GDP growth is expected to pick up in FY15, says CARE Ratings

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GDP growth is expected to pick up in FY15 and stand between 5% and 5.5%. The outlook on industrial growth is particularly optimistic for H2 FY15 with a range of 2%-4% growth being expected. Notwithstanding the uneven monsoon this year, inflationary expectations have eased down as half of the Survey sample expects the RBI to comfortably meet its 8% CPI inflation target in FY15. These are some of the findings in a CARE Ratings survey report on the Indian economy.

According to CARE Ratings, the majority of the respondents expect the government to exceed its fiscal deficit target for FY15. A revival is expected in both investment and consumption spending, which is positive news for the economy. A rate cut is expected this year and the 10-years GSec yield would be around 8.4%. A majority still expect NPA (non-performing assets) ratio to increase this year.

On the equities front, CARE Ratings observes that 75% of the Survey sample holds the view of Sensex settling above 27,000. The expectation regarding the movement of the INR (Indian rupee) is mixed. A majority of the respondents expect it to remain at the existing level of Rs60-62. CAD (current account deficit) is expected to be in the range of 1.5%-2%, while respondents are less sanguine on FII inflows which are to be less than $35 billion this year. FOREX Reserves are viewed to be between $320 billion and $330 billion by March 2015.

According to DR Dogra, MD & CEO, CARE Ratings, the three important takeaways from the survey findings lie in the expectation of a better GDP growth in the range of 5%-5.5% in FY15, general outlook for inflation to decline and a modicum of growth in industry and investment this fiscal.