

REMITTANCE PRICES WORLDWIDE



THE WORLD BANK

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AN ANALYSIS OF TRENDS IN THE AVERAGE TOTAL COST OF MIGRANT REMITTANCE SERVICES

This Report reflects the latest trends observed in the data collected in February 2013. Remittance Prices Worldwide is available at <http://remittanceprices.worldbank.org>

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,ⁱ 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 tenth iteration of RPW covers 220 country corridors worldwide, originating from 32 remittance sending countries to 89 receiving countries. *Starting from the next iteration in 2Q 2013, RPW will be updated on a quarterly basis!*

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,ⁱⁱ 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 1Q 2013 release of RPW, and when compared to previous iterations,ⁱⁱⁱ the following main findings have been identified. All figures refer to the cost of sending USD 200 or the local currency equivalent.

- In 1Q 2013, the Global Average total cost for sending remittances was **9.05 percent**, making this figure substantially stable over the last twelve months.

- The Global Weighted Average dropped in the last quarter, reaching a *lifetime low* of **6.92 percent**. This suggests that prices are indeed decreasing where higher volumes are being transferred.

- Similarly, 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 dropped from 10.16 percent in 3Q 2011 to **9.24 percent** in 1Q 2013.

- The average cost for sending remittance from the G8 countries was **8.53 percent** in 1Q 2013. However, significant disparities in the cost structure across these countries remain. Despite a slight increase, 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 France and Germany declined significantly in 1Q 2013.*

- The cost of remitting from G20 countries has largely followed the same pattern as the global average. According to the latest data, the average is now 9.12 percent. The average cost of sending money to the G20 countries that are included in RPW as receiving markets is **10.11 percent**, which has remained stable since the previous quarter when it was recorded at 10.08

- South Asia (SA)^{iv} and Latin American and the Caribbean (LAC) are the least costly regions to send money to, with an average cost of 7.16 percent and 7.77 percent respectively. Both regions registered a slight increase over the last six months. MENA

* 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.

registered a new lifetime low in 1Q 2013, with the average price recorded at 7.81 percent. With an average cost of 12.21 percent in 1Q 2013, Sub-Saharan Africa registered a decrease from 12.40 in the previous quarter, but still remains the most expensive region of the world to send money to.

- MTOs registered a *lifetime low* of **6.92 percent**, dropping the average price below the seven percent threshold for the third time since 2008. MTOs are the most widely used providers to send small amounts of money globally. Hence, the decline in their average prices has a large impact on migrants sending money home.

- Cash products are the most widely available ones (1,278) and their average price is 7.34 percent. Account-to-account products are the most expensive, with an average cost of 14.08 percent; however, transfers within the same bank or to a partner bank are significantly cheaper.

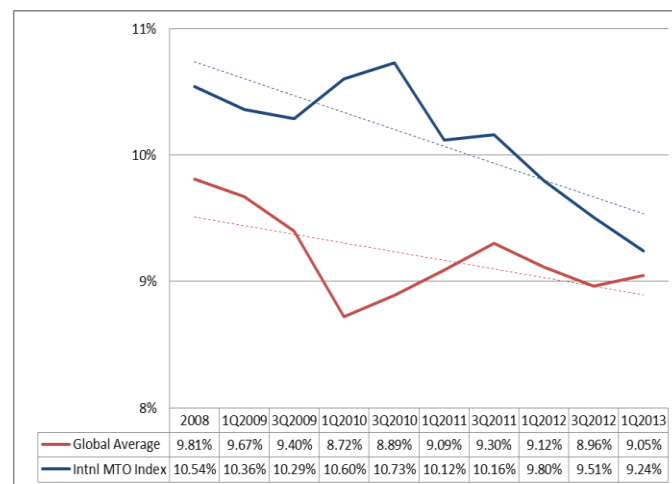
Global average cost for remittances stable during the last year, while MTOs lower prices

In 1Q 2013, the global average total cost^v for sending remittances was 9.05 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 1Q 2013, the value increased to 9.05 percent, making it substantially stable over the past 12 months.

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 9.24 percent in 1Q 2013 (see figure 1).

It is worth noting that the Index was nearly two percentage points higher than the global average in 2010 and it is now just about 0.2 percentage points above, a clear indication that MTOs are progressively making their prices more competitive.

Figure 1 - Global Average Total Cost for sending USD 200



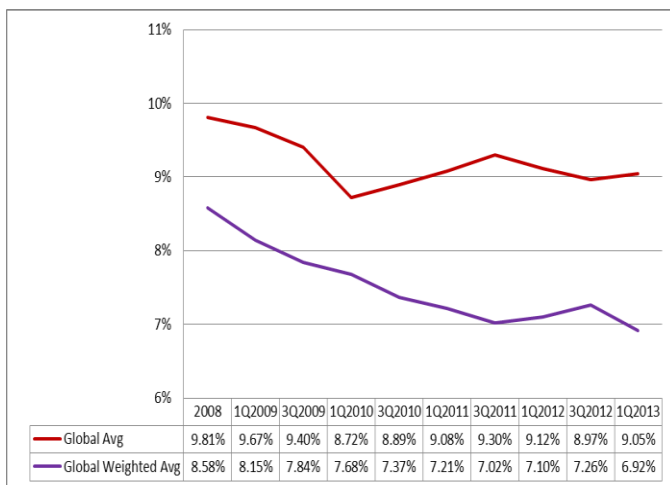
Global weighted average cost dropped in the last quarter

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 recent upward trend continued in 3Q 2012, when the global weighted average increased to 7.26 percent. In the last iteration, the weighted average reached a lifetime low of 6.92 percent. This suggests that prices are indeed decreasing where higher volumes are being transferred.

Figure 2 Global Weighted Average for sending USD 200

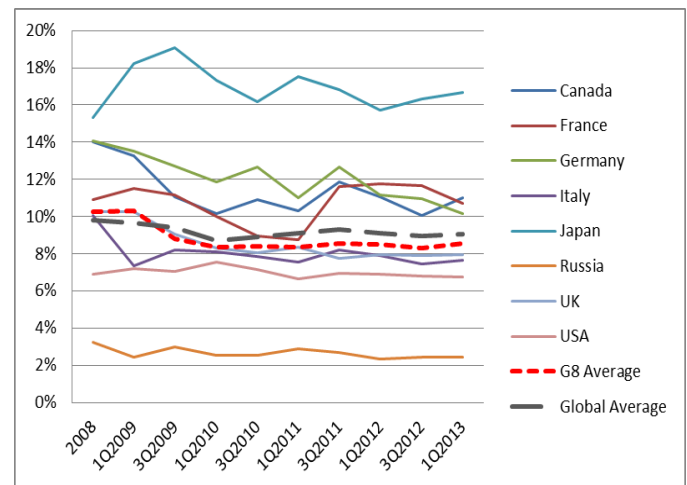


The trend for average cost in G8 countries is consistent with the global average

The G8 countries include the major sending countries in the world. The average cost for sending remittance from the G8 countries was 8.53 percent (up from 8.31 percent in the last iteration), following a similar pattern as the global average. However, 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

Figure 3 - Total average in G8 countries



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 2.43 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 15.70 percent in 1Q 2012 to 16.66 percent in 1Q 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. 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, Italy, and the UK registered increases in the average price for 1Q 2013. For Canada, the variation is such that the average price is back to 11.03 percent, very close to the 11.08 registered twelve months ago, after a significant drop in 3Q 2012. In Italy, prices slightly increased to 7.64 percent over the last six months, confirming however an overall downward trend when looking at the past few years. The UK has consistently registered higher averages in the first quarters of the year; the figure has been recorded at 7.96 percent in 1Q 2013. This seems to have been caused by increased margins being charged by RSPs on the currency exchange rates.

The cost of sending remittances from France and Germany declined significantly in 1Q 2013. The averages for France and Germany went down nearly one percentage point over the last year, decreasing from 11.78 percent to 10.72 percent in France, and from 11.16 percent to 10.16 percent in Germany.

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.

Figure 4 - Spreads and averages in G8 countries

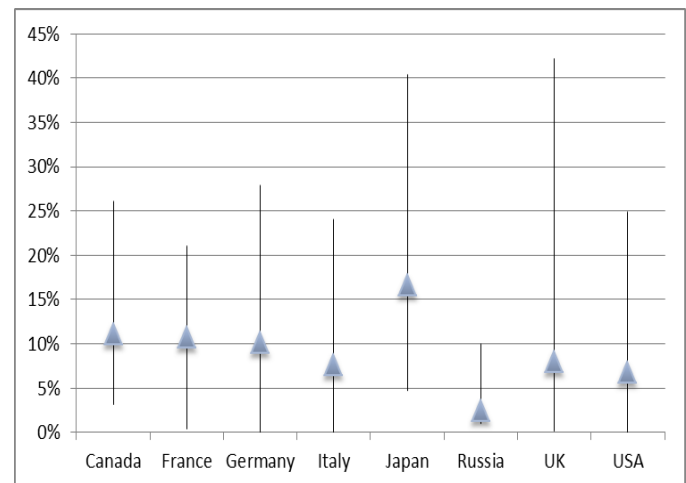
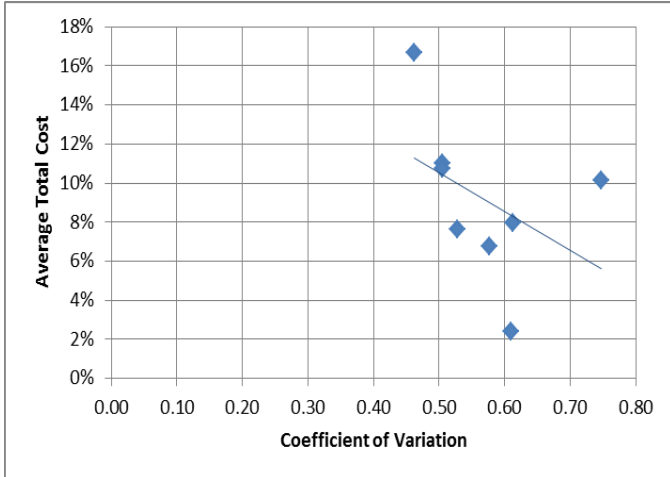


Figure 5 shows the correlation between the average total cost in the G8 countries and the coefficient of variation in those countries, which measures the extent to which the prices vary from the mean. The downward sloping line suggests that in the most expensive markets prices vary less (lower coefficient of variation), while the prices are more disparate in cheaper sending countries (higher coefficient of variation).

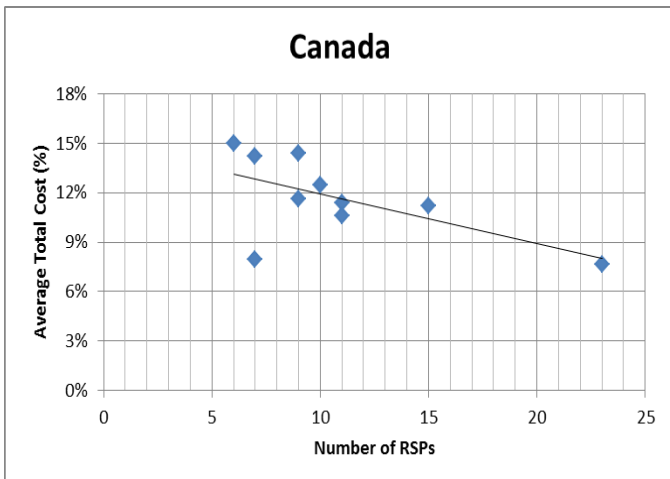
In other words, when the average cost is higher, providers have less incentive to compete on costs and, therefore, prices tend to concentrate around the mean. Conversely, when the average cost is lower, market pressure to compete on the basis of price means that providers are more likely to deviate from the average price in order to gain market share.

Figure 5 - Correlation between average cost and variation in G8



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. For example, this phenomenon can be clearly observed in Canada, where average prices per corridors vary from 7.67 percent for the Philippines to 15.01 for Rwanda. Among other factors, this result seems to be affected by the level of competition in these markets, as shown in figure 6: 23 different providers serve the market for the Philippines, while the choice is limited to six providers when sending money to Rwanda.

Figure 6 - Correlation between average cost and number of RSPs



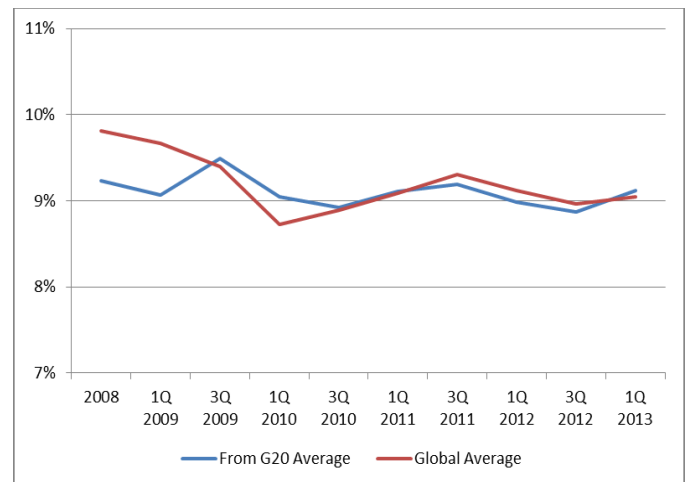
Cost for migrant remittances in the G20 countries

The G20 adoption of a target raises the need for an index that specifically monitors the price of remittances in the G20 members.^{viii} 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.^{ix}

For this reason, two different indexes are proposed here: (1) average for sending remittances from the G20 member countries (see figure 7); and (2) average for sending remittances to the G20 member countries (see figure 8).

With the exception of 3Q 2009, the cost of remitting from G20 countries has followed the same pattern as the global average. According to the latest data, the average is now 9.12 percent, increased from 8.87 percent in 3Q 2012.

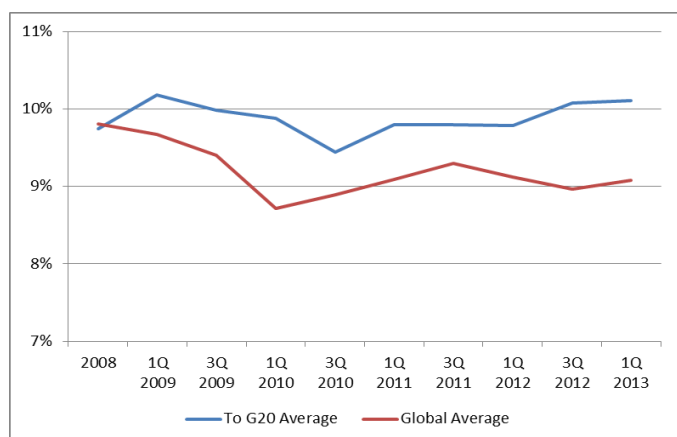
Figure 7 - Average cost of sending USD 200 from G20 countries



The average cost of sending money to the G20 countries that are included in RPW as receiving markets is 10.11 percent, stationary since the previous quarter when it was recorded at 10.08,

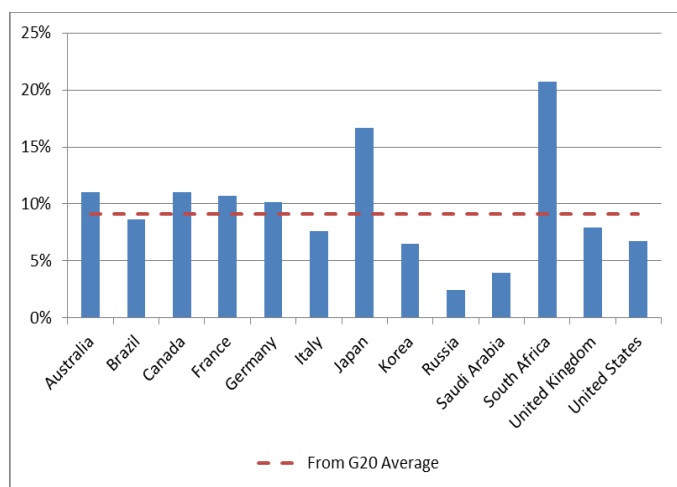
setting a the second highest peak after the second iteration of RPW in 2009 (10.18).

Figure 8 - Average cost of sending USD 200 to G20 countries



South Africa is the costliest remittance sending country in the G20 group, with an average of 20.72, followed by Japan with an average of 16.66 percent (see figure 9). The cheapest sending country, together with Russia, is Saudi Arabia (3.93), followed by Korea (6.49) and the United States (6.75).

Figure 9 - Average cost of remitting from G20 countries in 3Q 2012

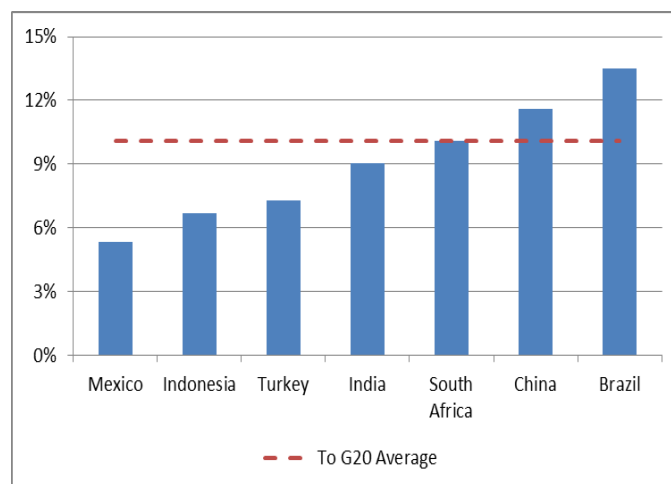


Brazil and China are the most expensive countries in the G20 to send money to, with average costs of 13.48 and 11.62 percent respectively (figure 10). For Brazil, the high cost is partially due to the high exchange rate margins charged by RSPs, especially MTOs, when converting the sending currencies 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 an average of 5.31 and 6.69 percent, respectively.

Figure 10 - Average cost of remitting to G20 countries in 3Q 2012



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, as Figure 10 shows. The cost of sending money to China, 11.62 percent in 1Q 2013, is significantly above both the global and G20 averages. Sending money to India, on the other hand, costs an average of 9.05 percent and is below both the global and G20 averages.

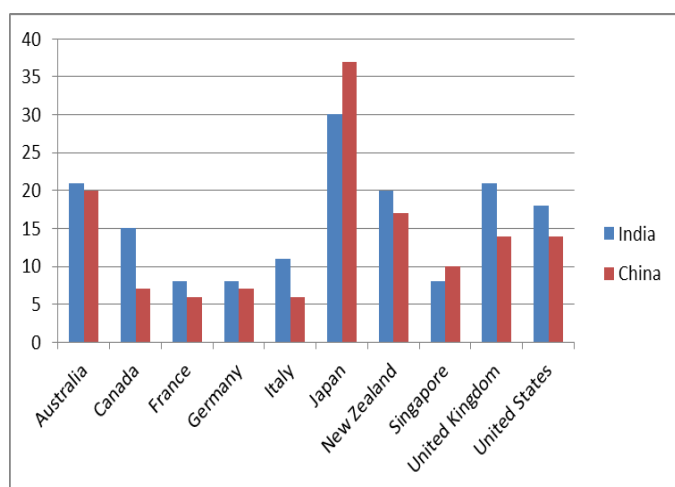
It is important to highlight that while it is more expensive to send money to China, the average

price of 11.62 percent represents one of the lifetime lows for this country and that four years ago, in 1Q 2009, the average was above 15 percent. Conversely, the 9.05 percent recorded for India in 1Q 2013 represent the highest average ever registered for this country and is a result of an overall increasing trend since 2008.

A difference can be observed in the coefficient of variation: the cost of sending money to India varies more than the same value for China (0.65 for India, 0.51 for China). This finding demonstrates the importance of receiving market conditions as a determinant of remittance prices; when the receiving environment is favorable, prices vary more depending on the providers and sending country; when the receiving environment represents an obstacle to the reduction of cost, the variation is lower and prices tend to concentrate around the average.

As Figure 11 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 11 - Number of RSPs in Common Sending Countries



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 12; 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 7.16 percent and 7.77 percent respectively. Both regions registered a slight increase over the last six months. The average for SA was driven up of 0.62 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, thus only a slight increase can be observed over the last half year. These results are consistent with an overall upward trend registered in both regions since 2010 and 2011. However, a slight decline can still be observed when looking back to 2008.

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 6.77 percent when all corridors are considered, and from 8.21 to 8.43 percent when Russia is excluded from the calculation, registering the second consecutive increase for this region.

The average cost of sending remittances to the East Asia and Pacific (EAP) region has increased from 8.88 percent six months ago to 8.97 in this iteration, while still remaining lower than one year ago, when it was recorded at 9.27 percent. 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 went up from 8.15 percent in 3Q 2011 to 8.19 percent in 1Q 2012, declined to 7.85 percent in 3Q 2012, and registered a new lifetime low in 1Q 2013, with the average price recorded at 7.81 percent.

With an average cost of 12.21 percent in 1Q 2013, the Sub-Saharan Africa region registered a decrease from 12.40 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.

Figure 12 - Total averages by region of the world



Money Transfer Operators continue to lower their prices

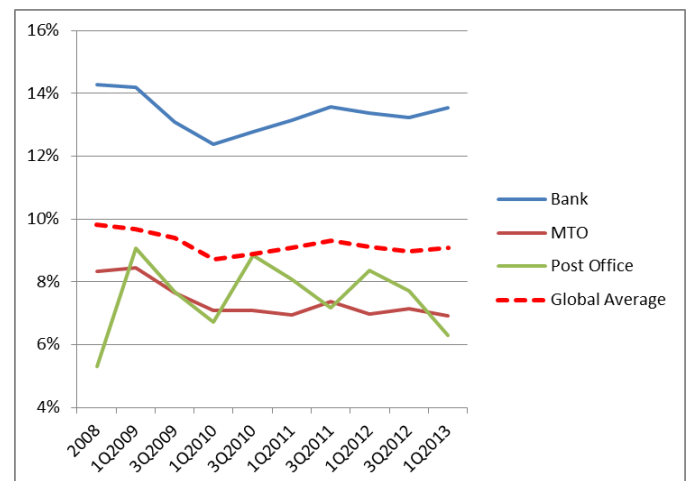
The RPW database tracks the cost of sending remittances based on three main RSP types; commercial banks, MTOs, and post offices. Based on the data from this reporting period (see Figure 13), commercial banks continue to be the most costly RSP type. The cost of sending remittances using a commercial bank is 13.54 percent, significantly higher than the global average (9.09), and much higher than post offices and MTOs, which cost 6.30 and 6.92 percent respectively.

In 1Q 2013, post offices registered the lowest price since 2009, dropping the average cost for their remittance services to 6.30 percent, 1.4 percentage point compared to six months ago and over two percentage points when looking at the year. Post offices are now the cheapest provider to send money with.

MTOs registered a lifetime low of 6.92 percent, dropping the average price below the seven percent threshold for the third time since 2008. MTOs are the most widely used providers to send small amounts of money globally. Hence, the fact that their average price is being reduced has a large impact on migrants sending money home. This result is certainly due to several factors, including higher levels of competition achieved in a number of markets. The global effort for reduction of remittance prices including through increased transparency might have played a role in this regard.

MTOs are the largest category in the RPW database and the most transparent. 98 percent of MTOs (1,859 out of 1,888) disclose full information to their customers, compared with only 76 percent of banks (703 out of 924) and 45 percent of post offices (17 out of 38).

Figure 13 - Total averages by RSP type



Cash services dominate the remittance market at competitive prices

Cash services remain the most widely available ones (1,278, see Figure 15) and, with an average price of 7.34 percent, are also among the cheapest (see figure 14). Account-to-account services (538), on the other hand, are the most expensive, with an average cost of 14.08 percent. It should be noted, however, that when transfers within the same bank or to a partner bank are considered, the price falls to 8.73 percent, though these services are not as common (56).

Although not widely available, pre-paid card services (30), door to door (75) and mobile services (15) were the cheapest product types, with average costs of 4.65, 7.29, and 6.11 percent, respectively. 410 on-line services were surveyed and the average total cost was 8.06 percent.

Figure 15 - Availability of product types

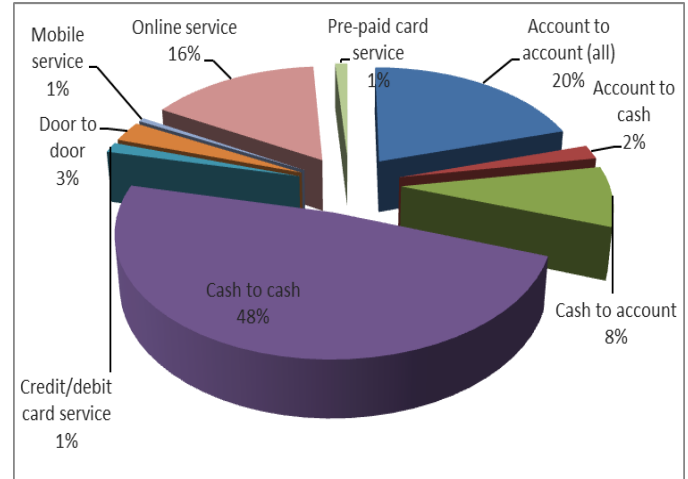
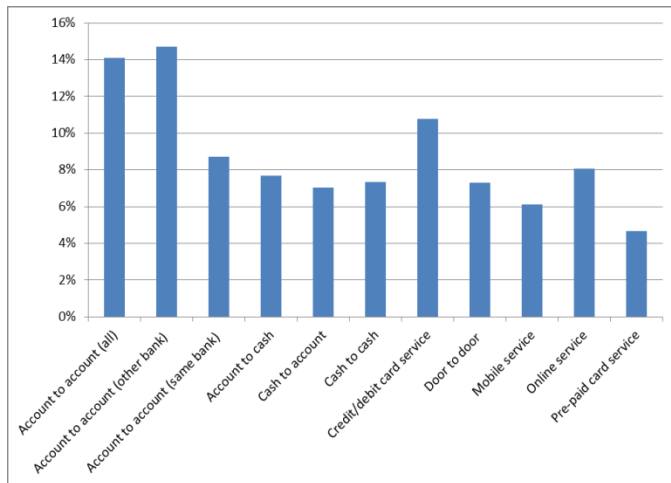


Figure 14 - Average cost by product type



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, five databases have been certified (Italy, Central America, Australia/New Zealand, Africa and Norway). 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, after which the RPW database has been updated every six months. The subsequent data releases were published for 1Q and 3Q 2009, 1Q and 3Q 2010, 1Q and 3Q 2011 and 1Q, 3Q 2012, and 1Q 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.

^{vii} Ratha and Shaw 2007 (updated in 2011), available at <http://go.worldbank.org/JITC7NYTTO>.

^{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 197 RSPs, compared to 155 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 (%)

	2008	1Q2009	3Q2009	1Q2010	3Q2010	1Q2011	3Q2011	1Q2012	3Q2012	1Q2013
Canada	14.00	13.28	11.07	10.18	10.90	10.31	11.87	11.08	10.06	11.03
France	10.92	11.50	11.15	10.01	8.95	8.76	11.63	11.78	11.68	10.72
Germany	14.07	13.53	12.71	11.85	12.67	10.98	12.64	11.16	10.94	10.16
Italy	10.03	7.36	8.21	8.11	7.87	7.57	8.18	7.88	7.47	7.64
Japan	15.33	18.24	19.06	17.34	16.16	17.54	16.84	15.70	16.32	16.66
Russia	3.22	2.42	2.99	2.54	2.52	2.88	2.68	2.33	2.42	2.43
UK	10.26	10.27	9.05	8.29	8.07	8.33	7.73	7.93	7.88	7.96
USA	6.90	7.21	7.06	7.57	7.14	6.67	6.93	6.91	6.80	6.75
G8	10.26	10.32	8.80	8.37	8.40	8.36	8.53	8.49	8.31	8.53
Global	9.81	9.67	9.40	8.72	8.89	9.08	9.30	9.12	8.96	9.05

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

	2008	1Q2009	3Q2009	1Q2010	3Q2010	1Q2011	3Q2011	1Q2012	3Q2012	1Q2013
EAP	11.05	10.46	10.38	9.33	9.48	9.71	9.80	9.27	8.88	8.97
ECA	5.96	6.68	7.19	6.48	7.57	7.55	6.86	6.28	6.54	6.77
ECA (w/o Russia)	11.03	9.70	9.42	8.33	9.49	9.32	8.68	8.14	8.21	8.43
LAC	8.37	8.65	7.63	8.12	7.27	6.82	7.68	7.72	7.65	7.77
MENA	11.10	9.30	9.58	8.19	8.95	8.00	8.15	8.19	7.85	7.81
SA	7.80	7.31	6.85	5.99	6.54	6.56	6.15	6.70	6.54	7.16
SSA	14.01	13.07	11.61	10.86	11.57	12.82	12.41	12.32	12.40	12.21
Global	9.81	9.67	9.40	8.72	8.89	9.08	9.30	9.12	8.96	9.05

See note iv, page 10 for list of abbreviations