



Not by land nor by sea: the rise of formal remittances during COVID-19

Tuesday 13 April 10–11am (AEST)

Speaker

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Registration at

https://anu.zoom.us/webinar/register/WN_5cnOz0rrSLqIOD62-uejA

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(Fiona Graham/WorldRemit)

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Despite record unemployment in remittance-sending economies, formal remittances to several developing countries grew since the beginning of the pandemic. Such an increase may reflect a shift from informal to formal channels, rather than an increase in total remittances. This is because the mobility constraints that prevented travelers from carrying cash across borders made electronic wire transfers the only option to remit. Using a rich municipality-level data set of formal remittance inflows and location patterns of migrants to the United States for Mexico, we find that the rise in formal remittances was largely driven by municipalities closer to a border crossing and mostly originated from US states along the border. This is consistent with migrants born in the Northern areas of Mexico living in US areas closer to their families, such that the cost of sending informal remittances is usually very low, but it largely increased after COVID-19. Along this line, we find a large and disproportionate increase in the number of new accounts at financial institutions among municipalities near a border crossing since the implementation of lockdown measures. We rule out alternative hypotheses, such as the role of the CARES Act and increasing remittance flows to municipalities worst hit by the crisis.

This webinar is free and open to the public. It will be recorded, and the recording will be made available after the event through the Development Policy Centre website (<https://devpolicy.crawford.anu.edu.au/>).