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

Update on Workers Remittances for July FY21 (August-2020)

Remittances from abroad have been supporting the balance of payments position over the last many years. Inflow of remittances grew in July 2020 and recorded the highest ever inflows during a month as these surpassed total export receipts of the country.

Inflow of workers' remittances recorded the highest historical inflows of US $ 2,768 million during the month of July FY21 compared to US $ 2,028 million in July FY20, registering a growth of 36.5 percent compared to the growth of 2.7 percent in the previous year. Inflow of workers' remittances registered an increase of 14.0 percent during the pandemic period (Mar-Jul 2020) compared with the corresponding period of last year.

Table1: Position of Workers Remittances (US$ Million)

Country	July		Percentage Change
	FY20	FY21	
Saudi Arabia	471	822	74.4
UAE	427	538	26.0
U.K.	299	394	31.8
USA	322	251	-22.2
Others	509	764	50.1
Total	**2,028**	**2,768**	**36.5**

Source: State Bank of Pakistan

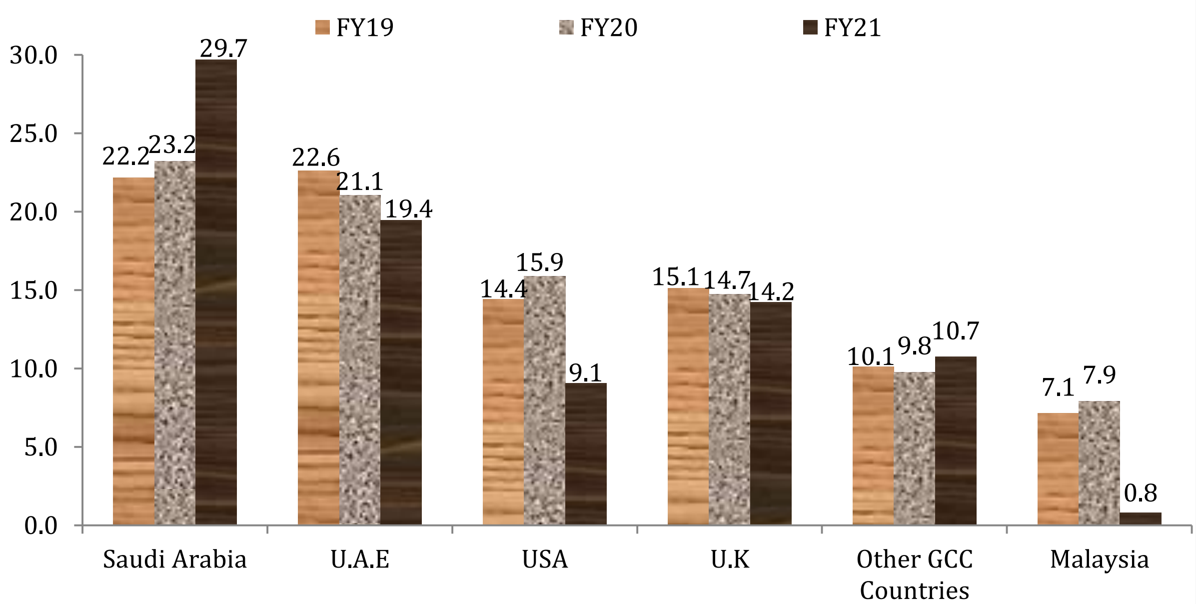
The country specific remittances source analysis shows that during July FY20:

- Workers in Saudi Arabia contributed the largest portion with an amount of US$ 822 million with 74.4 percent increase over the previous year. The share of inflows from Saudi Arabia increased from 23.2 percent in July FY20 to 29.7 percent in July FY21.
- U.A.E. remained the second largest contributor with inflows of US$ 538 million, with an increase of 26 percent increase over the last year and 19.4 percent share in the total remittances.

- UK was the third key contributor with inflows of US$ 394 million, and rise of 31.8 percent over last year. UK's share in total inflows remained 14.2 percent.
- Inflows from USA were the fourth largest, at US$ 251 million with a decline of 22.2 percent, maintained a share of 9.1 percent.
- The remittances from other GCC countries (Bahrain, Kuwait, Oman and Qatar) increased by 49.9 percent during the period compared to a marginal decline in the same month of last fiscal year. GCC's share increased from 9.8 percent to 10.7 percent during the period.
- Malaysia has emerged as a new significant source of remittances to in the recent past though the inflows from Malaysia declined by 86 percent during July FY21 as compared to 13.9 percent growth in the same month of last fiscal year. The share of remittances from Malaysia in total remittances decreased from 7.9 percent to 0.8 percent.
- During the period, the inflows from EU countries rebounded and increased by 292.7 percent with US$ 228 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.

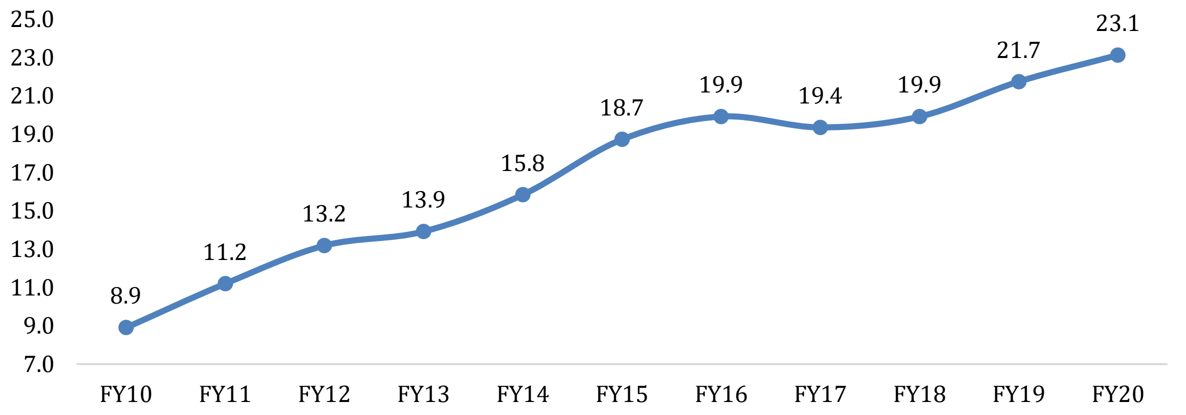
Figure 1: Major Contributors in Workers' Remittances (% share)



Source: State Bank of Pakistan

Some of the causes of increase in inflows 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.

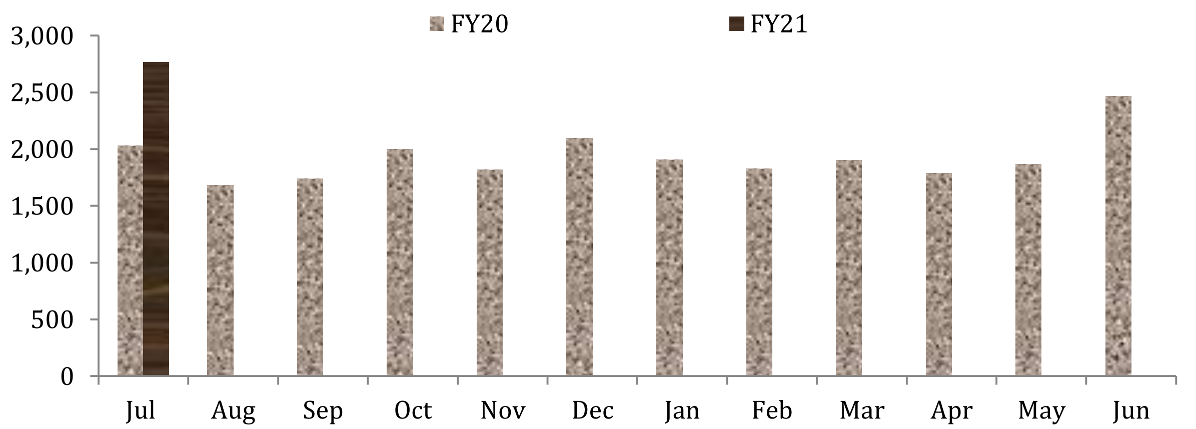
Figure.2 Historical Inflows of Workers Remittances (US$ billion)



Source: State Bank of Pakistan

Monthly comparative remittances inflows pattern is depicted in Figure 2, which illustrates that monthly inflows of remittances during July FY21 stood significantly above the remittance inflows in July FY20.

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



Source: State Bank of Pakistan

Conclusion:

During July FY21, workers' remittances recorded all time high historical monthly inflows and surpassed the total exports receipts of the country during the month. 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.
- 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.
- Decline in crude oil prices negatively affect the inflows from Saudi Arabia and oil exporting countries.

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.