SNAPSHOT:
REMITTANCE INFLOWS TO PAKISTAN DURING COVID-19

Remittances sent by millions of Pakistani migrants worldwide have supported the country’s economy by improving livelihoods and easing the pressure at times of economic crisis, such as energy crises, food insecurity and higher foreign debt repayments (Ahmed, 2021). Remittances are the second largest source of foreign exchange in the country, making Pakistani emigrants crucial actors in the balance of the payment deficit (Khan et al., 2021). The country is among the top recipients of remittances globally (World Bank, 2021). Recent studies showed that remittance inflows to Pakistan proved resilient during the COVID-19 pandemic, defying all predictions (IOM, 2021).

PART 1: OVERVIEW OF REMITTANCE INFLOWS TO PAKISTAN 2019-2021

1.1 ANNUAL TRENDS

Based on the latest figures of the State Bank of Pakistan (2022a), the country’s remittance inflows rose from USD 22 billion in 2019 to almost USD 31 billion in 2021 – an increase of 40 per cent. By the end of 2020, the volume of remittance inflows had increased by 17 per cent compared to 2019, above the nine per cent increase predicted by the World Bank in October 2020 (World Bank, 2020). Likewise, recent data for 2021 shows an increase of eight per cent compared to 2020 (Figure 1). Despite the outbreak of COVID-19, remittance inflows in the country have demonstrated substantial resilience, registering a steady growth over the past two years. Various factors may have supported the growth of the volume of remittance inflows, including the introduction of schemes that allowed sending remittances without extra costs, and bank initiatives that encouraged the use of more formal sending channels. Furthermore, as the COVID-19 pandemic created a global emergency, more remittances were sent by the Pakistani diaspora with the aim of supporting their extended families during the economic difficulties back home (ibid.).

1.2 QUARTERLY TRENDS

As seen in Figure 2, quarterly remittance inflows continued to increase throughout 2020 and 2021 compared to the same period in 2019. The largest increase was observed between Q2 and Q3 2020. Despite the outbreak of COVID-19 and the economic impact, remittances inflows kept rising, reaching an increase of 17 per cent in Q3 2020 in comparison with Q2 2020 (State Bank of Pakistan, 2022a). Remittances grew from USD 5.6 billion to USD 7.1 billion between Q1 and Q3 2020. Later, Q2 2021 and Q3 2021 saw a further increase in the volume of remittance inflows, rising to around USD 8 billion (ibid.).
1.3 MONTHLY TRENDS

Monthly figures show a clear picture of the remittances’ dynamic after the COVID-19 pandemic compared to the corresponding months of the previous year (Figure 3). From January to December 2020, the volume of remittance inflows to Pakistan remained above 2019 levels except for May 2020, where remittances declined by around 19 per cent in comparison with May 2021. July 2020 displays the most significant rise in the volume of remittances, with a sharp rise of 33 per cent in comparison to May 2020 (State Bank of Pakistan, 2022a). Remittances increased from USD 1.8 billion to USD 2.7 billion. This spike could be attributed to the introduction of tax incentives to intermediary banks to cover the costs of inward remittances. The State Bank and the Government of Pakistan, under the Pakistan Remittance Initiative (PRI) scheme, reduced the threshold for eligible transition from USD 200 to USD 100 (Government of Pakistan, 2020). Also, in March 2020, banks and microfinance banks were instructed by the State Bank of Pakistan to waive all charges for customers using their online fund transfer services (State Bank of Pakistan, 2020). Such incentives have encouraged Pakistani migrants abroad to shift from informal to banking or digital channels to remit funds. Furthermore, due to travel restrictions and fewer people traveling, more funds were sent via formal rather than in-person channels (World Bank, 2021).

The spike in remittances seen in July 2020 could be at least partially attributed to the “Haj effect”. Due to a decrease in the number of Haj visas\(^1\) granted in 2020 – a measure to contain the pandemic – many Pakistani migrants remitting home saved their funds, as many could not attend the pilgrimage to Mecca (World Bank, 2020). In 2019, more than 1.8 million foreigners made the Haj, whereas, in 2020, only local residents (officially 1,000) were allowed to participate (ibid.).

Figure 3: Monthly remittance inflows (January 2019 – December 2021)

Source: Compiled from the State of Pakistan Statistics and DWH Department – Worker’s Remittances Database (2022).

PART 2: DISAGGREGATION OF REMITTANCE INFLOWS IN 2021 BY ORIGIN COUNTRY OR REGION – EXPLORING THE LINK BETWEEN MIGRATION AND DIASPORA

Remittances sent by millions of Pakistani emigrants represent one of the primary sources of income in the country, which underscores the importance of the Pakistani migrant community abroad in the Pakistani economic development. This section highlights such economic outcomes by exploring the links between the volume of remittance inflows and the Pakistani diaspora\(^2\) worldwide. Based on the latest data on key remitting countries and main destinations for Pakistani emigrants, this section presents the case of three key destination nations for Pakistani emigrants.

According to the latest data from the State Bank of Pakistan (2022b), remittance inflows to Pakistan came mainly from the Gulf region and Europe throughout the second half of 2021. At the country level, Saudi Arabia has remained the primary source of remittance inflows sending around USD 4 billion – more than a quarter of the total volume of remittances (26%) – between July and December 2021 (Figure 4). The United Arab Emirates and the United Kingdom ranked second and third, respectively, remitting USD 3 and USD 2.1 billion to Pakistan (ibid.).

---

1. Type of visa required for pilgrimage to Mecca.
2. IOM defines diasporas as “migrants or descendants of migrants, whose identity and sense of belonging have been shaped by their migration experience and background.”
REMITTANCE INFLOWS TO PAKISTAN DURING COVID-19

Saudi Arabia constitutes not only the major source of remittance inflows to Pakistan, but also the primary destination for Pakistani workers registered for employment abroad (BEOE, 2022a). In 2021, Saudi Arabia was the destination of 54 per cent of the total registered outflow of Pakistani workers – a total of 155,000 workers.

In the case of the United Arab Emirates (UAE), although the country only hosted around 27,000 Pakistani workers (10%) in 2021, it received more than 200,000 in 2019. In previous years, this number reached to more than 350,000 workers (ibid.). Thus, the observed volume of remittances sent from the UAE reflects the size of the Pakistani diaspora in the country.

The Population Division of the United Nations Department of Economic and Social Affairs (UN DESA) also provides similar figures for Pakistani emigrants.\(^3\) Figure 6 shows the number of Pakistani emigrants hosted in major destination countries. By mid-2019 and mid-2020, around 2.5 million Pakistanis resided in Saudi Arabia and the United Arab Emirates combined. These two nations are the major destinations for not only workers but also for all emigrants – almost 40 per cent of the total number of Pakistani migrants (UN DESA, 2019, 2020). The United Kingdom hosted between 530,000 and 600,000 Pakistani immigrants, being the third major destination country in both 2019 and 2020.

3. UN DESA figures are based on official statistics on the foreign-born or the foreign population. Most of the data used to estimate the international migrant stock is obtained from population censuses, population registers and nationally representative surveys that provide information on the number and composition of international migrants.
Pakistan has long, deep-rooted fraternal ties with Saudi Arabia and the United Arab Emirates. Since 1970, these two Gulf nations have attracted thousands of Pakistani workers to join their rapidly growing construction sector (ibid.). The first wave of remittances growth led total volumes to reach 10 per cent of Pakistan’s GDP between 1982 and 1983. Later, the terrorist attacks of 11 September 2001 triggered another sharp increase in the volume of remittances, which doubled in the fiscal year of 2001–2002. Since then, the rise of remittances has been sustained by major Pakistani diaspora communities worldwide, even those affected by the financial crisis in 2008 and, more recently, by the COVID-19 health and economic crisis (IMF, 2021). Pakistani migrants residing in the Gulf States are usually employed in medium and low-skill jobs. Between 2019 and 2021, 40 per cent and 30 per cent of the total number of Pakistan workers registered for employment abroad worked as labourers and drivers, respectively (BEOE, 2022b).

The United Kingdom is among the leading Western countries hosting a large Pakistani diaspora population (See Figure 6). According to Government sources, the Pakistani diaspora community is represented by 1.6 million, which is the “heart of the relation between the two countries” (UK Government, 2021). Furthermore, results of the 2011 Census show that the Pakistani population was the fastest-growing of all the Asian communities between 2001 and 2011 (UK Government, 2020). The Pakistani diaspora contributes significantly to the social, economic and cultural landscape of the United Kingdom, with many professionals playing a crucial role in the National Health Service (NHS) (Hunter, 2021).

Migration represents an essential path for economic development in Pakistan. The role of the Pakistani diaspora is reflected in the substantial volume of remittances sent, especially during the outbreak of the COVID-19 pandemic. Available data has also proven remittances inflows to Pakistan to be more diversified, unlike other countries where a significant amount of remittances come mainly from one country source – as in the cases of remittances to Tajikistan coming from Russia, to Mexico from the United States, and to Turkey from Germany (ibid.). However, the full impact of the diaspora in the development of the country is not only limited to remittances flows, but it is multi-faceted. Pakistanis abroad not only support the economy as senders of remittances but also promote trade and foreign investment, create business, and facilitate the transfer of skills and new knowledge (EUDiF, 2021).

It is also important to acknowledge the role of the Government of Pakistan in removing obstacles and supporting the diaspora to engage in the country’s economic development, especially in times of crisis. The COVID-19 pandemic severely affected national and global economics. However, the observed resilience of remittance inflows in the country reflects both the effects of Government initiatives and the willingness of migrants abroad to support their families back home.
REFERENCES

Ahmed, J.

Bureau of Emigration & Overseas Employment

European Union Global Diaspora Facility (EUDIF)
2021  Diaspora Engagement – Asia.

Government of Pakistan, Pakistan Remittance Initiative

Hunter, M.

International Monetary Fund (IMF)

International Organization for Migration (IOM)

Khan, A., K. Tippu., S.U. Rehman and M. Ali

State Bank of Pakistan (SBP)

United Kingdom Government

United Nations Department of Economic and Social Affairs (UN DESA), Population Division

World Bank

Disclaimer: This document was produced with the financial assistance of the European Union. The views expressed herein can in no way be taken to reflect the official opinion of the European Union.
This snapshot report was produced by IOM’s Regional Data Hub and the Displacement Tracking Matrix (DTM) Regional Evidence for Migration Analysis and Policy (REMAP) Team. For more information, please contact:

rdhroapsupport@iom.int
dtmremapsupport@iom.int