

Remittance Prices Worldwide

Special Issue 8 on COVID-19: May 29, 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.

New Zealand to Tonga corridor, previously 8.38% in week 6 to 7.18% in week 8 due in part to a few relatively cheaper services becoming available again.

- Over 60% of the corridors saw an increase in costs this week, most notably the Canada to Jamaica corridor, which increased from 3.83% to 6.27% due to lower priced operators not being available this week and a couple of operators showing fee increases.

Table 1 includes a list of all corridors for which the data are collected during the weeks of April 6-10, April 20-24, May 4-8, and May 18-22. 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

Key Findings

The RPW update as of May 29 for 15 corridors points out to the following findings:

- RSPs are largely functional and are declared as essential services. Most countries have relaxed their lockdown restrictions. As before, operational challenges due to social distancing measures 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.
- With the services gradually returning to normal, the average price of sending remittances started to increase in week 8 as well. This is expected because as noted in earlier updates, those services that were the most affected by the lockdowns were the ones that use cash as the instrument and provide services in-person, which have been, usually, more expensive compared to digital, remote access alternatives.
- The average total cost of sending \$200 in the surveyed corridors is 5.20%, showing a slight increase of 18 percentage points across the same corridors from week 6.
- The largest decline in cost from week 6 to 8 is the

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. At the same time, it is also important to note that as several countries have started lifting the lockdowns, more and more services became available again, even if operational challenges due to COVID-19 remained, e.g. social distancing rules.

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, May 8, and May 22. Overall, prices have remained lower, with some exceptions. For example, for the Malaysia to Nepal, South Africa to Lesotho, Spain to Honduras, UK to Somalia, and US to Mexico corridors have become more expensive than or as equally expensive as 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. 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. During week 8, the average cost was down to 1.88% (the lowest during the period of analysis) from 1.94% in week 6.

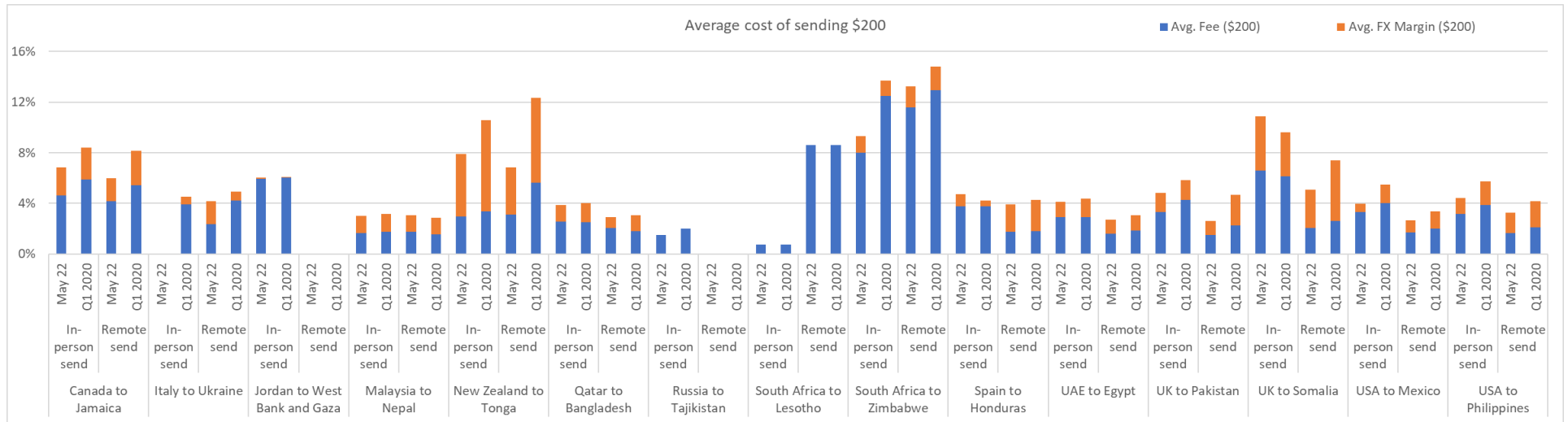
TABLE 1 – AVERAGE COST OF SENDING \$100 AND \$200 FOR SELECTED CORRIDORS

Corridor	COVID-19: Week 2		COVID-19 Week 4		COVID-19 Week 6		COVID-19 Week 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 (\$ 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%	5.63%	3.40%	3.94%	3.68%
Canada to Jamaica	10.64%	7.52%	8.37%	5.42%	6.59%	3.83%	8.93%	6.27%	8.32%	8.24%
Spain to Honduras	6.39%	4.29%	6.58%	4.48%	5.96%	3.85%	6.43%	4.33%	4.38%	4.26%
UK to Pakistan	7.30%	4.90%	6.37%	4.11%	5.37%	3.14%	5.52%	3.27%	5.22%	5.12%
UK to Somalia	10.24%	8.49%	9.88%	9.11%	10.00%	9.29%	9.66%	8.95%	8.88%	8.88%
Italy to Ukraine	7.82%	5.85%	5.42%	4.03%	5.58%	4.19%	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%	11.52%	6.02%	6.26%	6.96%
Malaysia to Nepal	5.65%	4.03%	5.03%	3.41%	5.13%	3.53%	4.66%	3.05%	3.03%	3.03%
New Zealand to Tonga	11.39%	8.47%	12.20%	9.28%	11.30%	8.38%	10.10%	7.18%	11.37%	11.65%
Qatar to Bangladesh	5.59%	3.16%	5.53%	3.10%	5.82%	3.37%	6.08%	3.63%	3.97%	3.75%
Russia to Tajikistan	1.50%	1.38%	1.67%	1.50%	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%	n.a.	2.96%	3.69%	1.73%
USA to Philippines	5.00%	3.33%	4.96%	3.26%	5.19%	3.49%	5.30%	3.50%	4.49%	4.04%
South Africa to Lesotho	n.a.	n.a.	10.88%	6.59%	10.88%	6.59%	12.20%	7.02%	7.27%	4.50%
South Africa to Zimbabwe	16.40%	11.52%	18.99%	12.89%	17.69%	11.67%	18.70%	12.69%	11.39%	14.70%

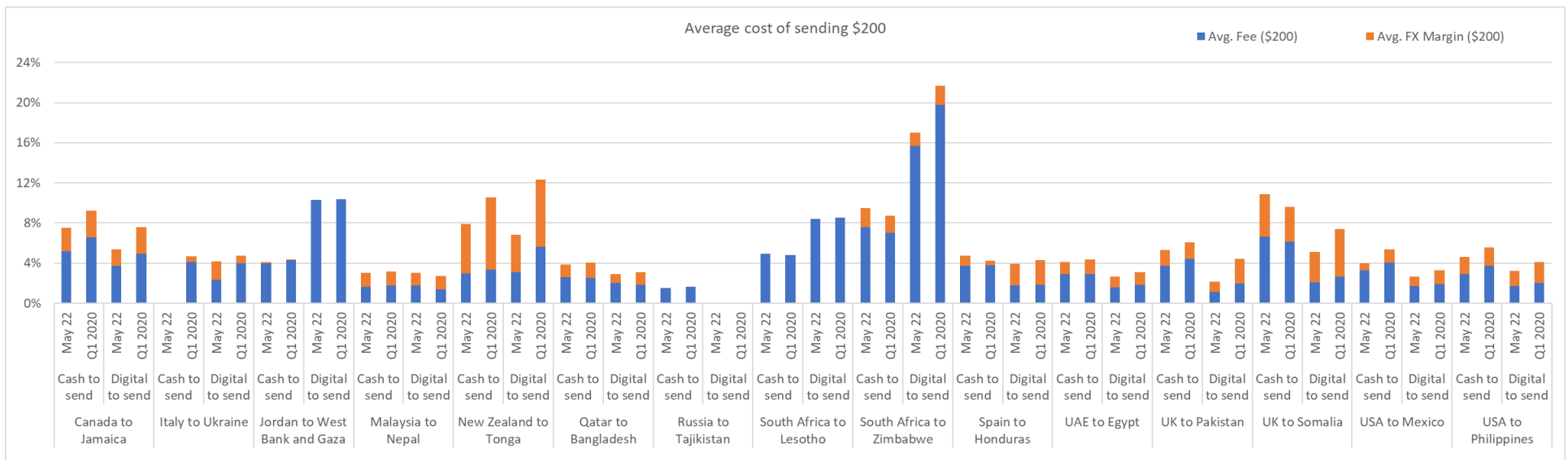
Source: Remittance Prices Worldwide

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 22

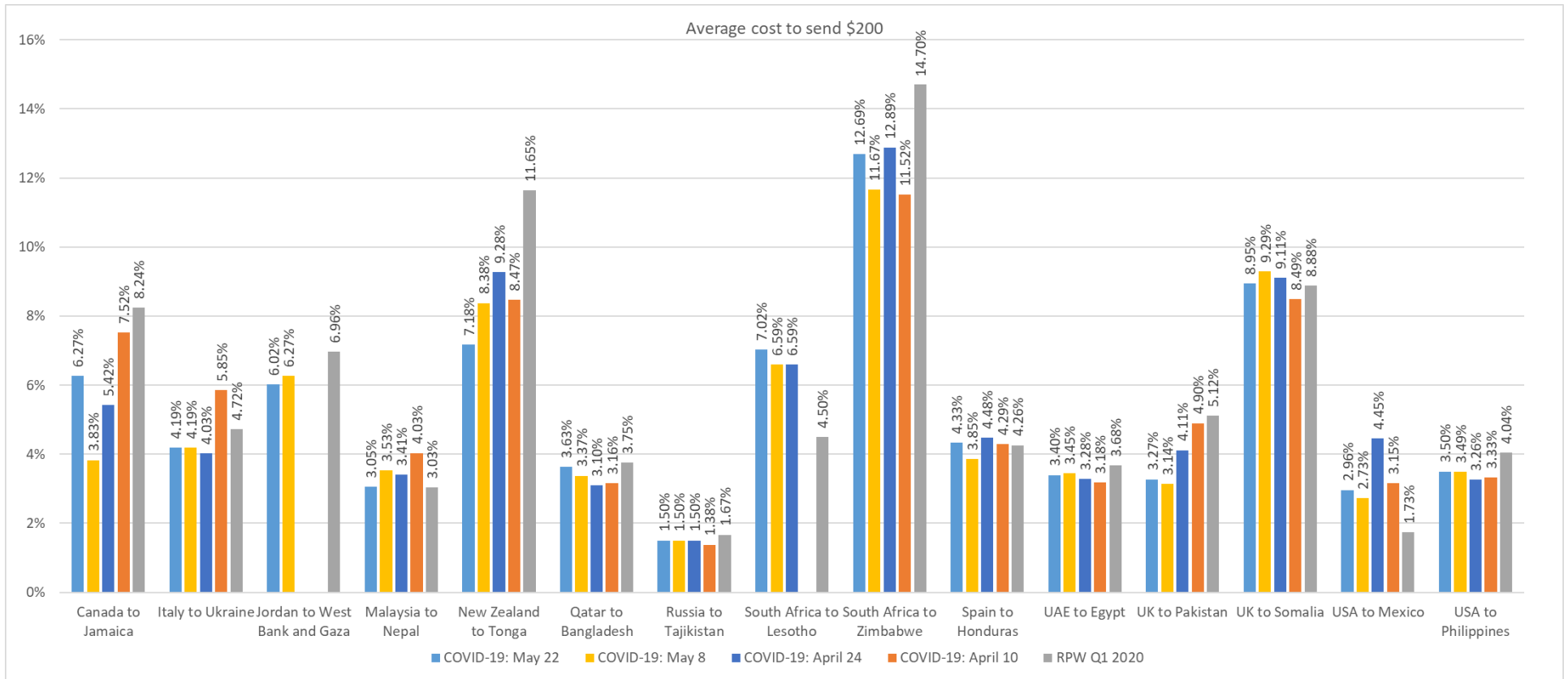


Panel b) Remote vs. in-person access to the service, Q1 2020 vs. May 22



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, MAY 8 AND MAY 22



Source: Remittance Prices Worldwide (RPW).