

# British Pound (GBP USD) to Dollar Price Pain Hits Remittances

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## Pound Pain Hits Remittances as UK Workers Wire Home Less Money

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- Average daily value slumped in last two weeks of September
- Cost of living, energy crises cloud outlook for remittances

By

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Workers in the UK are cutting back on the money they send to family and friends abroad amid worsening woes for the pound this year.

The average amount per transaction fell to \$454 in September from \$551 in July, about 18%, according to data from digital-payments infrastructure provider TerraPay Holdings Ltd. Cash sent to mobile wallets, popular in African countries, dropped 15%.

For those in the UK already reeling from soaring energy bills and higher cost of living, the government's announcement of unfunded tax cuts dealt a fresh blow at the end of September, weakening the pound further and hurting an income source that's been a crucial support for developing nations in the aftermath of the pandemic.

The UK is among the top 15 remittance senders globally, with annual outflows exceeding \$10 billion last year, according to World Bank and KNOMAD data.

TerraPay said the average daily value of remittances in the last 15 days of September fell by 28%, compared with the first two weeks of the month. While sterling has reversed some losses after the UK government's u-turn on the tax cuts and bond-buying by the Bank of England, it remains about 17% lower against the dollar this year.

Higher inflation and recession fears may continue to weigh on money wired home. Globally, more than 70 countries rely on remittances for at least 4% of their gross domestic product, according to the International Fund for Agricultural Development.

"The average ticket size reduction indicates that people who are sending funds are only sending money for essential needs while holding back on investments and savings," said Saransh Verma, director of analytics at TerraPay.

## Dented Flows

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Remittances are primarily used by migrants to help family and friends pay the bills for essentials, according to IFAD, with those in developing nations more reliant on them amid soaring food and gas prices. And it's not just the UK that's taking a hit.

A weaker euro has also dented flows from the European Union -- where at least a third of global remittances originate -- to developing countries, and some governments are already "expressing concerns that they are suddenly receiving less," said Pedro de Vasconcelos, manager of the financing facility for remittances at IFAD.

TerraPay co-founder Ani Sane said he expects a "normalisation of trends" in the UK by the end of the year, citing the resilient nature of remittances, although the outlook remains challenging for now amid the impact of global inflation and a strengthening dollar.

The UK is facing a "rough time and there's only so much that a migrant can absorb in terms of shocks," said Vasconcelos. "We've seen it in past crises that once the savings are depleted and they were unemployed, it was catastrophic and remittances suffered."