

Remittance Prices Worldwide

Special Issue 7 on COVID-19: May 22, 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 22 for 15 corridors points out to the following findings:

- RSPs are largely functional and are declared as essential services. While limited closures continue in some jurisdictions, many other countries are relaxing their lockdown restrictions. As before, operational challenges remain as a barrier to serving remittance beneficiaries in a few countries.
 - On average, prices continue to be lower in the sample corridors compared to the Q1 2020 data.
 - The average total cost of sending \$200 in the surveyed corridors is 5.56%, showing a slight increase of 0.03% across the same corridors from week 5.
 - The largest decline in cost from week 5 to 7 is the Australia to Vietnam corridor, previously 3.91% in week 5 to 3.24% in week 7 due to one of the higher priced operators not being available this week
 - Over half the corridors saw an increase in costs this week, most notably the Canada to Haiti corridor, in which the cost of sending \$200 increased from 6.6% to 7.63% due to one of the lower priced operators not being available this week. In addition, some other providers that were available in weeks 3 and 5 were not available in week 7 and vice-versa.
- The increases in the cost of sending \$200 in other corridors ranged from 5-66 basis points.
 - This week, 7 out of 15 corridors had unavailable services. This is a decrease from the experience in the last 6 weeks. A number of markets have relaxed operational restrictions for COVID-19, enabling more physical agent to open. The unavailable services are mostly cash-based services in countries where restrictions on money transfer businesses have not yet been lifted.

- As seen throughout the pandemic, the cost of remote services is cheaper than sending remittances in-person. For week 7, sending \$200 remotely averaged 4.83%. The most expensive method, on average, this week was for sending \$100 in-person which cost 8.46% of the transaction. The cost of sending \$200 in-person decreased slightly from 6.26% in Week 5 to 6.22% in Week 7.

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, April 27-May 1, and May 11-15. 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, with the exception of France to Morocco and Saudi Arabia to Ethiopia.

Figure 2 plots the trends in the cost of sending \$200 in Q1 2020, and in the weeks of April 3, April 17, May 1, and May 15. Overall, prices have remained lower, with some exceptions. For example, for the France to Morocco, Saudi Arabia to Ethiopia, UK to South Sudan and US to Somalia corridors have eventually become more expensive than Q1 2020 in terms 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.

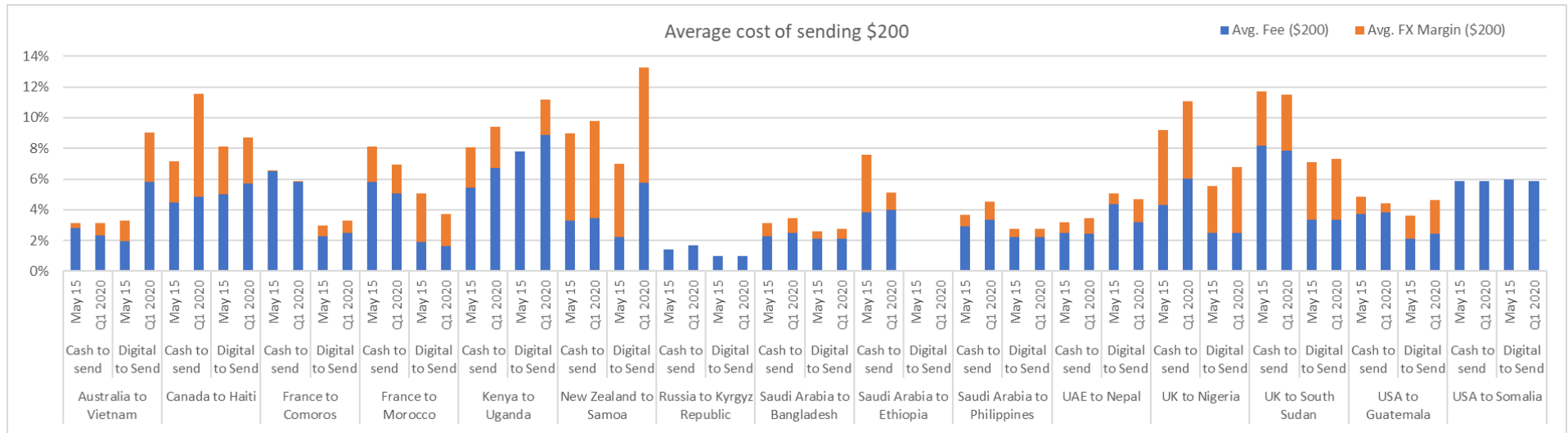
TABLE 1 – AVERAGE COST OF SENDING \$100 AND \$200 FOR SELECTED CORRIDORS

Corridor	COVID-19 April 3	COVID-19 April 3	COVID-19 April 17	COVID-19 April 17	COVID-19 May 1	COVID-19 May 1	COVID-19 May 15	COVID-19 May 15	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 (\$ 100)	Avg. Total Cost (\$ 200)	Avg. Total Cost (\$ 100)	Avg. Total Cost (\$ 200)	Avg. Total Cost (\$ 200)	Avg. Total Cost (\$ 200)
Australia to Vietnam	6.30%	4.35%	6.04%	4.25%	5.65%	3.91%	5.23%	3.24%	4.14%	6.83%
Canada to Haiti	10.62%	7.21%	9.97%	6.47%	9.85%	6.60%	10.95%	7.63%	10.74%	10.06%
France to Comoros			5.88%	4.77%	5.16%	4.04%	5.83%	4.29%	4.66%	4.66%
France to Morocco	8.33%	6.47%	8.25%	6.46%	7.66%	5.85%	7.68%	5.90%	5.06%	5.57%
Kenya to Uganda			13.70%	8.24%	11.57%	6.64%	11.81%	6.79%	9.82%	10.30%
New Zealand to Samoa	8.82%	6.44%	10.63%	8.08%	10.47%	7.96%	10.14%	7.79%	10.29%	11.89%
Russia to Kyrgyz Republic			1.26%	1.20%	1.50%	1.40%	1.50%	1.40%	1.39%	1.33%
Saudi Arabia to Bangladesh	6.53%	4.15%	5.52%	3.14%	5.54%	3.28%	5.33%	3.06%	3.48%	3.37%
Saudi Arabia to Ethiopia	9.67%	5.71%	10.08%	6.23%	11.20%	7.35%	11.45%	7.60%	5.13%	5.13%
Saudi Arabia to Philippines			7.00%	4.03%	6.28%	3.48%	6.27%	3.47%	4.13%	4.22%
UAE to Nepal	8.36%	5.11%	8.47%	5.20%	7.13%	3.92%	7.23%	4.03%	4.48%	3.95%
UK to Nigeria	9.13%	7.67%	8.16%	6.97%	8.92%	7.78%	8.21%	7.14%	8.65%	8.65%
UK to South Sudan			11.75%	9.56%	12.19%	10.28%	12.57%	10.94%	10.79%	10.79%
USA to Guatemala			7.64%	4.44%	7.61%	4.53%	7.13%	4.23%	4.62%	4.52%
USA to Somalia			6.14%	5.21%	6.42%	5.88%	5.64%	5.89%	5.88%	5.88%

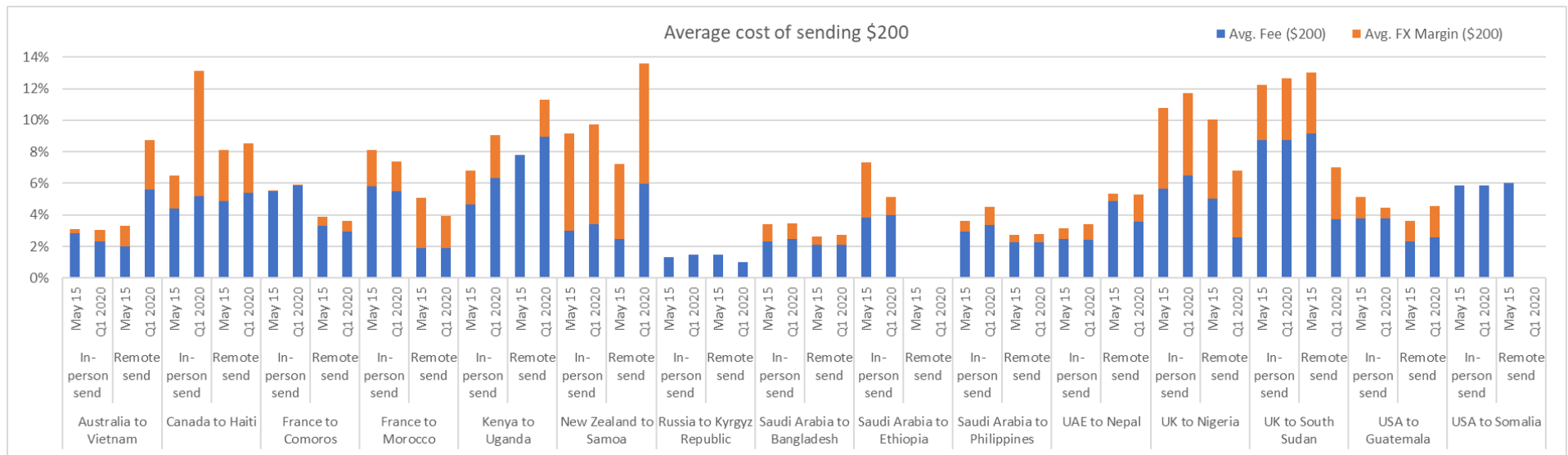
Source: Remittance Prices Worldwide

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 15

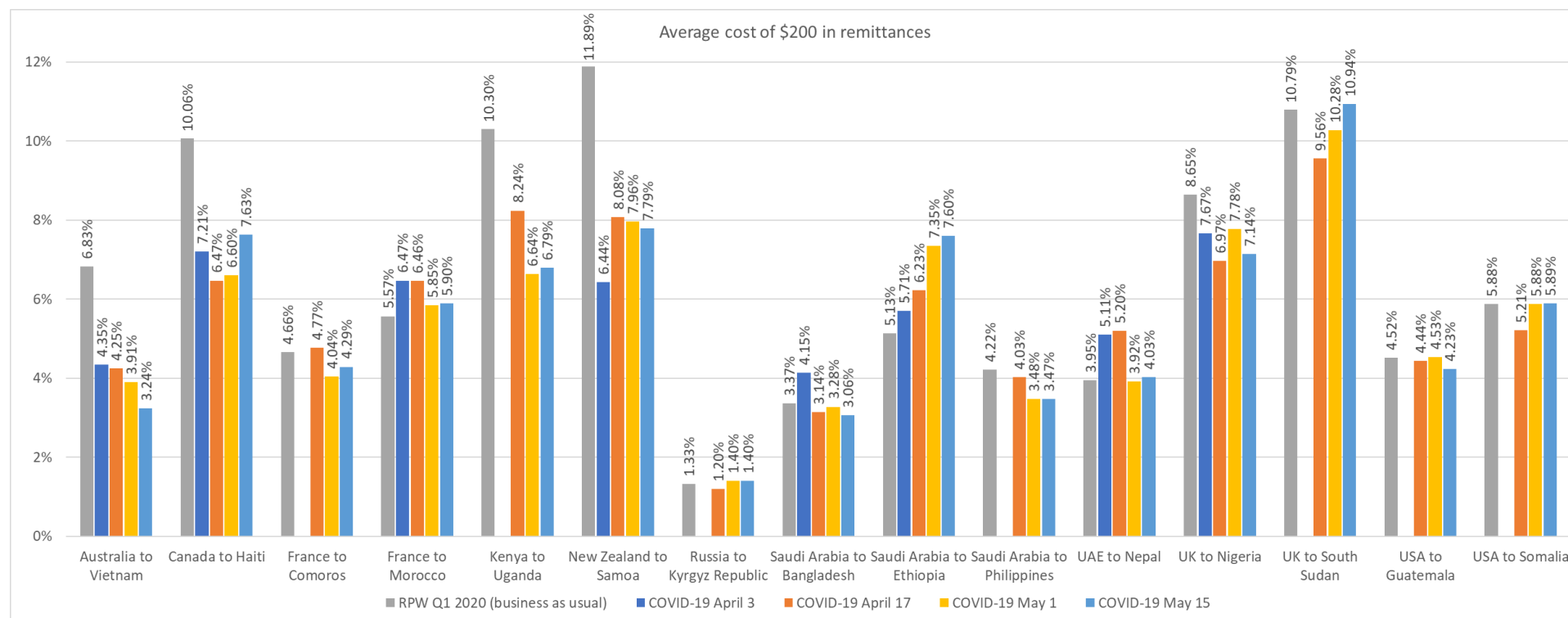


Panel b) Remote vs. in-person access to the service, Q1 2020 vs. May 15



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, MAY 1 AND MAY 15



Source: Remittance Prices Worldwide (RPW).