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Defying the Odds: Remittances During the COVID-19 Pandemic

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Abstract

This paper provides an early assessment of the dynamics and drivers of remittances during the COVID-19 pandemic, using a newly compiled monthly remittance dataset for a sample of 52 countries, of which 16 countries with bilateral remittance data. The paper documents a strong resilience in remittance flows, notwithstanding an unprecedented global recession triggered by the pandemic. Using the local projection approach to estimate the impulse response functions of remittance flows during Jan 2020-Dec 2020, the paper provides evidence that: (i) remittances responded positively to COVID-19 infection rates in migrant home countries, underscoring its role as an important automatic stabilizer; (ii) stricter containment measures have the unintended consequence of dampening remittances; and (iii) a shift from informal to formal remittance channels due to travel restrictions appears to have also played a role in the surge in formal remittances. Lastly, the size of the fiscal stimulus in host countries is positively associated with remittances as the fiscal response cushions the economic impact of the pandemic.

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