THE IMPACT OF REMITTANCES ON THE REAL EXCHANGE RATE: EMPIRICAL EVIDENCE FROM GHANA

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Abstract
This paper presents an empirical analysis of the impact of remittances on the real exchange rate in the Ghanaian economy using an error correction model approach. Disaggregating capital flows into other capital (CAP) and remittances, the paper found that increasing levels of all forms of capital leads to real exchange rate appreciation in the long run. However a Granger causality test fails to establish a short run causality between remittances and the Real Exchange Rate. The analysis further suggests that, in the long run, a change in the real exchange rate is generally related to movement in economic fundamentals.

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