Overview

The Remittance Prices Worldwide* (RPW) database monitors remittance prices across all geographic regions of the world. RPW was launched by the World Bank in September 2008, and remains a key tool to monitor the cost incurred by remitters and beneficiaries when sending and receiving money along major remittance corridors. The recently launched eleventh iteration of RPW covers 220 country corridors worldwide, originating from 32 remittance sending countries to 89 receiving countries.

This Report uses data from RPW’s most recent release to analyze the global, regional, and country specific trends in the average total cost of migrant remittances, as well as the factors influencing them. RPW is used as a reference for measuring progress towards the “5x5” objective, which has been endorsed by the G8 and the G20 and is being pursued in partnership with governments, service providers, and interested stakeholders.

Main Findings

Based on the data collected for the 2Q 2013 release of RPW, and when compared to previous iterations, the following main findings have been identified. All figures refer to the cost of sending USD 200 or the local currency equivalent.

- The Global Average total cost for sending remittances continued to decline in 2Q 2013 and stands at 8.85 percent, compared to 9.05 percent in 1Q 2013.
- The Global Weighted Average dropped in the last quarter, reaching a new lifetime low of 6.63 percent. This suggests that prices are indeed decreasing where higher volumes are being transferred.
- The International MTO Index, which includes the Money Transfer Operators (MTOs) present in over 85 percent of the surveyed corridors, also decreased in the last year. The Index now stands at 8.86 percent in 2Q 2013, down from 10.16 percent in 3Q 2011.
- The average cost for sending remittances from the G8 countries was 9.19 percent in 2Q 2013. However, significant disparities in the cost structure across these countries remain. Russia still has the lowest total average cost across G8 countries. Japan remains the most expensive country in the G8 group, and continues to register increases in the average price. The cost of sending remittances from Germany, Italy, UK and USA declined in 2Q 2013.
- The cost of remitting from G20 countries is now 9.52 percent, representing a departure from the pattern of the global average. The average cost of sending money to the G20 countries that are included in RPW as receiving markets is 9.81 percent, which has decreased slightly since the previous quarter when it was recorded at 10.11 percent.
- South Asia (SA) and Latin American and the Caribbean (LAC) are the least costly regions to send money to, with an average cost of 7.02 percent and 7.28 percent respectively. MENA increased slightly

* Remittance Prices Worldwide is a product of the Financial Inclusion and Infrastructure Global Practice of the Financial and Private Sector Development Vice-Presidency of the World Bank.
from its lifetime low 1Q 2013, with the average price recorded at 7.83 percent in 2Q 2013. The cost of sending money to EAP declined to 8.88 percent in 2Q 2013, down from 8.97 in 1Q 2013. The cost of sending money to Sub-Saharan Africa decreased from 12.21 in the previous quarter to 12.06 in 2Q 2013, but still remains the most expensive region of the world to send money to.

Commercial banks remain the most expensive way to send money with an average cost of 12.97 percent. Post offices, with an average cost of 5.44 percent, are the least costly type. MTOs registered an increase from 6.92 percent in 1Q 2013 to 7.36 percent in 2Q 2013.

Cash products are the most widely available ones (1,229) and their average price is 7.15 percent. Account-to-account products are the most expensive, with an average cost of 14.45 percent; however, transfers within the same bank or to a partner bank are significantly cheaper.

Global average cost for remittances stable during the last year, while MTOs lower prices

In 2Q 2013, the global average total cost\(^{v}\) for sending remittances was 8.85 percent. Since the launch of RPW in September 2008, and until 1Q 2010, the global average consistently decreased. An upward trend began in 3Q 2010 and continued in the following two iterations, reaching 9.30 percent in 3Q 2011, from a lifetime low of 8.72 in 1Q 2010. This trend was reversed, however, when the price decreased to 9.12 percent in 1Q 2012 and again to 8.96 percent in 3Q 2012. In in 1Q 2013, the value increased slightly to 9.08 percent, but declined to 8.85 percent in 2Q 2013.

The International MTOs Index tracks the prices of MTOs that are present in at least 85 percent of corridors covered in the RPW database. This Index has been consistently decreasing since the 3Q 2011.\(^{vi}\) The Index dropped from 10.16 percent in 3Q 2011 to 8.86 percent in 2Q 2013 (see figure 1). It is worth noting that the convergence between the Global Average and the International MTO Index, which was noted in the last iteration, has continued. The Index was nearly two percentage points higher than the global average in 2010 and it is now only 0.1 percentage points higher, a clear indication that MTOs are progressively making their prices more competitive, partly thanks to the pressure of the international community.

Global weighted average cost dropped in the last quarter

In addition to the global average, a global weighted average total cost was calculated, which accounts for the size of the flows in each remittance corridor. It is important to note that official data on remittance flows by bilateral corridors are currently not available. Estimates are available\(^{vii}\) and have been used in this calculation. These estimates are based on the Balance Of Payments (BOP) and factor in migrant stocks, destination country incomes, and source country incomes. The methodology for these estimates has been questioned, as well as the accuracy of official data on remittance flows and migrant stocks. However, this still represents the only available comprehensive dataset on bilateral remittance flows. It also seems likely that overall the dataset is
sufficiently accurate to reflect at least the proportion between the different corridors, hence offering a good approximation to weight the relevance of each corridor in terms of flow size.

The global weighted average total cost of sending remittances, as illustrated in figure 2, has, at times, shown a different pattern from the simple average. After declining for the first six consecutive iterations, from 2008 to 3Q 2011, the global weighted average increased for the first time in 1Q 2012 to 7.10 percent, up from 7.02 percent in the previous iteration. The upward trend continued in 3Q 2012, when the global weighted average increased to 7.26 percent, but was reversed in the following quarter. In 1Q 2013, the weighted average decreased to 6.92 percent and again to 6.63 percent in 2Q 2013 – a new lifetime low. This suggests that prices are indeed decreasing where higher volumes are being transferred.

The trend for average cost in G8 countries is consistent with the global average

The G8 countries include the major sending countries in the world. The average cost for sending remittances from the G8 countries in 2Q 2013 was 9.19 percent (up from 8.53 percent in the last iteration), higher than the global average for the first time since 1Q 2009.

As figure 3 illustrates, there are significant disparities in the cost structure across these countries (see also table 1 in the annex). Japan, France, Germany, and Canada maintain an average total cost above both the global average and the G8 average, while average costs in Russia, the United States, Italy, and the United Kingdom are below both the global and G8 averages. This has been relatively consistent for most countries over the years. Russia and the United States have consistently had average costs lower than the global and G8 averages since 2008; during the same period of time, Japan, Germany, and Canada have had averages that were consistently above. Italy and France have also been relatively consistently below and above, respectively, with the exception of one iteration in each case. The United Kingdom average has been below both the global and G8 averages, consistently since 1Q 2010.

Despite a slight increase compared to six months ago, from 2.33 percent in 1Q 2012 to 2.34 percent in the last iteration, Russia still has the lowest total average cost across G8 countries. It is important to note that Russia has a unique environment where cross border remittances are mostly conducted in the same currency and possible additional cost deriving from a currency exchange are not known. The Russian market also benefits from relatively
low fees charged by the providers when compared to the other G8 countries.

Japan remains the most expensive country in the G8 group and continues to register increases in the average price. The cost went from 16.66 percent in 1Q 2013 to 18.31 percent in 2Q 2013. The cost of sending remittances from Japan is higher today than it was at inception of the RPW in 2008, when the remittances market in Japan was dominated by commercial banks and the average total cost was 15.33. The Payment Services Act in late 2009 opened the market to non-bank RSPs; however, while new players have continued to enter the market since then, prices continue to rise, confirming the need for further intervention.

Canada and France registered increases in the average price for 1Q 2013. For Canada, the variation is such that the average price is back to 11.09 percent, very close to the 11.08 registered twelve months ago, after a significant drop in 3Q 2012. The cost of sending money from France increased in the last quarter from 10.72 percent in 1Q 2013 to 10.96 percent in 2Q 2013, but remains lower than the averages registered for the preceding 3 quarters.

In Italy, prices slightly decreased to 7.31 percent over the last six months, confirming a downward trend that began in 1Q 2012. The cost of sending remittances from Germany continued to decline significantly in 2Q 2013, showing a decrease of nearly two percentage points in the past year, decreasing from 11.16 percent in 1Q 2012 to 9.61 percent in the last iteration. The UK and the USA also registered declines this quarter, reaching a lifetime low 7.69 percent and 6.65 percent, respectively.

Figure 4 shows the spread between the minimum and maximum amounts charged by individual RSPs in each country. In most countries, the wide range between the two values is due to the presence of costly services, in particular those offered by some commercial banks. It is interesting to note, for example, that the spread is narrower in Russia, where banks do not operate in the market for remittances. In Japan, where MTOs are still relatively new players, the gap between the most and least costly services is comparatively wide. This may be due to the fact that, while cheaper services are being introduced by new market entrants, incumbent providers maintain relatively higher prices.

Competition in the market for remittances is an important driver of the cost of sending remittances; corridors served by a higher number of RSPs should have lower prices. This intuitive finding is confirmed by the analysis of the correlation between the number of RSPs surveyed in a corridor and the average total cost for the same corridor. This phenomenon can be clearly observed in Germany, shown in figure 5, where average prices range from 4.96 percent for Romania, which has 14 provides, to 12.91 percent for Croatia with only 7.
Cost for migrant remittances in the G20 countries

The G20 adoption of a target raises the need for an index that specifically monitors the price of remittances in the G20 members. Due to the heterogeneity of the sample, a single index cannot be calculated with the same methodology used for the G8. A single index would entail including in the same calculation figures that are different in nature, i.e. the cost of sending remittances from and to a country. This is due to the fact that some countries are included in the database as sending markets, while other countries are included in the sample as receiving markets.

For this reason, two different indexes are proposed here: (1) average for sending remittances from the G20 member countries (see figure 6); and (2) average for sending remittances to the G20 member countries (see figure 7).

With the exception of 3Q 2009, the cost of remitting from G20 countries followed the same pattern as the global average, until 1Q 2013. In 2Q 2013, however, these two figures moved in opposite directions. The cost of remitting from G20 countries increased from 9.12 to 9.52 percent, while the global average declined from 9.05 to 8.99 percent between 1Q 2013 and 2Q 2013.

The average cost of sending money to the G20 countries that are included in RPW as receiving markets is 9.81 percent, the lowest level recorded since 1Q 2013.

South Africa is the costliest remittance sending country in the G20 group, with an average of 20.69, followed closely by Japan with an average of 18.31 percent (see figure 8). The cheapest sending country, together with Russia, is Saudi Arabia (4.46), followed by Korea (6.20) and Brazil (6.35).

China and Brazil are the most expensive countries in the G20 to send money to, with average costs of 11.59 and 11.56 percent respectively (figure 9). For Brazil, the high cost is partially due to the high exchange rate margins charged by RSPs, especially MTOs, when converting the sending currencies into the Brazilian Real. In particular, providers generally
use the commercial rate as a reference when sending money to Brazil; however, the market rate is commonly applied to domestic retail transactions in the country. For this reason, the market rate, which is more favorable for the sender, is also used in RPW to calculate the margins charged by the providers.

Mexico and Indonesia remain the cheapest receiving markets in the G20, with averages of 5.67 and 6.67 percent, respectively.

**Figure 9 - Average cost of remitting to G20 countries in 2Q 2013**

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**Focus on China and India: remittance markets are not created equal**

A special analysis was conducted on cost of sending money to India and China, the two main receiving countries worldwide by volume of remittances received. Despite the large volume of remittances flowing into both countries, there is a significant gap in the price of sending remittances to China and India. The cost of sending money to China, 11.59 percent in 2Q 2013, is significantly above both the global and G20 averages. Sending money to India, on the other hand, costs an average of 9.13 percent and is below the G20 average and only slightly higher than the global average.

It is important to highlight that while it is more expensive to send money to China, the average price of 11.59 percent is still among the lowest in the lifetime for this country and four years ago, in 1Q 2009, the average was above 15 percent. Conversely, the 9.18 percent recorded for India in 2Q 2013 represents the highest average ever registered for this country and is a result of an overall increasing trend since 2008. The gap between the two countries continues to close.

As Figure 10 illustrates, even though China and India both have large inflows, India is served by a larger number of services than China, both overall and in common source countries, with the exception of Singapore and Japan. x

**Figure 10 - Number of RSPs in Common Sending Countries**

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**Remittance sending costs vary significantly across receiving regions**

The cost for remittance services varies significantly depending on the region where money is being sent (see figure 11; in the annex, see table 2). As in previous iterations, South Asia (SA) and Latin American and the Caribbean (LAC) are the least costly regions to send money to, with an average cost of 7.02 percent and 7.28 percent respectively. SA registered a slight increase over the last six months, though a decline can still be observed when compared to 2008. The average for SA was driven up of 0.48 percentage points (it was recorded at 6.54 percent in 3Q 2012), mainly due to the higher cost of sending money to India. In LAC, the average was 7.63 in 3Q 2012, and has declined by 0.35 percent during the last six months.

Due to the peculiarity of the Russian market and its heavy influence on the Eastern and Central Asia
(ECA) region, two values have been calculated and considered: an average including and an average excluding Russia. In both cases, the average cost increased over the last six months, from 6.54 to 6.70 percent when all corridors are considered, and from 8.21 to 8.35 percent when Russia is excluded from the calculation, registering the third consecutive increase for this region.

The average cost of sending remittances to the East Asia and Pacific (EAP) region has decreased from 8.97 percent in the previous iteration to 8.88 in 2Q 2013. In 2009, the average price registered in the region was over one percentage point above today’s value. While the margins for improvement are still significant, the overall downward trend is the result of the efforts in the area of transparency and competition, as well as increased dialogue among regulators and operators, particularly in the Pacific region.

Until 2012, the Middle East and North Africa (MENA) was characterized by a seasonal trend; slight increases in the third quarters followed by drops of the average costs in the first quarters. Unlike past years, the average price in this region remained relatively stable as there was only a very slight increase from 7.81 percent in 1Q 2013 to 7.83 percent in 2Q 2013.

With an average cost of 12.07 percent in 2Q 2013, the Sub-Saharan Africa region registered a decrease from 12.21 in the previous quarter, but still remains the most expensive region of the world to send money to, a position it has held since the launch of RPW in 2008. These results are indicative of the lack of coherent and targeted interventions in the most critical areas of the market for remittances in the continent.

Money Transfer Operators continue to lower their prices

The RPW database tracks the cost of sending remittances based on three main RSP types; commercial banks, MTOs, and post offices. Based on the data from this reporting period (see Figure), commercial banks continue to be the most costly RSP type. The cost of sending remittances using a commercial bank is 12.97 percent, significantly higher than the global average (8.85), and much higher than the cost through post offices and MTOs, which cost 5.44 and 7.36 percent respectively.

In 2Q 2013, post offices registered a new lifetime low reaching 5.44 percent, decreasing from the previous lifetime low of 6.30 in 1Q 2013. Post offices remain the cheapest RSP type to send money.

The cost of sending money through MTOs in 2Q 2013 is 7.36, a significant increase from the lifetime low of 6.92 reached last quarter.

MTOs are the largest category in the RPW database and the most transparent. 99 percent of MTOs (1,850 out of 1,877) disclose full information to their customers, compared with only 76 percent of banks (638 out of 836) and 38 percent of post offices (15 out of 39).
Cash services continue to dominate the remittance market at competitive prices

Cash services remain the most widely available ones (1,269, see Figure 12) and, with an average price of 7.15 percent, are also among the cheapest (see Figure 13). Cash-to-account services are the cheapest with an average cost of 6.15 percent, though they are less widely available (209). Account-to-account services (525), on the other hand, are the most expensive, with an average cost of 14.45 percent. It should be noted, however, that when transfers within the same bank or to a partner bank are considered, the price falls to 10.49 percent, though these services are not as common (53).

Although not widely available, door to door (78) and mobile services (18) were also among the cheapest product types, with average costs of 6.29 and 7.32 percent, respectively. 438 on-line services were surveyed and the average total cost was 8.09 percent.

Figure 14 - Availability of product types
NOTES

i Several countries/regions operate their own databases to monitor remittance price activity at the national/regional level. The World Bank certifies national and regional remittance prices databases compliant with the minimum mandatory requirements for remittance databases. To date databases for Italy, Central America, Australia/New Zealand, Africa, Norway, and France have been certified. For more information, visit http://remittanceprices.worldbank.org/National-Databases.

ii The 5x5 objective refers to reduction of the global average total cost of migrant remittances by 5 percentage points in 5 years. It was adopted by the G8 at the 2009 L’Aquila summit where the commitment was made “to achieve in particular the objective of a reduction of the global average costs of transferring remittances from the present 10% to 5% in 5 years.” In 2010, the G20 committed to a “significant reduction in the cost of remittances” and established a Development Action for Remittances.

iii The first iteration of the database was released in September 2008. For the following four years, the RPW database was updated every six months with data releases published for 1Q and 3Q 2009, 1Q and 3Q 2010, 1Q and 3Q 2011 and 1Q, and 3Q 2012. Starting in 2013, the RPW database will be updated quarterly. Data have been published for 1Q 2013 and 2Q 2013.

iv The regions’ abbreviations are as follows: East Asia and Pacific (EAP), Europe and Central Asia (ECA), Latin America and the Caribbean (LAC), Middle East and North Africa (MENA), South Asia (SA), Sub-Saharan Africa (SSA).

v The global average total cost is calculated as the average total cost for sending USD 200 with all RSPs worldwide; non-transparent RSPs (i.e. RSPs that do not disclose the exchange rate applied to the transaction) are excluded, as well as corridors from Russia, since in these cases the exchange rates were not provided and cost could be higher if data were complete.

vi The International MTOs Index includes all MTOs that are present in over 85 percent of RPW corridors. Thus far, it has included Western Union and MoneyGram, which operate in 99 percent and 92 percent of the country corridors covered in the database, respectively.


viii In the final declaration of the Cannes Summit on November 3 and 4 2011, the G20 head of state committed to work towards the reduction of the average cost of transferring remittances from 10 to 5 percent by 2014.

ix The following G20 countries are included in RPW. Sending countries: Australia, Canada, France, Germany, Italy, Japan, Republic of Korea, Russia, Saudi Arabia, United Kingdom, and the United States. Receiving countries: China, India, Indonesia, Mexico, and Turkey. Countries that are both sending and receiving: Brazil and South Africa. Argentina is not included in RPW. The European Union does not appear as such in RPW, although most EU member countries are included in the database.

x India is served by a total of 202 RSPs, compared to 157 for China. The number of RSPs reflects the number of options for sending USD 200 from various countries around the world, and only includes transparent providers.
ANNEX: TABLES

Table 1 - Total average in G8 countries (%)

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See note iv, page 9 for list of abbreviations

Table 2 - Total average by regions of the world (%)

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