# Remittance diversity and economic stability | The Express Tribune

*Dr Mazhar Mughal/Dr Junaid Ahmed July 21, 2021*

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The just-ended financial year (FY21) witnessed a record increase in home remittances, which crossed $29 billion for the first time in the country's history. The 27% year-on-year growth is the highest the country has seen since FY04. Since the 1970s oil boom, when a significant number of Pakistanis began working in the Gulf, remittances from overseas Pakistanis have regularly covered a major portion of Pakistan's trade gap, as the country's exports have rarely exceeded half of the amount of goods and services imported. The country heavily relies on these inflows to manage its chronic balance of payment difficulties.

Remittances have withstood the test of time, be it the Global Financial Crisis of 2008-09, the slump in oil prices during the middle of the previous decade which hit Gulf economies, or Pakistan's domestic economic challenges during the 2018-19 balance of payment crisis and the Covid-19 pandemic. In fact, money transfers by the nearly nine million-strong Pakistani overseas community played a crucial role in mitigating the nation's economic hardships during the first three Covid-19 waves. Such is the stability of remittances that we take them for granted in Pakistan.

Key to their stability lies in the remarkable geographical diversity of Pakistan's remittance portfolio. In FY21, inflows from no less than 19 countries located in four continents exceeded $100 million. Some of these countries, particularly Gulf states, Australia and Canada, are major exporters of natural resources while the economies of the others are mainly based on services and manufacturing. The business cycles of these two groups differ sharply. Besides, the sectoral distribution of Pakistanis based in these countries varies widely, with Pakistanis in North America predominantly involved in professional services, those in the Persian Gulf mostly working in construction and hospitality, while those in Europe running personal businesses. At any given time, the increase in remittance of Pakistani migrants based in growing economies counterbalances the loss in amounts remitted by migrants from the countries undergoing economic downturn. As a result, aggregate remittance flows from these countries remains stable.

The diversity of Pakistan's remittance sources has in fact further increased over time. Remittances from Pakistan's top 10 sources, which accounted for 90% of the country's annual receipts in FY11, now correspond to 85% of the total. Correspondingly, the number of countries with over $100 million yearly remittances to Pakistan increased from 10 in FY11 to 19 in FY21, and those with $500 million or more from four to 10. This diversification owes to increasing proportion of remittances accruing from more recent Pakistani migrant communities based in Europe and the Asia Pacific region.

A notable aspect of this growing diversification is the resulting lower reliance on Pakistan's traditional sources of remittances. In FY11, the four major sending countries, Saudi Arabia, UAE, US and the UK, collectively accounted for three quarters (76.2%) of the country's remittances. This share has fallen to 70% today. The principal source of this decline is the drop in the share of remittances from the US which has fallen to half its level of 18.4% in FY11 to 9.3% in FY21. The increase in remittances from the well-established Pakistani American community has been gradual and has not kept pace with those from younger communities in Europe and Asia Pacific.

Pakistan's remittance trends collectively point to a diversified remittance profile which explains their remarkable reliability in the recent past. When it comes to remittances, the country appears to have put its eggs in many baskets.

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