Global Cross-Border Payments: A $1 Quadrillion Evolving Market?

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Advancing Cross-border Payments – Opportunities and Challenges for Sub-Saharan Africa

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Presentation based on IMF Working Paper 25/120.

Motivation & research question

Cross-border payments are essential to the global financial system, facilitating trade and investment.

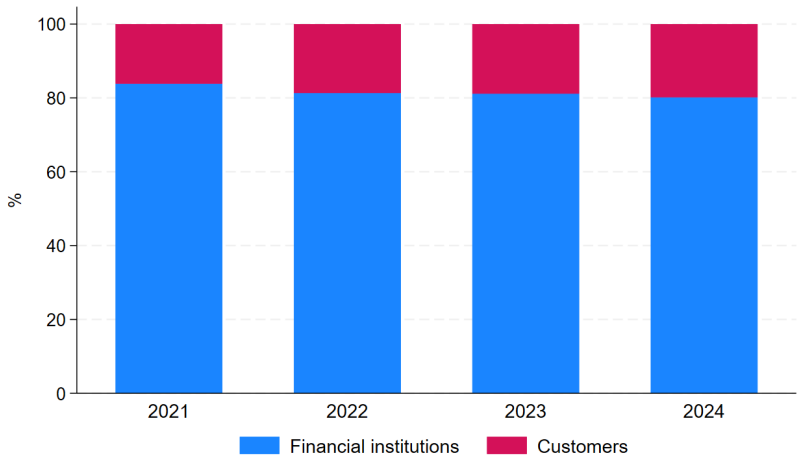
- Insights into the evolution of the architecture of the IMS.

We use Swift data to explore the characteristics and evolution of cross-border payments.

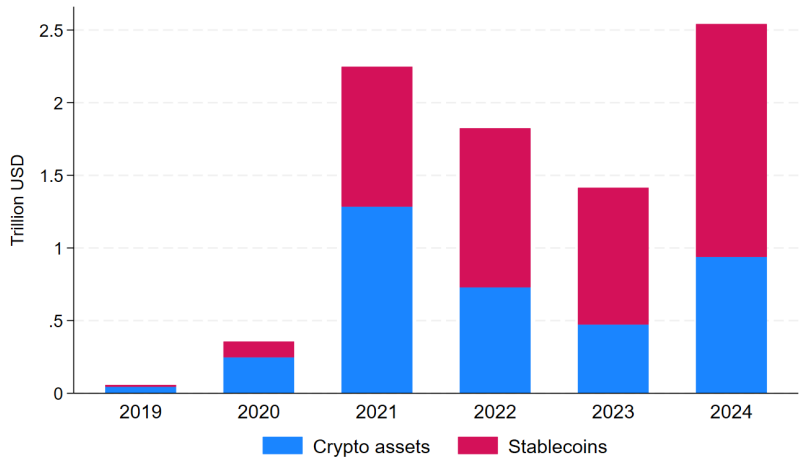
- Market value of Swift payments and the global cross-border payments market.
- Novel stylized facts on the characteristics of cross-border payments: shares by type, income group, transaction size, currency; networks & centrality; concentration.
- Bilateral drivers of payment values: economic ties and information asymmetries.
- Role of geoeconomic fragmentation.

The global cross-border payment market approached ***one quadrillion*** dollars in 2024, dominated by financial institution payments

Swift and crypto cross-border payment values



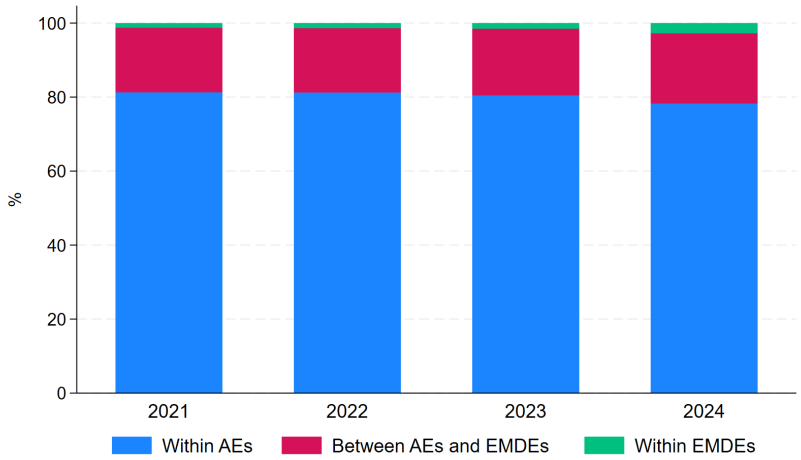
(a) Swift



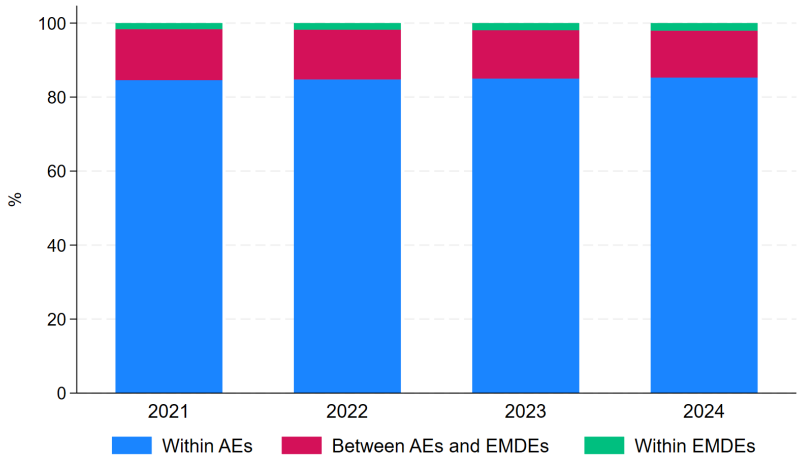
(b) Crypto assets and stablecoins

Global payments are predominantly concentrated in advanced economies, and concentrated in Europe, Asia, and the Americas

Payment value shares within and across AEs and EMDEs



(a) Financial Institutions

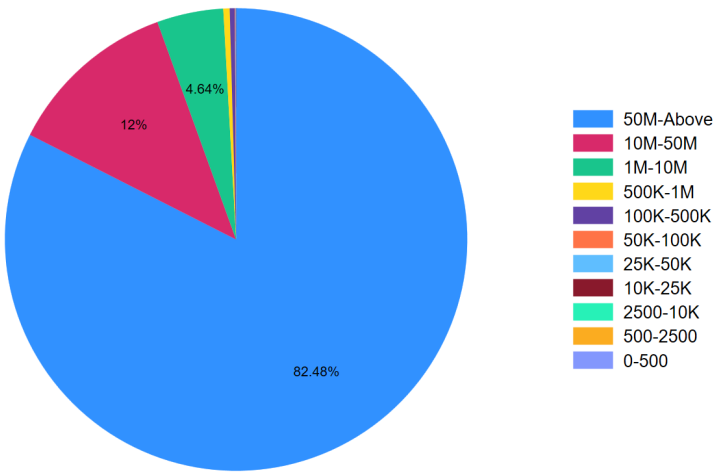


(b) Customers

Regions Intermediaries

While the number of payments are dominated by small transactions, global payments values are driven by large transactions

Payment value shares across transaction sizes in 2024



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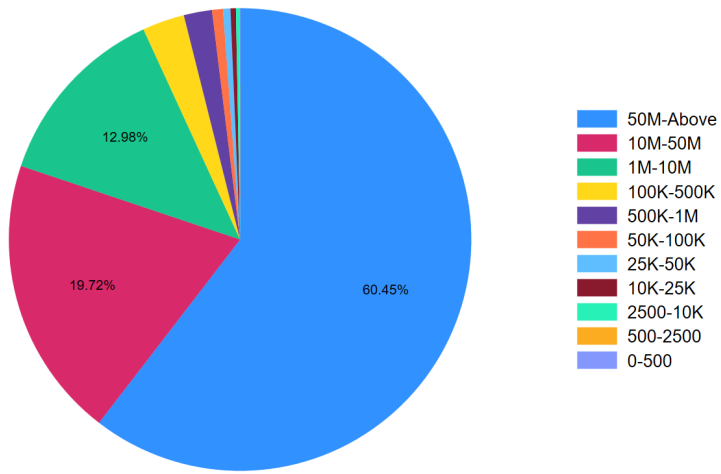
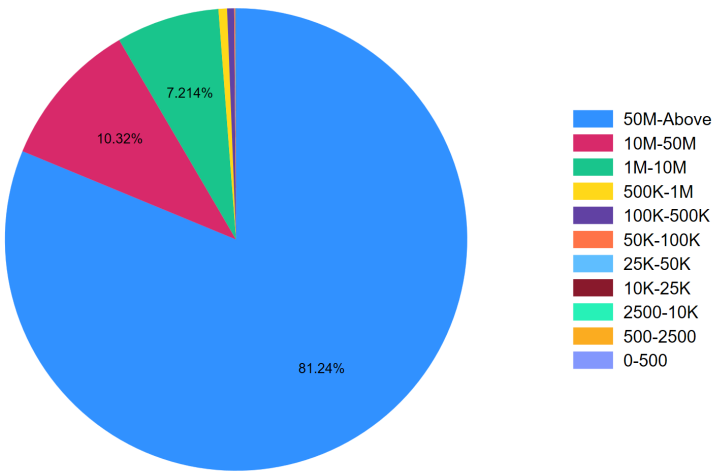


(b) Customers

Breakdown is similar for Sub-Saharan Africa, but distribution of customer payments is more evenly distributed

SSA Payment value shares across transaction sizes in 2024



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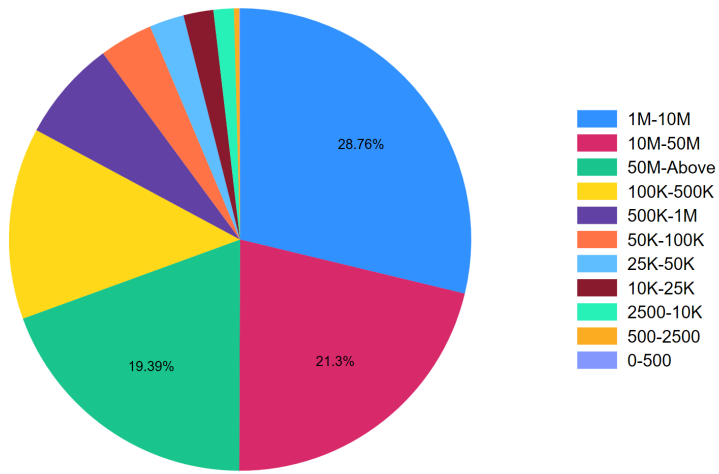


(b) Customers

Currency usage remains stable—with the U.S. dollar maintaining the largest share, especially in SSA

Currency shares in 2024 and changes between 2021 and 2024

	Financial institutions		Customers	
Currency	Share in 2024 (%)	Change between 2021 and 2024 (pp)	Share in 2024 (%)	Change between 2021 and 2024 (pp)
USD	53.4	2.5	55.1	-0.0
EUR	18.0	-6.6	26.2	0.8
JPY	5.9	0.7	1.7	-0.3
GBP	4.3	0.2	4.8	-0.1
CNY	3.7	1.5	1.4	0.2

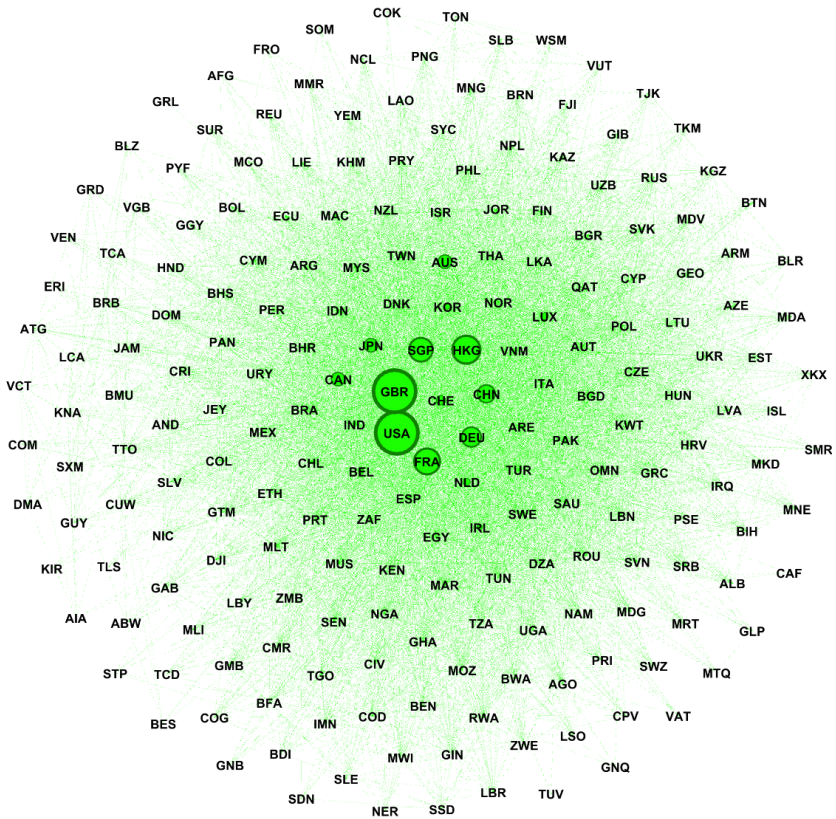
SSA Currency shares in 2024 and changes between 2021 and 2024

	Financial institutions		Customers	
Currency	Share in 2024 (%)	Change between 2021 and 2024 (pp)	Share in 2024 (%)	Change between 2021 and 2024 (pp)
USD	77.1	9.8	62.2	2.4
XOF	10.4	-2.1	7.1	-0.3
ZAR	2.5	-3.0	12.4	-2.4
EUR	4.2	-3.3	12.2	-0.9
GBP	2.2	-1.3	1.1	-0.1
XAF	1.6	0.9	0.1	-0.0
CNY	0.5	-0.3	0.2	0.0

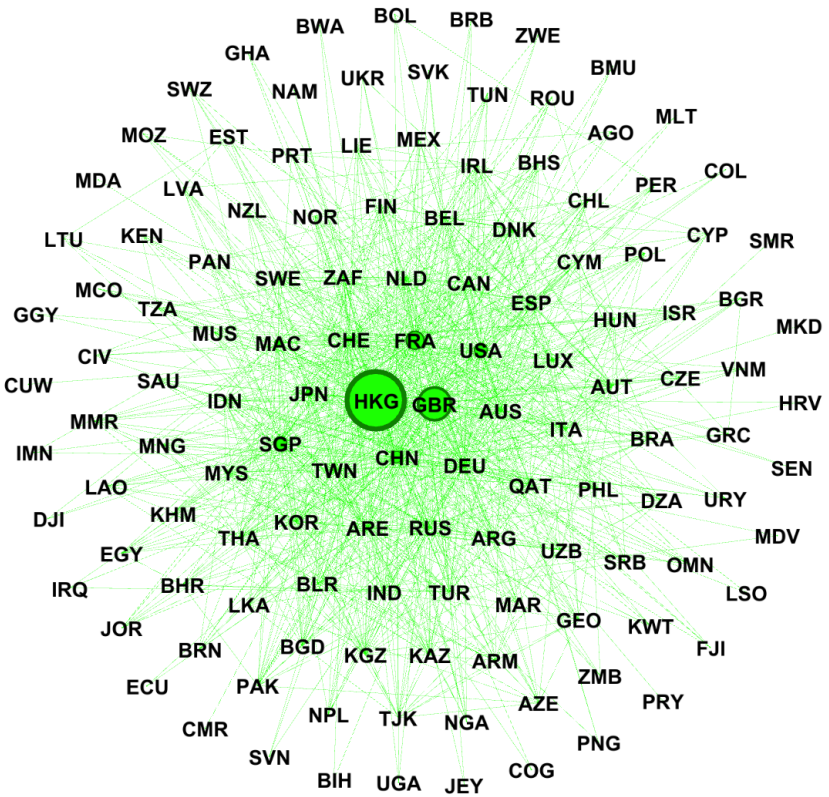
Notes: This table shows each currency's share in the total financial institutions and customer cross-border payment volume in 2024 as well as the change in the share between 2021 and 2024 for the transactions involving Sub-Saharan African countries either as originator, beneficiary, or both.

Large AEs and financial centers are at the core of the payment network; networks differ across currencies

Networks by currency - financial institution payments



(a) USD



(b) CNY

Aggregate GBP/EUR

Underlying transaction motives and correlates: a gravity approach

$$Y_{ijt} = \beta_1 ln(Econ_{ij,t-1}) + \beta_2' Gravity_{ij} + \theta_i + \tau_j + \phi_t + \epsilon_{ijt}, \quad (1)$$

where:

- Y_{ijt} = level of bilateral cross-border payments (measured in US$) from originator economy i to beneficiary economy j in year t.
- $ln(Econ_{ij})$ = ln(bilateral imports), ln(total portfolio investment), ln(outward FDI positions).
- $Gravity_{ij}$ = ln(geographical distance), common language, colonial relationship post-1945.

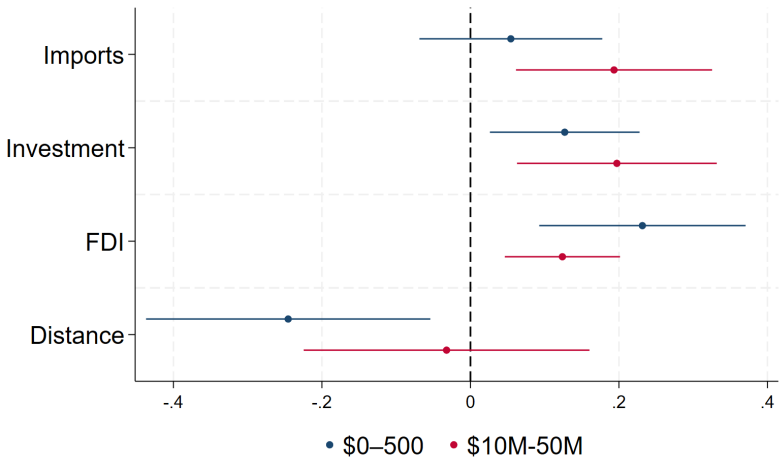
Economic linkages via trade, portfolio investment, and FDI shape cross-border payments...

	Total payments	Financial institutions	Customers
Imports	0.167***	0.153**	0.196*
	(0.064)	(0.065)	(0.100)
Investment	0.241***	0.245**	0.223***
	(0.091)	(0.103)	(0.066)
FDI	0.161***	0.162***	0.146***
	(0.052)	(0.056)	(0.034)
Distance	-0.104	-0.083	-0.248**
	(0.087)	(0.093)	(0.098)
Language	0.040	0.005	0.202
	(0.153)	(0.168)	(0.138)
Colony	0.001	0.009	-0.174
	(0.196)	(0.216)	(0.200)
Originator FE	✓	✓	✓
Beneficiary FE	✓	✓	✓
Year FE	✓	✓	✓
Pseudo R^2	0.934	0.905	0.967
Observations	22018	14934	22018
Originator economies	63	63	63
Beneficiary economies	187	184	187

Alternative FEs Total trade No intra-EU

... with substantial heterogeneity across transaction sizes

Gravity results by transaction size

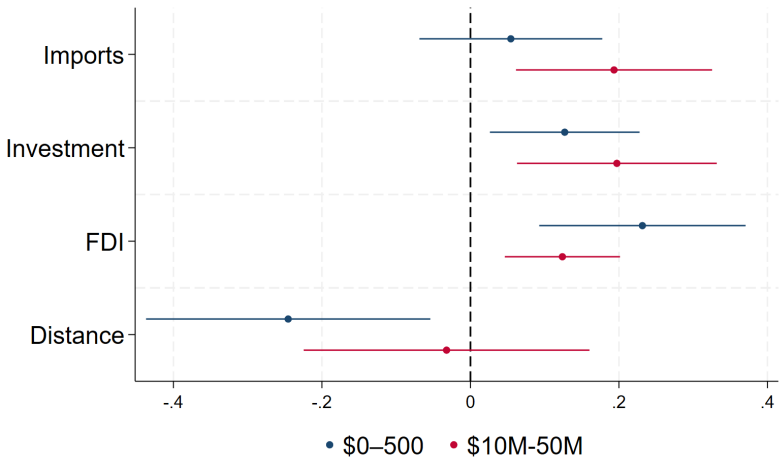


(a) Financial institutions

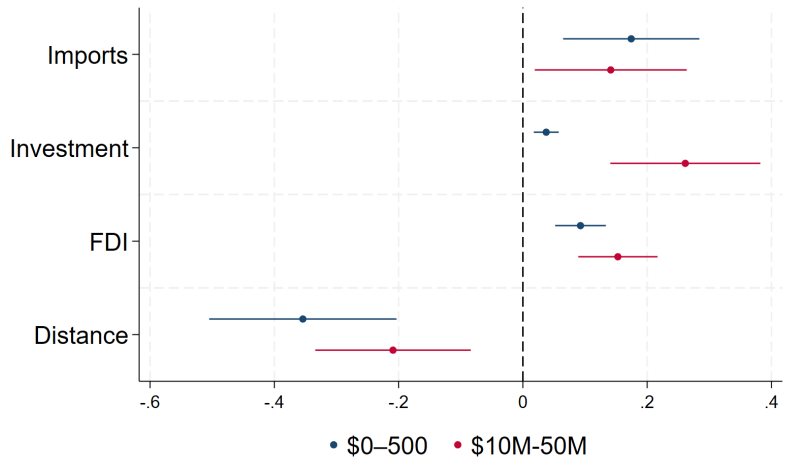
Currencies

... with substantial heterogeneity across transaction sizes

Gravity results by transaction size



(a) Financial institutions



(b) Customers

Currencies

Zooming in shows that information asymmetries play a larger role in SSA

	Financial Institutions	Customers
Imports	0.137**	0.194*
	(0.061)	(0.101)
SSA × Imports	0.001	-0.084
	(0.149)	(0.084)
Investment	0.227**	0.230***
	(0.100)	(0.066)
SSA × Investment	0.856	-0.176***
	(0.824)	(0.051)
FDI	0.157***	0.142***
	(0.057)	(0.034)
SSA × FDI	0.293*	-0.011
	(0.161)	(0.056)
Distance	-0.101	-0.247**
	(0.092)	(0.098)
SSA × Distance	-4.065**	-0.691***
	(1.827)	(0.259)
Language	0.027	0.198
	(0.182)	(0.142)
SSA × Language	-0.271	1.339***
	(0.901)	(0.337)
Colony	0.060	-0.171
	(0.221)	(0.208)
SSA × Colony	-0.156	-0.419
	(0.882)	(0.341)
Originator FE	✓	✓
Beneficiary FE	✓	✓
Year FE	✓	✓
Pseudo R^2	0.908	0.967
Observations	14934	22018
Originator countries	63	63
Beneficiary countries	184	187

Role of geoeconomic fragmentation

$$Y_{ijt} = \beta_1 CommonFrag_{t-1} + \beta_2 CommonFrag_{t-1} \times InterBloc_{ij} + \theta_{ij} + \tau_{it} + \phi_{jt} + \epsilon_{ijt}$$

- $CommonFrag_{t-1}$ = is *Common Fragmentation* index from Fernández-Villaverde et al. (2024).
- $InterBloc_{ij}$ = hypothetical blocs consisting of U.S.-aligned countries, Chinese mainland-aligned economies, and non-aligned economies based on ideal point distance (Bailey et al., 2017; Gopinath et al., 2024).

Network evolution

Role of geoeconomic fragmentation

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Panel A. Financial institutions

	USD	EUR	GBP	JPY	CNY
Common Fragmentation	-0.041***	-0.126***	-0.062***	0.006	0.138**
	(0.015)	(0.044)	(0.012)	(0.020)	(0.060)
a1Common Fragmentation × InterBloc	-0.032**	0.132***	0.120**	-0.085*	0.676***
	(0.016)	(0.038)	(0.060)	(0.048)	(0.229) a1
Observations	93616	70714	24280	16986	11213
No of Originator	181	177	146	131	109
No of Beneficiary	179	180	153	132	110
Corridor FE	✓	✓	✓	✓	✓
Originator × Year FE	✓	✓	✓	✓	✓
Beneficiary × Year FE	✓	✓	✓	✓	✓

Network evolution

Role of geoeconomic fragmentation

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Originator × Year FE	✓	✓	✓	✓	✓
Beneficiary × Year FE	✓	✓	✓	✓	✓

Panel B. Customers

	USD	EUR	GBP	JPY	CNY
Common Fragmentation	-0.042***	-0.006	0.030*	-0.048	0.045
	(0.008)	(0.017)	(0.018)	(0.037)	(0.059)
a1Common Fragmentation × InterBloc	-0.015	0.016	0.022	0.148*	-0.065
	(0.019)	(0.030)	(0.055)	(0.077)	(0.070) a1
Observations	250800	190721	50354	18406	9170
No of Originator	183	183	176	160	131
No of Beneficiary	185	183	173	119	92
Corridor FE	✓	✓	✓	✓	✓
Originator × Year FE	✓	✓	✓	✓	✓
Beneficiary × Year FE	✓	✓	✓	✓	✓

Network evolution

Takeaways

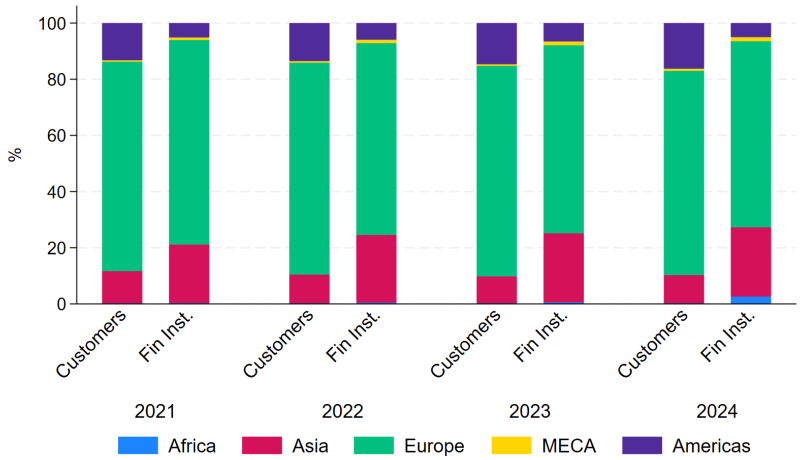
- The global cross-border payment market approached one quadrillion dollars in 2024, with crypto payments accounting only for a very small share.
- Cross-border payments are highly concentrated in AEs and driven by large-value transactions.
- SSA cross-border payments display similar features, with a more evenly distribution of total payment values across payments sizes.
- Currency usage patterns have remained relatively stable but, outside SSA, CNY payments are increasing from a low base.
- Gravity model estimations indicate that economic linkages and information asymmetries shape cross-border payments while geoeconomic fragmentation is associated with lower cross-border payments.

$\Rightarrow$ Looking ahead, further research is needed to examine how evolving financial innovation—particularly the rise of crypto assets and stablecoins—may impact the IMS.

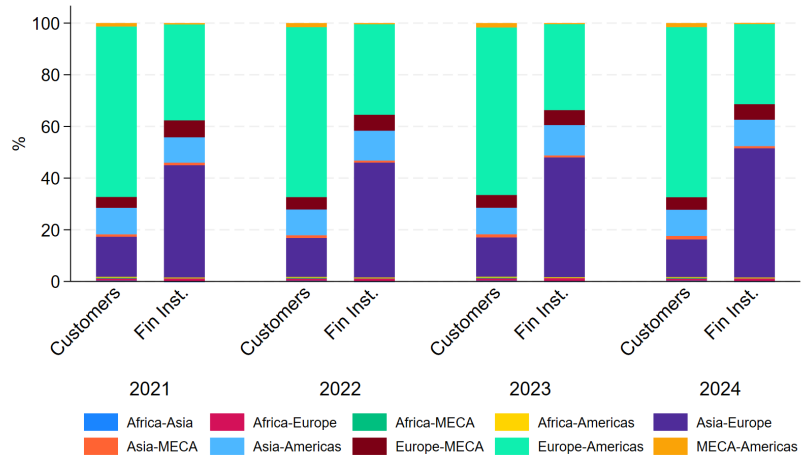
Additional slides

Payments are predominantly concentrated in Europe, Asia, and the Americas

Payment value shares within and across regions



(a) Within regions



(b) Across regions

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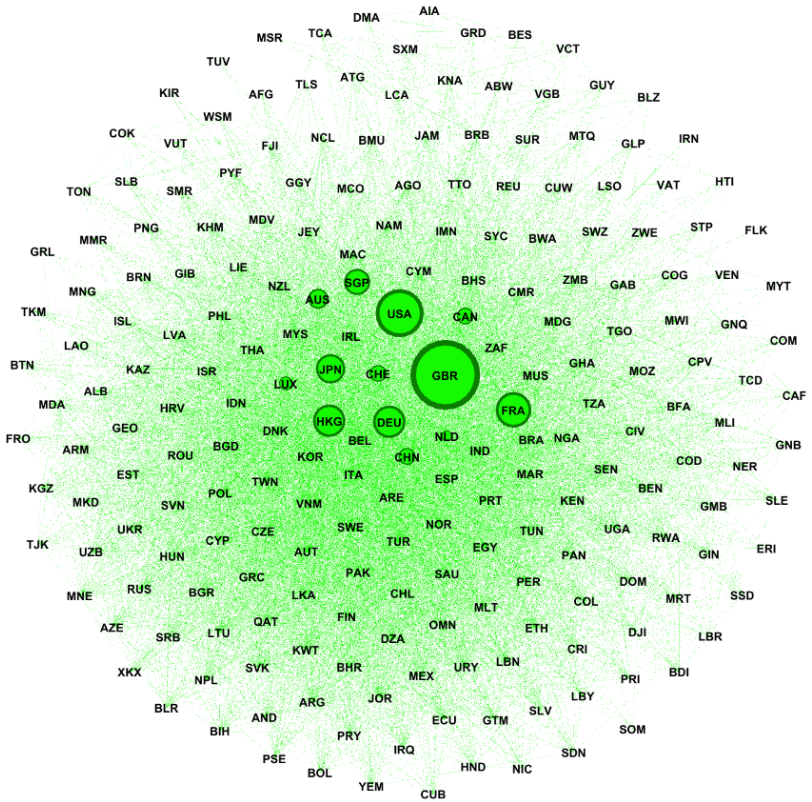
Third-economy intermediaries

Financial institutions		Customers	
Economy	Share of intermediated transactions (%)	Economy	Share of intermediated transactions (%)
U.S.	42.9	U.S.	48.2
Germany	10.9	Germany	18.0
Canada	6.5	U.K.	7.5
U.K.	6.1	France	5.5
France	3.8	Austria	3.4
Hong Kong SAR	3.5	Belgium	2.7
Belgium	3.3	Italy	2.0
Japan	3.0	Ireland	1.3
Australia	2.0	Spain	1.2
Switzerland	1.8	Hong Kong SAR	1.0

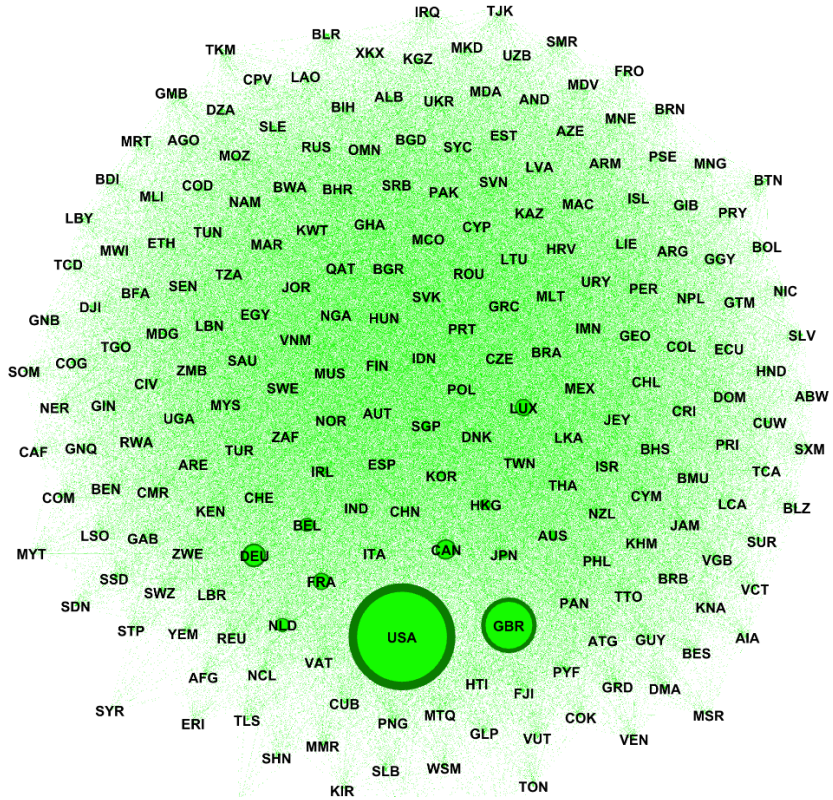
Back

Large AEs and financincial centers are at the core of payment networks

Networks by message type



(a) Financial institutions



(b) Customers

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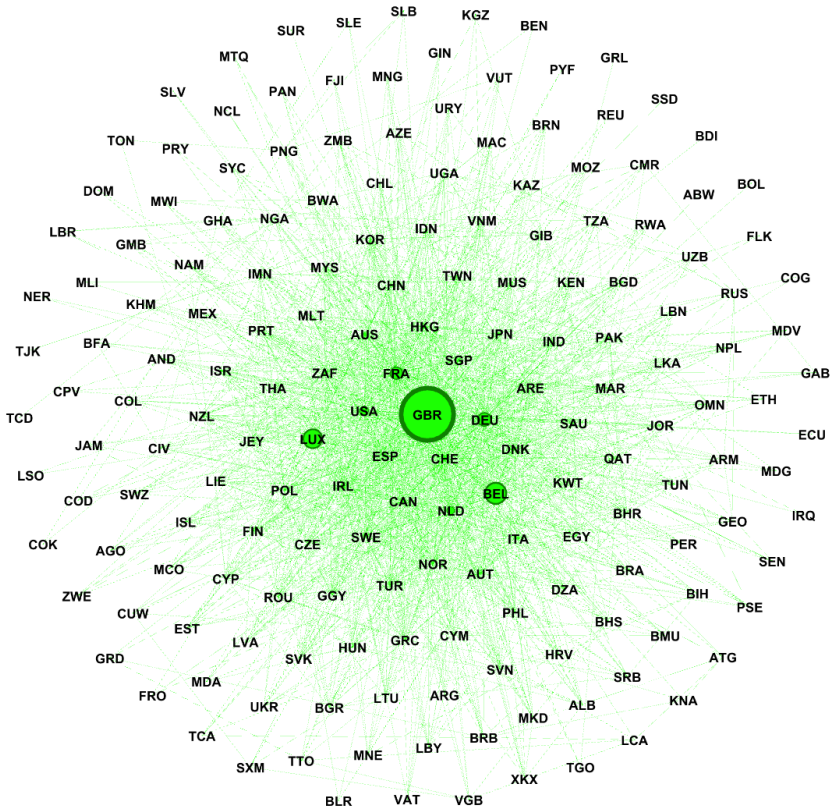
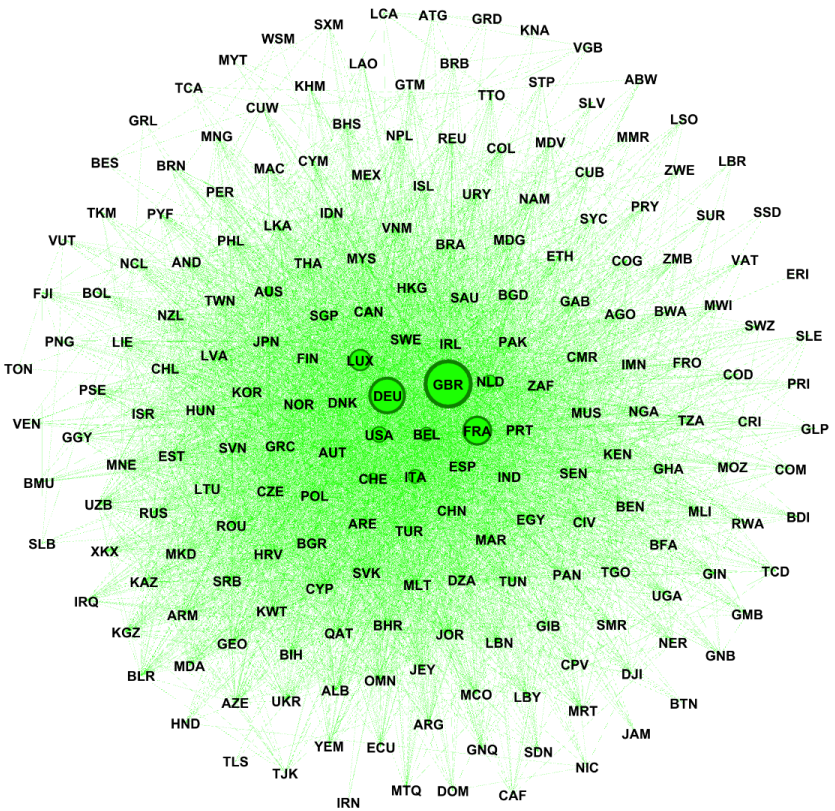
Large AEs and financial centers are at the core of the payment network; networks differ across currencies

Networks by currency - financial institution payments



(a) GBP



(b) EUR

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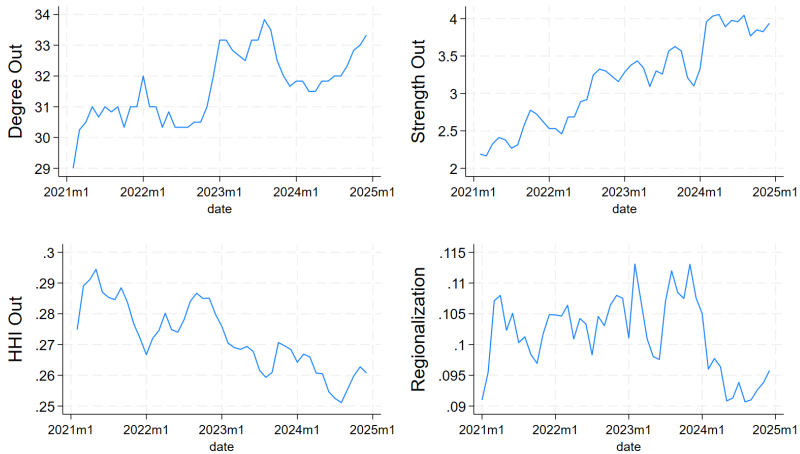
Evolution of cross-border payment network dynamics



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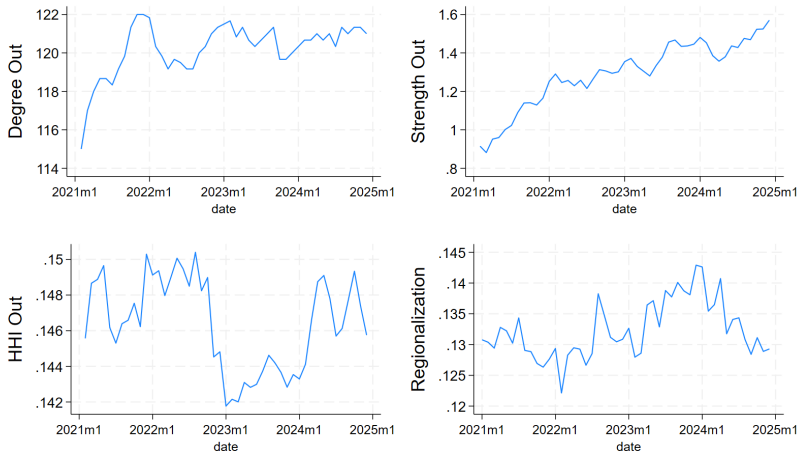

(b) Customers

Back

Gravity results with alternative fixed effects

	Total payments	Financial institutions	Customers
	(1)	(2)	(3)
Imports	0.039	0.043	0.081**
	(0.028)	(0.034)	(0.036)
Portfolio inv.	0.088**	0.111**	0.029
	(0.040)	(0.050)	(0.017)
FDI	0.031**	0.039***	-0.020
	(0.013)	(0.015)	(0.017)
Corridor FE	✓	✓	✓
Originator × Year FE	✓	✓	✓
Beneficiary × Year FE	✓	✓	✓
Observations	21376	14307	21376
Originator economies	63	63	63
Beneficiary economies	186	175	186

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Gravity results with total trade

	Total payments	Financial institutions	Customers
	(1)	(2)	(3)
Total Trade	0.328***	0.324***	0.276***
	(0.070)	(0.070)	(0.106)
Investment	0.204**	0.205**	0.210***
	(0.082)	(0.093)	(0.067)
FDI	0.151***	0.153***	0.132***
	(0.047)	(0.050)	(0.033)
Distance	-0.005	0.023	-0.196**
	(0.081)	(0.088)	(0.099)
Language	0.010	-0.024	0.182
	(0.151)	(0.166)	(0.136)
Colony	-0.054	-0.060	-0.157
	(0.189)	(0.211)	(0.165)
Originator FE	✓	✓	✓
Beneficiary FE	✓	✓	✓
Year FE	✓	✓	✓
Observations	21353	14851	21353
Originator economies	63	63	63
Beneficiary economies	187	184	187

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Gravity results with no intra-EU flows

	Total payments (1)	Financial institutions (2)	Customers (3)
Imports	0.170**	0.131*	0.250**
	(0.069)	(0.077)	(0.098)
Investment	0.260**	0.299**	0.071*
	(0.117)	(0.143)	(0.038)
FDI	0.212***	0.220***	0.181***
	(0.076)	(0.085)	(0.035)
Distance	-0.058	-0.044	-0.223***
	(0.073)	(0.084)	(0.085)
Language	0.188***	0.185**	0.207
	(0.061)	(0.084)	(0.132)
Colony	0.004	-0.005	0.080
	(0.159)	(0.180)	(0.202)
Originator FE	✓	✓	✓
Beneficiary FE	✓	✓	✓
Year FE	✓	✓	✓
Pseudo R^2	0.951	0.929	0.981
Observations	19624	12569	19624
Originator economies	62	62	62
Beneficiary economies	187	181	187

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Gravity results across currencies

Payments by currencies

	Panel A. Financial institutions				
	USD	EUR	GBP	JPY	CNY
Imports	0.148**	0.013	0.403***	-0.083	0.188***
	(0.064)	(0.152)	(0.129)	(0.171)	(0.063)
Investment	0.180**	0.324**	0.095	0.267***	0.027
	(0.083)	(0.139)	(0.108)	(0.098)	(0.052)
FDI	0.160***	0.235*	0.342***	0.079	0.076**
	(0.046)	(0.138)	(0.055)	(0.123)	(0.032)
Distance	-0.127	-0.118	0.121	0.035	0.120
	(0.094)	(0.217)	(0.113)	(0.157)	(0.118)
Language	-0.019	-0.315	0.022	0.270	0.220**
	(0.137)	(0.312)	(0.253)	(0.284)	(0.099)
Colony	0.180	0.219	-0.840***	-0.725	-0.356**
	(0.264)	(0.436)	(0.284)	(0.496)	(0.160)
Observations	13271	11969	5878	4419	3462
Originator economies	63	63	59	58	55
Beneficiary economies	177	177	146	127	108

	Panel B. Customers				
	USD	EUR	GBP	JPY	CNY
Imports	0.161	0.051	-0.034	0.153*	0.077
	(0.102)	(0.079)	(0.183)	(0.091)	(0.095)
Investment	0.086	0.188***	0.278***	-0.067	-0.265***
	(0.060)	(0.047)	(0.093)	(0.155)	(0.099)
FDI	0.214***	0.121**	0.123	-0.050	0.176***
	(0.058)	(0.055)	(0.081)	(0.114)	(0.063)
Distance	-0.322**	-0.286***	-0.230**	-0.172**	-0.266**
	(0.133)	(0.111)	(0.100)	(0.068)	(0.106)
Language	0.074	0.078	0.508	0.147	0.208
	(0.210)	(0.299)	(0.319)	(0.362)	(0.309)
Colony	0.004	-0.261	-0.253	-0.341	-0.380
	(0.156)	(0.585)	(0.325)	(0.249)	(0.320)
Observations	21285	19893	10263	4546	2955
Originator economies	63	63	62	60	58
Beneficiary economies	186	186	160	92	92
Originator FE	✓	✓	✓	✓	✓
Beneficiary FE	✓	✓	✓	✓	✓
Year FE	✓	✓	✓	✓	✓

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