

Foreign Exchange Services Market Assessment, By Service [Currency Exchange, Remittance Services, Foreign Currency Accounts, Trading Programs and Advisory, Others], By Providers [Banks, Money Transfer Operators, Others], By Platform [Online, Offline], By Application [Individual, Business, Government], By Region, Opportunities and Forecast, 2017-2031F

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Report description:

Global foreign exchange services market is projected to witness a CAGR of 8.30% during the forecast period 2024-2031, growing from USD 9.08 billion in 2023 to USD 17.18 billion in 2031. The global foreign exchange services market is growing at an astonishing rate and has been driven by several major factors, including a surge in international trade and investment volumes that entail the exchange of currencies. Growth in foreign exchange services is increasing the demand for cost-effective and efficient business across borders through expansion. Giving out digital technologies changes the delivery of services in the forex market due to a speedier, more convenient, and more accessible process to a wider number of clients. Innovations such as blockchain, AI, and mobile banking have enhanced efficiency and security in transactions in the forex market and have contributed well to the growth of the market.

Foreign exchange services are being offered to people to convert one currency into another. Most essentially, it involves currency exchange, domestically and internationally. These services are vital for international trade, travel, and investments. The core services include currency exchange, forex trading, and money transfers. These services are essential in international transactions and investments, making the global economy function effectively.

The increases in global tourism and the number of remittances are among the most significant growth factors in forex services. Since international travel rebounded after the pandemic, currency exchange services are in demand. Also, the increased trend of cross-border e-commerce has been driving the demand for forex services, providing consumers and businesses with methods for fast and reliable currency conversion solutions. With ongoing technological advancement and growth in the global economy, the

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market is expected to continue in a rising pattern, wherein projections show significant growth over the forecast years. For instance, in October 2022, as per the Bank for International Settlements survey, currency trading hit a record USD 7.5 trillion a day. The headline USD 7.5 trillion daily turnover figure marked a historically modest 14% increase from USD 6.6 trillion recorded in 2019 and was driven by a mix of higher foreign exchange spot, swaps and forwards market volumes.

Technological Advancements Transforming the Forex Services Market

New technologies are fundamentally transforming foreign exchange, or forex, market-boosting efficiency and access. Blockchain technology tops the list of greater transparency and security in forex dealings. As it eliminates intermediaries from its system, saves on costs, and facilitates cross-border payments quickly, the risks of fraud and errors are significantly curtailed. Digital currencies are more significant, including cryptocurrencies and central bank digital currencies (CBDCs), bringing the next level of innovation by hastening, being inexpensive, and providing alternative arrangements to traditional fiat currencies and more options for traders and investors.

Artificial intelligence will be an important part of the days ahead since it will empower traders with the ability to make better decisions on when to trade and how to tailor their strategies based on their knowledge of market trends and forecasted currency moves in more specificity. AI-based chatbots and virtual assistants help to improve customer service through instant responses and personalized counseling. Mobile banking and fintech services have further increased the penetration of forex services, providing clients with ease of conducting transactions anytime and anywhere, thereby increasing the market base. Consequently, smart contracts, self-executing services based on software deployed at different nodes, comprise terms written in code. This smart contract method enhances efficiency as it automatically executes once conditions are achieved.

For instance, in August 2024, Dubai's Avenix Fzco launched Forexigo, which is a Forex robot for algorithmic trading. To successfully analyze price movement and indication signs, Forexigo uses a multi-pronged strategy based on powerful AI algorithms. With the use of price movement and built-in indicators such as moving averages, the Forex robot efficiently analyzes the market to discern broad trends.

Revival of Tourism to Drive Market Growth

A renewed interest in tourism will bring significant improvements to the foreign exchange service market. Since tourists are bound to visit new places for leisure activities or business purposes, the need for currency conversion multiplies multifold. Tourists generally need to convert their money at home to be used in other countries, which increases foreign exchange transactions at critical points such as airports, banks, and dedicated places for currency exchange.

The trend is further supported by the rising trend of globalization in traveling, with more people traveling to international destinations than ever before. Industry reports indicate international tourist arrivals are on their way to recovery and even surpassing the pre-pandemic volumes, which will push for a greater demand for foreign exchange services. As countries relax travel restrictions and improve their tourism infrastructure, greater convenience and accessibility in currency exchange services are most likely to play a key role in the overall enjoyment of travel.

For instance, in September 2024, according to the latest World Tourism Barometer by United Nations Tourism, around 790 million tourists traveled internationally in the first seven months of 2024, about 11% more than in 2023 and 4% less than in 2019. International tourism bounced back to 96% of pre-pandemic levels in the seven months through July 2024, driven by strong demand in Europe and the re-opening of markets in Asia-Pacific.

Surge in US Dollar Hits Emerging Markets

Currency fluctuation is very significant in the foreign exchange services market and affects businesses and investors. For instance, in a multinational organization, alteration of the exchange rates would directly impact the profits and cash flow via the conversion of goods, services, or salaries in that currency. When a country's currency depreciates, its exports become cheaper and rise above the expenses to receive more competitive strength, which may cause a rise in the stock market performance. Conversely, a strong currency may decrease the export of the commodities and result in a fall in stock performance.

Currency fluctuation affects investors' investments by changing their value. Currency fluctuations have far-reaching effects on businesses, investors, and economies. Thus, companies and investors should track currency fluctuations and control foreign exchange risk to protect their financial performance.

For instance, in June 2024, as reported by the International Monetary Fund (IMF), the US dollar continued to cede ground to non-traditional currencies in global foreign exchange reserves, but it remains the preeminent reserve currency. Recent data from

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the IMF points to an ongoing gradual decline in the dollar's share of allocated foreign reserves of central banks and governments.

Remittance Services to Dominate Market Share

Remittance services are the most widely availed foreign exchange services in the world. Remittances play a critical role in supporting families and economies, especially in developing nations. They constitute a critical source of income for several households in developing countries, improve living standards, fund education and healthcare, and support small businesses. For some countries, remittances make up an important portion of their GDP. Governments and financial institutions increasingly recognize the importance of remittances in cutting the costs implied by these transfers. Thus, the G20 has put forward a target to bring down the global average cost of remittances to 3%. International migrants, who are increasingly moving abroad and sending money back to their home country, drive the demand for remittance services.

For instance, in December 2023, according to the World Bank, global remittance flows to low and middle-income countries reached USD 669 billion and grew at 3.8% in 2023, with the United States continuing to be the largest source of remittances.

North America Dominates Foreign Exchange Services Market Share

Many reasons exist for the dominance of the foreign exchange services market in North America, including the world's most widely used reserve currency. Moreover, a healthy financial system combined with an effective structure of regulations brings logic and stability to the region. Technological advancement is a move given to institutional and individual investors, available through trading platforms and the easy availability of a range of financial products. Economic policies in North America, openness to foreign trade, and keeping pace with global financial trends give impetus to the growth of foreign exchange activities. Financial institutions that offer foreign exchange services have equally contributed to market growth. These institutions provide varying foreign exchange service provisions, ranging from currency exchange to foreign exchange trading and money transfer services. It has allowed business entities and individuals to access a myriad of services, which fuels the growth of the market. Besides, the economic growth of the region has been attributed to the growth of the number of individuals and businesses seeking to reap the opportunity of the global economy. With this, the demand for foreign exchange services has soared and caused further growth in the market.

For instance, in July 2024, J.P. Morgan Private Bank, as a part of Euromoney's 2024 Awards for Excellence, was named the World's Best Bank for Wealth Management and North America's Best Bank for Wealth Management, which highlights their excellence in providing top-tier wealth management services.

Future Market Scenario (2024 – 2031F)

□□The adoption of digital currencies, including cryptocurrencies and CBDCs, will be key in molding the future of the forex services market as they may provide faster and cheaper cross-border transactions.

□□The increasing use of mobile banking and fintech solutions is making forex services more accessible to a broader audience, further driving the market growth.

□□Increase in globalization and cross-border trades are constantly increasing the demand for efficient and cost-effective forex services.

□□Governments and financial regulatory bodies worldwide are designing stronger frameworks to ensure a more transparent, secure, and stable environment for forex transactions. In this regard, it prohibits fraudulent actions or market manipulation practices that could compromise the trust of participants in the market, which would increase competition in the forex services market.

Key Players Landscape and Outlook

The global foreign exchange services market is volatile and diversified as it consists of interested parties gazing for market share. Traditional banks represent a considerable segment of providers in the sector, offering the entire spectrum of solutions, from spot transactions to risk management products, due to their excellent reputations and large networks. To gain from the growing volume of individual traders, online forex brokers are aggressively targeting retail clients by using user-friendly platforms and offering the lowest fees. Fintech companies have managed to dominate the market since they provided the most advanced and efficient services for currency exchange through online platforms, which consequently made them successful among tech-advanced customers. Another category includes remittance companies focused on a specific niche, while liquidity providers are essential for an efficient market. Key trends such as technological innovation, regulatory law evolution, customer-centric solutions, and growing concerns over the environment are some forces shaping the competition as participants adapt and differentiate to these changing dynamics.

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In April 2024, Barclays announced an extension of its partnership with British Gas, aimed at helping customers enhance the energy efficiency of their homes. The collaboration includes a special offer for Barclays' residential mortgage customers in the United Kingdom, allowing them to receive a British Gas Home Health Check, which typically costs USD 126, for a reduced price of USD 63. Customers take advantage of this offer by receiving an Energy Performance Certificate (EPC) at no additional cost with a standard price of USD 25.

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*Companies mentioned above DO NOT hold any order as per market share and can be changed as per information available during research work.

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