# 2022 Remittances Report

## Can G20 countries that are net senders of remittances achieve the UN goal of reducing costs to 3% by 2030?

# About this report.

Remittances are too costly and governments are doing too little to ease the financial strain on remittance senders. This report looks into the (lack of) progress and what policy choices governments have at their disposal to act.

Improving cross-border payments has been a priority focus for the G20 in recent years, as part of their Roadmap for Enhancing Cross-Border Payments, coordinated by the Financial Stability Board (FSB) and the Committee on Payments and Market Infrastructures (CPMI).

2022 seemingly marked the start of the post-COVID-19 era, with many remittance sending countries prioritising their post-pandemic recovery. The war in Ukraine impacted the recovery efforts of many countries, as they shifted their attention to helping Ukraine financially and militarily. Additionally, disruptions in supply chains are driving up the cost of food, healthcare and other basic needs, increasing citizens' need for financial support.

In addition, many G20 remittance sending countries had to intervene in energy markets and/or work to stabilise inflation. With these domestic issues taking priority and less overseas development aid available, the current environment has further magnified the importance of cross-border payments, particularly remittances. It's more important than ever that remittance flows are maximised, as low- and middle-income communities continue to rely on money sent home by friends and family abroad. At the same time, the progress on the United Nations Sustainable Development Goal 10c, which aims to reduce the average cost of remittances to less than 3% by 2030, has been slow. Are governments actively working towards achieving this goal and reducing these average costs?

The G20 includes several of the major remittance sending countries in the world: Australia, Brazil, Canada, France, Germany, Italy, Japan, Saudi-Arabia, South Africa, South Korea, United Kingdom and United States*. Those 12 countries are considered "remittance sending countries". This report takes a closer look at their progress towards lowering average costs in line with the UN Sustainable Development Goal of 3% remittance costs or less by 2030.

*Russia is excluded from this report. Due to the war in Ukraine, Russia is subject to sanctions and excluded from the conventional financial system, which would skew the analysis in this report.

# Index.

# Foreword by Kristo Käärmann

## CEO and Co-founder of Wise

**Back in 2010, when my co-founder Taavet and I started Wise, the United Nations had yet to come up with their Sustainable Development Goals. There was no global commitment to lower the cost of remittances to 3% or lower and we knew banks were not going to get cheaper voluntarily. Rather, this requires deliberate action from governments around the world.**

The only way to get to that place is to make transparency the norm - to stop banks and remitters from being able to hide the bulk of the cost of a money transfer in an inflated exchange rate. That's no small scale problem. This year, consumers from the G20 sending countries are sending $212 billion to friends and family abroad, but they will have paid **nearly $12 billion in fees.**

Previously, the World Bank said that the "lack of transparency is the single biggest factor leading to high remittance prices". This is still the case. But the regulators and banks needed a wake up call.

### Transparency in times of war

2022 was riddled with Russian aggression against Ukraine. The war is a tragedy. It's also been a time of communities coming together to show financial support. This includes the European Commission and the National Bank of Ukraine, who in the midst of this war came together to launch a pledge. Importantly, signatories of this pledge committed to sustaining remittance flows to Ukraine, ensuring prices are below the UN SDG of 3% and fully transparent - this includes disclosing those pesky hidden fees, usually snuck into an inflated exchange rate.

The new "mark up rule" is the first time policymakers have been so explicit with their language on transparency. EU and Ukrainian policymakers now ask providers to "disclose total fees, including transfer fees and the foreign exchange margin applied over the euro or hryvnias exchange rates, fixed respectively by the ECB and the National Bank of Ukraine". This no mark-up rule is exactly what is needed to expose banks' and other providers' hidden fees and inject true competition into the market. This will ultimately lead to lower prices.

## Where are the usual suspects?

The pledge is only half the battle. Unfortunately, it's a battle that many large, famous money transfer services have already lost by refusing to sign.

Regardless, these transparency rules need policing and enforcement to work. My team and I have started collecting evidence where the rules aren't respected - and celebrating where they are! So far, we've only found one traditional bank to be transparent with their customers. That's a dire state of affairs.

Governments of the G20 sending countries carry the responsibility in this dynamic. They have the power to change the rules that will allow remittance senders to know exactly how much their international money transfer costs, and for remittance recipients to end up with more money on the other side.

These changes are necessary and urgent: outbound remittance flows keep increasing - but so do the fees people pay. A lack of transparency means that there is no incentive to make things better and it shows. This is the second edition of our remittances report and I wish I had a better story to share.

## We need to speed up

The rate of progress is underwhelming. Most G20 sending countries are unlikely to reach the UN SDG by 2030 at this rate. Since 2015, G20 sending countries have only managed to reduce their average remittance costs by just over 1 percentage point.

Remember those $12 billion in fees remittance senders will end up paying this year? If G20 sending countries would have lowered their costs to 3% as set out by the UN SDG, they would have saved over $5 billion. The only way to put that money back into consumers' pockets is by exposing the rip-off.

The precedent is set and international guidance is leaning more and more towards transparency as the solution. We shouldn't wait until 2030 to force this through. Let's find the political courage to do the right thing for consumers. G20 governments should commit to action and stop tolerating sneaky fees in inflated exchange rates. There should be nothing to hide.

**Kristo Käärmann**
CEO and Co-founder of Wise

# G20 sending countries: an overview

**$212 billion**

...is the total amount of outflows from the 12 G20 sending countries in 2022, of which...

**$12bn**

...are paid in fees.

**$5.3bn**

...could be saved if the UN SDG would have been met this year.

The average cost to send money has decreased by only

**1%**

since 2015.

**25%**

of countries are on track to reach UN SDG.

**75%**

of countries are not on track to reach UN SDG.

**6.2%**

was the cost in 2021,

**3%**

is the 2030 goal.

"This year's Remittance Report demonstrates that G20 nations urgently need to take decisive action to reduce remittance costs. A decline in costs would allow migrants to send more money home to hundreds of millions of recipients around the world who rely on these funds for food, education and healthcare. **Transparent pricing is crucial to lowering remittance costs**, and I encourage leaders around the world to act and make this possible.

This is too important to neglect."

**Dilip Ratha**
Head, KNOMAD
Lead Economist, Migration & Remittances, World Bank

# Remittance costs are inconsistent, but policy action can make the difference.

## by Sandra Sequeira

Remittance flows to developing countries were on the rise again in 2022 and are expected to reach up to $630 billion USD by year end, which is equivalent to the GDP of countries like Sweden or Belgium. This trend defied expectations in the aftermath of a global pandemic and in the face of new challenges such as the ongoing war in Ukraine. Remittances increased in Latin America (25.3%), Sub-Saharan Africa (14.1%) and in South Asia (6.9%), just when developing countries needed them the most and aid money was being diverted to address the Ukraine crisis. Not only are remittances the largest source of external finance for low-income countries today, their resilience in the face of numerous economic and political shocks underscores their importance as vital socioeconomic stabilizers for receiving countries. Throughout the developing world, these remittances help fund education, health and entrepreneurship, among other building blocks of economic development and growth.

But remittances are highly sensitive to cost and while transfer fees have declined on average since 2010, they haven't fallen fast enough and they haven't fallen everywhere. In fact, from the Middle East to Latin America, remittance costs have even increased in recent years: they almost tripled in Jordan, more than doubled in Brazil and almost doubled in Nigeria since 2019. In other countries like France and Germany, transfer fees have remained stubbornly high. This means that globally, the average cost of sending $200 still sits at 6%, which is double the Sustainable Development Goal target of reaching below 3% costs by 2030.

There is also significant variation in costs within regions, across countries and across payment methods. Sending $200 from South Africa to Botswana today will cost on average almost $40 (20%) but to Zimbabwe only $28 (14%). Sending remittances from Pakistan costs on average 16% but from India only 3%. Sending money is also most expensive via banks (10.4%), when compared to MTOs (Mobile Transfer Operators) (5.2%) and mobile operators (3%). This persistent variation suggests that there are many different drivers of remittance costs, which calls for a multifaceted approach to tackling them.

Some of the drivers of remittance costs are hard to address: transfers to remote, less densely populated regions with limited access to information communication technology and to any type of banking are unlikely to experience significant declines in remittance fees in the near future. The size of the market and its connectivity is likely to continue to play an important role in driving costs. Solving these last mile problems of financial inclusion and access to digital infrastructure, while paramount, will require significant investments and time.

But other constraints are ripe for policy action.

A priority area continues to be ensuring competition in the market for international payments. For one, digitalisation holds great potential to reduce fees but despite the low costs associated with mobile money transfers, they still represent less than 3% of all remittances worldwide. Increasing access to mobile banking is key and this can be achieved by streamlining license applications for mobile operators and by introducing interoperability requirements that ensure that users can easily move across providers, both to send and receive remittances. Similarly, fee-reducing competition could be achieved by supporting partnerships between different players ranging from banks to fintech companies, mobile operators and postal networks.

Competition is important within countries but also across countries and regions. The recent exclusion of Russia from the SWIFT payment network could potentially trigger the further fragmentation of the international payments system. Countries might respond by trying to develop their own payment systems so that they are not dependent on external players, out of national security concerns. This would be a major step backwards and represents a pressing area for coordinated policy action.

An alternative way of increasing competition in the international payments system is by increasing transparency around fees and raising consumer awareness of alternative payment instruments available in both sending and receiving countries. This is low hanging fruit and should remain high on the policy agenda. It can be achieved through a creative mix of regulatory action, informational campaigns, and even potentially by subsidizing experimentation aiming to generate trust in new payment systems.

Recent research suggests that reducing remittance fees by 3 percentage points to reach the Sustainable Development Goal of 3% could translate into an increase in remittances of about $30 billion. This would be equivalent to increasing the OECD's Official Development Aid (ODA) by 20%, an unimaginable goal to achieve in the current political climate. It also represents approximately three quarters of the total amount allocated by the United States alone to international economic assistance.

Given the magnitudes involved and the potential impact of further remittances in buffering the poorest against continued economic volatility, reducing fees that cut into these flows becomes an ever more important goal… and one that continues to be well within reach.

**Sandra Sequeira**
Associate Professor of Development Economics, London School of Economics

# G20 analysis: why we need transparency

**In the best of times, remittances are a lifeline for hundreds of millions of people around the world. In times of crisis, the money people send to friends and family back home is even more crucial. That's because crises often lead to a squeeze on overseas development aid, which means remittances need to go even further to offset losses in income in lower and middle income countries.**

In 2022, remittance flows are estimated to reach over $800 billion, more than four times the overseas development aid OECD countries contributed in 2021. While we can expect an increase in aid sent to Ukraine following the escalation of the war, it's likely other countries will be on the receiving end of the squeeze.

Remittances often spike in times of conflict, natural disaster or financial hardship in the receiving country. However, in 2022 most sending countries are also facing a considerable economic downturn. This means that people supporting family and friends abroad need their money to go further in order to have the same impact as before. That's where it gets complicated, even though the solution is straightforward.

For these remittance lifelines to continue to flow smoothly and contribute to household income in the same way, we need policymakers and lawmakers to work with the international money transfer industry to deliver on faster, cheaper and more transparent money flows. In 2015, the United Nations adopted a 3% remittance cost target by 2030 as part of its Sustainable Development Goals (SDG). In 2022, the average cost is still above 6% - more than double the target - and G20 sending countries have only managed to drop their costs by 1 percentage point since the introduction of the SDG.

## Why is progress so slow?

The main reason remittance prices remain high is the lack of transparency. Today, providers can tell consumers their transfers are "free", include "0% commission" or cost just a low fixed fee of $5. In reality, however, the biggest cost is hidden in a terrible exchange rate.

This is disingenuous because providers rely on the fact that people don't pay attention to the small print and don't resort to complicated maths to calculate the difference between the exchange rate they are offered and the real exchange rate on the day. It's the difference between those two rates that can add up to hundreds of dollars.

The G20 is looking to tackle this. Their Roadmap for Enhancing Cross-Border Payments, coordinated by the Financial Stability Board (FSB) and the Committee on Payments & Markets Infrastructures (CPMI), includes language that would encourage providers to disclose all fees, including those hidden in FX mark-ups. This is a welcome suggestion, but it will require more explicit and thought-through action from G20 policymakers to make this a reality.

## What difference does transparency make?

In the last two years alone, consumers in the biggest remittance sending countries in the world (the so-called G20 sending countries), paid $22.5 billion in fees when they sent money to friends and family back home. If those countries had lowered their costs to the UN SDG target of 3%, that would have put over $10 billion back into consumers' pockets. That's nearly half of their fees returned.

The lack of progress can largely be attributed to a lack of transparency in the market. It's nearly impossible for consumers to accurately compare providers, shop around and force those providers to compete on price. The information asymmetry artificially inflates costs and makes it harder for regulators to understand the true scale of the problem.

In some countries, behavioural research has shown that with increased transparency - showing all the fees, including the FX mark-up - the number of consumers able to pick the cheapest deal doubles. This means that more expensive providers thrive in a more opaque environment. The only way to put downward pressure on costs is to expose those high fees.

## Momentum to drive change

## Slowly, the scales are tipping in favour of transparency.

### Global

Following a call to action from the UN Secretary-General, the international community - led by the United Nations, the International Fund for Agricultural Development (IFAD) and the World Bank - formed a Global Remittance Task Force and issued a landmark report in November 2020 with remittance policy recommendations for the G7 and other governments. Transparent pricing was a key recommendation, calling for "the total cost (e.g. fees at both ends, foreign exchange rate margins) to be disclosed in a single upfront amount" as an industry best practice and a suggested requirement for governments.

Since then, the G20 Roadmap has also committed to levels of transparency previously unseen on an international level. It requires a "total transaction cost (showing all relevant charges, including sending and receiving fees including those of any intermediaries, FX rate and currency conversion charges)".

### Europe

In 2020, the EU's Cross-Border Payments legislation came into effect, forcing providers to disclose all fees, "including any transaction fee and any currency conversion charges". Unfortunately, this language is too vague and it's allowed providers to keep the status quo: hiding fees in inflated exchange rates.

Fortunately, the EU improved its language in the recent EU-Ukraine Joint Statement on remittances to Ukraine, where providers commit to the "mark-up rule", which forces the explicit disclosure of FX mark-ups for the first time. This should be part of binding industry guidance around the world. The European Commission praised this as the only way consumers can know what they pay and compare providers.

**United Kingdom**

The UK Government commissioned research into the impact of transparency on consumer behaviour, which was published in 2018. Since then, the benefits of full pricing disclosure have been proven: the number of first time consumers able to identify the cheapest deal doubles with high levels of transparency across the market.

Unfortunately, the UK hasn't taken steps to make this a reality, despite being one of the leading countries - alongside Switzerland - to issue a call to action keep remittances flowing during the pandemic.

**United States**

Senator Elizabeth Warren, joined by four other US Senators, sent a letter to the Consumer Financial Protection Bureau (CFPB), the main US consumer financial regulator, urging them to mandate total cost transparency in international payments. The letter sets out that "with greater transparency, consumers would have the information needed to seek out the most affordable options, bringing about more competition, and keeping remittance costs within reasonable limits".

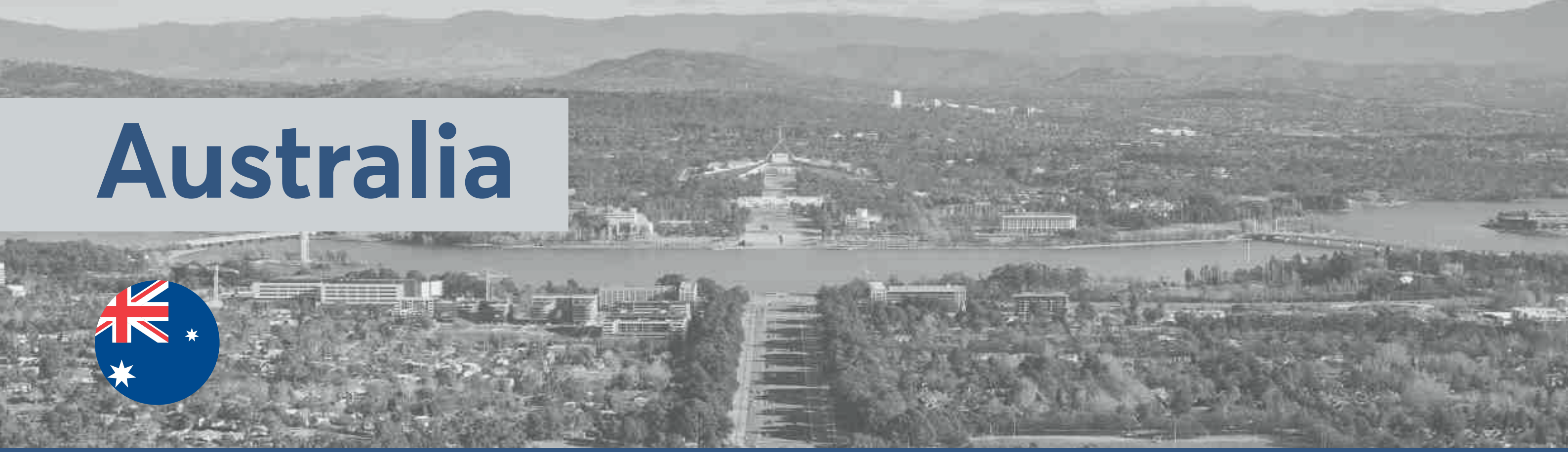
**Australia**

The Australian Consumer and Competition Commission has committed to reviewing its Best Practice Guidance for foreign currency transfer services. The current guidance requires all providers of foreign currency conversion to provide a customisable calculator and an indication of the total amount that a beneficiary will receive. However, the guidance does nothing to indicate the size of the hidden fees contained in the margins. This, combined with the inconsistency of when fees are applied, makes true apples-to-apples comparisons between providers impossible.

# Country overviews.


Note: the remaining G20 nations of Argentina, China, India, Indonesia, Mexico and Turkey are not included in this report as they are all net receivers of remittances.

# Australia

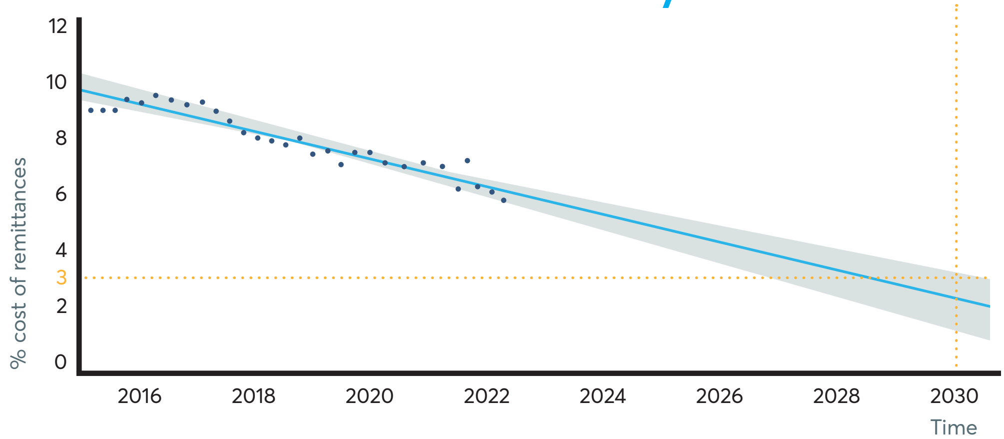


## Key findings

| | |
|---|---|
| Remittance outflows in 2021 | $3.8bn USD |
| Estimated remittance outflows in 2022 | $5.7bn USD |
| Average remittance costs in Q2 2022 | 5.67% |
| Remittance fees paid in 2021 | $261m USD |
| Estimated remittance fees paid in 2022 | $340m USD |
| Remittance fees paid between 2011 - 2021 | $7.3bn USD |
| Will they reach the UN SDG of 3% by 2030? | YES |
| **Savings if 3% goal was already met in 2022** | **$170m USD** |

After a sustained reduction of average costs between 2017 and 2018, Australia's progress slowed dramatically, before picking back up towards the end of 2021. There have now been three consecutive quarters of confirmed cost reduction. However, previous trends indicate that cost plateauing is likely, which means the trend analysis is likely to be optimistic. It currently shows that Australia is on track to reach the 3% UN SDG by 2030, as the recent cost decline skews the graph towards positive momentum. There is cause for real hope, however. Australia's competition authority, ACCC, is currently reviewing their Best Practice Guidance on Foreign Currency Conversion as the current best practice still leaves too much room for hidden fees. The recent change in Government has made it more likely for the necessary policy changes to be implemented to put downward pressure on prices.

### Remittance costs: trend analysis to 2030



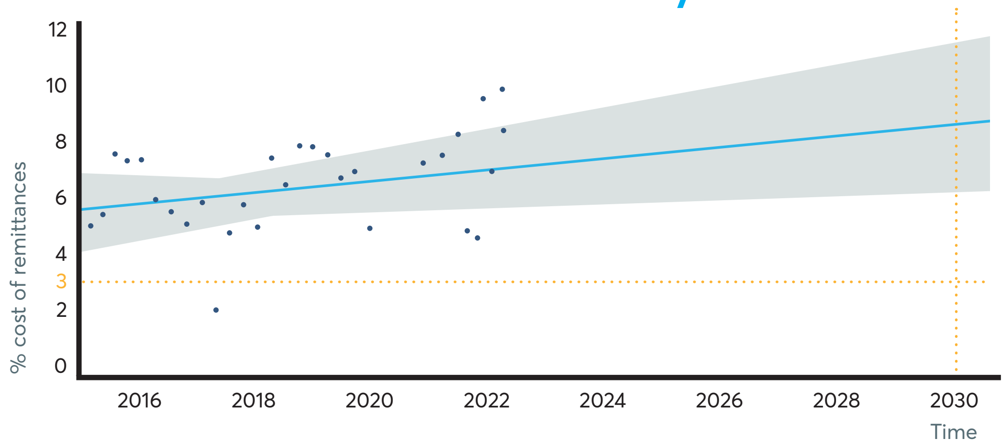
# Brazil

## Key findings

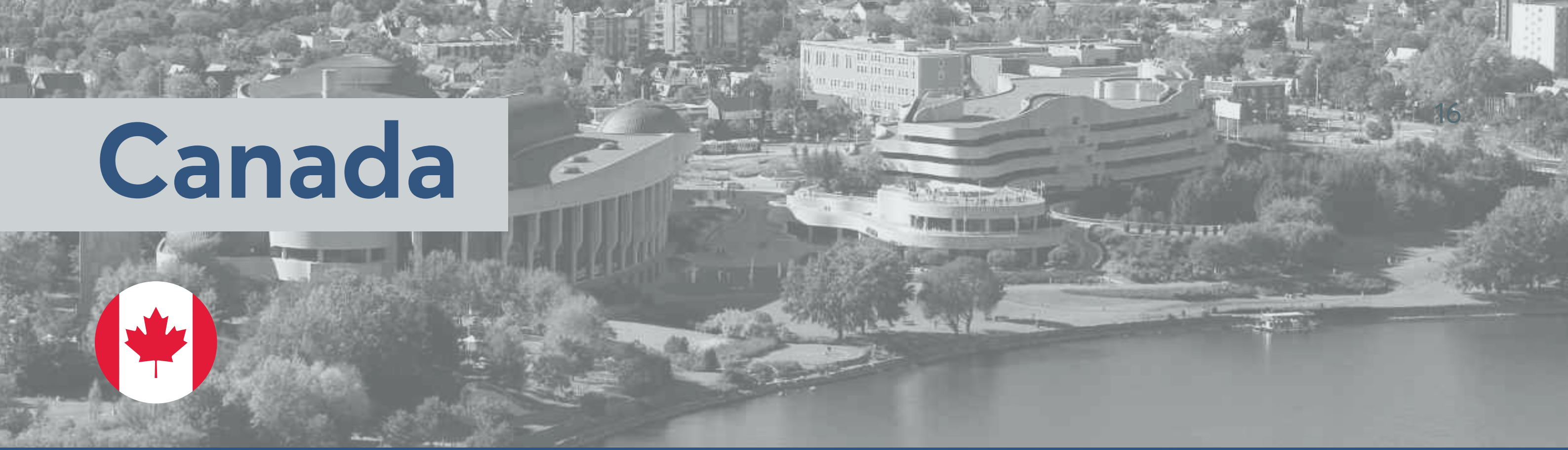
| | |
|---|---|
| Remittance outflows in 2021 | $1.8bn USD |
| Estimated remittance outflows in 2022 | $2bn USD |
| Average remittance costs in Q2 2022 | 7.71% |
| Remittance fees paid in 2021 | $105m USD |
| Estimated remittance fees paid in 2022 | $143m USD |
| Remittance fees paid between 2011 - 2021 | $1.5bn USD |
| Will they reach the UN SDG of 3% by 2030? | NO |
| **Savings if 3% goal was already met in 2022** | **$83m USD** |

This report only analyses Brazil's outward flows, which are comparably smaller than their inward flows. The Brazilian data for UN SDG essentially considers the remittances from different senders and receivers, which can be inaccurate due to how Brazil operates. Institutions register the remittances to a Central Bank system under specific categories (called transfer natures -- there are around 200 of them), which might not reflect the reality of total remittance flows. Even considering an isolated fee increase for a few traditional banks, the Brazilian Central Bank has enacted regulatory changes in recent years to increase transparency and encourage competition for retail customers. In 2021, we saw this materialise in two quarters of considerable price drops, but Brazil's average costs have since trended upwards again, for a year-on-year increase of 20%. Despite the Central Bank's discrete effort in increasing transparency, more will be needed for Brazil to reach the SDG.

## Remittance costs: trend analysis to 2030



# Canada

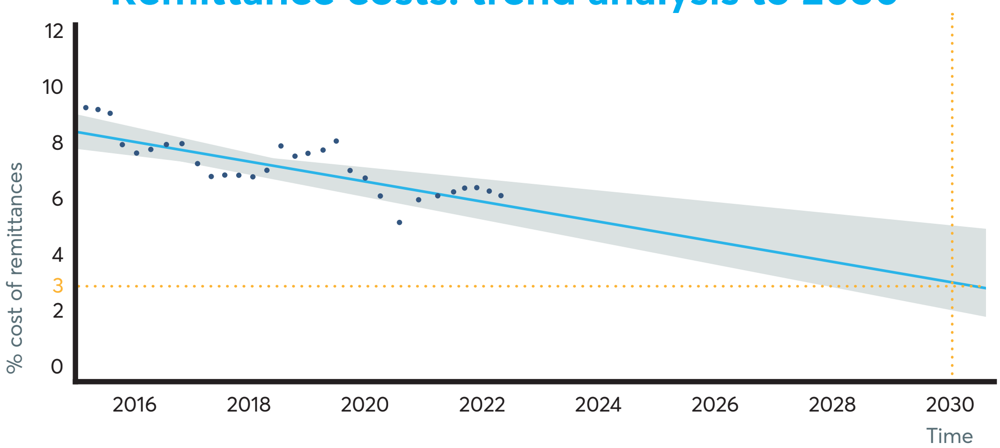


## Key findings

| | |
|---|---|
| Remittance outflows in 2021 | $7.2bn USD |
| Estimated remittance outflows in 2022 | $8bn USD |
| Average remittance costs in Q2 2022 | 6.5% |
| Remittance fees paid in 2021 | $466m USD |
| Estimated remittance fees paid in 2022 | $507m USD |
| Remittance fees paid between 2011 - 2021 | $5.9bn USD |
| Will they reach the UN SDG of 3% by 2030? | NO |
| **Savings if 3% goal was already met in 2022** | **$267m USD** |

The average remittance costs in Canada had been going down steadily until 2020. Unfortunately, there has been a serious spike in average costs from 2021 onwards and costs have plateaued in 2022. Unless Canada can turn this trend around, it'll be hard to meet the UN SDG. The latest data shows that Canadian pricing is still more than double the target, which means that an estimated $267 million could have been saved in 2022, had consumers had access to cheaper and more transparent remittances.

## Remittance costs: trend analysis to 2030



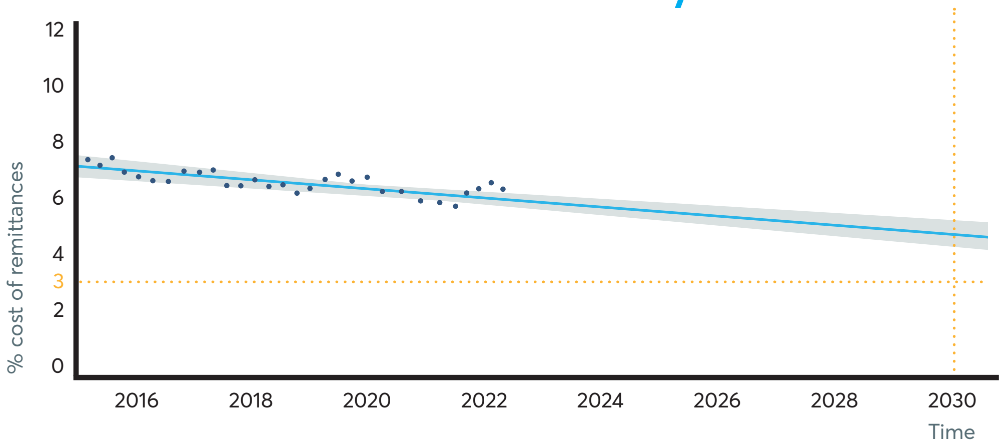
# France

## Key findings

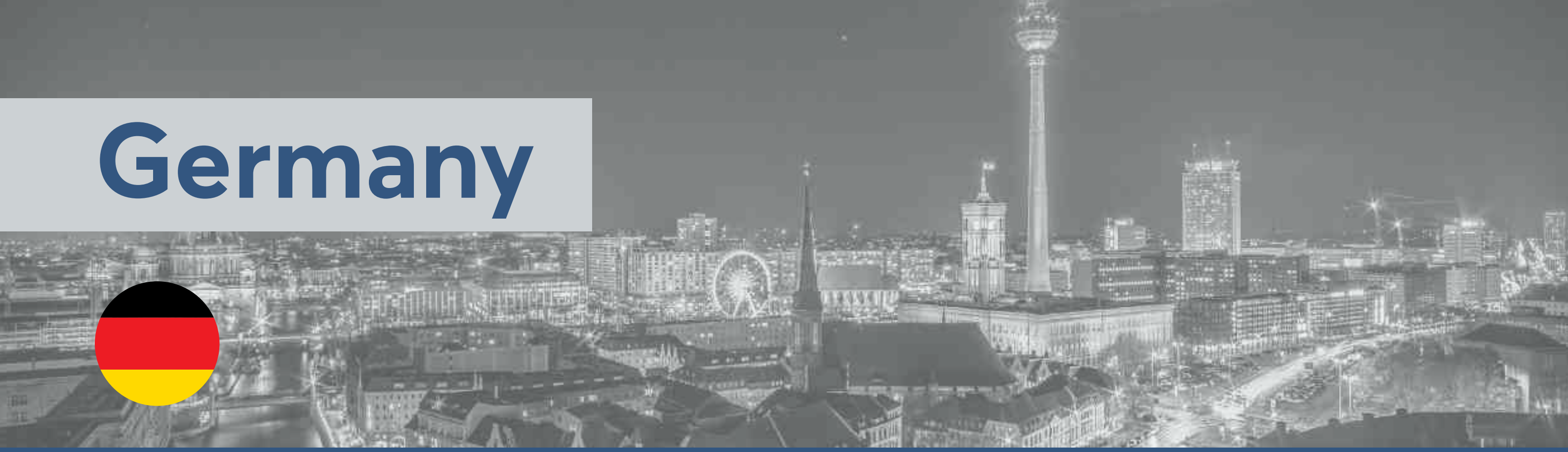
| | |
|---|---|
| Remittance outflows in 2021 | $15bn USD |
| Estimated remittance outflows in 2022 | $16.2bn USD |
| Average remittance costs in Q2 2022 | 6.41% |
| Remittance fees paid in 2021 | $915m USD |
| Estimated remittance fees paid in 2022 | $1.23bn USD |
| Remittance fees paid between 2011 - 2021 | $11.4bn USD |
| Will they reach the UN SDG of 3% by 2030? | NO |
| **Savings if 3% goal was already met in 2022** | **$537m USD** |

France's current remittance pricing hovers at around double the UN SDG. Since the introduction of the target, the country has only been able to reduce the average cost by 0.5 percentage points. That lack of progress means it's incredibly unlikely that the country will reach the SDG in time. French consumer organisation Que Choisir, having filed an official complaint against two leading money transfer companies for misleading consumers, is outraged since it transpired that no French providers have signed up to the Ukraine remittances pledge. The consumer watchdog also acknowledged that transparency is the only way to facilitate lower average costs and urged the European Commission to use the upcoming PSD2 review to address the shortcomings in current EU law.

## Remittance costs: trend analysis to 2030



# Germany

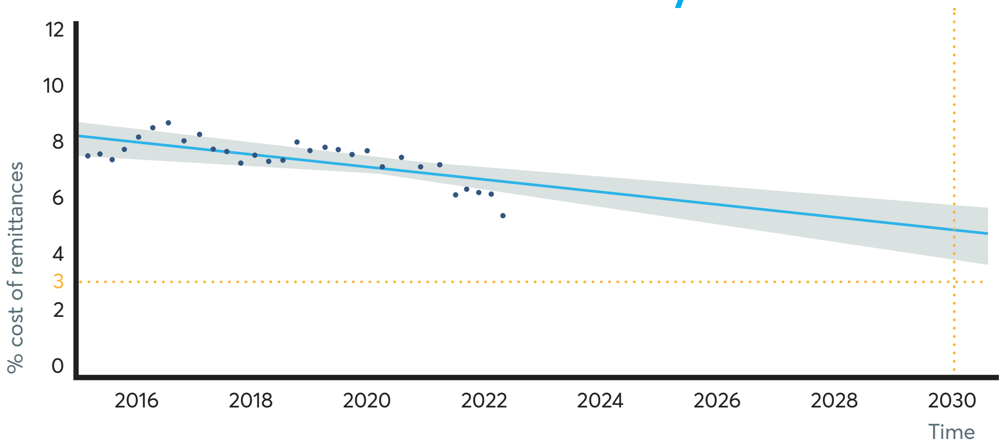


## Key findings

| | |
|---|---|
| Remittance outflows in 2021 | $17.3bn USD |
| Estimated remittance outflows in 2022 | $23bn USD |
| Average remittance costs in Q2 2022 | 5.83% |
| Remittance fees paid in 2021 | $1.13bn USD |
| Estimated remittance fees paid in 2022 | $1.44bn USD |
| Remittance fees paid between 2011 - 2021 | $15.7bn USD |
| Will they reach the UN SDG of 3% by 2030? | NO |
| **Savings if 3% goal was already met in 2022** | **$750m USD** |

Until 2021, Germany never managed to achieve remittance costs below 7%. As Europe's biggest remittance sending country, it's highly encouraging that 2022 marked the first time that Germany achieved average costs below 6%. However, costs to send remittances from Germany are still nearly double the UN SDG, which means that at the current cost trajectory Germany is set to miss the 2030 deadline. Even today, most German banks only update the exchange rate once a day and fail to include the mark-up they add to the exchange rate. Like in most European countries, the Cross-Border Payment Regulation requires banks and providers to show 'all currency conversion charges' up front for European transfers, but lax enforcement has, until now, hindered progress. The upcoming review of the Payment Services Directive could close the loopholes, increase transparency and lead to lower average costs and achieving the SDG.

## Remittance costs: trend analysis to 2030



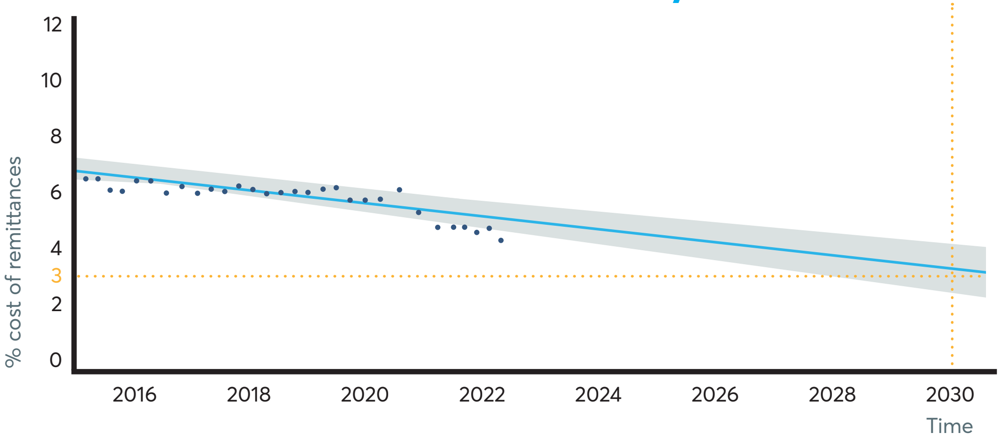
# Italy

## Key findings

| | |
|---|---|
| Remittance outflows in 2021 | $12.2bn USD |
| Estimated remittance outflows in 2022 | $11.6bn USD |
| Average remittance costs in Q2 2022 | 4.37% |
| Remittance fees paid in 2021 | $574m USD |
| Estimated remittance fees paid in 2022 | $551m USD |
| Remittance fees paid between 2011 - 2021 | $8bn USD |
| Will they reach the UN SDG of 3% by 2030? | NO |
| **Savings if 3% goal was already met in 2022** | **$203m USD** |

Currently, Italy's average costs on remittances is the lowest among the European countries in the G20 (4.71% in 2021), but it still needs to drop average costs faster to achieve the UN SDG. On average, Italian remittance costs have been going down since 2018, but they still remain relatively high. Unfortunately, this means that those living in Italy will pay $203 million more in 2022 than if the UN SDG had been reached. Having held the G20 presidency, Italian policymakers have been key drivers in establishing the G20 Roadmap for enhancing cross border payments, but more needs to be done to tackle issue head on, inject transparency and put downwards pressure on remittance costs.

### Remittance costs: trend analysis to 2030



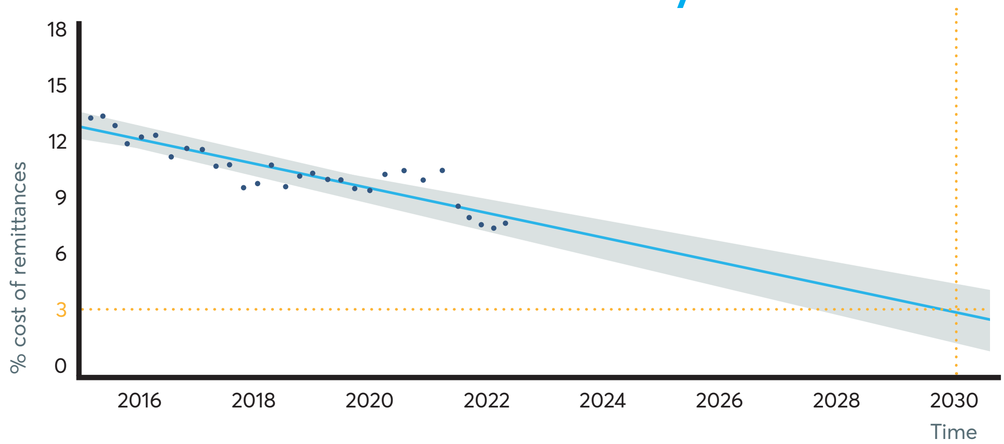
# Japan

## Key findings

| | |
|---|---|
| Remittance outflows in 2021 | $6.1bn USD |
| Estimated remittance outflows in 2022 | $7.7bn USD |
| Average remittance costs in Q2 2022 | 7.58% |
| Remittance fees paid in 2021 | $529m USD |
| Estimated remittance fees paid in 2022 | $587m USD |
| Remittance fees paid between 2011 - 2021 | $6.7bn USD |
| Will they reach the UN SDG of 3% by 2030? | YES |
| **Savings if 3% goal was already met in 2022** | **$354m USD** |

Average remittance costs in Japan have remained stubbornly high for years because regulation stipulated that only banks could offer these services. It was only in 2010 that the Japanese government gave non-banks the greenlight to do so. However, money transmitters were still hampered by the JPY 1 million (approx. $9,000) transfer cap which meant consumers still used their banks for remittances. A 2021 legislation amendment has removed the transfer cap. This has the potential to lower remittances costs significantly, once new entrants are able to obtain a so-called Type 1 license, allowing them to remove this cap for their customers and take advantage of the lower costs newer players offer. This would establish a level playing field. Today, new entrants increase competition in the market, and with that there has been a reduction in the millions of fees paid by Japanese consumers, but this reduction could go much further once Type 1 licenses are allocated. 2021 saw the best year for consumers as the margin on fees, but Japan has a clear path forward to further reduce costs.

## Remittance costs: trend analysis to 2030



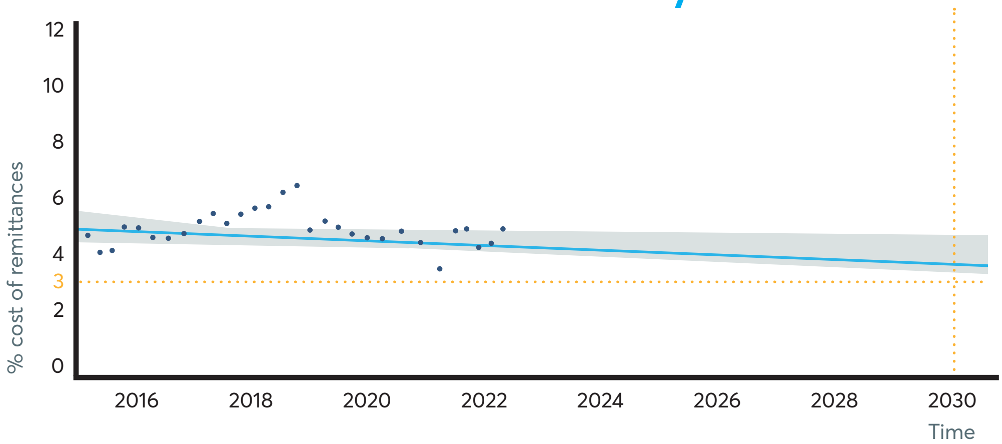
# Saudi Arabia

## Key findings

| | |
|---|---|
| Remittance outflows in 2021 | $40.7bn USD |
| Estimated remittance outflows in 2022 | $37.3bn USD |
| Average remittance costs in Q2 2022 | 4.87% |
| Remittance fees paid in 2021 | $1.78bn USD |
| Estimated remittance fees paid in 2022 | $1.76bn USD |
| Remittance fees paid between 2011 - 2021 | $19bn USD |
| Will they reach the UN SDG of 3% by 2030? | NO |
| **Savings if 3% goal was already met in 2022** | **$635m USD** |

As part of its 2020 G20 Presidency, Saudi Arabia made improving cross-border payments and reducing average costs a political priority. Average remittance costs in the country have been increasingly volatile, peaking in 2019 and hitting their lowest point in 2021. However, for the past four quarters, average costs have trended upwards, after a short period of being close to hitting the UN SDG. Saudi Arabia will need to take measures to buck this trend to benefit the millions of people sending money abroad from Saudi Arabia, which remains one of the world's leading remittance sending countries.

## Remittance costs: trend analysis to 2030



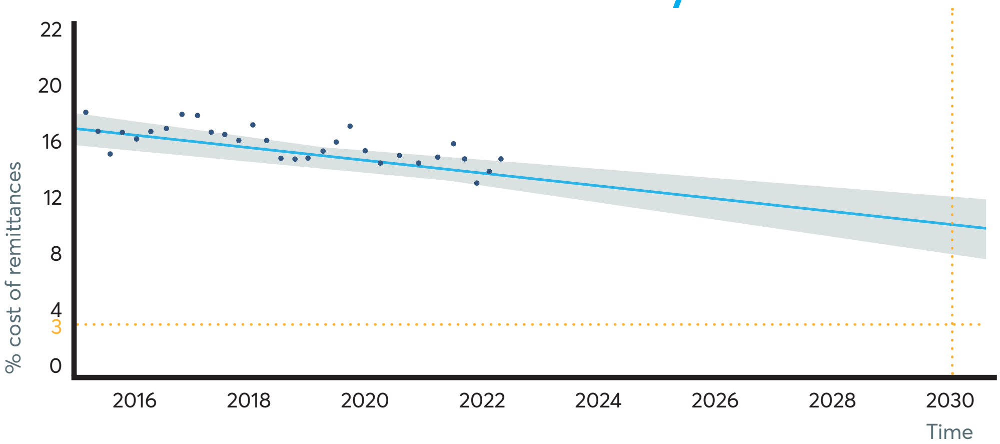
# South Africa

## Key findings

| | |
|---|---|
| Remittance outflows in 2021 | $1.1bn USD |
| Estimated remittance outflows in 2022 | $1.1bn USD |
| Average remittance costs in Q2 2022 | 14.73% |
| Remittance fees paid in 2021 | $156m USD |
| Estimated remittance fees paid in 2022 | $153m USD |
| Remittance fees paid between 2011 - 2021 | $471m USD |
| Will they reach the UN SDG of 3% by 2030? | NO |
| **Savings if 3% goal was already met in 2022** | **$121m USD** |

The cost of sending money out of South Africa has slowly been creeping up in recent quarters and remains prohibitively high at 14.73% in Q2 of this year. These average costs are in part driven by the high share of intra-African remittances, especially to other countries of the Southern African Development Community. These are usually subject to exorbitant prices on the receiving side too. A lack of competition in the sector because of a restricted regulatory environment has kept average costs high. However, the creation of Authorised Dealers in foreign exchange with Limited Authority (ADLAs) to offer remittance services alongside banks is bringing about a more competitive environment and introducing cheaper remittance players to the market.

## Remittance costs: trend analysis to 2030



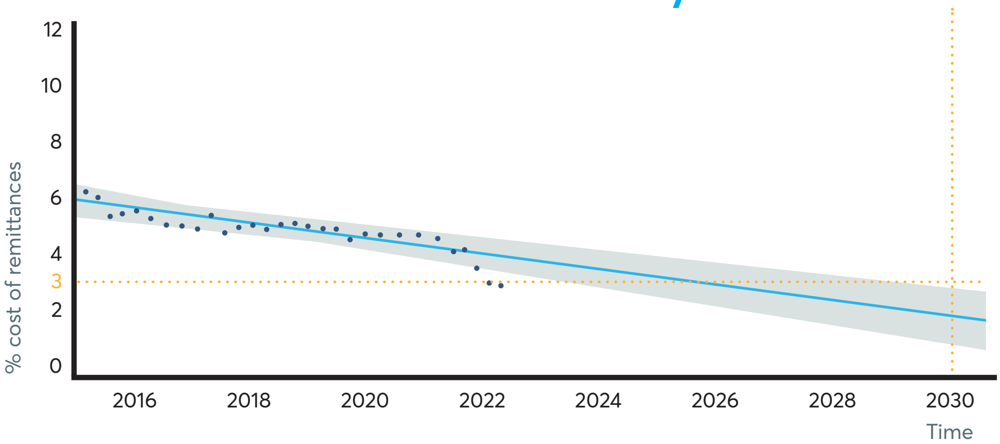
# South Korea

## Key findings

| | |
|---|---|
| Remittance outflows in 2021 | $9.8bn USD |
| Estimated remittance outflows in 2022 | $11.2bn USD |
| Average remittance costs in Q2 2022 | 2.93% |
| Remittance fees paid in 2021 | $400m USD |
| Estimated remittance fees paid in 2022 | $369m USD |
| Remittance fees paid between 2011 - 2021 | $6.8bn USD |
| Will they reach the UN SDG of 3% by 2030? | YES |
| **Savings if 3% goal was already met in 2022** | **$36m USD** |

South Korea has high levels of digital financial services adoption. It's the only G20 country to have achieved the UN SDG on a quarterly basis, with remittance costs below 3% for two consecutive quarters in 2022. South Korea has managed to drop its average costs considerably since 2021. While some of this could be attributed to a different currency route mix and a slowdown in migration, it's still worth celebrating South Korea's considerable progress.

## Remittance costs: trend analysis to 2030



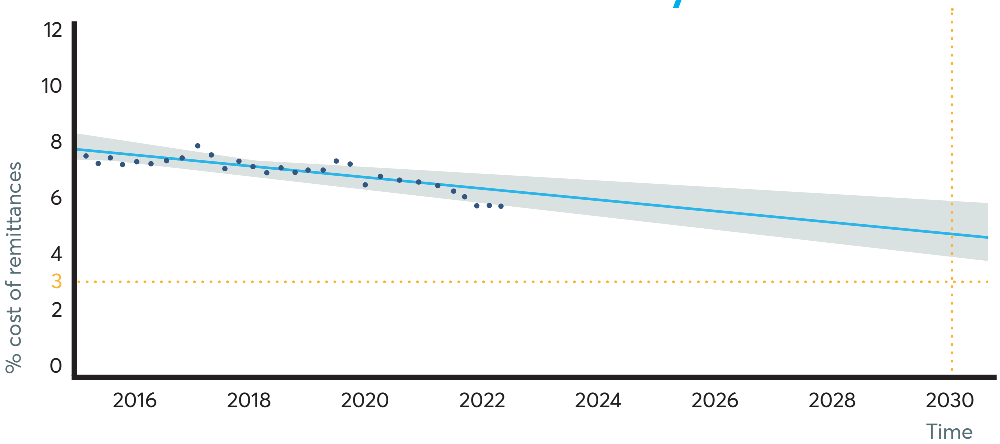
# United Kingdom

## Key findings

| | |
|---|---|
| Remittance outflows in 2021 | $10.1bn USD |
| Estimated remittance outflows in 2022 | $10.7bn USD |
| Average remittance costs in Q2 2022 | 5.62% |
| Remittance fees paid in 2021 | $615m USD |
| Estimated remittance fees paid in 2022 | $627m USD |
| Remittance fees paid between 2011 - 2021 | $9.1bn USD |
| Will they reach the UN SDG of 3% by 2030? | NO |
| **Savings if 3% goal was already met in 2022** | **$304m USD** |

The UK's average costs have gone down by an average of 0.06% per quarter since the UN SDG was introduced in Q3 2015. This rate of progress is too slow for the country to come close to reaching the target by 2030. While the Consumer Duty promises to ensure firms are more transparent about the pricing and value of their services which is an encouraging step, it needs to be rigorously enforced for the UK to course-correct towards the 3% goal. The UK Government's own research shows that more transparency in foreign exchange works, but this has still not been achieved. Unfortunately, this means that in 2022 UK based remitters will pay $304 million more than if the UN SDG had been reached.

## Remittance costs: trend analysis to 2030



# United States

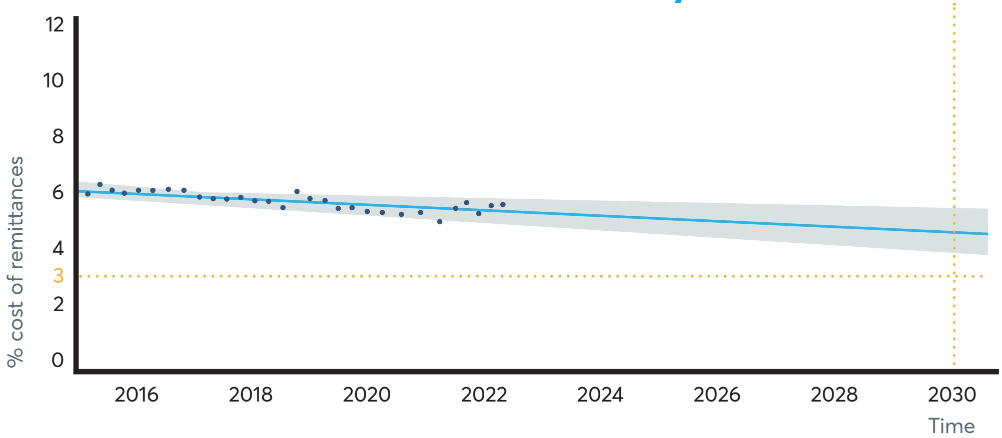
## Key findings

| | |
|---|---|
| Remittance outflows in 2021 | $74.6bn USD |
| Estimated remittance outflows in 2022 | $77.6bn USD |
| Average remittance costs in Q2 2022 | 5.55% |
| Remittance fees paid in 2021 | $3.93bn USD |
| Estimated remittance fees paid in 2022 | $4.15bn USD |
| Remittance fees paid between 2011 - 2021 | $43.8bn USD |
| Will they reach the UN SDG of 3% by 2030? | NO |
| **Savings if 3% goal was already met in 2022** | **$1.82bn USD** |

Average remittance costs from the US have trended upwards in recent quarters, to an average cost of 5.5% in Q2 2022. This is surprising, as 2020 and 2021 saw rapid price drops due to the increase in digital adoption during the pandemic. At the current rate, the US won't meet the UN SDG of 3% by 2030.

Even though Congress included protections for remittance transfers in the Dodd-Frank Act of 2010, banks and providers still inflate the cost of remittances through hidden fees in the exchange rate. This lack of transparency is compounded by the fact that remittance providers present fees in different ways, making apples to apples comparisons impossible. This has hindered progress on lower remittance costs.

### Remittance costs: trend analysis to 2030



# Methodology.

Calculations in this report are based on Remittance Prices Worldwide (RPW) published by the World Bank, Q2.2022. Remittance costs expressed in percentages always reflect the cost of sending $200 USD.

The forecast model is based on an ARIMA model. All values have been modified for inflation. 2021 is the base year.

"Estimated remittances outflow 2022" is calculated based on the Forecast of total remittances volume for 2022 by KNOMAS  and the percentage share of a country's outflow (KNOMAD) in 2020 and 2021.

If you have any questions,
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