GCC Remittance Flows: Resiliency During Rough Seas

GLMM Policy Brief
No. 9, April 2024

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Executive Summary

Remittance flows are large in absolute value but also in share of national output for many receiving countries. Additionally, remittances have proven remarkably stable compared to foreign direct investment (FDI) during economic crises. This policy brief examines the resilience of remittance flows to Pakistan amidst the COVID-19 pandemic, using data from July 2018 to January 2024. We first find that remittance flows are significantly larger than FDI. Second, the Gulf Cooperation Council (GCC) countries, particularly Saudi Arabia and the UAE, lead remittance sending countries to Pakistan. Finally, remittance inflows to Pakistan are much more stable than FDI flows. The government of Pakistan should emphasize support for their own migrants, expand productive use of remittances inflows, and build strong relations with GCC countries.

Introduction and Background

The World Bank estimates that there are more than 180 million migrants in the world.1 One of the visible impacts of migrants is the money that they send back to their home country. The latest figures estimate remittance flows worldwide to be almost $670 billion dollars.2 Remittance flows have been the largest source of income for the least developed countries for decades now. For many countries, remittance flows constitute a significant portion of financial flows3 in absolute value (more than $125 billion for India, $40 billion for the Philippines, and almost $25 billion for Egypt),

1 Migrants, Refugees, and Societies (2023). World Bank https://www.worldbank.org/en/publication/wdr2023 (accessed March 30, 2024).
2 Migration and Development Brief 39 (2023). KNOMAD https://knomad.org/publication/migration-and-development-brief-39?s=09 (accessed March 30, 2024).
3 Gammeltoft, P. (2002). Remittances and other financial flows to developing countries. International migration, 40(5), 181-211.