**Inter-American Dialogue Meeting**

**Impact of COVID-19 on Remittances - April 2, 2020**

Manuel Orozco – Migrant health conditions are not good – they are in a vulnerable position. After the health, the pandemic most impacts economic activity. 10 percent of labor force in the US made up of migrants is 10 million workers – drop in remittances will be 8 to 10 percent drop in 2020 due to pandemic. Fragile states will be disproportionately impacted by this drop in remittances and global economic crisis – Venezuela and Northern Triangle. We are already seeing a drop this month in remittances.

Mariellen Jewers – Health and remittances – Migrants in the US are at greater risk due to lack of health insurance. These workers are in jobs that make them more susceptible. 40% of food preparation workers are foreign born and 36% work in building and home cleaning. Immigrant households have more dense living arrangement which makes it difficult for them to self-quarantine if one member of the household becomes sick. The lack of health insurance to the immigrant population is a major problem in preventative healthcare and in treatment for illness. Undiagnosed diabetes among immigrant population is a major issue and makes them more susceptible to negative outcomes if they contract COVID-19. Exposure risk along with living arrangements and potential for negative impact make the immigrant population especially at risk due to the COVID-19 outbreak.

Piero Coen – Air Pack[[1]](#footnote-1) – Guayquill in Ecuador – dead bodies on the street and the inability of the country to respond to COVID-19. Rupture of the social contract is the greatest danger we face. My managers in Mexico and Central America estimate that the reduction in remittances will be 15% to 25%. One outcome of this crisis is moving the remittance business toward digital transactions with digital wallet mechanisms. The crisis will probably speed up the process. We already see an uptick in the use of digital wallets and we are working with one of the governments in the region to use digital wallet for a variety of payments. We are also focused on financial inclusion of the diaspora and locally in countries where we operate.

Gene Nigro – Remitly[[2]](#footnote-2) - We will see a change in customer behavior as customers move to digital remittances and use of digital wallet. There will also be a change in consumer behaviors due to the crisis. There could be changes in different service sectors that could have longer term impacts. I believe the economy will recover quickly once the pandemic is over but changes in consumer behavior could be something that impacts sectors where migrants are working.

Questions:

Mobile Wallets - What about mobile wallets (digital transfers)? Digital wallets are cheaper than transfer of remittances through Western Union or other companies. The ecosystem for mobile wallets needs to develop more for Latin America. Mobile wallet system is used primarily in Africa. There needs to be more development of the market for Latin America. “Cash is still king.”

Health Issues – What can be done to mitigate health impacts by governments re COVID-19? This is going to depend on individual countries working to respond to health needs for their citizens. Some countries are taking the COVID-19 more seriously while some countries are not. The best way to help is through supporting NGOs in the sector and that can be done best at the local level.

Digital Wallet – How can this sector be expanded? It will depend on the governments – one government is already working with us to expand the use of digital wallets for everything – paying bus fare, providing welfare assistance, paying utilities, etc.

Switch to Digital – Anyone who is going to be using the digital platform is going into it now or they are never going to use it. Unfortunately, the digital wallet systems for Latin America are not well developed. Debt card interface could be one approach for making digital wallet more accessible. This will depend on the ecosystem being developed.

Cost of Remittances – Fees are relatively low ($3.99 per remittance) and we believe that this is the lowest the remitting companies can go in reducing the fees for remittances. Overall this represents 1 percent of the cost of remitting funds.

Education of Remittances – This is a business driven initiative at this point but governments could become more involved. This is an area that could have an impact.

Impact of Crisis on Remittances – Immigrants that lose their jobs will first use their savings then reduce expenses in any way possible and lastly find reduce remittances. It took 2 years to recover after the 2008 recession. If the economy recovery takes place quickly then the impact on remittances may be less than in 2008.

Impact on Immigration to US – It will be rough in US but much rougher in Latin America – immigration will continue. Ironically, the crisis will result in more immigrants staying in the US rather than going back to more difficult conditions in their home countries. There will also be the same incentive for people to try and leave Latin America for the US.

1. AirPak – <http://www.airpak.com> – **AirPak** is Central America’s leading money transfer company and has been Western Union exclusive representative in Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica and more recently Mexico. Air Pak offers high-technology service which is safe and reliable, ensuring wide geographic accessibility with thousands of locations in its own facilities and through third-party locations. Outside the region, Western Union points of sale add to more than 500,000 locations in more than 200 countries. [↑](#footnote-ref-1)
2. Remitly - <https://www.remitly.com/us/en> - The largest private digital remittance company headquartered in the United States transferring over $3 billion in annualized volume. Remitly partners with cash-pickup locations. It makes money by charging transaction fees and marking up foreign exchange rates. Fees vary widely by country, but on average, Remitly charges about 1.5% for a transfer.” [↑](#footnote-ref-2)