

AN ANALYSIS OF THE NORWEGIAN REMITTANCE PRICE DATABASE

A report of the progress of the www.sendingmoneyhome.no site

Main Findings

- **The average prices for money transfers from Norway are increasing.** In 2012 the total average cost increased for the transfer amount NOK 1000 from 11,55 to 11,71 percent, for NOK 3000 from 6,04 percent to 6,37 percent and the highest increase was for the amount of NOK 5000 from 5,03 to 5,47 percent.
- The increase in costs was highest for commercial banks. **Keeping the fixed fee unchanged, many banks dramatically increased the hidden cost of money transfers (exchange rate margin).**
- Awareness of comparison site is still too low in target audience, but recent marketing campaign appears to be working.

Introduction

The Norwegian Sending Money Home remittance comparison site was established in 2010, modified its data collection and presenting methods to be in accordance to the World Bank's requirements in June 2011, and received World Bank's certification in February 2012. This report provides an insight into the progress of the site since the certification and analyses the trends in costs of transferring remittances from Norway to 25 countries.

Sending Money Home – since certification

Even though the site is told to be useful by some of the diaspora community in Norway, still too few know about the possibility of comparing the remittance transfer prices. For the Sending Money Home (SMH) site to contribute to a decrease in remittance transfer costs, more people should be made aware of the tool, so as to be able to impact price levels by choosing the cheapest methods for their money transfers.

Therefore, the Sending Money Home site launched a marketing campaign in June 2012 which will last throughout the year. The following methods are used to reach the relevant diaspora communities:

- Radio ads in immigrant radio stations targeting their respective diaspora communities. The ads were produced in Norwegian, English and in languages relevant to the 26 countries which are included in the SMH database.
- Ads in Norwegian in a newspaper that is published for the diaspora communities in Norway.
- Banner ads on the above named radio stations and newspaper's webpages
- Distribution of posters to areas with high diaspora presence in Oslo.
- Distributions of flyers at social events.

Although it is too early to conclude whether the campaign has been successful or not, the preliminary results do suggest impact: page views for SMH have doubled for July 2012 when compared to July 2011, and increased by 86,15 percent compared to June this year.

As for further developments of the site, more country corridors and providers are planned to be included before the year end. For all providers, the conditions for the service were confirmed by mystery shopping exercises.

Analysis of total average cost

The cost comparison between data collected on the 9th of June 2011 and 1st of June 2012 comprises 25 country corridors, excluding Somalia which was added in December 2011.

Firstly, the average total costs are compared, followed by a breakdown of the costs for different types of remittance service providers (RSP) and lastly a look into the average cost per country is provided.

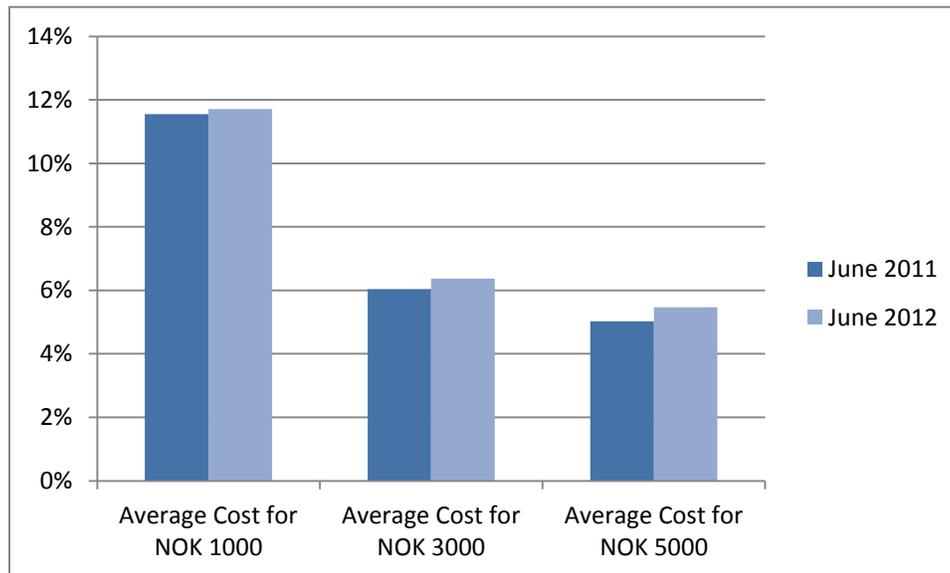
The survey includes twelve remittance service providers, six of them are commercial banks and six are money transfer operators (MTO). Costs are compared for three transfer amounts included in the SMH – NOK 1000, NOK 3000 and NOK 5000.

The simple average cost method is used for calculating the average costs presented in this paper as the data for the volume of transfers through the different providers was not available.

Comparison of total average cost

Total average cost for migrant remittances increased during the period of June 2011 to June 2012. The smallest increase – 1,42 percent – was for the amount of NOK 1000 with an increase from 11,55 percent to 11,71 percent. Remitting cost for NOK 3000 increased by 5,5 percent – from 6,04 percent to 6,37 percent and the highest increase of 8,82 percent was for the transfer amount of NOK 5000 which increased from 5,03 percent to 5,47 percent (Figure 1).

Figure 1. Total average cost as a percentage of the amount sent, June 2011 and June 2012



As expected, the total average cost is highest for the transfer amount of NOK 1000, and considerably lower for the amounts of NOK 3000 and NOK 5000 (Table 1).

Table 1. Total average costs in percentage for remitting from Norway to the 25 recipient countries

	June 2011			June 2012			Change in %		
	1000 NOK	3000 NOK	5000 NOK	1000 NOK	3000 NOK	5000 NOK	1000 NOK	3000 NOK	5000 NOK
Average Cost, %	11,55	6,04	5,03	11,71	6,37	5,47	1,42	5,5	8,82

Comparison of average costs by remittance service provider type

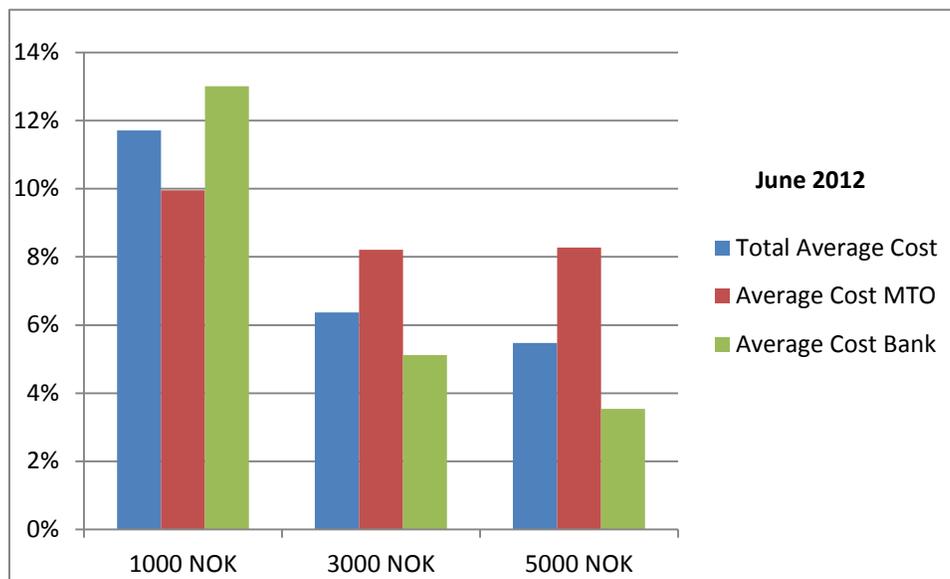
When differentiating between the types of service providers – commercial banks and MTOs – there was a moderate decrease in total average costs for MTOs for the transfer amount of NOK 1000, while overall the prices have clearly increased for both RSP groups. The biggest increase is experienced in the commercial banking sector (Table 2).

Table 2. Total average costs in percentage for remitting from Norway to the 25 recipient countries

	June 2011			June 2012			Change in %		
	1000 NOK	3000 NOK	5000 NOK	1000 NOK	3000 NOK	5000 NOK	1000 NOK	3000 NOK	5000 NOK
Average Cost MTO, %	10,07	8,13	7,96	9,96	8,21	8,28	-1,13	0,99	3,98
Average Cost Bank, %	12,63	4,72	3,14	13,01	5,12	3,54	3,03	8,41	12,54

The differences between the average cost for the amounts presented in the SMH solution and the different types of RSPs for the year 2012 is shown in Figure 2.

Figure 2. Average costs as a percentage of the amount sent, June 2012



While for the transfer amount of NOK 1000 the banks have the highest average cost of 13,01 percent and the MTO average cost is 9,96 percent, the opposite is true for the amounts of NOK 3000 (5,12 percent for the banks and 8,21 percent for the MTOs) and NOK 5000 (3,54 percent for the banks and 8,28 percent for the MTOs). Since the banks in Norway operate with a fixed fee, the banks' fee will make up a smaller percentage of the total costs as the remitted amount increases. MTOs usually operate with the price model where the fee is a certain percentage of the amount sent plus a fixed fee, or with an incremental fee.

It is important to note that bank transfers will most likely be more costly than presented in this report for the following reasons:

- the receiving bank will usually also charge a fee for receiving the transfer (unless the sender pays the receiver's fee by themselves)

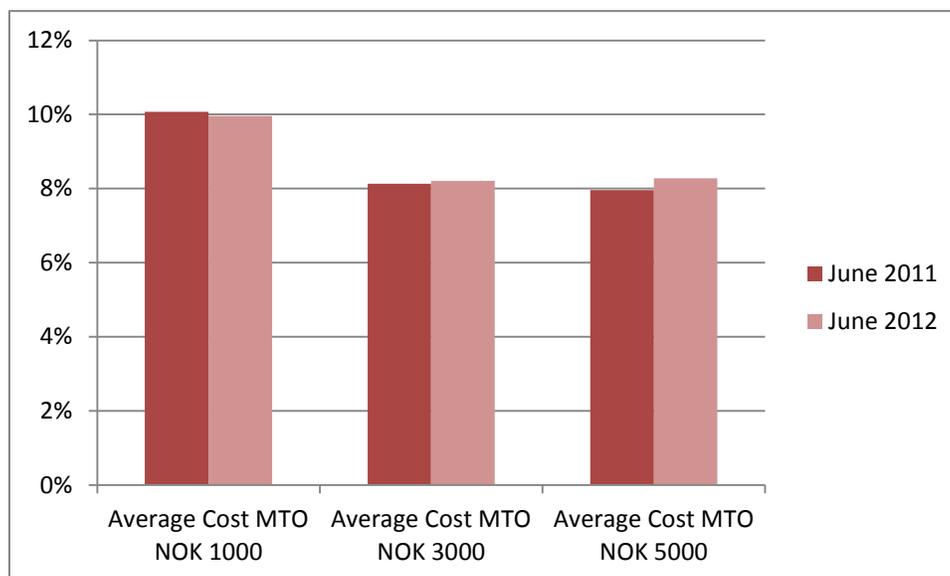
- if the sending bank does not offer transfers in the receiving country’s currency, an extra currency conversion cost will apply

As of today it is difficult to obtain the information about the fees which a receiving bank would charge as even the banks in Norway often do not know them. The diaspora community in Norway has shown great concern about the difficulty of acquiring such information. Perhaps a solution to the problem would be to establish an average for the cost of receiving remittances through commercial banks in relevant countries.

Money transfers through MTOs

The average cost for remitting through MTOs decreased in 2012 for the sending amount of 1000 NOK – from 10,07 percent to 9,96 percent and the costs increased for sending amounts of NOK 3000 and NOK 5000 (an increase of 0,99 percent and 3,98 percent respectively) . See Figure 3.

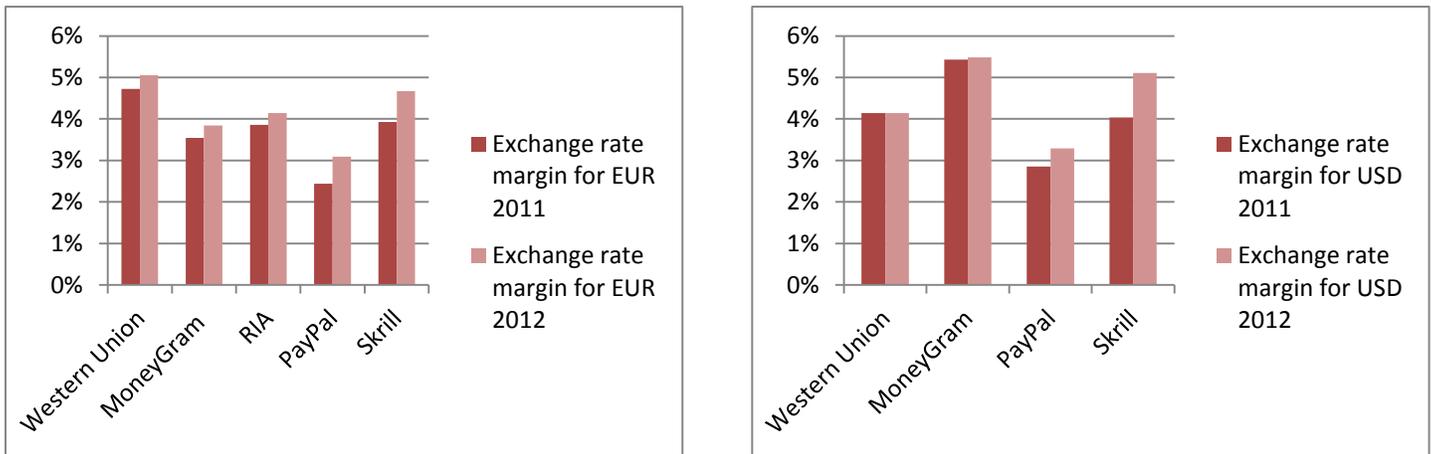
Figure 3. Comparison of MTOs’ average cost



The biggest impact on prices in the Norwegian market resulted from MoneyGram’s changed pricing strategy. MoneyGram lowered the fixed fees for all 25 countries in SMH solution for the amounts of NOK 1000 and NOK 3000. The fixed fee was increased for the transfer amount of NOK 5000 for seventeen countries, and decreased by almost 65 percent for seven countries in the SMH solution. The sudden decrease in prices can be explained by MoneyGram losing its main agent in Norway – Forex – to Western Union.

Most MTOs increased their exchange rate margins between the June 2011 and June 2012. Figure 4 presents changes in the exchange rate margins for United States dollar (USD) and Euro (EUR) for the MTOs included in the SMH.

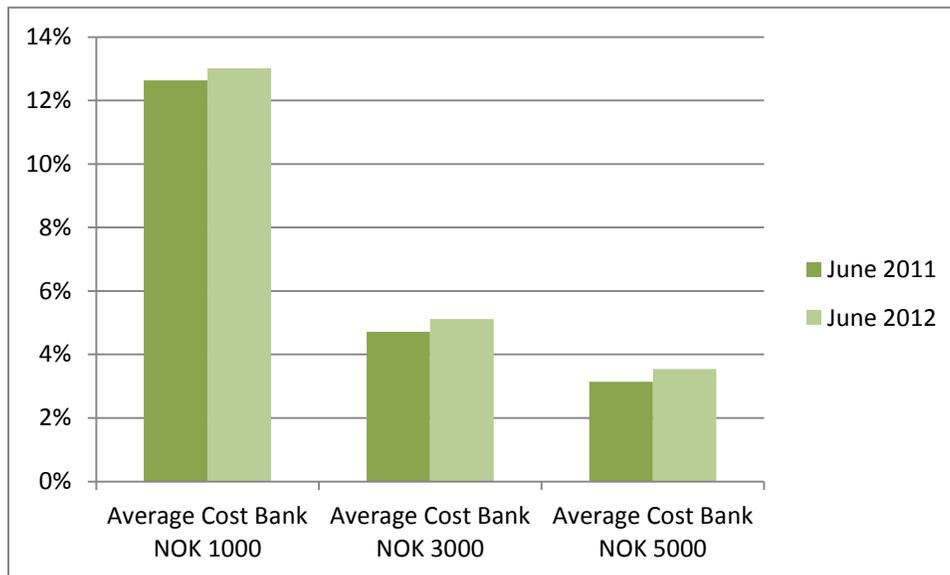
Figure 4. Comparison of MTOs' exchange rate margins



Money transfers through commercial banks

Average cost for transferring money through banks increased 3,03 percent for the amount of NOK 1000, 8,41 percent for the amount of NOK 3000 and 12,54 percent for the sending amount of NOK 5000. See Figure 5.

Figure 5. Comparison of banks' average cost

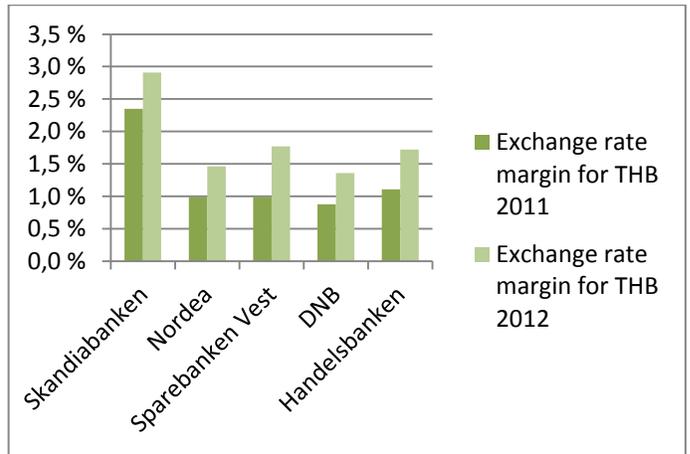
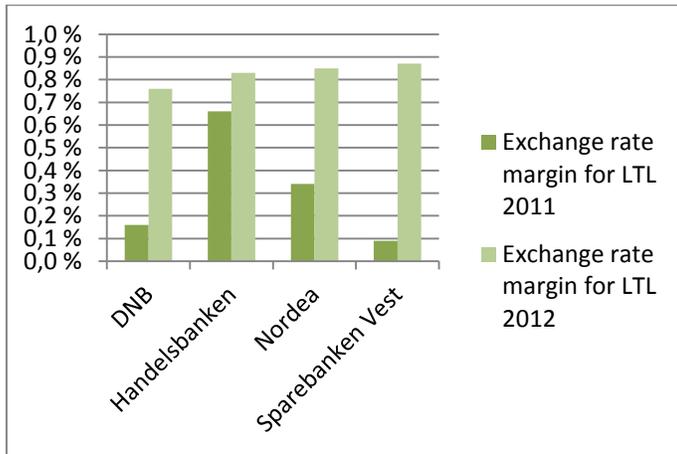
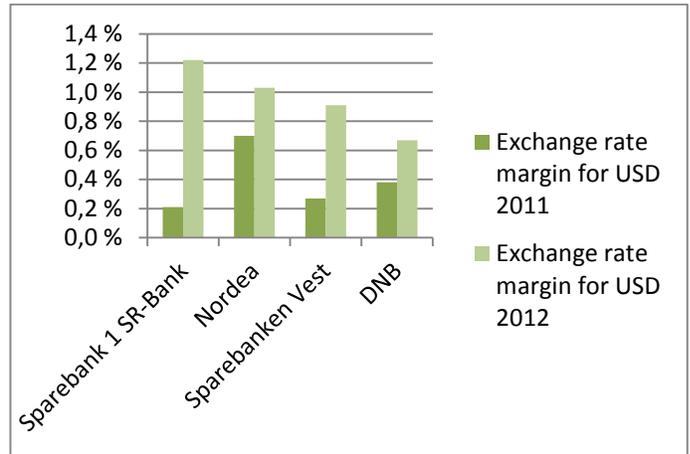
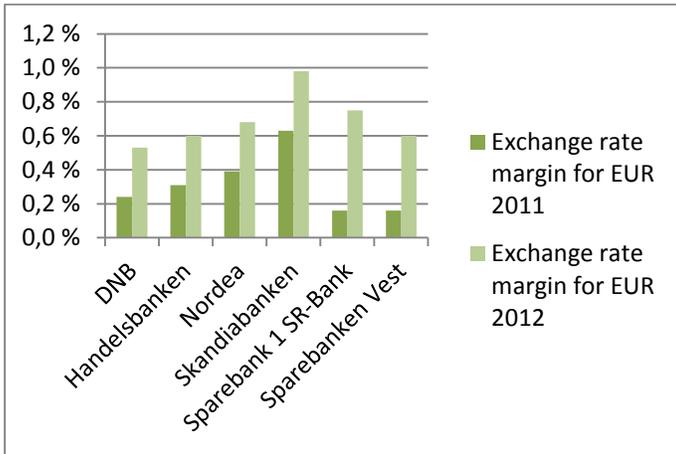


Banks represented in the SMH database did not change their fixed fees throughout the year, but did increase the hidden cost of remitting – the exchange rate margin for most currencies included in the database, the only exceptions being Chinese yuan renminbi (CNY), Pakistani rupee (PKR) and Russian ruble (RUB) for which the exchange rate margins were lowered. Thus total average cost for transfers through banks increased for twenty three countries and decreased for Pakistan and Russia.¹

Figure 6 offers a comparison between exchange rate margins for EUR, USD, Lithuanian litas (LTL) and Thai baht (THB).

¹ Only one commercial bank offers money transfers in CNY, therefore the total average cost for banks remitting fees to China were not decreased.

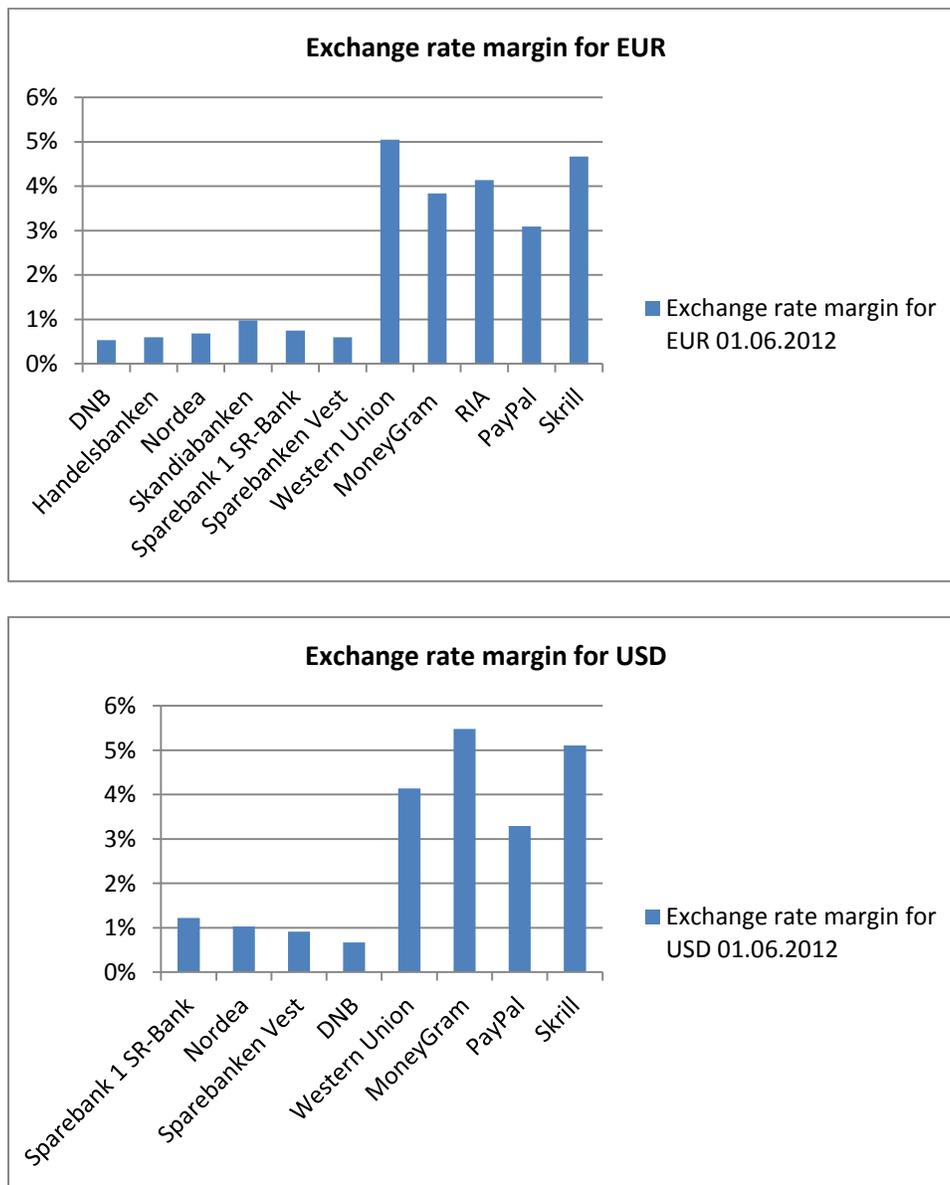
Figure 6. Comparison of banks' exchange rate margins



Exchange rate margin comparison between banks and MTOs

As noted earlier, most RSPs increased their exchange rate margins between 2011 and 2012. Although the banks increased their margins the most, MTOs still charge considerably higher exchange rate margins for their transactions. A sample of the margins for EUR and USD is presented in Figure 7.

Figure 7. Comparison of exchange rate margins for RSPs, June 2012

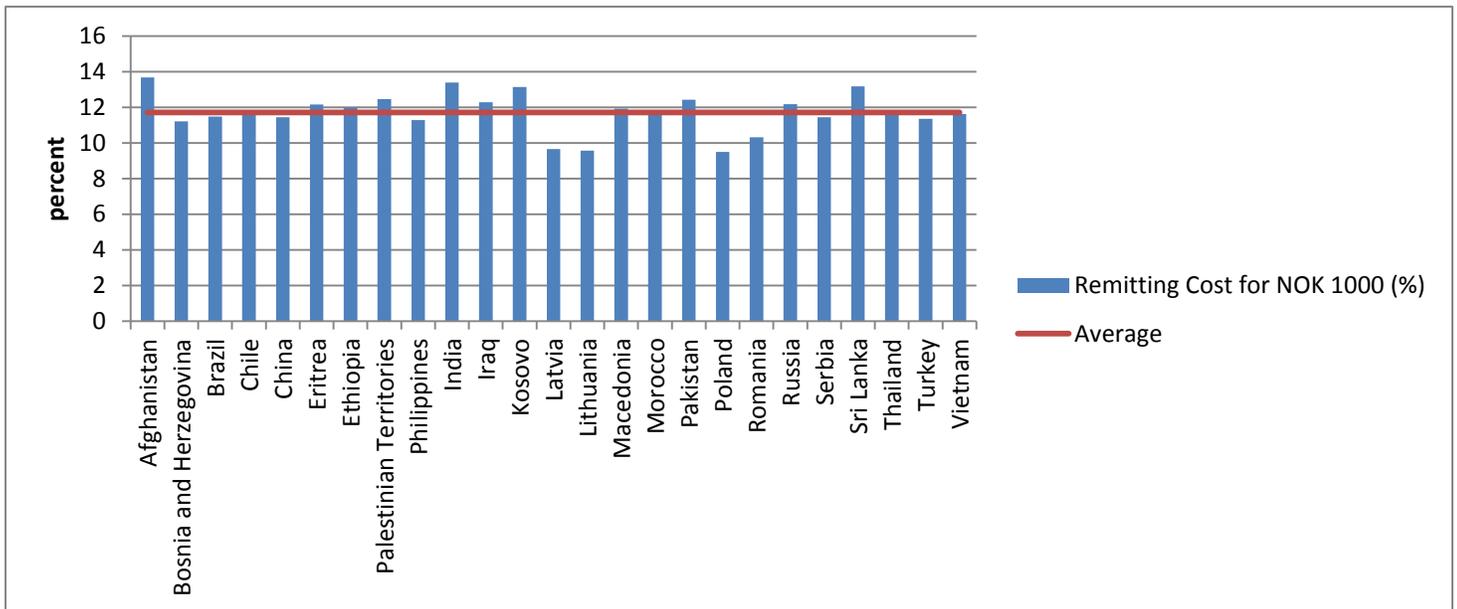


Total average cost analysis by country corridor and the amount sent

The only country corridors that experienced a decrease in total average costs for all transfer amounts were Pakistan and Russia. Costs decreased for the transfer amount of NOK 1000 for China, India and Kosovo. All other country corridors had an increase in cost.

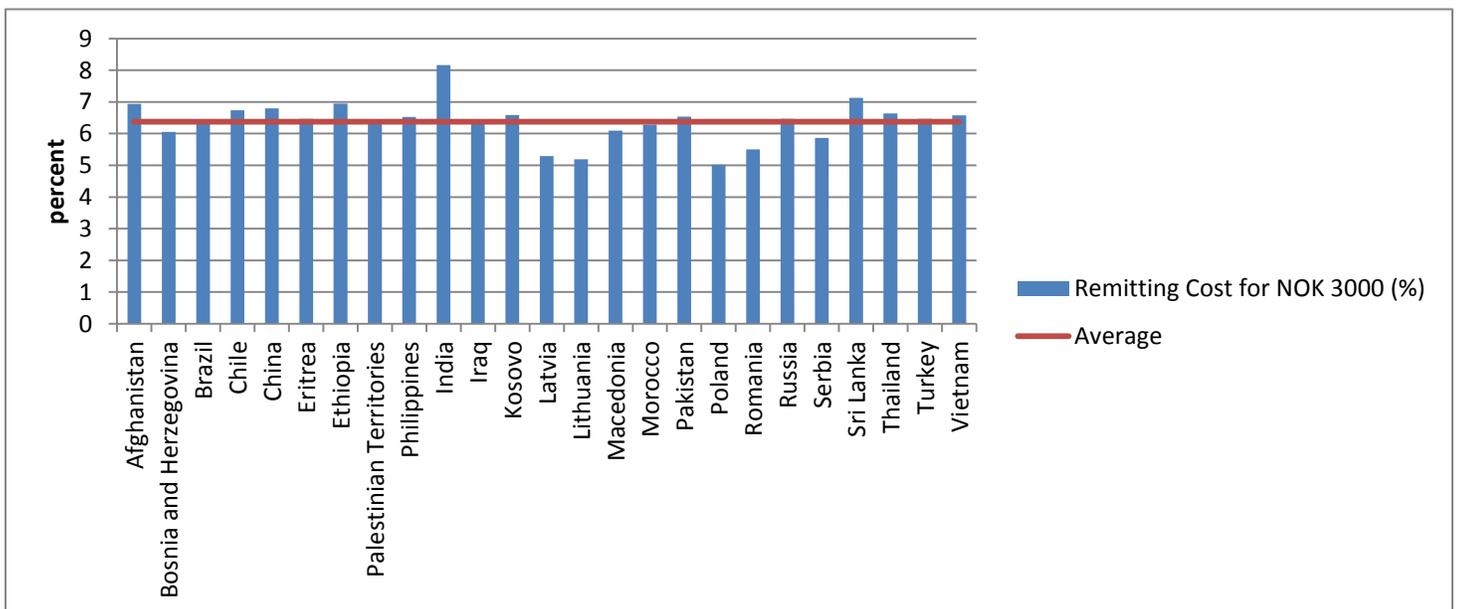
Average remittance transfer cost for NOK 1000 in June 2012 was 11,71 percent. Figure 8 displays average cost for all countries and compares the costs to the average. Four out of twenty five countries score significantly lower than the average, four of them being European Union (EU) countries where it is possible to use the Single Euro Payments Area (SEPA) payments through commercial banks which have considerably lower costs than other international payments. Afghanistan, India, Kosovo and Sri Lanka have highest cost for transferring an amount of NOK 1000 from Norway.

Figure 8. Total average cost by country for the transfer amount of NOK 1000



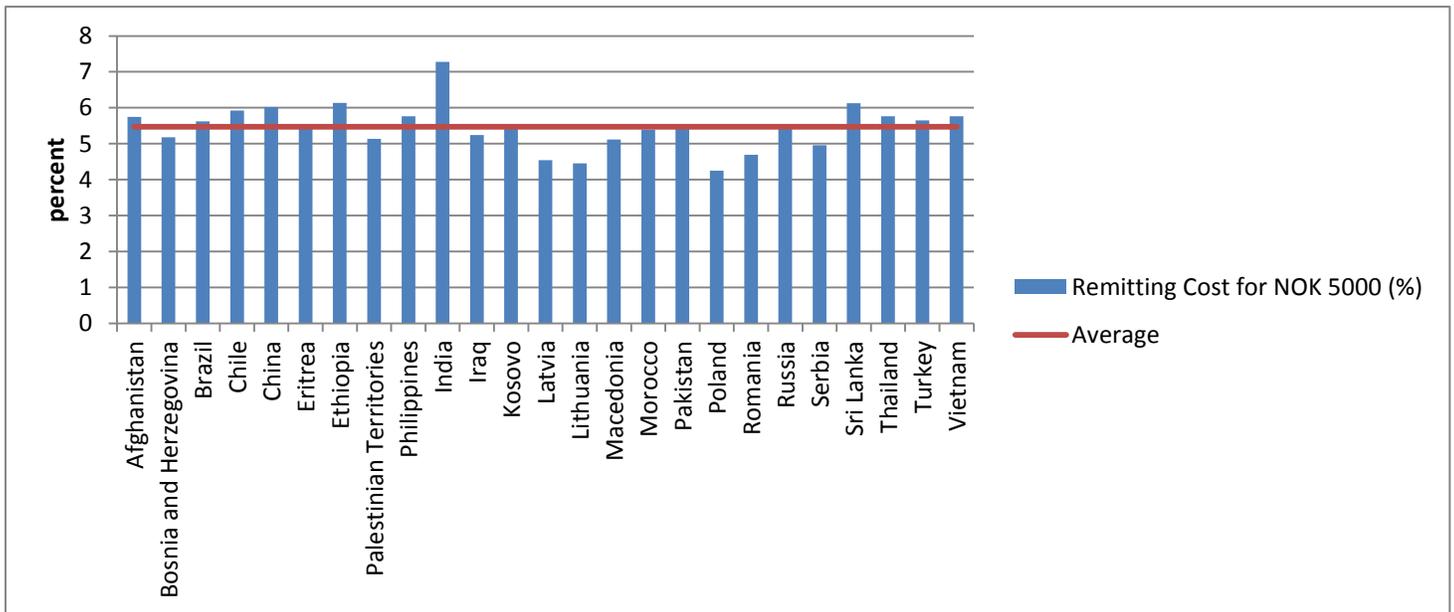
Similar trend applies to the transfer amount of NOK 3000 where the EU countries have lower than average cost (6,37 percent) for remitting. India is the most expensive country to remit where it would cost as much as 8,16 percent of the amount sent, followed by Sri Lanka (7,13 percent) and Ethiopia (6,95 percent).

Figure 9. Total average cost by country for the transfer amount of NOK 3000



For the amount of NOK 5000, the average cost of remitting is 5,47 percent where EU countries have the lowest remittance transfer costs when compared to the average. Again India has the highest cost of 7,28 percent followed by Ethiopia with 6,14 percent and Sri Lanka with 6,13 percent.

Figure 10. Total average cost by country for the transfer amount of NOK 5000



More detailed overview of the costs for all country corridors is presented in Table 3.

Table 3. Total costs for 25 country corridors

	Total cost in % June 2011			Total cost in % June 2012			Change in Total Cost %		
	1000	3000	5000	1000	3000	5000	1000	3000	5000
	NOK	NOK	NOK	NOK	NOK	NOK	NOK	NOK	NOK
Afghanistan									
Total Average	13,43	6,72	5,51	13,67	6,94	5,75	1,83	3,21	4,35
Average MTO	13,65	10,31	9,99	13,13	9,64	9,4	-3,85	-6,45	-5,91
Average Bank	13,3	4,67	2,95	13,99	5,39	3,67	5,16	15,38	24,18
Bosnia and Herzegovina									
Total Average	10,71	5,57	4,71	11,21	6,05	5,18	4,67	8,69	10,15
Average MTO	8,51	7,21	7,33	9,11	7,78	7,88	7,05	7,8	7,48
Average Bank	12,41	4,29	2,66	12,83	4,71	3,09	3,4	9,84	15,85
Brazil									
Total Average	11,41	6,26	5,33	11,47	6,44	5,62	0,52	2,89	5,45
Average MTO	9,76	8,21	8,1	9,21	7,59	7,7	-5,63	-7,44	-4,91
Average Bank	12,88	4,53	2,87	13,48	5,16	3,49	4,66	13,81	21,52
Chile									
Total Average	11,19	6,04	5,15	11,78	6,74	5,92	5,26	11,68	15,09
Average MTO	9,29	7,73	7,71	9,86	8,52	8,66	6,19	10,27	12,39
Average Bank	12,88	4,53	2,87	13,48	5,16	3,49	4,66	13,81	21,52
China									
Total Average	11,54	6,18	5,19	11,44	6,8	6,02	-0,81	10	15,92
Average MTO	9,53	8,02	7,89	9,32	8,35	8,46	-2,17	4,09	7,19
Average Bank	13,1	4,75	3,09	13,57	5,24	3,57	3,56	10,51	15,68

Eritrea									
Total Average	12,01	6,16	5,11	12,15	6,46	5,54	1,22	4,87	8,38
Average MTO	10,7	8,61	8,47	10,17	8,42	8,61	-4,98	-2,19	1,69
Average Bank	12,88	4,53	2,87	13,48	5,16	3,49	4,66	13,81	21,52
Ethiopia									
Total Average	11,76	5,93	4,87	11,98	6,95	6,14	1,84	17,22	25,86
Average MTO	10,38	8,32	8,17	10,11	8,79	8,94	-2,61	5,72	9,35
Average Bank	12,68	4,34	2,68	13,63	5,31	3,64	7,54	22,47	36,21
Palestinian Territories									
Total Average	12,21	6,1	4,82	12,46	6,31	5,14	2,05	3,54	6,61
Average MTO	10,36	8,25	7,67	10,02	7,79	7,49	-3,28	-5,67	-2,35
Average Bank	13,23	4,9	3,24	13,81	5,5	3,83	4,37	12,15	18,41
Philippines									
Total Average	10,85	5,99	5,11	11,28	6,53	5,76	3,94	9,1	12,73
Average MTO	8,96	7,41	7,3	9,15	7,82	7,95	2,09	5,59	8,94
Average Bank	12,36	4,85	3,35	12,98	5,5	4	5,02	13,38	19,34
India									
Total Average	13,81	7,87	6,78	13,38	8,16	7,28	-3,1	3,68	7,35
Average MTO	12,73	10,67	10,52	11,36	10,03	10,16	-10,77	-6,01	-3,43
Average Bank	14,4	6,35	4,74	14,85	6,8	5,19	3,16	7,22	9,35
Iraq									
Total Average	12,1	6,17	5,01	12,27	6,31	5,24	1,38	2,26	4,58
Average MTO	10,93	8,63	8,21	10,45	8,04	7,86	-4,42	-6,84	-4,3
Average Bank	12,88	4,53	2,87	13,48	5,16	3,49	4,66	13,81	21,52
Kosovo									
Total Average	13,15	6,06	4,75	13,13	6,59	5,53	-0,15	8,66	16,45
Average MTO	14,37	11,06	10,79	13,05	10,57	10,87	-9,16	-4,45	0,71
Average Bank	12,74	4,4	2,73	13,17	4,82	3,15	3,31	9,6	15,46
Latvia									
Total Average	9,3	4,68	3,83	9,65	5,29	4,54	3,79	12,97	18,76
Average MTO	8,94	7,36	7,25	9,08	7,86	7,96	1,57	6,74	9,86
Average Bank	9,48	3,34	2,11	9,97	3,84	2,62	5,21	15,03	23,89
Lithuania									
Total Average	9,02	4,58	3,76	9,57	5,19	4,45	6,08	13,44	18,38
Average MTO	8,17	6,73	6,63	8,83	7,6	7,71	8,16	12,86	16,25
Average Bank	9,5	3,36	2,14	9,98	3,84	2,61	5,07	14,1	22,09
Macedonia									
Total Average	11,71	5,75	4,65	11,92	6,09	5,12	1,77	5,84	10,24
Average MTO	10,46	8,39	8,22	10,28	8,57	8,79	-1,72	2,15	6,96
Average Bank	12,41	4,29	2,66	12,83	4,71	3,09	3,4	9,84	15,85
Morocco									
Total Average	11,33	6,04	5,09	11,65	6,28	5,39	2,86	3,99	5,82
Average MTO	9,39	7,55	7,41	9,5	7,48	7,46	1,2	-0,93	0,61
Average Bank	13,06	4,7	3,03	13,57	5,22	3,55	3,91	11,01	17,14

Pakistan									
Total Average	14,37	8,56	7,46	12,42	6,54	5,5	-13,57	-23,61	-26,27
Average MTO	10,53	7,97	7,59	9,43	6,69	6,44	-10,45	-16,08	-15,1
Average Bank	17,36	9,03	7,36	14,74	6,43	4,76	-15,04	-28,78	-35,23
Poland									
Total Average	8,9	4,46	3,65	9,5	5,02	4,25	6,78	12,44	16,56
Average MTO	8,2	6,49	6,34	8,84	6,98	6,95	7,8	7,59	9,63
Average Bank	9,34	3,19	1,97	9,92	3,79	2,57	6,22	18,61	30,51
Romania									
Total Average	9,8	4,91	4	10,31	5,5	4,69	5,2	12,16	17,22
Average MTO	8,36	6,78	6,67	8,95	7,6	7,73	7,03	12,03	15,98
Average Bank	10,69	3,75	2,37	11,15	4,21	2,82	4,32	12,3	19,38
Russia									
Total Average	12,57	6,73	5,67	12,17	6,46	5,53	-3,23	-3,98	-2,44
Average MTO	10,25	8,17	8,03	10,6	8,85	9,03	3,41	8,31	12,54
Average Bank	14,12	5,77	4,1	13,21	4,87	3,2	-6,45	-15,58	-21,98
Serbia									
Total Average	11,4	5,69	4,66	11,44	5,86	4,96	0,35	3,01	6,56
Average MTO	9,88	7,79	7,65	9,35	7,58	7,78	-5,4	-2,63	1,7
Average Bank	12,41	4,29	2,66	12,83	4,71	3,09	3,4	9,84	15,85
Sri Lanka									
Total Average	12,84	6,87	5,8	13,18	7,13	6,13	2,65	3,71	5,65
Average MTO	11,18	8,78	8,6	11,1	8,45	8,45	-0,75	-3,8	-1,71
Average Bank	13,94	5,6	3,94	14,57	6,25	4,59	4,46	11,56	16,35
Thailand									
Total Average	10,95	5,72	4,75	11,76	6,64	5,76	7,45	15,95	21,38
Average MTO	9,14	7,63	7,51	9,19	7,96	8,12	0,47	4,29	8,18
Average Bank	12	4,61	3,14	13,27	5,86	4,38	10,56	27,22	39,82
Turkey									
Total Average	11,08	5,93	4,97	11,35	6,47	5,65	2,35	9,08	13,74
Average MTO	8,75	7,39	7,28	9,32	8,12	8,23	6,54	9,92	13,04
Average Bank	12,78	4,87	3,29	13	5,12	3,54	1,71	5,06	7,74
Vietnam									
Total Average	11,21	6,06	5,13	11,61	6,58	5,76	3,57	8,57	12,22
Average MTO	9,34	7,78	7,68	9,51	8,18	8,31	1,87	5,14	8,31
Average Bank	12,88	4,53	2,87	13,48	5,16	3,49	4,66	13,81	21,52

Conclusion

Sending Money Home website has been available to public for over two years. Even though the information offered has been considered valuable by the users, there are still many potential users who are not aware of the tool. A marketing campaign was launched in June 2012 to increase awareness amongst the diaspora communities, with an immediate effect of doubling the page views for July 2012 when compared to July 2011.

The total average cost of remitting from Norway through the 25 country corridors show an upward trend. The only country corridors where prices have decreased for all three transfer amounts presented in the database are Pakistan and Russia. Costs decreased for the transfer amount of NOK 1000 for China, India and Kosovo. All other country corridors experienced an increase in cost. The highest increase in costs was experienced for the commercial banks which kept their fixed fees unchanged throughout the year but significantly increased the exchange rate margin for all currencies with the exception of Chinese yuan renminbi, Pakistani rupee and Russian ruble.

In June 2012, transferring NOK 1000 was least costly through the services offered by money transfer operators, while transferring NOK 3000 and NOK 5000 were cheapest when transferring through banks. Transferring remittances to India, Sri Lanka and Ethiopia had the highest total average cost. Money transfers from Norway to European Union countries are the least costly country corridors.