

This month's highlights:

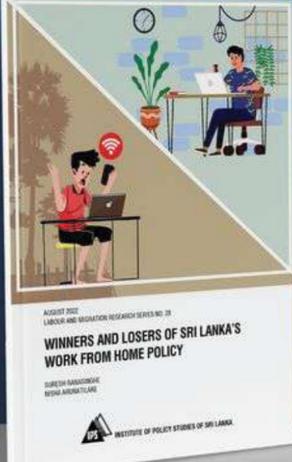
- New IPS publication 'Winners and Losers of Sri Lanka's Work from Home Policy' by Suresh Ranasinghe and Dr Nisha Arunatilake looks at how the Work from Home policy affects the economic engagement of different workers in Sri Lanka.
- IPS presents policy proposals for inclusion in the forthcoming Interim Budget that highlight prompt remedial actions needed to mitigate the ongoing economic crisis.
- Dr Dushni Weerakoon, writing for the IPS blogsite Talking Economics (TE), explores the effect of spiralling inflation in recent months and emphasises the need to take simultaneous action on all macroeconomic policy fronts to help stabilise prices.
- Binura Seneviratne, in a TE blog, analyses the risks of stagflation amidst the current economic crisis and outlines policy options to protect vulnerable groups from stagflation.
- In the Inside IPS segment, Binura Seneviratne says that introducing laws to allow students aged 16-20 to work part-time will limit the possibility of students being exploited under the guise of part-time work.
- Video featuring IPS Research Assistants Thisuri Ekanayake and Suresh Ranasinghe on winning the coveted Commonwealth Shared Scholarships for 2022.
- Video featuring IPS Research Fellow Dr Manoj Thibbotuwawa discussing some of the factors that will cause major problems to Sri Lanka's food security and food availability in the near future.

We hope you find this issue informative and welcome your feedback.

IPS Communications Team
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IPS Publication

NEW RELEASE!



Sri Lanka's ongoing economic crisis and the COVID-19 pandemic has resulted in great job losses due to the difficulties in transportation, health regulations and the lack of other basic necessities. Some organisations have overcome these problems by allowing workers to Work from Home (WFH). However, not all workers can do this. This IPS study identifies how the WFH policy affects the economic engagement of different workers in Sri Lanka.

Available for sale at:



No. 100/20, Independence Avenue,
Colombo 07 and
at leading bookshops island-wide

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Interim Budget Proposals



INTERIM BUDGET 2022

Ahead of the presentation of the Interim Budget in August 2022, IPS outlines policy proposals for inclusion in the forthcoming Budget that focus on the immediate remedial actions needed to overcome the current economic crisis, including the promotion of foreign exchange earnings, increasing government revenue, promoting economic growth, and meeting the essential needs of the people.

[See more >>>](#)

Blogs



Stagflation in Sri Lanka? Risks and Policy Responses

By Binura Seneviratne

The emergence of a low-growth international environment together with a significant rise in inflation has raised concerns of stagflation; a period of low growth combined with high inflation. A global stagflationary environment can worsen Sri Lanka's current economic crisis restricting growth and increasing inflation. Increased policy rates to combat inflation will result in lower investments. These factors, combined with political instability, lower-than-expected remittances, and lower productivity due to acute shortages of essential items will further constrict the Sri Lankan economy, pushing it into stagflation. Due to a global economic downturn, rising commodity prices and high rates of borrowing, Sri Lanka can expect a challenging external sector environment next year. Policymakers will need to understand these global challenges and make pragmatic economic decisions to minimise further damage to the economy.

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Inside IPS



Special interview featuring:

Binura Seneviratne
Research Officer at IPS

Q: Tell us about your background and your role at IPS:

I have a Master's in Economic Policy from the Australian National University, Australia, and a BSc in Economics and Finance from the University of York, UK. I am also an Australian Awards Scholar, following a short course on Trade Promotion and Marketing post-COVID-19 at Griffith University, Australia.

Currently, I am primarily engaged in poverty and social welfare research at IPS under the supervision of Dr Ganga Tilakaratne. My other research interests include sustainable development, international trade, and development economics.

Q: What are you currently researching?

I am working on several projects. These include studies on (1) the impact of the current economic crisis on the living standards of Sri Lankans; (2) the anti-trade bias in Sri Lanka's trade policy framework; and (3) how external sector developments are affecting the Sri Lankan economy.

Q: The government has decided to allow school students between the ages of 16-20 to work part-time. Do you see this as a positive development?

Part-time employment should be better integrated into Sri Lanka's corporate culture as this could incentivise students to take up part-time opportunities while continuing their studies. Working part-time will help students figure out what they are genuinely passionate about and make it easier for them to enter the workforce upon completion of their studies.

Despite these advantages, trade unions are concerned that this will keep children from low-income families away from school. The fall in living standards with the economic crisis has meant that families need more money to survive. This could motivate children from low-income backgrounds to focus on earning rather than education.

Proper guidelines on a scheme will limit the possibility of students being exploited under the guise of part-time work. Due to the impact of the economic crisis, in the absence of such a scheme, low-income students could still be incentivised to find jobs illegally, which could lead to greater exploitation.

Q: Global credit rating agency S&P Global has recently slashed Sri Lanka's rating to 'D', representing default. How will this downgrade impact the economy?

Rating downgrades by major rating agencies such as S&P can significantly impact the country's economy. The Sri Lankan government borrows to cover the large budget and current accounts deficits by issuing bonds to investors.

Generally, once a country's risk rating is downgraded, the default risk increases. Since risk premium increases, investors demand higher returns on government-issued bonds, which makes borrowing expensive. It becomes virtually impossible to borrow from the international bond markets once the country defaults. Due to the cross-default covenants, we will struggle to attract funding from multilateral institutions such as the World Bank and the Asian Development Bank.

The economy could be affected in many ways. Inflation could increase if the government continues to run a fiscal deficit as money printing increases, given the inability to borrow money. The economy would contract due to spending cuts by the government. Major development projects would also be on hold due to the lack of funding by lending institutions.

Q: What do you enjoy most in your work as a researcher?

I enjoy the academic freedom at IPS, where I can research independently and express my views freely. I can contribute to Sri Lanka's economic development journey, at least in a small way.

Q: What are the more challenging aspects of your work?

Data collection and challenging using primary sources is the most challenging aspect of my work due to its tedious nature.

Q: What books do you recommend to aspiring economists?

Why Nations Fail: The Origins of Power, Prosperity and Poverty by Daron Acemoglu and James A. Robinson inspired me to pursue a career in economic policy. The book focuses on the role of institutions in economic development with some fascinating country-wise comparisons. If you are interested in economics from a 'developmentalist' perspective, I think this could be an excellent introductory book. I also recommend *The Bottom Billion* by Paul Collier, which explores why impoverished countries fail to progress despite international aid.

Featured Videos

Dr Manoj Thibbotuwawa | Food Security in the Face of Economic Crisis | NewsFirst



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IPS Research Assistants Win Commonwealth Shared Scholarships!



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