

Remittance Prices Worldwide

Issue n. 12, January 2015

This Report reflects the latest trends observed in the data published in December 2014.

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 when sending money along major remittance corridors. The recently launched fourteenth iteration of RPW covers 226 country corridors worldwide, originating from 32 remittance sending countries and destined for 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,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 Q4 2014 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 Q4 2014, the Global Average total cost of sending remittances was recorded at 7.99 percent, and experienced a slight increase from 7.90 percent recorded in the previous quarter, yet remaining just below 8 percent for the second consecutive quarter.
- The Global Weighted Average was recorded at 6.03 percent in Q4 2014 – higher than the last

quarter when it was recorded at 5.71 percent – but remains well below the global average, suggesting that costs continue to be lower where larger volumes are transferred.

- The International MTO Index, which includes the Money Transfer Operators (MTOs) present in over 85 percent of the surveyed corridors, increased for the first time in a year. The Index now stands at 8.23 percent in Q4 2014, up from 8.04 percent in Q3 2014.
- In Q4 2014, nearly three quarters of all corridors have an average cost below 10 percent compared to only half of the sample five years ago and, in the same time period, the percentage of corridors with average cost that is over 15 percent has more than halved.
- The average cost for sending remittances from the G8 countries was recorded at 7.54 percent in Q4 2014 – remaining substantially stable compared to 7.49 percent in the previous quarter and below 8 percent for the fourth consecutive quarter. Half of the G8 countries experienced a decline in Q4 2014, while the others registered relatively modest increases. Russia remains the least expensive sending country in the G8 group, and Japan remains the most expensive, although the cost declined for the sixth consecutive quarter.
- In Q4 2014, the cost of sending remittances from G20 countries was recorded at 8.06 percent; a very slight increase from 7.98 percent recorded in the previous quarter. The average cost of sending money to the G20 countries that are included in RPW as receiving markets, on the other hand, declined very slightly from 8.04 percent in Q3 2014 to 7.99 percent in Q4 2014, reaching yet another

lifetime low and exactly equal to the global average for the first time.

- In Q4 2014, the changes in the cost of sending remittances by region were relatively small for all regions.^{iv} MNA experienced the most notable change – an increase from 8.25 percent to 8.63 percent. LAC remained substantially stable, while ECA, EAP, and SSA experienced modest increases. SA remains the cheapest region to send money to, and SSA remains the most expensive.

- The average total cost of sending money through commercial banks was 11.75 percent in Q4 2014, below 12 percent for the second consecutive quarter, but still well above the Global Average and the most expensive of all Remittance Service Provider (RSP) types. Post offices registered a decrease in Q3 2014, now standing at 5.06 percent, down from 5.99 percent in the previous quarter, while the cost of sending money through MTOs has increased to 6.63 percent.

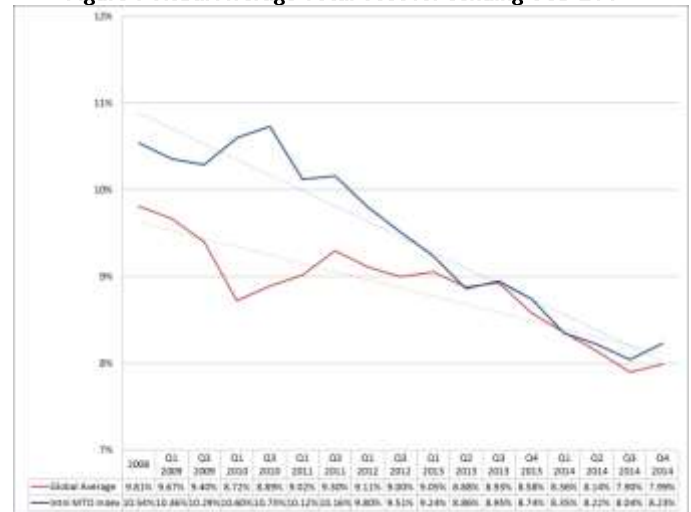
- Cash products remain the most widely available (44 percent of the sample), while other types of services – particularly on-line and account-to-account services – continue to gain ground and now represent 17 and 20 percent of the sample, respectively.

Global Average cost for remittances remains below 8 percent

In Q4 2014, the Global Average total cost^v for sending remittances was 7.99 percent: a slight increase from the previous quarter when the average was 7.90, but remaining below 8 percent for the second consecutive quarter (see Figure 1). This represents a 1.68 percentage point decline over the last five years, as in Q1 2009 the same figure was recorded at 8.93 percent.

The International MTO Index tracks the prices of MTOs that are present in at least 85 percent of corridors covered in the RPW database. This Index has decreased consistently in every quarter from Q3 2011 until Q2 2013, for a total decline of approximately 1.3 percentage points during that period.^{vi} A convergence between the Global Average and the International MTO Index continued until the Q1 2014, when the Index declined significantly to reach 8.35 percent and fell slightly below the Global Average for the first time. The Index declined further for the following two quarters, reaching a low of 8.04 percent in Q3 2014. In Q4 2014, the Index experienced a notable increase and is now recorded at 8.23 percent.

Figure 1 Global Average Total Cost for sending USD 200^{vii}

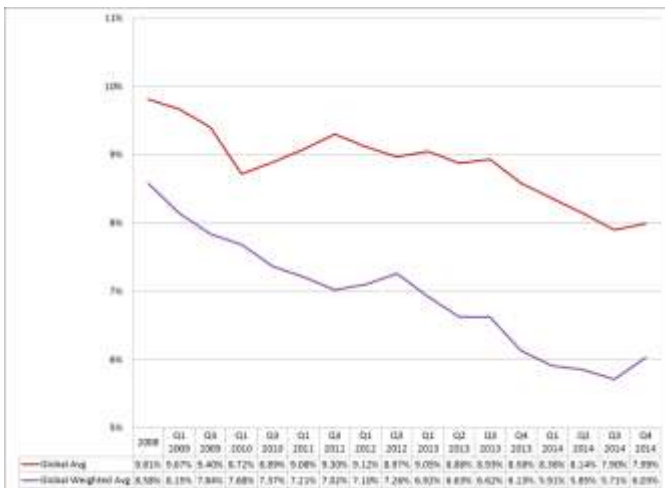


Global weighted average increases, but still hovers around 6 percent

The Global Weighted Average total cost is calculated accounting for the relative size of the flows in each remittance corridor.^{viii}

The global weighted average 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 Q3 2011, the global weighted average increased for the first time in Q1 2012. The upward trend continued in Q3 2012, when the global weighted average increased to 7.26 percent, but was reversed in the following quarter. Since Q1 2013, the weighted average has declined consistently every quarter, falling below 6 percent for the first time in Q1 2014, and reaching a low of 5.71 percent in Q3 2014. In Q4 2014, the global weighted average was recorded at 6.03 percent; representing the first increase in nearly two years, but still hovering around 6 percent and remaining well below the Global Average.

Figure 2 Global Weighted Average for sending USD 200

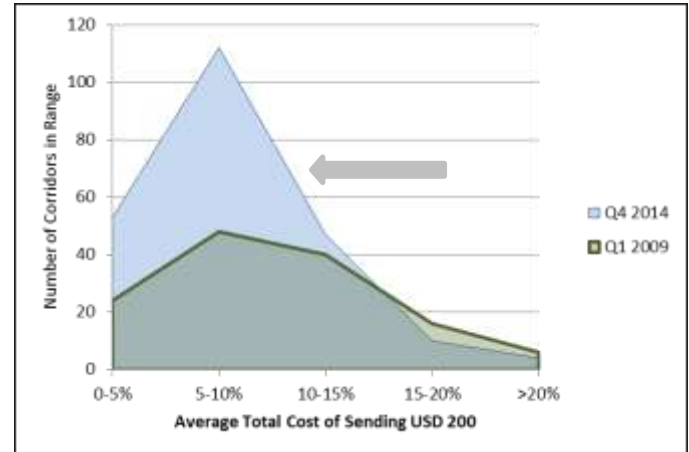


Corridors recording average costs below 10 percent increased significantly since 2009, corridors over 15 percent more than halved

Figure 3 shows that the overall downward trend reflected in the Global Average is even more evident when looking at the level of individual corridors.

While in the global figures the less virtuous cases prevent the averages from dropping to more desirable levels, observing the individual corridors shows the progress that has been made over the years, also thanks to the efforts generated by the “5x5 objective” initiative.

Figure 3 Distribution of Average Total Costs



The percentage of corridors where remitters could pay between 0 and 10 percent on average to send money home has increased significantly since 2009. In Q1 2009, this was the case for just about half of corridors; in Q4 2014, nearly three quarters of RPW corridors fell in this range.

For the higher bands, the percentage has dropped: nearly one fifth of corridors (16 percent) had an average total cost above 15 percent in 2009; today, 6.2 percent of corridors do.

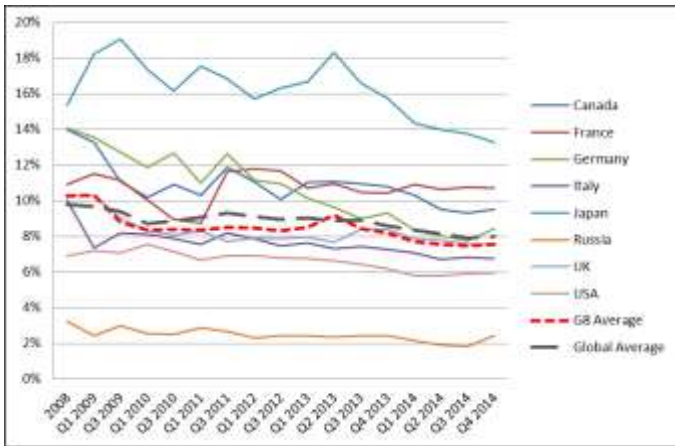
Average cost of sending from G8 countries remains substantially stable at 7.54 percent

The G8 countries include the major sending countries in the world. The average cost for sending remittances from the G8 countries remained substantially stable Q4 2014 and was recorded at 7.54 percent, compared to 7.49 percent in the previous quarter.

As Figure 4 illustrates, there are significant disparities in the cost structure across these countries (see also Table 1 in the Annex). The average cost of sending money from Japan, Canada, France, Germany, and the United Kingdom is above both the Global Average and the G8 average, while

costs in Russia, the United States, and Italy are below. This has been relatively consistent for most countries over the years, although Germany fell below the Global Average for the first time in Q2 2014 and maintained this position in Q3 2014.

Figure 4 Total average in G8 countries



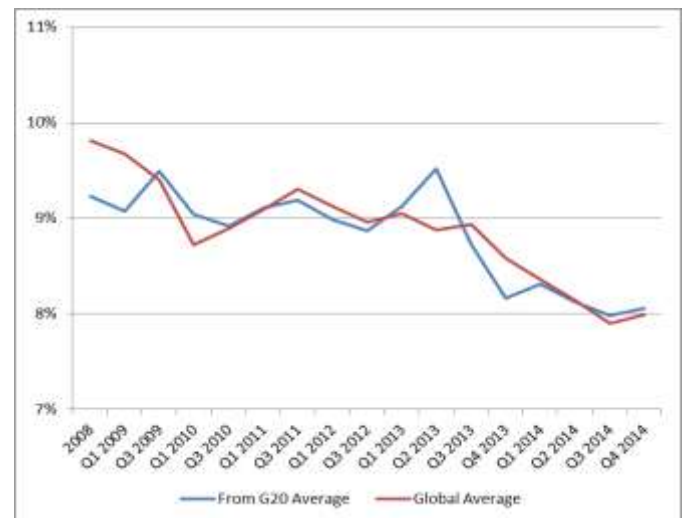
Russia – with an average cost of 2.44 percent in Q4 2014, down from 1.83 percent last quarter – experienced the largest increase in Q4 2014, but still maintains the lowest average total cost across G8 countries. It is important to note that Russia has a unique environment where cross-border remittances are mostly conducted in the same currency and possible additional costs associated with 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.

Germany, Canada, and the USA also experienced increases in Q4 2014; from 7.76 percent to 8.43 percent for Germany, from 9.31 percent to 9.52 percent for Canada, and from 5.92 percent to 5.97 percent for USA. The average total cost of sending remittances from Japan continues to decline – falling from 13.74 percent in Q3 2014 to 13.28 in Q4 2014, the lowest ever recorded for Japan. Despite this, Japan remains the most expensive country in the G8 group. France, Italy and the UK also experienced modest declines; from 10.74 percent to 10.70 percent for France, from 6.83 percent to 6.73 percent for Italy, and from 7.56 percent to 7.55 percent for the UK.

Cost of sending remittances from G20 countries increases slightly, while sending to the G20 countries reaches a new lifetime low

With the exception of Q3 2009, the cost of remitting from G20 countries^{ix} followed the same pattern as the Global Average, until Q1 2013. In Q2 2013, the two figures began to move in opposite directions, and continued to do so every quarter, with the exception of Q4 2013, when both indices declined. Once again, the cost of remitting from the G20 countries moved in the opposite direction to the Global Average cost in Q1 2014, but both indices declined in the following two quarters, as shown in Figure 5 (see also Table 1 in the annex). The cost of remitting from G20 countries was recorded at 8.06 percent in Q4 2014, up from 7.98 percent in Q3 2014.

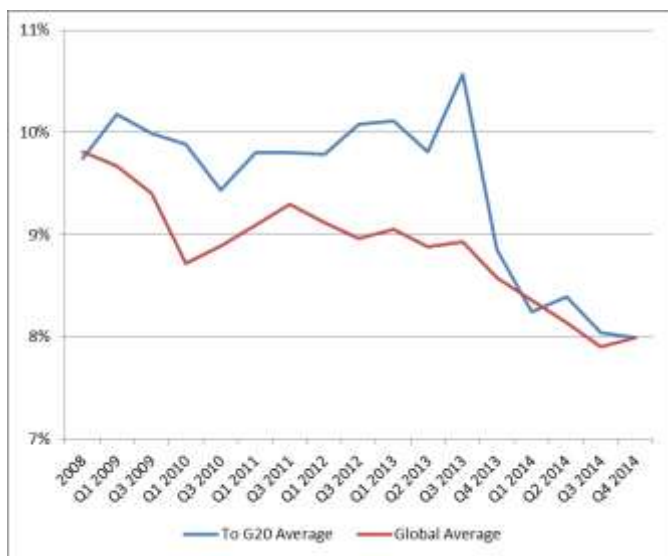
Figure 5 Average cost of sending USD 200 from G20 countries



The average cost of sending money to the G20 countries that are included in RPW as receiving markets was recorded at 7.99 percent in Q4 2014, declining slightly from 8.04 percent in Q3 2014. Apart from a few quarters, the average cost of sending money to the G20 countries has followed the pattern of the Global Average. The disparity between the average cost of sending money to the G20 and the Global Average increased over time, and reached a peak in Q3 2013 (see Figure 6 and Table 2 in the annex). The convergence between the two figures – first noted in Q4 2013 – was briefly interrupted in Q2 2014, resumed in Q3 2014 when the indices once again moved in the same direction. The indices have converged once again, and the cost

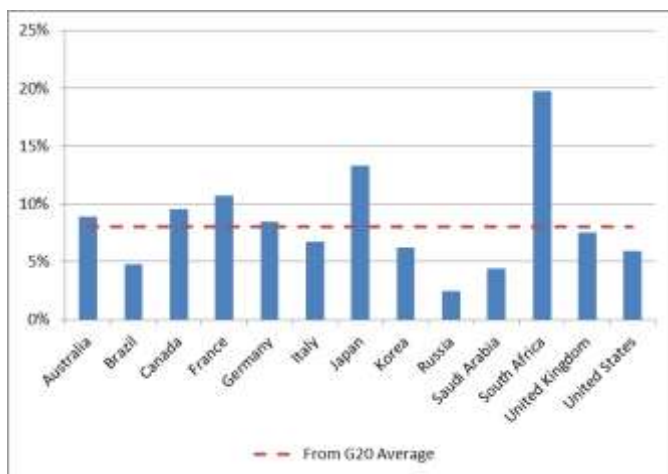
of sending remittances to G20 countries in Q4 2014 is now exactly equal to the global average.

Figure 6 Average cost of sending USD 200 to G20 countries



South Africa remains the most costly G20 country to send remittances from, with an average of 19.764, followed by Japan with an average of 13.28 percent (see Figure 7). The least expensive sending country, together with Russia, is Saudi Arabia (4.41), followed by Brazil (4.74), and the USA (5.97).

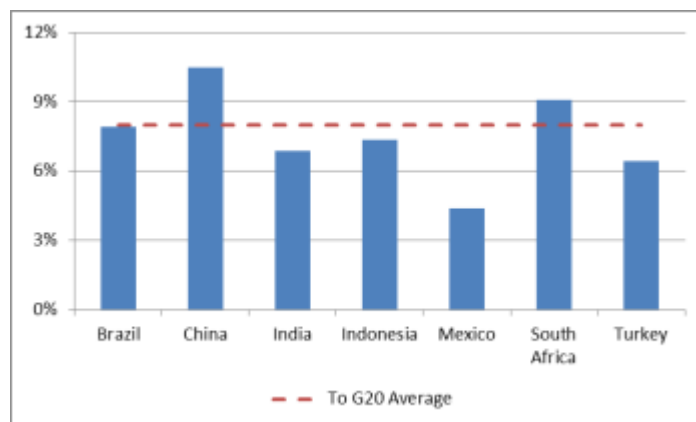
Figure 7 Average cost of remitting from G20 countries in Q4 2014



In Q4 2014, China was the most expensive country in the G20 to send money to, with an average cost of 10.49 percent (Figure 8), followed by South Africa (9.06 percent) and Brazil (7.91 percent).

In Q4 2014, Mexico and Turkey were the cheapest receiving markets in the G20 group, with averages of 4.37 and 6.42 percent, respectively.

Figure 8 Average cost of remitting to G20 countries in Q4 2014



South Asia retains position as least costly region to send money to, while Sub-Saharan Africa remains most expensive region to send money to

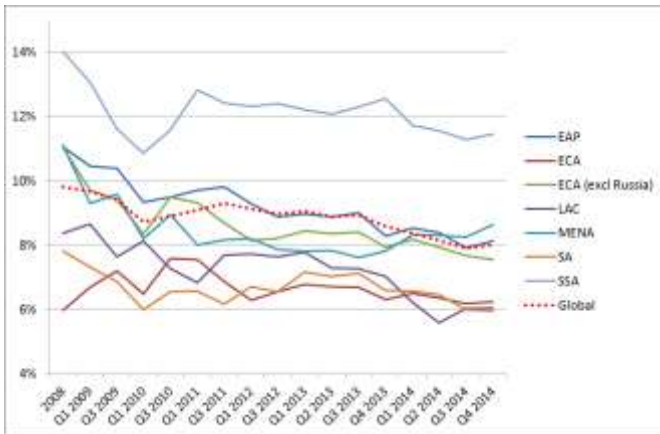
The cost for remittance services varies significantly depending on the region where the money is being sent (see Figure 9 and Table 3 in the annex). Different trends were observed in different regions.

The cost of sending money to the Latin America and Caribbean region (LAC) remained substantially stable in Q4 2014 – 6.03 percent, compared to 6.02 percent in the previous quarter. The Middle East and North Africa region (MNA) experienced the largest increase, from 8.25 percent in Q3 2014 to 8.63 percent in Q4 2014. Increases in the East Asia Pacific region (EAP) and Sub-Saharan Africa region (SSA) were more modest; 7.92 percent to 8.12 percent and 11.28 percent to 11.45 percent, respectively. Although the cost of sending money to the SSA region remained below 12 percent for the fourth consecutive quarter, SSA remains the most expensive region of the world to send money to. These results call for additional efforts of national authorities, as well as the international community, to improve the market for remittances in Africa.

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. The average including Russia increased slightly, from 6.17 in Q3 2014 to 6.22 percent in Q4 2014, while the average excluding Russia declined from 7.67 in Q3 2014 to 7.54 in Q4

2014, remaining below 8 percent for the third consecutive quarter.

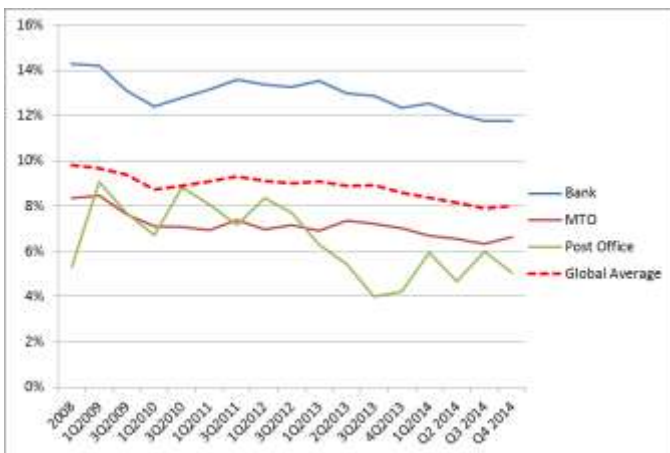
Figure 9 Total averages by region of the world



Post offices remain the least expensive, banks the most costly

RPW tracks the cost of sending remittances for three main RSP types: commercial banks, MTOs, and post offices. Based on the data from this reporting period (see Figure 10), commercial banks continue to be the most costly RSP type. The cost of sending remittances using a commercial bank remained substantially stable – 11.75 percent in Q4 2014, compared to 11.77 percent in Q3 2014 – and remains significantly higher than the Global Average and it is also well above that of using post offices and MTOs, which are 5.06 and 6.63 percent, respectively.

Figure 10 Total averages by RSP type



In Q4 2014, the cost of sending money through MTOs increased to 6.32 percent, yet remaining

below 7 percent for the fourth consecutive quarter.

Post offices remain the cheapest RSP type at 5.06 percent, representing a notable decrease in average cost.

Alternatives to cash products continue to emerge in the market

Cash services remain the most widely available (44 percent, see Figure 12) and one of the most cost effective ways to send money, with an average cost of 7.09 percent, as shown in Figure 11.

An increased number of account-to-account services have been recorded beginning in Q1 2014 compared to previous iterations. This is generally due to many MTOs now offering the option to transfer money from the sender's bank account to the bank account of their beneficiary. In the last three years, two of the leading global MTOs have acquired Foreign Exchange companies that specialize in sending money to bank accounts. As these services become more common in the market, the average cost seem to have been little affected, with account service (to any bank) remaining close to 13 percent. The cost of transfers within the same bank (or to a partner bank in the receiving country) is significantly cheaper (6.71 percent) and has remained declined by almost one percentage point in the last quarter.

Door to door services are the cheapest product type, at an average cost of 5.49 percent, but remain very rare (approximately 2 percent of the sample). Services offered on-line continue to gain ground. As a proportion of available services covered in RPW, on-line services now account for 17 percent of the total sample, compared to 13 percent in previous iterations. A number of providers are emerging in this space, offering senders different options to pay for the transaction (from their bank accounts, with either a wire transfer or direct debit, or by debit or credit card). The sender can also choose different ways for the money to be delivered, for example to the beneficiary's bank account or in cash at an agent in the receiving country. As these services become more widely available, they are also becoming more cost-efficient; on-line services cost 5.64 percent in Q4 2014, compared to 7.91 percent just one year ago in Q4 2014.

Figure 11 Average cost by product type

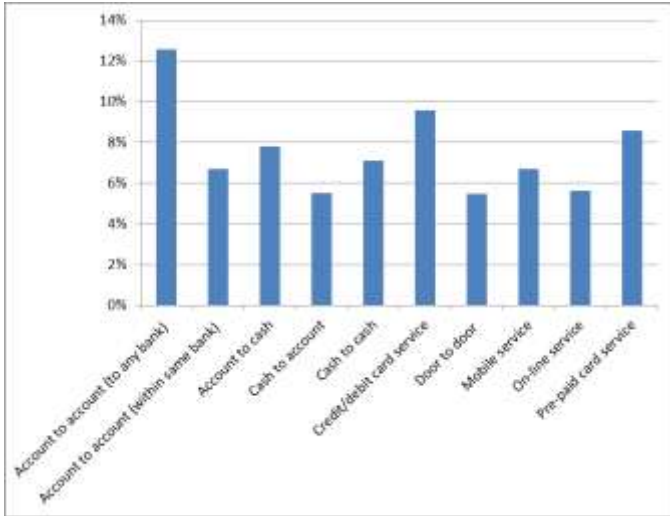
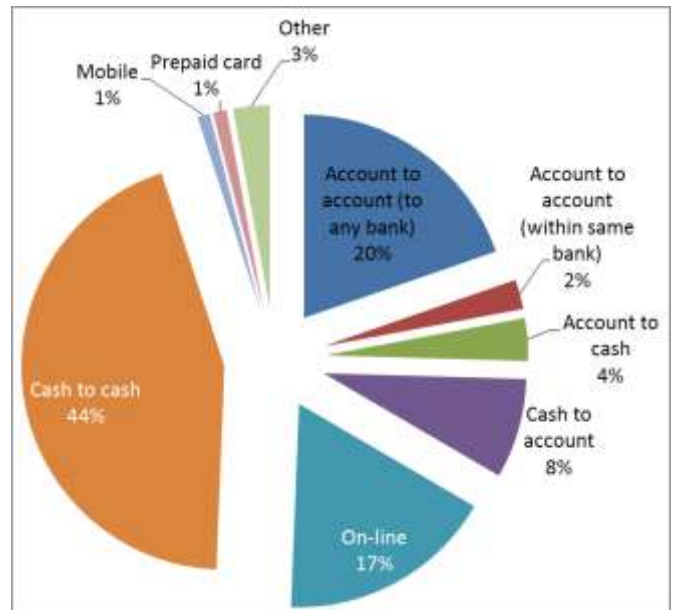


Figure 12 Availability of product types



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, France, and Germany 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 five years, the RPW database was updated every six months with data releases published for Q1 and 3Q 2009, Q1 and 3Q 2010, Q1 and 3Q 2011 and Q1, and 3Q 2012. Starting in 2013, the RPW database will be updated quarterly. Data have been published for Q1 2013, Q2 2013, Q3 2013, Q4 2013, Q1 2014 and Q2 2014.

^{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 (MNA), South Asia (SAR), 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} Figures for the global average were adjusted in Q1 2014 following a thorough clean-up of the entire database. Some values slightly vary from data published in the past.

^{viii} It is important to note that, while official data on remittance flows by bilateral corridors are currently not available, estimates (Ratha and Shaw 2007, updated in 2013, available at <http://go.worldbank.org/JITC7NYTT0>) 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.

^{ix} 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. The G20 adoption of a target created the need for an index that specifically monitors the price of remittances in the G20 members. As some G20 countries are included in RPW as remittance senders, while others are listed as receivers, two different indexes are presented here: (1) average for sending remittances from the G20 member countries; and (2) average for sending remittances to the G20 member countries. 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.

ANNEX: TABLES

Table 1 - Total average in G20 sending countries (%)

	2008	Q1 2009	Q3 2009	Q1 2010	Q3 2010	Q1 2011	Q3 2011	Q1 2012	Q3 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
Australia	-	-	13.98	14.38	13.57	15.21	14.82	11.02	10.84	11.07	10.21	10.19	9.12	9.80	9.60	8.88	8.92
Brazil	-	-	15.42	15.25	7.12	6.31	11.12	13.00	5.88	8.66	6.35	5.94	9.65	6.35	4.24	5.26	4.74
Canada	14.00	13.28	11.07	10.18	10.90	10.31	11.87	11.08	10.06	11.03	11.09	10.97	10.79	10.31	9.50	9.31	9.52
France	10.92	11.50	11.15	10.01	8.95	8.76	11.63	11.78	11.68	10.72	10.96	10.48	10.43	10.91	10.65	10.74	10.70
Germany	14.07	13.53	12.71	11.85	12.67	10.98	12.64	11.16	10.94	10.16	9.62	9.01	9.31	8.37	8.03	7.76	8.43
Italy	10.03	7.36	8.21	8.11	7.87	7.57	8.18	7.88	7.47	7.64	7.31	7.42	7.28	7.06	6.70	6.83	6.73
Japan	15.33	18.24	19.06	17.34	16.16	17.54	16.84	15.70	16.32	16.66	18.31	16.57	15.73	14.36	14.00	13.74	13.28
Korea	-	-	-	-	8.84	8.28	6.36	6.73	6.65	6.49	6.20	6.43	6.08	5.98	5.99	6.00	6.20
Russia	3.22	2.42	2.99	2.54	2.52	2.88	2.68	2.33	2.42	2.43	2.34	2.43	2.44	2.16	1.92	1.83	2.44
Saudi Arabia	5.20	3.86	4.72	4.42	4.60	4.38	4.13	4.22	4.25	3.93	4.46	4.05	4.19	4.09	4.45	3.85	4.41
South Africa	15.91	16.48	15.03	14.76	14.60	18.29	17.73	18.77	20.56	20.72	20.69	19.29	18.16	19.80	19.56	19.54	19.76
UK	10.26	10.27	9.05	8.29	8.07	8.33	7.73	7.93	7.88	7.96	7.69	8.40	8.38	7.86	7.80	7.56	7.55
USA	6.90	7.21	7.06	7.57	7.14	6.67	6.93	6.91	6.80	6.75	6.65	6.42	6.18	5.80	5.78	5.92	5.97
G8	10.26	10.32	8.80	8.37	8.40	8.36	8.53	8.49	8.31	8.53	9.19	8.44	8.20	7.73	7.54	7.49	7.54
From G20	9.23	9.07	9.49	9.04	8.92	9.11	9.19	8.98	8.87	9.12	9.52	8.72	8.16	8.31	8.12	7.98	8.06
Global	9.81	9.67	9.40	8.72	8.89	9.02	9.30	9.11	9.00	9.05	8.88	8.93	8.58	8.36	8.14	7.90	7.99

Table 2 - Total average in G20 receiving countries (%)

	2008	Q1 2009	Q3 2009	Q1 2010	Q3 2010	Q1 2011	Q3 2011	Q1 2012	Q3 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
Brazil	14.67	12.42	8.54	14.01	10.93	10.44	13.42	11.31	12.99	13.48	11.56	11.94	10.97	6.35	7.43	7.66	7.91
China	14.44	15.29	13.66	12.55	11.00	12.58	11.92	11.60	12.01	11.62	11.59	11.99	11.13	10.58	10.89	10.49	10.49
India	7.65	7.91	7.56	7.34	8.14	7.70	6.96	7.95	7.83	9.05	9.18	8.57	7.86	7.57	7.62	7.00	6.88
Indonesia	10.49	8.31	9.19	6.40	6.43	6.25	5.94	6.97	6.01	6.69	6.67	7.61	6.53	7.10	7.38	7.32	7.34
Mexico	5.80	7.01	5.95	7.42	7.37	6.58	5.97	5.86	5.56	5.31	5.67	4.41	5.29	4.48	4.51	4.48	4.37
South Africa	12.22	12.42	11.64	10.20	8.62	9.55	8.03	7.90	9.57	10.08	9.87	9.55	8.39	7.63	7.62	9.27	9.06
Turkey	12.17	11.26	11.63	10.05	9.58	9.25	8.76	8.76	7.75	7.26	8.43	7.95	7.24	7.02	7.28	6.91	6.42
To G20	9.74	10.18	9.99	9.88	9.44	9.80	9.80	9.79	10.08	10.11	9.81	10.57	8.86	8.25	8.39	8.02	7.99
Global	9.81	9.67	9.40	8.72	8.89	9.02	9.30	9.11	9.00	9.05	8.88	8.93	8.58	8.36	8.14	7.90	7.99

Table 3 - Total average by regions of the world (%)

	2008	Q1 2009	Q3 2009	Q1 2010	Q3 2010	Q1 2011	Q3 2011	Q1 2012	Q3 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
EAP	11.05	10.46	10.38	9.33	9.48	9.71	9.80	9.27	8.88	8.97	8.88	9.00	8.28	8.52	8.38	7.92	8.12
ECA	5.96	6.68	7.19	6.48	7.57	7.55	6.86	6.28	6.54	6.77	6.70	6.68	6.29	6.49	6.35	6.17	6.22
ECA (x Russia)	11.03	9.70	9.42	8.33	9.49	9.32	8.68	8.14	8.21	8.43	8.35	8.41	7.93	8.18	7.92	7.67	7.54
LAC	8.37	8.65	7.63	8.12	7.27	6.82	7.68	7.72	7.65	7.77	7.28	7.26	7.02	6.21	5.57	6.02	6.03
MNA	11.10	9.30	9.58	8.19	8.95	8.00	8.15	8.19	7.85	7.81	7.83	7.61	7.80	8.32	8.29	8.25	8.63
SAR	7.80	7.31	6.85	5.99	6.54	6.56	6.15	6.70	6.54	7.16	7.02	7.12	6.58	6.56	6.45	5.97	5.94
SSA	14.01	13.07	11.61	10.86	11.57	12.8 2	12.41	12.32	12.40	12.21	12.06	12.29	12.55	11.71	11.55	11.28	11.45
Global	9.81	9.67	9.40	8.72	8.89	9.02	9.30	9.11	9.00	9.05	8.88	8.93	8.58	8.36	8.14	7.90	7.99

See note iv for list of abbreviations