Spotlight: Econ Op-eds in Summary

Week ended 18th December '19

In Summary

The underneath contains summaries of the articles given above, including key extracts from these articles.

1. Re-build brand Sri Lanka: Exports at +1%
By: Rohantha Athukorala

- Worrying export performance and low GDP indicates the vulnerability of the Sri Lankan economy. In such a context the latest brand Finance report has indicated that Sri Lanka's external brand value has not kept up with the world. A country's brand influences the quality of investments, tourists and export markets a country can attract.

- Our exports are strategically weak accounting for only 20% of GDP where 76% total exports are 'Low Knowhow' exports with many substitutes available. Low machinery and electrical exports are a key issue in this context. Hence the National Export Strategy (NES) with reforms on developing the export industry must be driven with absolute aggression.

- Sri Lanka has registered a 19.6% decline in tourists' arrivals and the current visitor profile are the budget tourists due to the slashed prices. Sri Lanka needs to launch a thematic brand building campaign with an integrated communication drive to lift the profile of the country. This will be the key investment with positive ramifications across the sectors.

We see the re-building of brand Sri Lanka has commenced – starting from the launch of the Port City, rejuvenation of the stock exchange and tax cuts to jump start the economy, all commended by the private sector.

A Sri Lankan being crowned as Mrs. Sri Lanka sure added value to the flagging nation brand in the last four years which is at $83 bn as per the latest Nation Brand report.

Exports at +1%

As per the Central Bank report, the export proceeds data as at end October 2019 (on a cumulative basis for the first 10 months) there is a marginal +0.8% growth to $9.6 bn. However, the October performance is worrying given that exports are at negative performance at -0.2% to $977 mn to be specific.

This comes in the backdrop of the 1.6% GDP growth registered in the second quarter of 2019 that demonstrate the vulnerability of the Sri Lankan economy emerged due to the downturn of the tourism sector.

Re-launch Sri Lanka

Whilst Sri Lanka has been grappling on the 'Governance' criteria, we see the world is passing us by – not only by Singapore, Malaysia or Bangladesh but now we see lesser known countries like Ukraine and Algeria have beaten us as per the latest data released by Brand Finance.

This performance does not augur well for the country and there is no option but we have to creatively re-launch the country brand with aggressive promotions in the areas like tourism and Ceylon Tea given that there is funding available on both fronts.

SL: $ 100 bn

In today's competitive world, a country's image has many ramifications as it's the most important asset that a country has. The quality of the investments that one can attract, the export markets that it can penetrate and the quality of the tourists that the country can attract will hinge on the image of the country. Sri Lanka must be a top 50 country by 2021 with the nation brand hitting $ 100 bn is my view.

Brand value: Six key criteria

Let me share a quick overview on the criteria used to calculate nation brand value. The Anholt-Roper Nation Brands Index looks at a country's image by examining six dimensions of national competence, all of which are treated equally with no weighting. This gives an overall sense of a country's reputation as a whole. The six dimensions are:

1. Exports: Examines respondent's image of products and services from each country and the extent to which consumers proactively seek or avoid products from each country of origin.

2. Governance: Considers public opinion regarding the level of national government competency and fairness and describes individuals' beliefs about each country's government, as well as its perceived commitment to global issues such as democracy, justice, poverty and the environment.

3. Culture: Reveals global perceptions of each nation's heritage and appreciation for its contemporary culture, including film, music, art, sport and literature.

4. People: Explores the population's reputation for competence, education, openness and friendliness and other qualities, as well as perceived levels of potential hostility and discrimination.

5. Tourism: Captures the level of interest in visiting a country and the draw of natural and man-made tourist attractions.

6. Immigration and Investment: Looks to attract people to live, work or study in each country and reveals how people perceive a country's economic and social situation.

But a key point to remember is that nation brand building is not about painting a story globally with catchy advertising. It's more about 'implementing actions so that the people inside the country' talk positive of the country and the world feels the vibes.

The good news is that post 16 November the overall sentiment has become positive. This in turn attracts better FDI, higher-spending tourists visiting the country and exports making a deeper penetration into markets.

SL – Reality

On the above criteria the performance of Sri Lanka in 2017 was $ 77 bn brand, ranked 59th in the world ahead of Algeria and Ukraine which were at 60 and 61 respectively.

In the 2018 Brand Finance report, we see that Sri Lanka has grown by just 7.7% to $ 83 bn and ranked 61 globally whilst Algeria and Ukraine have grown by 27.1% and 23.5% respectively to be ranked 58 and 60, beating Sri Lanka, which is unfortunate.

It tells us that the pace at which Sri Lanka is performing is below the global industry average and hence the world is passing by.

Exports – Strategically weak

Whilst Sri Lanka crossed the export performance crossed at $ 11.3 bn in 2018 the percentage to GDP is around 20% which is way below countries like Vietnam at 86%, Thailand at 69% and Malaysia at 74% which is why competitiveness drops.

If one digs deeper, machinery and electrical exports account for only 8% of the export basket whilst competition countries average between 30-45% which is the key issue that makes Sri Lanka exporting products that compose of low GDP.

If one analyses the export basket in terms on complexity of the products we export, almost 76% of the products fall into the 'Low Knowhow' segment which means that we cannot ask a premium price and there are many substitute products in the global market that can be sourced which results in Sri Lanka's exports not being of high demand.

This is why the National Export Strategy (NES) launched stage that reforms will be key to developing the export industry of Sri Lanka. This must be driven with absolute aggression.

Tourism – thematic campaign?

Let's accept the fact. Sri Lanka is registering a 19.6% decline in the number tourists visiting the country as at end Nov, 2019. We are at 1.6 mn number whilst last year we were at 2.0 mn. The current visitor profile are the budget tourists coming into the country due to the prices that have been slashed by the industry.

Sri Lanka now needs to get back to the basics and look at the best practices done by destination marketing countries like Indonesia, Maldives or Madagascar and launch a thematic brand building campaign with an integrated communication drive using PR and digital to lift the profile of the country. This will be the key investment that can have positive ramification across the sectors.

For the full article – Refer Daily FT

2. The gender dimension of remittances to Sri Lanka Who remits more
By: Bilesha Weeraratne

- Remittances are an important source of foreign currency inflows to Sri Lanka. However, in the recent years the country had experienced a decline in remittances most popularly driven by, geopolitical uncertainties in the Middle East, sluggish global growth and decline in departures for foreign employment.

- However, an underexplored reason for the decline in remittances is the recent changes in the composition of migrant workers. Where the share of female migrant workers is less than that of males. Despite the higher value of remittances made by male workers, the decline in female workers is especially a concern given that female workers often remit back 81-100% of their income compared to an 80% remittance by male workers.

- Given such a context, it is important to re-examine the policies related to foreign employment. Including, re-examining the remittance implications of restricting female migration, and especially of female domestic workers, encouraging males to remit a greater share of their income and the financial sector making remitting attractive by associating benefits for remittances.

Remittances are often considered a stable and a reliable source of development financing. In 2018, remittances to Sri Lanka totaled to $ 7.015 bn, accounting for;

- 7.8 % of the GDP,
- and could cover 59% of the total import bill of $ 11.89 bn,
- or over 13% of Sri Lanka's outstanding external debt ($52.31 bn).

While much is known about the macro level contribution of remittances, relatively little is known about the finer details. This blog aims to shed light on the gender aspect of remittances, derived mainly from micro level data, to identify strategies to improve the country's remittances in the future.

Declining remittances

In 2017, remittances to Sri Lanka declined by 1.08%, compared to the previous year, while the decline in 2018 was 2.08%. The Central Bank of Sri Lanka attributes this decline to the;

- prevailing geopolitical uncertainties in the Middle East region, due to fluctuations in oil prices and
- sluggish global growth and
- the decline in departures for foreign employment.

Nonetheless, an underexplored reason for the decline in remittances is the recent changes in the composition of migrant workers from Sri Lanka.

Due to targeted policy efforts since 2013, the share of female migrant workers is less than that of males; at the same time, this has resulted in a decrease in the share of female domestic workers among migrant worker departures.

Gender and remittances as a share of income

The study done by the author found some important gender distinctions in remittances to Sri Lanka. In the sample used,

- men remitted up to 80% of their income earned in the country of destination.
- when it comes to females, a majority remitted a higher proportion, ranging from 81-100% of the income earned in the country of destination.

The disparity between men and women in the share of income remitted indicated that women are less likely to save for themselves in the country of destination, and instead transfer all their savings as remittances to the family left behind.

Macro level data indicates that the females' tendency to remit a larger proportion of income earned from foreign employment could be driven by their involvement in domestic employment. For instance, out of the 81,685 female departures in 2018, almost 80% were for domestic work, where food and lodging are provided free of charge by the employer.

Gender and value of remittances

As per study findings,

- up to the average amount of remittances (Rs. 40,000 a month), there are a similar percentage of men and women remitting.
- the monthly remittance bracket of Rs. 40,000-60,000, there are more women than men.

- On the contrary, in the higher monthly remittance bracket of Rs. 60,000-100,000, there are more men remitting than women.

These findings are consistent with international literature, which indicates that when they do remit, men remit higher amounts than females, possibly due to possessing higher skills, leading to better jobs and higher wages.

Departures and remittances

During the last 10 years,

- the share of females among migrant departures have declined from 52% in 2009 to 39% in 2018.
- Similarly, the share of female domestic workers among all departures have declined from 46% in 2009 to 31 % in 2018.
- At the same time, the share of female domestic workers among all females was much higher at 88% in 2009.

These macro statistics show that the dominance of females have been on the decline during the past decade. Nevertheless, policy formulation for revising the composition of labour migrants should also give due attention to the gender dimensions in remittances, for one of the key returns to Sri Lanka from labour migration is the remittances sent by migrants.

Increasing remittances

Given that the findings of the study indicate that females are already accustomed to remit large proportions of their income to Sri Lanka, it is important to re-examine the remittance implications of restricting female migration, and especially of female domestic workers.
At the same time, it is necessary to encourage males to remit a greater share of their income from foreign employment. To this effect, predeparture training needs to place more emphasis on educating male migrants about the importance of remitting.

Finally, most remittances to Sri Lanka are still sent out of necessity by migrants who have family left behind. But, with the promotion of skilled migration for higher paid jobs, skilled migrants often leave as a family, with no one behind to receive remittances. For this group of migrants, remitting is often optional.

The remittance market in Sri Lanka has not yet tapped this potential pool of remitters. In order to make remittances to go beyond mere necessity, the financial sector needs to make remitting attractive by associating benefits for remittances and making remittance sending and receiving quick, easy, and hassle free.

For the full article - Daily FT