

Rise in remittances

It is a matter of satisfaction that remittances sent by overseas Pakistanis have continued to grow at a brisk pace during FY19. According to the latest data released by the SBP, the country received dollar 16.096 billion in remittances during nine months of the current fiscal year which were higher by 8.7 percent compared to dollar 14.80 billion received in the corresponding period of last year. Highest inflows came from Saudi Arabia, which reached dollar 3.747 billion, edging higher by 1.5 percent compared to dollar 3.69 billion in the corresponding period of FY18. The UAE followed closely with dollar 3.414 billion in workers' remittances, showing a growth rate of 4.18 percent compared to dollar 3.28 billion in July-March, 2018. A highest growth in remittances was recorded from the US from where inflows jumped by 23.6 percent to dollar 2.516 billion, making it the third largest source of inflows. Remittances from the UK also showed a healthy increase of 16.9 percent to reach dollar 2.475 billion from dollar 2.18 billion in the corresponding period of last year. However, inflows from the GCC countries shrank by 6.4 percent to dollar 1.542 billion during July-March, 2019 compared to dollar 1.648 billion in the corresponding months of last year. The inflows of remittances during the month of March, 2019 stood at dollar 1.746 billion which were higher by 11 percent than those a month earlier but lower by 3.20 percent than those received in March, 2018.

The growth in remittances during nine months of FY19 is of course a very welcome development, especially at a time when external sector situation of the country is dire and the authorities are, more or less, forced to negotiate a programme with the IMF to meet the huge deficit in current account (C/A) balance. Although, home remittances are not the only component of current account, yet its position has, of late, become very overwhelming in the external sector accounts of the country. In fact, home remittances at dollar 16.1 billion during July-March, 2019 are nearly equal to the export proceeds of the country at dollar 17.1 billion in the same period of the current fiscal. Needless to say that home remittances of this size are quite helpful in containing the overall C/A deficit, building up foreign exchange reserves and keeping the exchange rate at a reasonable level. One could easily imagine that, without home remittances of over dollar 16 billion this year, the exchange rate of the rupee would have depreciated much faster, pushing up the inflation rate still higher and making the lives of ordinary people much more difficult.

While appreciating the contribution of home remittances in keeping the foreign sector in a reasonable state of health, authorities of the country need to ensure the continuation of an enabling environment to gain maximum advantage from this vital source of foreign exchange. We are happy that authorities of the country are working harder to attract a higher level of home remittances through a number of initiatives like market determined exchange rate of the rupee, a crackdown on money changers and other illegal transfers and a stringent monetary policy that has served to keep the domestic interest rates attractive, relative to the rates of return available in foreign countries. We can only propose to the government to monitor the situation closely and devise an appropriate framework to ensure that potential of this source to finance the C/A deficit could be maximized. At the same time, maximum efforts must be made to increase the export receipts of the country which is a more dependable source of earning foreign exchange and creating new job opportunities in the country.

Editorial