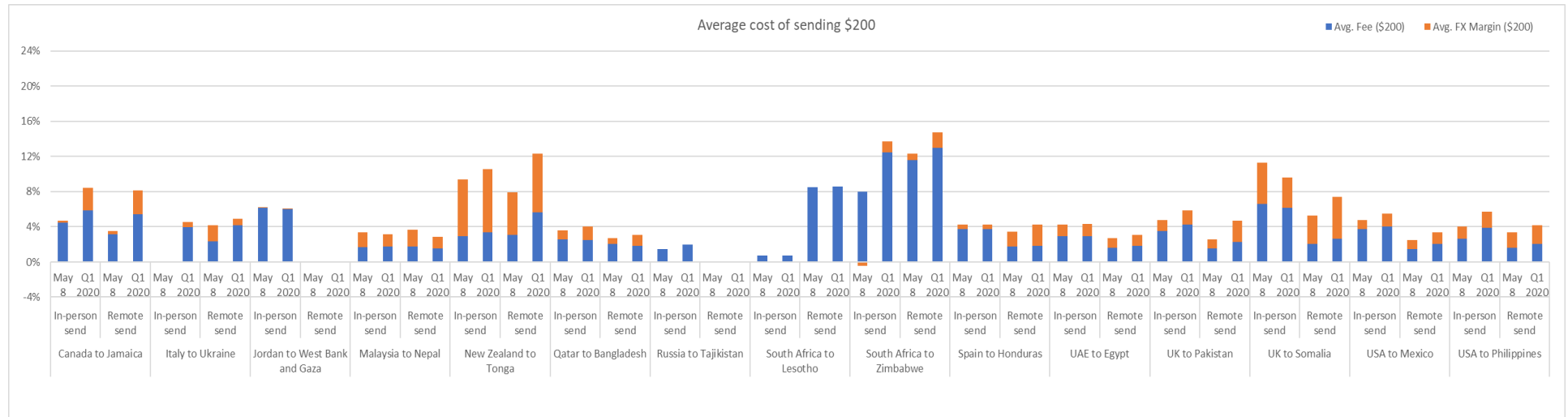
Corridor	COVID-19: Week 2 (April 10)		COVID-19 Week 4 (April 24)		COVID-19 Week 6 (May 8)		RPW Q1 2020 (Same Services as April)	RPW Q1 2020
	Avg. Total Cost (\$ 100)	Avg. Total Cost (\$ 200)	Avg. Total Cost (\$ 100)	Avg. Total Cost (\$ 200)	Avg. Total Cost (\$ 100)	Avg. Total Cost (\$ 200)	Avg. Total Cost (\$ 200)	Avg. Total Cost (\$ 200)
UAE to Egypt	5.43%	3.18%	5.52%	3.28%	5.69%	3.45%	3.94%	3.68%
Canada to Jamaica	10.64%	7.52%	8.37%	5.42%	6.59%	3.83%	8.32%	8.24%
Spain to Honduras	6.39%	4.29%	6.58%	4.48%	5.96%	3.85%	4.38%	4.26%
UK to Pakistan	7.30%	4.90%	6.37%	4.11%	5.37%	3.14%	5.22%	5.12%
UK to Somalia	10.24%	8.49%	9.88%	9.11%	10.00%	9.29%	8.88%	8.88%
Italy to Ukraine	7.82%	5.85%	5.42%	4.03%	5.58%	4.19%	5.07%	4.72%
Jordan to West Bank and Gaza	n.a.	n.a.	n.a.	n.a.	11.92%	6.27%	6.26%	6.96%
Malaysia to Nepal	5.65%	4.03%	5.03%	3.41%	5.13%	3.53%	3.03%	3.03%
New Zealand to Tonga	11.39%	8.47%	12.20%	9.28%	11.30%	8.38%	11.37%	11.65%
Qatar to Bangladesh	5.59%	3.16%	5.53%	3.10%	5.82%	3.37%	3.97%	3.75%
Russia to Tajikistan	1.50%	1.38%	1.67%	1.50%	1.67%	1.50%	1.67%	1.67%
USA to Mexico	5.21%	3.15%	n.a.	4.45%	n.a.	2.73%	3.69%	1.73%
USA to Philippines	5.00%	3.33%	4.96%	3.26%	5.19%	3.49%	4.49%	4.04%
South Africa to Lesotho	n.a.	n.a.	10.88%	6.59%	10.88%	6.59%	7.27%	4.50%
South Africa to Zimbabwe	16.40%	11.52%	18.99%	12.89%	17.69%	11.67%	11.39%	14.70%

Source: Remittance Prices Worldwide

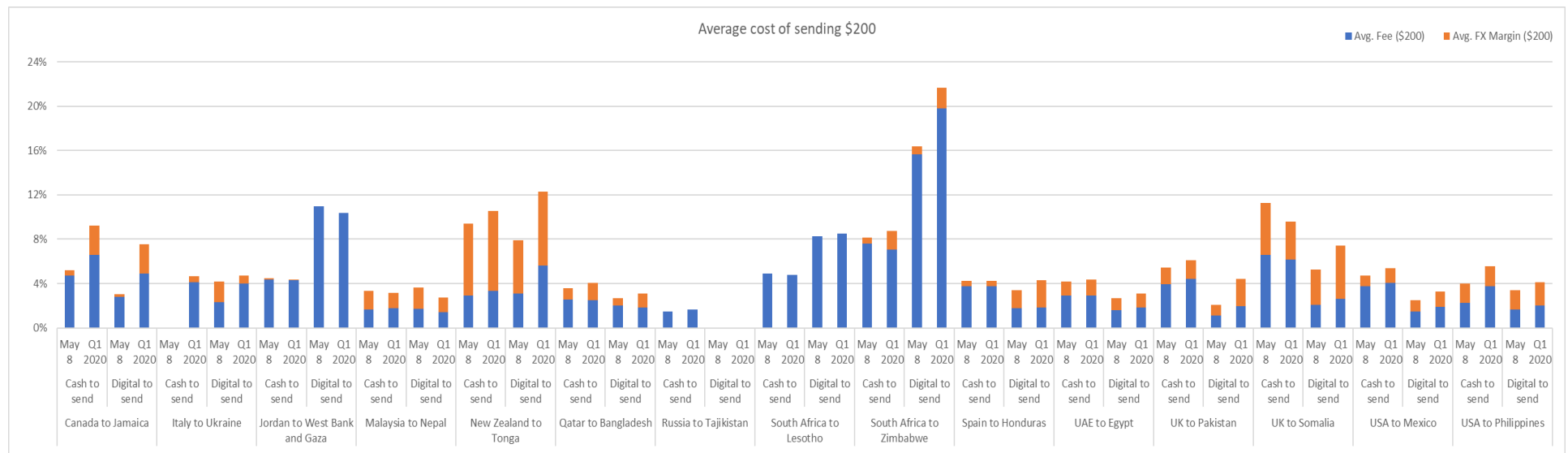
³ For the USA-Mexico corridor, the average cost of sending \$500 was recorded as 1.94%. This was 3.46% during the week of April 24 and 2.43% during Q1 2020.

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 8

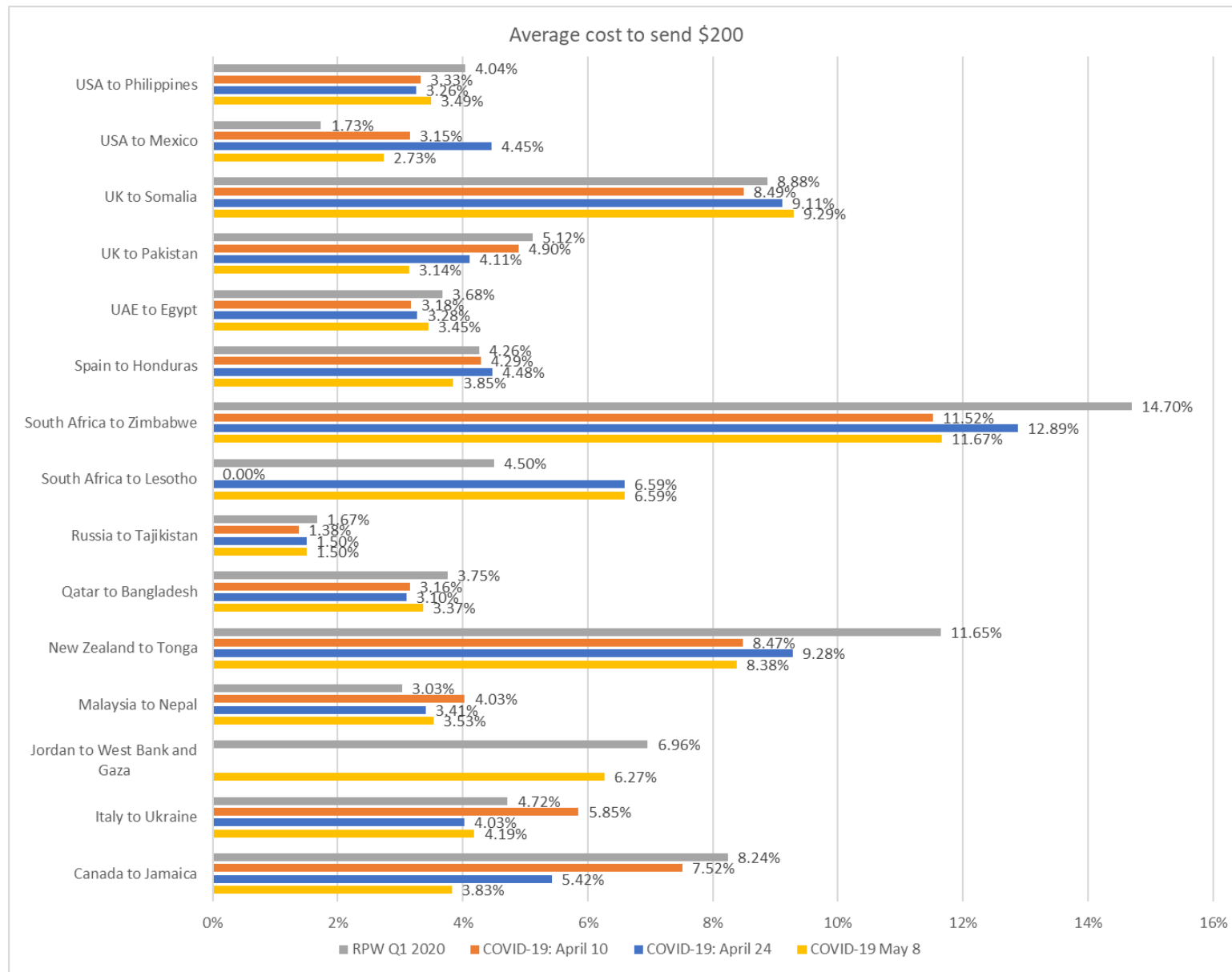


Panel b) Remote vs. in-person access to the service, Q1 2020 vs. May 8



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 10, APRIL 24, AND MAY 8



Source: Remittance Prices Worldwide (RPW).