UP's women self-help groups weaving success stories, thread by thread

With dusk fast settling over the skyline, a group of 10 women in Jangethi village near Meerut went into a quick huddle. Holding handmade baskets, which they had weaved after a hard day's work, they then started negotiating a decent price.

And all this while they were also weaving something else -- plans on how they would spend their first earning.

"We will buy offerings for our gods and treats for kids from the first payment," said one of them, as others happily nodded.

Eco Roots Foundation, a non-governmental organisation dedicated to environmental conservation, has formed a group of 20-25 women in the village, who make eco-friendly handmade items.

Babita, the leader of the pack, was busy negotiating the price with Vikram -- the NGO's coordinator for Uttar Pradesh.

"You know the market rate… you tell the correct price for what we made," insisted Babita.

The work involves extraction of water hyacinth from local water bodies, which is then cleaned and dried. The whole process takes 15 days, the women explained.

"We then weave and make items such as baskets, table mats," said Vineeta.

After a brief training by the organisation, the women had started the work in February. Others came along later.

"Two women approached me, and asked me to join," 62-year-old Rajesh said excitedly.

But there were challenges too.

"People would taunt us as we used to clean the ponds for the material. But, we kept trying," recalled Monika.

The Bharatiya Janata Party's (BJP) manifesto, released last week, pledged to facilitate women's participation in the workforce. It also promised to empower three crore rural women to become Lakhpati Didis from one crore at present.

A different group of women in the same village specialise in stitching leather balls, a tradition passed down through generations.

Sitting in sunlight on a cot, three women were stitching on the equator of leather balls. Another observed with eagerness, she wants to learn.

Urmila, with two decades of experience, said that they get Rs 30 for stitching a ball. "Depending on how many balls we complete in a day, we get the total amount every Sunday."

Uttar Pradesh has 848,810 such self-help groups with 9,580,275 members.

There is a potential of 438,590 Lakhpati Didis in the state, according to the Ministry of Rural Development.

Out of 1.2 crore self-help groups (SHGs) in the country, 88 per cent are women groups, according to the Economic Survey 2022-23.

But in neighbouring Muzaffarnagar district's Noornagar village, some women claimed that government schemes don't reach them.

"We work in the fields whenever there is a requirement," one of them said. The daily wage is Rs 250, but not delivered on time, she added.

Both my daughters have gone to the field and not returned yet, said 30-year-old Shalini (name changed).

"If the government can give work, which we can do from our homes, that will be helpful," the women said.

But there is hope going forward.

The women labour force participation rate (LFPR) increased to 10.3 per cent in 2023-24 compared to 8.7 per cent in the year before. The LFPR for women in rural areas increased from 9.7 per cent to 10.8 per cent in the same period, according to the data from the Centre for Monitoring Indian Economy (CMIE)

Raghuram Rajan flags employment concerns amid India's growth momentum

Former Reserve Bank of India (RBI) Governor Raghuram Rajan on Wednesday expressed concerns regarding India's employment situation, despite the economy displaying signs of growth.

In an exclusive interview with The Economic Times (ET) Online, Rajan highlighted the necessity of tackling the scarcity of private sector jobs, noting the rising trend of individuals opting for government employment as a significant indicator.

"The broader question is, is this growth providing enough jobs? The answer here is a lot more nuanced. It is providing more jobs in construction, and the government has engaged in a tremendous amount of infrastructure construction. That has also energised private development of houses and so on," Rajan said.

However, he highlighted that despite government efforts, employment in sectors like manufacturing has not seen a significant uptick.

Rajan's remarks come at a time when unemployment remains a major issue in India, with a survey by Lokniti-CSDS revealing that 27 per cent of voters consider it their top concern.

Nearly 62 per cent of the surveyed respondents stated that securing employment has become increasingly challenging over the past five years.

In a critical examination of the Narendra Modi government's decade-long tenure, Rajan highlighted a glaring omission in the recent whitepaper released by the NDA - the absence of any mention of 'unemployment'.

"Search the document! The point is, we need to pay attention to this issue, it is serious," he said.

Rajan underscored a disquieting reality, pointing out the overwhelming appeal that government jobs still hold in India.

"Huge numbers of people are applying to government jobs because private sector jobs are not being created," Rajan said in the interview with ET.

Before assuming office in 2014, PM Modi had famously pledged to provide 10 million jobs to India's youth if his party was voted to power. At that time, he rightly acknowledged that 65 per cent of India's youth were grappling with unemployment.

HUL to HDFC Bank and ITC: These 10 NSE 200 stocks may zoom 20-40% in a year

Brokerages remain upbeat on the Indian equity market despite the recent rise in geopolitical tensions globally and a slowdown in consumer demand in the country.

They expect the broad-based Nifty 50 to rally by another 11 per cent from its current level over the next year.

According to Bloomberg estimates, the Nifty 50 is expected to reach 24,597.40 by the end of April next year compared to its Tuesday's close of 22,147.90.

By comparison, the index is up 22.6 per cent since the end of April 2023 and had rallied 5.63 per cent between April 2022 and April 2023. A rally in the index is likely to be driven by a continued rise in corporate earnings.

The Nifty 50's underlying earnings per share (EPS) is expected to rise by 14.3 per cent over the next year to Rs 1,070.7 from Rs 936.5 currently. By comparison, the index's EPS is up 14.2 per cent in the past 12 months, according to data from the National Stock Exchange (NSE).

The Nifty EPS tracks the combined net profit of India's top 50 listed companies that are part of the index. This means, unlike in the past, brokerages expect a moderation in the index valuation ratio over the next one year.

The Nifty 50 trailing price-to-earnings (P/E) multiple is expected to decline to 23x by April next year compared to its current P/E multiple of 23.6x.

By comparison, the index P/E multiple increased by 13.3 per cent over the past year from 20.87x at the end of April 2023. The brokerages see an even bigger upside in the top-performing stocks.

Top-performing stocks across sectors are expected to rise by 20- 40 per cent over the next year.

Powered by iPhone exports, electronics become India's fifth largest export

Propelled by burgeoning mobile phone exports from India, especially from Apple, electronics exports have moved up one position to become India's fifth largest export, at $29.1 billion, displacing drugs and pharmaceuticals at $27.8 billion in the financial year ended March 31, 2024.

What's more, electronics exports have inched close to the fourth largest exporter — organic and inorganic chemicals — which contracted 3 per cent in FY24 to $29.4 billion. According to the Department of Commerce, electronics exports grew 24 per cent, an increase of over $23.6 billion in FY23. It is also the fastest growing export category among the top 10. Mobile phone exports, which grew nearly 38 per cent over last year to reach $15.5 billion, contributed 53 per ce-nt to the total electronics exports, According to the Indian Cellular and Electronics Association.

By comparison, in the last financial year, mobile phone exports stood at $11.1 billion, contributing 47 per cent to the total electronics exports. The single largest factor driving this increase was Apple's iPhone exports, which doubled from $5 billion in FY23 to over $10 billion in FY24. This came at a time when overall merchandise exports from India were down in FY24 over the previous financial year by approximately 3 per cent. Of the $5.5 billion increase in electronics exports this year, 90 per cent came from the increase in iPhone exports to the tune of $5 billion. Apple's iPhone exports alone now constitute 35 per cent India's entire electronics export goods basket.

The smartphone production-linked incentive scheme pushed up electronics exports from the seventh largest export between FY19 and FY23 to number six last year, to the fifth spot in FY24. Electronics has also substantially narrowed its gap with the third and fourth largest exports from India. In FY23, electronics exports trailed gems and jewellery exports by $14.4 billion. This year, the gap has reduced to $2.8 billion. In the case of the fourth ranked organic and inorganic chemicals exports, electronics have narrowed the gap from $6.7 billion in FY23 to merely $300 million within a year.

Mobile companies say that, going by the current trends (and unless gems and jewellery and organic and inorganic chemicals perform exceedingly well), electronics exports could become India's third biggest export by 2026.

Ashmore Group counters consensus with big bet on China over India

London-based asset manager Ashmore Group PLC is reducing its exposure to Indian equities and has made China the #1 pick in its emerging-markets fund, arguing that India's stock market is overhyped and overcrowded while China's is set for a rebound.

With $6.5 billion invested in emerging equities, the fund has allocated 26% of its EM equity fund to China, while reducing India to less than half that, according to Edward Evans, a London-based EM equities portfolio manager. He cites a divergence in valuations as the main reason for the decision.

"The risk-reward balance is arguably stronger for China and less so for India," Evans said. "India demonstrates fantastic economic growth with great policy stability and it's often quite a fertile ground for stock selection. But that said, one cannot be agnostic to price, not least in fast-growing emerging markets, since you do not want to pay up front for those future returns."

Ashmore's bet goes against market consensus. Almost half of 390 Bloomberg MLIV Pulse survey respondents between April 8-12 selected India as the best investment compared to Japan and China, which was least favored among the three. Indian equities currently trade at a whopping 23 times next year's expected earnings, exceeding even US multiples, and compared with nine for China, according to data compiled by Bloomberg based on MSCI Inc.'s indexes.

Ashmore has also previously been overweight India, but has booked profits as many companies reached valuations at "extremes" that "ultimately don't look sustainable," Evans said. "We are a quality-growth investor, but we are not agnostic to valuation, or to price, and that led us to take profits."

He also cited a risk in India that authorities could look to dampen more speculative investing behavior, especially in the domestic market, making the policy narrative less supportive.

In China, the risks are well known, ranging from geopolitical tensions and a trade showdown with the US, to a property sector crisis and growth that's cooling from the world-beating levels the economy enjoyed over past decades. The main gauge of Chinese equities has tumbled about 40% from its peak three years ago, and is down 19% in the past year, compared with a 33% gain for the benchmark MSCI India index.

China's economic growth is expected to trail India's for at least the next two years, according to economists' forecasts on Bloomberg.

Still, Evans sees tentative signs of recovery in China, including pickups in factory activity and exports. He points to Caixin manufacturing PMI data, which indicated a fifth straight month of expansion in March, with official government data also showing a rebound. Exports have also increased amid rising global demand for technology goods.

Evans said Chinese companies' shares will also benefit from tight cost management, share buybacks and increasing dividends. Those measures are putting a floor under valuations and offer "a rich potential and a shining opportunity," he said.

Companies in industries such as the supply chain behind AI and electric-vehicle renewables are likely to be drivers of future performance, he said. The balance sheet for the Chinese consumer is still strong and there's also opportunity in consumer-focused shares, especially in services, he said.

Ashmore's pure EM equity fund has gained 5% on average annually over the past five years, a paltry return compared with that enjoyed by investors in US stocks, but still double the average return of peers in emerging markets. The fund has performed in parallel with the average so far in 2024, according to data compiled by Bloomberg.

In the economic transformation of Southeast Asia, a tale of two FTAs

Early trends suggest that, in the period post Regional Comprehensive Economic Partnership (RCEP), China has demonstrated superior gains when compared to other participating nations. Studies suggest that India's decision to abstain from RCEP stemmed primarily from a commitment to shield its manufacturing sector. A comprehensive understanding of this situation necessitates an exploration of the challenges faced by Indian manufacturing, not only from China but also from the Association of Southeast Asian Nations (ASEAN) through the Free Trade Agreement (FTA) route.

India and China entered FTAs with ASEAN around the same time, in 2009 and 2010, respectively. Despite the synchrony in timing, the trajectories of the two FTAs have diverged.

Before the FTAs were established, both India and China had a slightly negative balance of trade (BoT) with ASEAN countries. Notably, China had already established itself as the "factory of the world" for nearly two decades, while India had experienced substantial growth during the go-go years of 2003-08. Post-FTA, China's BOT with ASEAN surged into a surplus, reaching $159 billion in 2022. In contrast, India experienced a notable shift in its BOT with ASEAN, plunging into a $45 billion deficit in 2022 as depicted in Figure 1.

In the economic transformation of Southeast Asia, a tale of two FTAs

The surge in imports from ASEAN to India, tripling to $89 billion, was accompanied by a doubling of exports to ASEAN, reaching $44 billion from a more modest baseline.

Bilateral trade

Examining total bilateral trade, the disparities are even more pronounced. The China-ASEAN FTA led to a 460 per cent increase in trade between the two partners, soaring from $212 billion in 2009 to $975 billion in 2022. Meanwhile, India's trade with ASEAN grew by 295 per cent, albeit on a base four times lower than China-ASEAN, rising from $45 billion in 2008 to $133 billion in 2022. Moreover, with an average domestic inflation rate of 4 per cent, the value of India's exports to ASEAN in 2008, which was 19 billion, would be equivalent to $31 billion in 2022.

This reflects a modest 40 per cent increase in exports over 13 years. According to advocates of FTAs, bilateral trade typically surges in the post-liberalisation period. In the context of India-ASEAN, the increase has been relatively modest.

Furthermore, the stickiness in India's composition of imports from ASEAN over the years, both before and after the FTA, is particularly striking. Despite the FTA's aim to foster diversification, the reliance on two vital raw materials, palm oil and coal, has endured. These materials, intrinsic to India's imports from ASEAN, are significant contributors, as illustrated in Figure 2A.

Noteworthy is the fact that beyond these raw materials, specific product categories, such as electric machinery and equipment, nuclear reactors and boilers, organic chemicals, and plastics, collectively constitute 45 per cent of India's imports from ASEAN in 2022, a proportion that has remained consistent since 2008. Intriguingly, these same product categories also account for a substantial 72 per cent of India's imports from China in 2022 (Figure 2B). This parallel composition raises questions about the expected transformative impact of the FTA and emphasises the enduring patterns in India's trade dynamics with both ASEAN and China. One may argue that the FTA with ASEAN was intended to diversify and decrease reliance on China. However, the data suggests otherwise. India's import basket from both ASEAN and China is predominantly influenced by common chapters.

Changing FDI trends

The trends in FDI shows a staggering picture. Post-FTA, Chinese Foreign Direct Investment (FDI) into ASEAN has been staggering, exceeding $100 billion from 2009 to 2022 (see figure 2). The percentage of Chinese FDI in ASEAN's total FDI stock rose from 5% in 2009 to over 14 per cent in 2022.

Notably, FDI figures in 3A do not include the inward FDI data for Vietnam, Myanmar and Singapore. The FDI data for Vietnam and Myanmar was not available in the IMF FDI database.

Despite the availability of data for Singapore in the IMF, we have chosen to exclude Singapore's FDI data since it is not considered a major manufacturing base within ASEAN. Interestingly, Chinese FDI outflow data from 2018 reveals substantial investments in Vietnam, receiving USD 10 Billion worth of FDI from China between 2018 and 2022. Moreover, 50 percent of FDI from China to ASEAN countries has gone to the manufacturing sector (see figure 3B). As RCEP comes into effect, the lines distinguishing these two countries are expected to blur even further, signaling potential challenges and shifts in the dynamics of the region.

Reassessing benefits of India-ASEAN FTA

The advantages of India's FTA with ASEAN appear unclear. While the BoT seems to get larger every year, India's inward FDI, except from Singapore which is not primarily a result of the FTA, also does not seem promising. With limited benefits, this FTA prompts queries about the rationale behind granting access to Indian markets for such marginal gains.

One major concern of the ongoing FTA with ASEAN is the issue of excessive dependency on China. Currently, India heavily relies on China for its imports, ranking among top 5 import sources for 6700 out of 10,764 product categories (at HS8). Moreover, with considerable Chinese interest in ASEAN in terms of investments, particularly in manufacturing and an overlapping FTA, engaging in an FTA with ASEAN can be likened to an indirect FTA with China. China's ability to influence markets-manipulate prices, control exchange rates, and exert leverage can significantly impact the trade dynamics of RCEP members, including ASEAN, with far-reaching consequences. Thus, as ASEAN integrates more closely with China following RCEP, there is a need for stringent rules of origin.

Theories posit that trade can be a positive sum game. However, one critical assumption is that countries are similar in terms of their ability to influence the markets. However, with China this does not hold. Therefore, it is imperative for India to prioritize creating a level playing field to safeguard the interests of its domestic industry.

NaBFID eyes Rs 1 trillion sanctions for new infra projects in FY25

The National Bank for Financing Infrastructure and Development (NaBFID) is eyeing fresh sanctions of Rs 1 trillion for new projects and refinancing through structured instruments in the current financial year (2024-25).

Rajkiran Rai G, managing director of NaBFID, told Business Standard that the cumulative sanctions crossed the Rs 1 trillion mark by the end of March 2024. While this was a performance in 15 months since lending operations began in December 2022, now the Government of India-backed lenders would look at fresh sanctions of Rs 1 trillion each financial year.

Besides lending activity, as part of the development mandate, it would engage with urban local bodies to groom them for raising funds from the market, he added.

The share of greenfield projects in sanctions would grow gradually. The funding approvals for such projects were about one-third of the total in 2023-24 (FY24), and it would rise to 40 per cent in the current financial year.

Its outstanding loans grew almost 2.6x to Rs 35,342 crore at the end of March 2024 (FY24) from Rs 9,753 crore in March 2023. It acquired loans worth Rs 4,258 crore. The average maturity of acquired loans was 18 years.

While funding would be provided for refinancing existing loans for infrastructure projects, it would not be just the replacement of old with new money. The refinancing would come with certain elements like forming a portfolio by pooling loans, credit enhancement, and clear access to cash flows, Rai added.

As for fundraising to finance projects, NaBFID would predominantly focus on the domestic market for issuing bonds and credit lines from banks and institutions. It has pegged borrowings at Rs 55,000 crore in the current financial year. The specific amounts, nature, as well as tenure of long-term instruments, would depend on market conditions.

NaBFID raised Rs 19,516 crore by issuing non-convertible securities during the financial year ended March 31, 2024, of which Rs 10,000 crore had a tenor of 10 years and Rs 9,516 crore had a tenor of 15 years. Rai said besides the domestic market, it would look at tapping into multilateral funding bodies which provide credit lines for 15-25 years.

NHAI to monetise 2741 km through toll operate transfer, InvIT in FY25

The National Highways Authority of India (NHAI) is looking to monetise 33 stretches of national highways during the current financial year (FY25) through its toll operate transfer (TOT) and infrastructure investment trust (InvIT).

These stretches include Lucknow-Aligarh, Kanpur-Ayodhya-Gorakhpur, and Bareilly-Sitapur in Uttar Pradesh, Gurugram-Kotputli-Jaipur bypass and Jaipur-Kishangarh in Rajasthan, Panikoili-Rimuli in Odisha, Chennai Bypass in Tamil Nadu, and Muzaffarpur-Darbhanga-Purnia highway in Bihar.

Cumulatively, the 33 stretches, spanning 2,741 kilometres (km) earned approximately Rs 5,000 crore revenue in FY24.

NHAI will have discretion to review and change the list and modes of monetisation based on its own plans, going forward.

It is not immediately clear which of these assets will be part of NHAI's TOT bundles and which will be sold to the highway authority's InvIT.

The authority has so far issued 14 bundles of national highways in the TOT mode. This instrument gives highway players the right to collect toll for a specific period by paying the authority upfront cash. The valuation is arrived at through competitive bidding.

After having struggled with getting bids considered fair by the authority, NHAI has awarded 10 TOT bundles to raise Rs 42,000 crore since the beginning of the asset monetisation pipeline.

In InvIT, the trust which has numerous tax benefits for investors, buys the road from the authority and operates it. It distributes toll earnings in the form of return on units.

NHAI has executed three rounds of offers through its InvIT, raising close to Rs 26,000 crore.

NHAI has been among the government's few infrastructure departments, which has achieved its monetisation targets in a timely manner. It is in accordance with the phasing provided by NITI Aayog when the national monetisation pipeline (NMP) was launched in 2021.

While monetisation figures have been subject to change based on annual reviews, experts speculate that the target for the ministry of road transport and highways will broadly be in line with the original plan. According to it, Rs 53,000 crore worth of national highways may be put up for private participation.

In FY24, the highway authority had identified 46 national highway stretches, spanning 2,612 km for monetisation through ToTs and InvIT. It finished the financial year, meeting over 90 per cent of its target of Rs 44,000 crore. NHAI had monetised highway assets worth Rs 40,314 crore, through its three models — TOT, InvIT, and toll securitisation — for specific projects, such as the Delhi-Mumbai expressway.

Fed Chair Powell's US rates warning means headache for rest of the world

Federal Reserve Chair Jerome Powell is making life tougher for his peers around the world as the prospect of higher-for-longer US interest rates reduces room for easier policy elsewhere.

Powell on Tuesday signaled the Fed will wait longer than previously anticipated to cut borrowing costs following a series of surprisingly high inflation readings — marking a notable shift from his December pivot toward easing. Treasury yields reached fresh year-to-date highs and the dollar strengthened.

For the central bank chiefs gathering from around the world in Washington for the spring meetings of the International Monetary Fund and World Bank, Powell's latest pivot creates a quandary. If the likes of the European Central Bank, Bank of England and Reserve Bank of Australia launch themselves into their own easing cycles, that risks driving their currencies down — raising import prices and undermining progress in getting inflation down. But not easing could risk growth.

"The risk is, the longer we see these big central banks waiting to cut rates, the bigger the risk to the underlying economy," Lucy Baldwin, global head of research at Citigroup Inc., said on Bloomberg Television.

For some policymakers, the currency fallout is already apparent. The yen's slide to 33-year lows may force Bank of Japan Governor Kazuo Ueda to follow up his historic departure from sub-zero settings with another hike sooner rather than later, economists warn. In China, the door might have shut for lowering rates with pressure rising anew on the yuan.

As for the developing world, life gets tougher with every tick higher in the greenback. Bank Indonesia already had to raise rates in October after an extended bout of currency weakness. With the rupiah weakening beyond 16,000 for the first time in four years, it may have to do so again. For countries from Malaysia to Vietnam, economists now expect fewer rate cuts.

ECB President Christine Lagarde still appears on course to cut rates in June as inflation recedes, which would make the euro zone the first of the world's major jurisdictions to lower borrowing costs this cycle. That's not without risks.

A weaker euro could see imported inflation pick up — a key worry at a time of rising oil prices. While Lagarde has insisted the ECB isn't "Fed dependent," officials will tread carefully in the shadow of the world's preeminent policy setter.

"We should, barring major shocks or surprises, decide on a first rate cut at our next meeting on June 6," Bank of France Governor Francois Villeroy de Galhau said Tuesday in New York. "I would then argue in favor of a policy of pragmatic and agile gradualism: There'll have to be further cuts this year and next; their pace will be guided by the data, in a genuine meeting-by-meeting approach."