

Government of Pakistan
Planning Commission
Ministry of Planning, Development and Special Initiatives
(International Trade & Finance Section)

Update on Workers Remittances for Jul-Aug FY21

(September-2020)

Remittances from abroad have been supporting the balance of payments position over the last many years. Inflow of remittances grew by 31 percent during Jul-Aug FY21 and these surpassed total export receipts of the country during the period. Share of Saudi Arabia, USA, UK and EU countries in total inflows has increased whereas UAE, Malaysia and other GCC countries' share declined.

Workers' remittances recorded inflows of US\$ 4,863 million during Jul-Aug FY21 against US\$ 3,712 million in the same period last fiscal year, thus registering an enormous increase of 31 percent. Inflow of workers' remittances witnessed an increase of 15.6 percent during the pandemic period (Mar-Aug 2020) compared with the corresponding period of last year.

Table1: Position of Workers Remittances (US\$ Million)

Country	August		Percentage Change	Jul-Aug		Percentage Change
	2019	2020		FY20	FY21	
Saudi Arabia	464	593	28.0	1,041	1,415	35.9
UAE	405	410	1.1	896	948	5.8
USA	133	202	51.1	271	452	66.7
U.K.	181	302	67.2	398	696	75.1
EU Countries	143	166	16.6	305	394	29.1
Others	501	589	17.5	1,107	1,352	22.2
Total	1,684	2,095	24.4	3,712	4,863	31.0

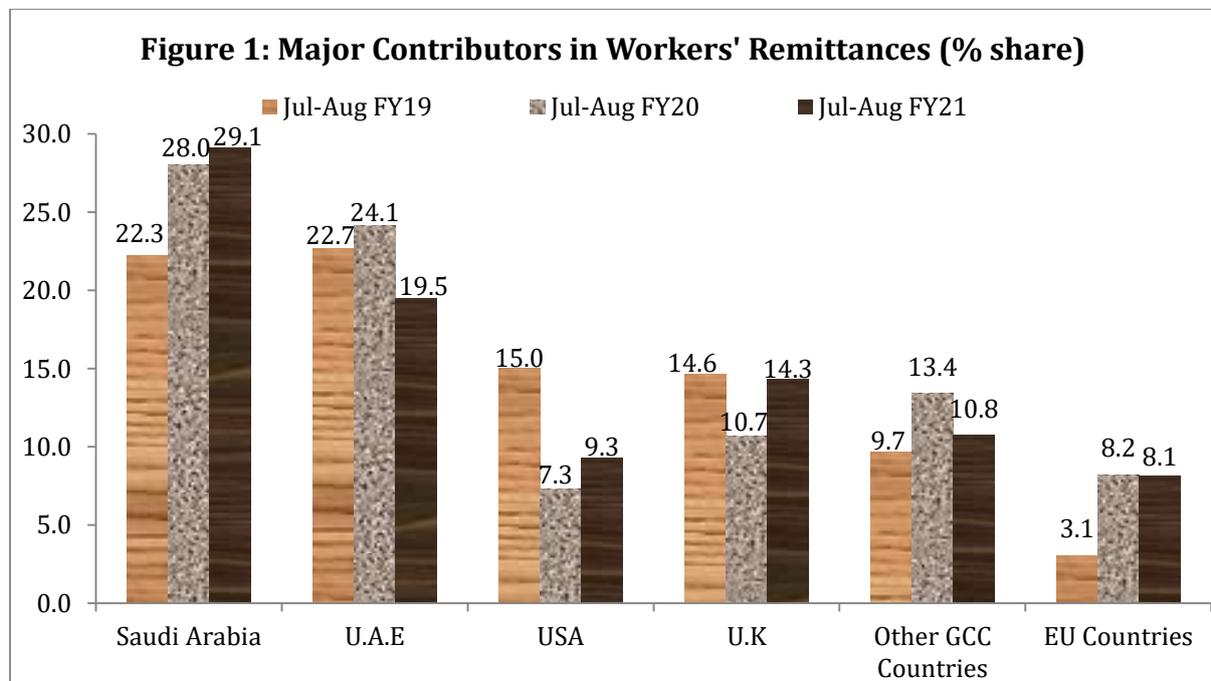
Source: State Bank of Pakistan

The country specific remittances source analysis shows that during Jul-Aug FY21:

- Workers in Saudi Arabia contributed the largest portion with an amount of US\$ 1,415 million with 35.9 percent increase over the same period previous year. The share of inflows from Saudi Arabia increased from 28 percent in Jul-Aug FY20 to 29.1 percent in Jul-Aug FY21.
- U.A.E. remained the second largest contributor with inflows of US\$ 948 million, with an increase of 5.8 percent increase over the last year and 19.5 percent share in the total remittances.

- UK was the third key contributor with inflows of US\$ 696 million, and rise of 75.1 percent over last year. UK's share in total inflows remained 14.3 percent.
- Inflows from USA were the fourth largest, at US\$ 452 million with a rise of 66.7 percent and share of 9.3 percent.
- The remittances from other GCC countries (Bahrain, Kuwait, Oman and Qatar) increased by 5 percent during the period. GCC's share decreased from 13.4 percent to 10.8 percent during the period.
- During the period, the inflows from EU countries sustained growth and increased by 29.1 percent with US\$ 394 million inflows.

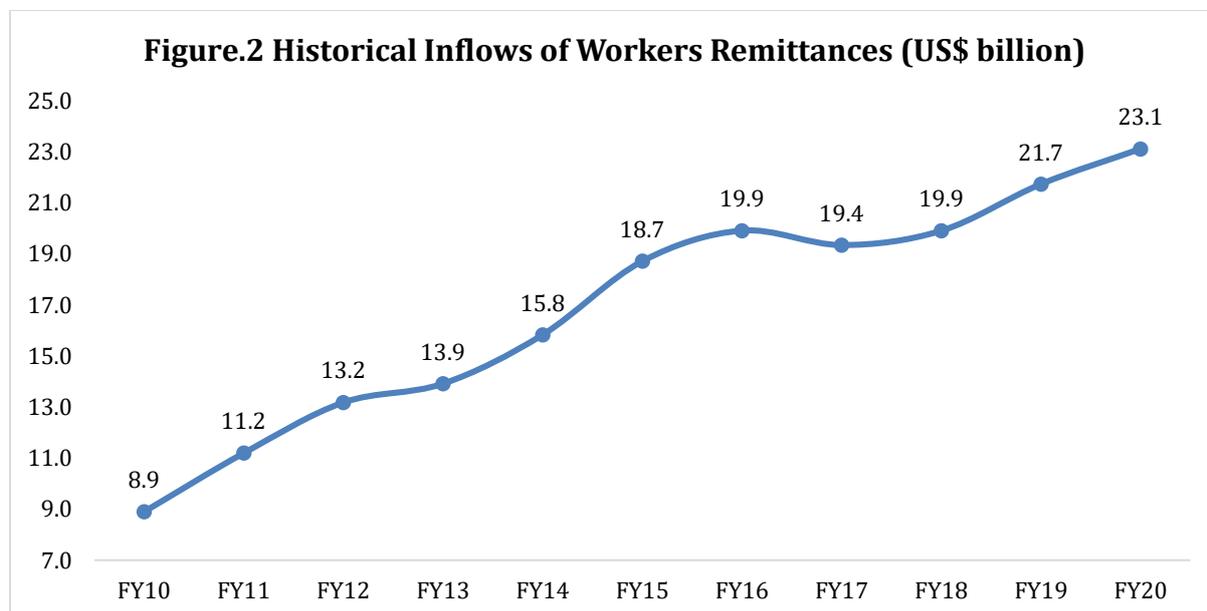
The widespread increase in remittance inflows from all major corridors indicate that the increase in remittances is broad based. The percentage share of major contributors in total workers' remittances is reflected in Figure 1.



Source: State Bank of Pakistan

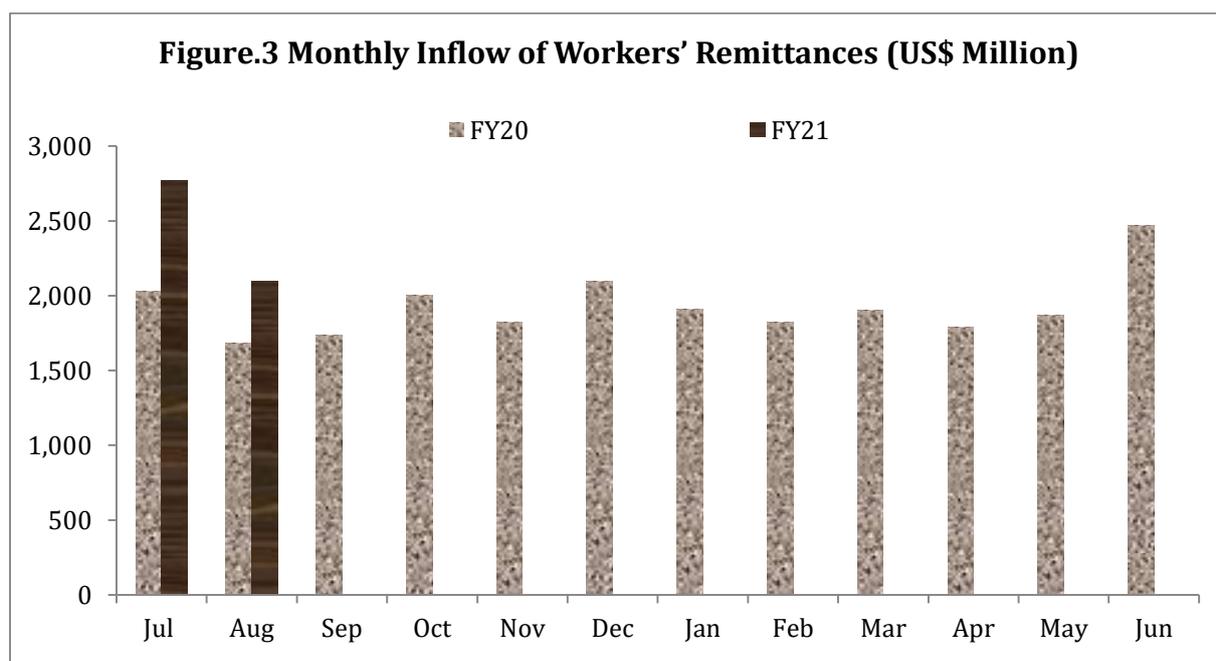
Some of the causes of increase in inflows during Jul-Aug include Eid-ul-Adha related occasional transfers, supportive policy measures taken by the Govt. of Pakistan and the State Bank such as reducing the threshold for eligible transactions from US\$ 200 to US\$ 100 under the Reimbursement of Telegraphic Transfer Charges Scheme, increased push towards adoption of digital channels and targeted marketing campaigns to promote formal channels for sending remittances. Inflow of remittances consistently showed an upward trend during the last decade with the exception of FY17 which registered a marginal decline due to global economic slowdown. Since then, the remittance inflow has

rebounded. Factors behind upward trend include diplomatic efforts by the Government, provision of incentives to banks for facilitating inflows through formal channels and increase in the number of workers for overseas employment through Bureau of Emigration & Overseas Employment (BEOE) to Saudi Arabia, U.A.E, USA, U.K etc.



Source: State Bank of Pakistan

Monthly comparative remittances inflows pattern is depicted in Figure 2, which illustrates that monthly inflows of remittances during August FY21 stood significantly above the remittance inflows in August FY20. The highest historical inflows were recorded during the month of July FY21.



Source: State Bank of Pakistan

Conclusion:

During Jul-Aug FY21, workers' remittances recorded considerable inflows and surpassed the total exports receipts of the country during the period. The significant increase in remittances inflows can be attributed to;

- Expatriates sent more money to support their families back at the occasion of Eid-ul-Adha during July 2020.
- Supportive government policies in terms of extension of reimbursement of Telegraphic Transfer charges scheme (free send remittance scheme) to small remitters by reducing threshold from \$200 to \$100, as well as, broadening the scope of marketing scheme pertaining to financial institutions for sending remittances through regular channels
- Suspension of international flights due to Covid-19 which forced that expatriates to send foreign exchange through banking channels

This increase is despite the fact that COVID-19 pandemic caused a slowdown:

- The major source countries of remittance inflows (Saudi Arabia, UAE, USA, and UK) faced the brunt of Covid-19 and were forced to economic slowdown.

For sustaining accelerated growth in workers' remittances, Government is taking steps to explore new markets for Pakistani human resource, incentivize expatriates to send remittances through formal channels, enhance skills of the labor and negotiate better terms with the countries to accommodate the labor in particular in the situation that emerged due to COVID-19.
