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

Update on Workers' Remittances for Jul-Oct FY21 (November -2020)

Remittances from abroad have been supporting the Balance of Payments position since many years. Inflow of remittances was 26.5 percent higher during Jul-Oct FY21 compared to Jul-Oct FY20. Remittances from Saudi Arabia, UAE, USA, UK, other GCC countries and EU countries increased whereas remittances from Malaysia registered a decline.

Workers' remittances stood at US$ 9,431.4 million during Jul-Oct FY21 compared to an inflow of US$ 7,454.1 million during the same period of FY20, thus registering an increase of 26.5 percent. During October 2020, inflow of workers' remittances witnessed an increase of 14.1 percent and stood at US$ 2,284.2 million compared to US$ 2,001.3 million during October 2019. This inflow was over US$ 2 billion for the fifth consecutive month in October 2020.

Table1: Workers' Remittances (US$ Million)

Country	October		Percentage Change	Jul-Oct		Percentage Change
	2019	2020		FY20	FY21	
Saudi Arabia	549.9	634.8	15.4	2,106.4	2,715.3	28.9
UAE	494.3	504.1	2.0	1,812.8	1,924.9	6.2
USA	138.1	183.3	32.7	526.7	815.9	54.9
U.K.	237.3	278.5	17.4	811.8	1264.0	55.7
Other GCC countries	264.3	272.8	3.2	990.8	1057.2	6.7
EU Countries	155.6	203.2	30.6	604.5	804.7	33.1
Others	161.8	207.5	28.2	601.1	849.4	41.3
Total	**2001.3**	**2,284.2**	**14.1**	**7,454.1**	**9,431.4**	**26.5**

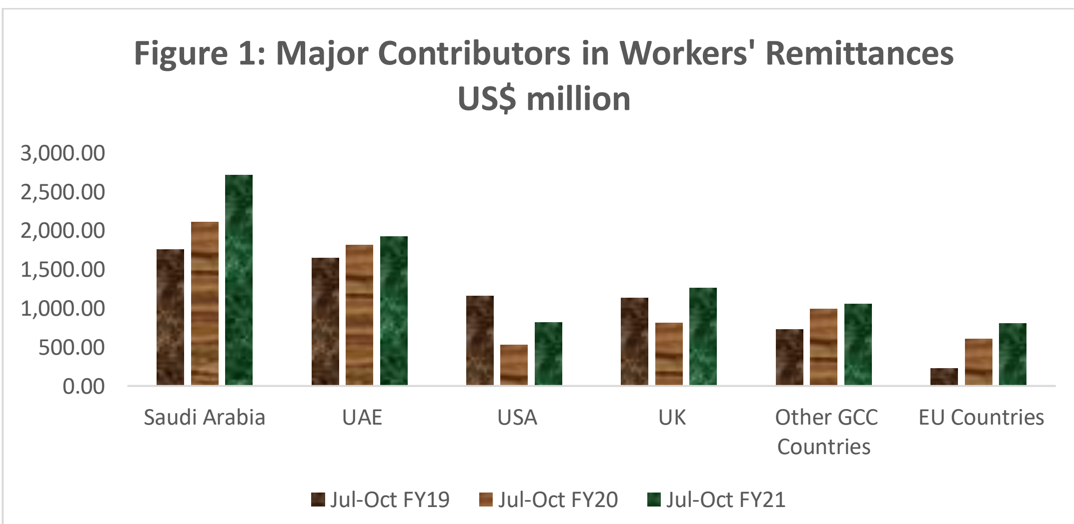
Source: State Bank of Pakistan

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

- Workers in Saudi Arabia contributed the largest portion with an amount of US$ 2,715 million, 28.9 percent higher than the same period previous year. The share of inflows from Saudi Arabia increased from 28.3 percent in Jul-Oct FY20 to 28.8 percent in Jul-Oct FY21.

- The second largest contributor, U.A.E. contributed US$ 1,925 million, 6.2 percent higher over the last year. Their share is 20.4 percent in total inflow of remittances.
- UK was the third key contributor with an inflow of US$ 1,264 million, 55.7 percent higher over last year. UK's share in total inflows stood at 13.4 percent.
- Inflows from USA stood at US$ 815.9 million, 54.9 percent higher over last year. Their share is 8.7 percent of the total remittance inflow.
- The remittances from other GCC countries (Bahrain, Kuwait, Oman and Qatar) increased by 6.7 percent. GCC's share in total remittances decreased from 13.3 percent to 11.2 percent.
- Inflows from EU countries sustained growth and increased by around 33 percent with total inflows of US$ 804.7 million.

The increase in remittance inflows from all major corridors indicates that the increase in remittances is broad - based. The inflow of major contributors in total workers' remittances is reflected in Figure 1.

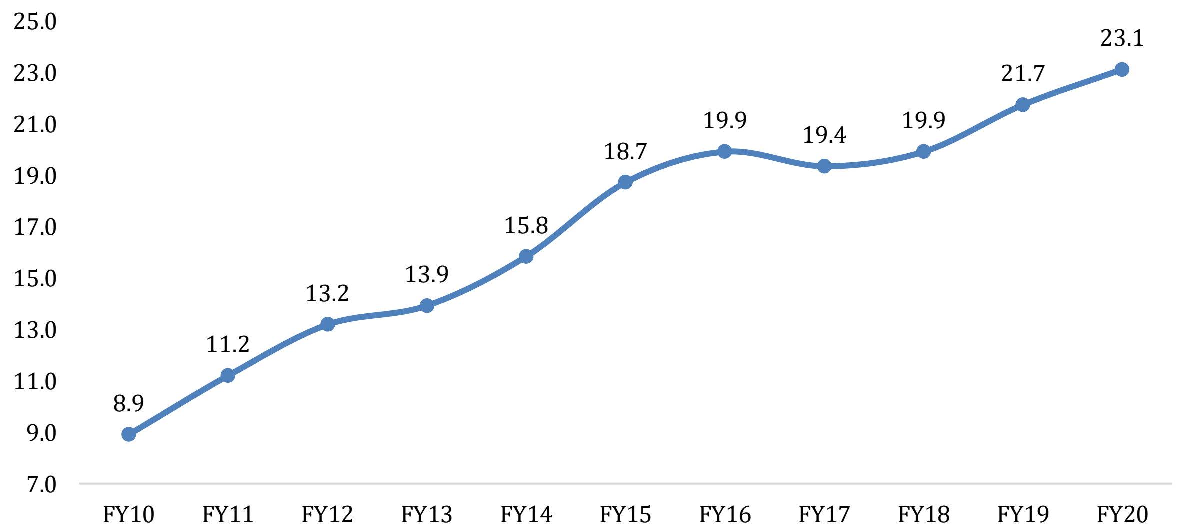


Source: State Bank of Pakistan

Some of the causes of increase in inflows during Jul-Oct FY21 include policy measures taken by the Government of Pakistan and the State Bank under Pakistan Remittance Initiative (PRI) such as reducing the threshold for eligible transactions from US$ 200 to US$ 100 under the Reimbursement of Telegraphic Transfer Charges Scheme, Roshan Digital Account Initiative, increased push towards adoption of digital channels and targeted marketing campaigns to promote formal channels for sending remittances. Crackdown on informal channels of transfer in compliance of FATF action plan and difficulty in carrying money due to closure of flight operations in the aftermath of Covid-19 may also have contributed to diversion from informal to formal channels. It is also possible that workers sent more money home in order to help families affected by Covid-19 pandemic or sent accumulated savings home fearing layoffs. It is expected that the adjustment in the exchange rate might have also contributed to this rise in the inflow of remittances as the same amount of inflows now contribute more in the income of the households in terms of local currency.

Inflow of remittances has consistently shown 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 registering for overseas employment through Bureau of Emigration & Overseas Employment (BEOE).

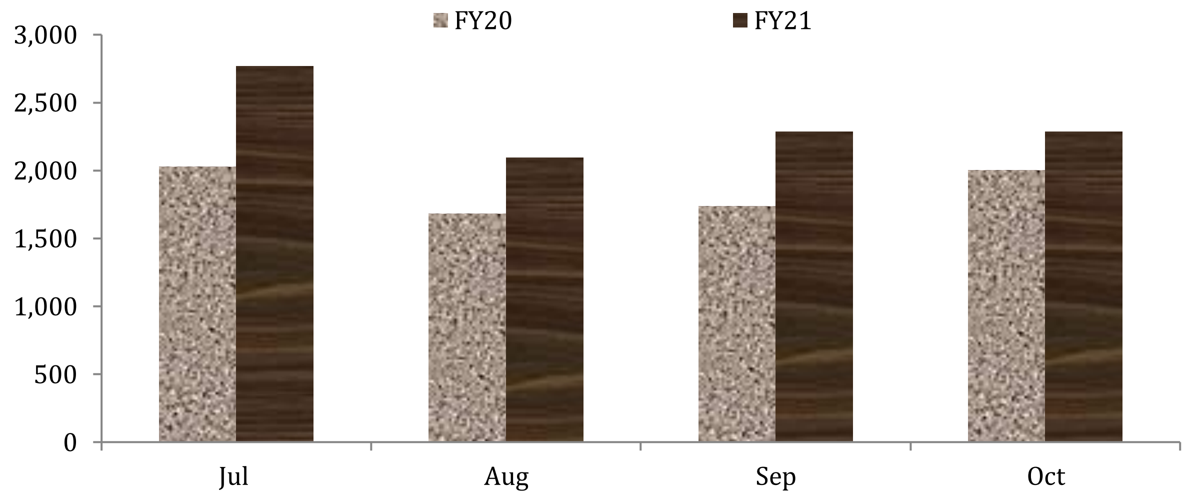
Figure.2 Historical Inflows of Workers Remittances (US$ billion)



Source: State Bank of Pakistan

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

Figure.3 Monthly Inflow of Workers' Remittances (US$ Million)



Source: State Bank of Pakistan

Conclusion:

During Jul-Oct FY21, workers' remittances recorded considerable increase in the inflows. The significant increase in remittance inflows can be attributed to:

- Supportive government policies that include extension of Reimbursement of Telegraphic Transfer charges scheme to small remitters by reducing eligibility threshold from $200 to $100, Roshan Digital Account Initiative, increased push towards adoption of digital channels and targeted marketing campaigns to promote formal channels for sending remittances.
- Crackdown on informal channels in compliance of FATF action plan may also have contributed to diversion from informal to formal channels.
- Suspension of international flights due to Covid-19 forced expatriates to send foreign exchange through banking channels.
- More workers sent money home to help families affected by Covid-19 pandemic, while adjustment in the exchange rate catalyzed the inflow.
- Workers sent accumulated savings home fearing layoffs.

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 workforce and negotiate better terms with remittance source countries to accommodate the labor resource.

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