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## Remittances from Egyptians abroad rose to around \$3 bin. in May: Central Bank



Egypt's remittances from workers abroad rose 43 percent month-on-month in May to around \$3 billion, the central bank said in a statement. The remittances, one of the country's main sources of hard currency, stood at \$2.1 billion in April. Egypt received \$2.6 billion in remittances in May 2018, the statement added.

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## Our Views

- Remittances (as a percent of GDP) have been the highest source of foreign currency since 2011, compared to foreign direct investment (FDI), tourism and Suez Canal. Despite the political turbulence's in 2011, remittances continued to increase from \$9.7 million in 2009/2010 to \$2.6 billion in 2017/2018, reaching \$3 billion in May 2019. In 2018, Egypt was the world's fifth top recipient of remittances in 2018 and the first in the MENA region, according to the World Bank's Migration and Development Brief.
- In spite of the impressive figures, **it is important to remember that remittances are determined by exogenous factors (demand for labor by other countries)**. This means that it is by definition vulnerable, for example most of the migrants are located in oil-rich Arab countries. Thus, fluctuations in oil prices, in addition to other policies such as Saudization, Kuwaitization..etc. can disturb remittances inflows. Therefore, **we cannot rely on remittances alone as a source of foreign currency. It is essential to promote FDI, tourism, Suez Canal and exports, as they are more sustainable and reliable sources of foreign currency.**

- While, no recent data was found on the uses of remittances, it is already well known that they are directed to household expenses and with little amount invested in real estate. **This means that we need to formulate policies to guide investment to productive sectors especially manufacturing.**
- To mitigate the inflow risk, **it is essential to keep a detailed track of the source of migrant funds (countries, occupations, channels of spending).** Such information is important to **help guide funds to investment areas that support development needs instead of focusing on accumulation of real estate.** This last part stresses the need for the government to focus on **creating incentives that provide diversity of investments by individuals (investment funds are a good option if properly managed).**
- **Finally, it is important to facilitate remittance inflows by decreasing the entailed costs, and making them safer and easier.**

### **Worthy of Note**

A study conducted by the International Organization for Migration in 2010, consisted of interviews for 200 remittance-receiving households across four Egyptian govern orates, showed that the top use for remittances in Egypt is general household expenses (34.8 percent), while investment is third to last (0.5 percent). While considering migrants advice to their household on how to spend remittances, 13.8 percent were told to invest in real estate, and 5 percent were advised to invest in capital.

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