



UPSC & STATE PCS CURRENT AFFAIRS · UJIYARI.COM

EDITORIAL ANALYSIS

India at 5.9% — The Oil Shock Exposes Structural Fragility in India's Growth Model

 **BUSINESS STANDARD**

25 March 2026

SUBJECTS COVERED**ECONOMY****GS PAPERS****GS3****CURATED & WRITTEN BY****Bharat Choudhary**

UPSC Educator & Content Creator •

[linkedin.com/in/epicbharat](https://www.linkedin.com/in/epicbharat)

Free UPSC & State PCS Resources

ujiyari.com

India at 5.9% — The Oil Shock Exposes Structural Fragility in India's Growth Model

Business Standard

25 March 2026

GS3

BS

Business Standard

MAINS RELEVANCE:

GS Paper 3



INTERVIEW ANGLE

"India's GDP forecast has been cut twice in a month due to oil prices. Is India's growth story fundamentally vulnerable to external energy shocks, and what structural reforms are needed?"

WHY IN NEWS

Goldman Sachs cut India's CY2026 GDP growth forecast to 5.9% — the second downgrade in a month — as the Iran-triggered Hormuz closure pushes Brent crude above \$105/barrel, rupee weakens 4%, and inflation rises to an estimated 4.6%.

The Editorial Argument

Business Standard argues that the successive downgrades expose a fundamental structural weakness in India's growth model: **excessive dependence on imported energy** combined with **inadequate strategic reserves**. The editorial contends that India's macroeconomic resilience is an illusion that collapses the moment oil prices spike — a recurring pattern from 1991 to 2008 to 2022 to 2026.

The Downgrade Cascade

DATE	GOLDMAN SACHS INDIA GDP FORECAST	TRIGGER
Early February 2026	7.0%	Baseline (pre-war)
March 13, 2026	6.5%	Hormuz disruption begins
March 24, 2026	5.9%	Prolonged supply disruption
Total cut	-1.1 percentage points	

The Stagflationary Trap

The editorial highlights India's classic "impossible trinity" problem during oil shocks:

OBJECTIVE	RBI CONSTRAINT
Control inflation (at 4.6%)	Requires rate hikes → slows growth further
Support growth (5.9% and falling)	Requires rate cuts → worsens inflation and rupee
Stabilise rupee (4% depreciation)	Requires rate hikes + forex intervention → depletes reserves

Goldman Sachs expects a **50 bps repo rate hike** from 5.25% — a dramatic reversal of the February 2026 rate cut. This would be the first rate hike since the post-COVID tightening cycle, signalling the RBI’s shift from growth support to inflation defense.

SPR — The 9.5-Day Vulnerability

India’s Strategic Petroleum Reserve holds only **5.33 MMT** — enough for approximately **9.5 days of consumption**. This compares poorly:

COUNTRY	STRATEGIC RESERVES (DAYS OF IMPORT COVER)
United States	~400 days (SPR + commercial)
China	~80 days
Japan	~150 days
South Korea	~90 days
India	~9.5 days
IEA recommendation	90 days

The editorial argues that India’s Phase II SPR expansion (Chandikhol, Odisha + Padur expansion, adding 6.5 MMT) has been delayed repeatedly. Even if completed, total capacity would rise to only ~22 days — still far below IEA standards.

Remittance Risk

India receives approximately **\$40 billion annually** from the Gulf region (~9 million Indians). The Hormuz crisis threatens both:

- **Physical safety** of the diaspora (evacuation contingency)
- **Remittance flows** that finance India’s current account

In FY2025, total remittances to India were approximately **\$120 billion** — making India the world’s largest remittance recipient. Gulf remittances constitute roughly one-third of this.

Policy Prescriptions

The editorial recommends:

- ① **Accelerate SPR Phase II:** Fast-track Chandikhol and Padur expansion; target 45 days minimum
- ② **Diversify crude sources:** Reduce Hormuz dependence from 60-65% to below 40% through increased purchases from Russia, US, West Africa, and Guyana
- ③ **Renewable acceleration:** The crisis is the strongest argument for solar, wind, and green hydrogen — reduce oil dependence structurally
- ④ **Fiscal buffer:** Build an “oil stabilisation fund” (as recommended by multiple Finance Commission reports) to cushion fuel subsidy shocks
- ⑤ **Monetary framework:** RBI should develop a formal “oil shock protocol” for MPC decision-making

UPSC RELEVANCE

GDP, CAD, repo rate, SPR locations, MPC composition, Brent crude, OPEC, IEA

India’s external sector vulnerability; monetary policy in stagflationary conditions; energy security and strategic reserves

“India has been hit by oil shocks in 1991, 2008, 2022, and now 2026. Why has India not built adequate strategic reserves despite decades of warnings?”

★ FACTS CORNER — KNOWLEDGEPEDIA

GOLDMAN SACHS FORECASTS (MARCH 2026):

GDP CY2026: 5.9% (cut from 7.0%)

Inflation: 4.6% (up from 3.9%)

CAD: 2.0% of GDP

Brent crude: \$105-115/bbl

Expected repo rate hike: 50 bps

Rupee depreciation in 2026: 4%

INDIA'S ENERGY VULNERABILITY:

Oil import dependence: 85-88%

Annual oil import bill: ~\$150 billion (FY2025)

SPR capacity: 5.33 MMT (9.5 days)

SPR locations: Visakhapatnam, Mangaluru, Padur

Phase II proposed: Chandikhol (Odisha) + Padur expansion

Crude via Hormuz: 60-65% of imports

INDIA'S REMITTANCE ECONOMY:

Total remittances FY2025: ~\$120 billion (world's largest)

Gulf remittances: ~\$40 billion (one-third)

Indians in Gulf: ~9 million

Key Gulf countries: UAE, Saudi Arabia, Kuwait, Qatar, Oman, Bahrain

OTHER RELEVANT FACTS:

RBI repo rate: 5.25% (after 25 bps cut in Feb 2026)

MPC: 6 members (3 RBI + 3 external)

India's forex reserves: ~\$620 billion (March 2026)

OPEC controls ~40% of world oil production

IEA HQ: Paris; India: Association Country (since 2017)

Sources: [Business Standard](#), [Business Today](#)

CURATED & WRITTEN BY

Bharat Choudhary

UPSC Educator & Content Creator

 [linkedin.com/in/epicbharat](https://www.linkedin.com/in/epicbharat)

 [Read Full Article on Ujyari](#) →

<https://ujyari.com/editorials/2026/03/gdp-downgrade-oil-shock-macro-dilemma/>

Free UPSC & State PCS Current Affairs · ujyari.com