



UPSC & STATE PCS CURRENT AFFAIRS · UJIYARI.COM

EDITORIAL ANALYSIS

Timely Inaction — On RBI's Decision to Hold Repo Rate

 THE HINDU

10 April 2026 · ECONOMY · GS3

CURATED & WRITTEN BY

**Bharat Choudhary**

UPSC Educator & Content Creator

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

ALSO FROM THE CREATOR

BharatNotesFree UPSC notes, MCQs, PYQ analysis. **100% Free.**bharatnotes.com →

ADVERTISE

Advertise with Ujiyari

Reach thousands of UPSC aspirants daily.

 epicbharat@gmail.com

Timely Inaction — On RBI's Decision to Hold Repo Rate

 The Hindu

10 April 2026

GS3

 The Hindu

2 tags ▾



INTERVIEW ANGLE

"The RBI held rates while the West Asia conflict threatens oil-driven inflation. Is monetary policy the right instrument for supply-side shocks, or does holding rates merely delay inevitable adjustment?"

The Reserve Bank of India's Monetary Policy Committee (MPC) decision to hold the repo rate steady at 5.25% — pausing an easing cycle that had already delivered 125 basis points of cumulative cuts through 2025 — was, The Hindu argues, a case of “timely inaction”: restraint that preserved policy credibility under genuine uncertainty, even at the cost of delaying further monetary accommodation.

THE CONTEXT — WEST ASIA, OIL, AND INFLATION

The April 2026 MPC meeting occurred in the shadow of the US-Iran conflict (39 days, ceasefire April 9) that pushed Brent crude to \$112/barrel at its peak. Oil prices and inflation are directly linked for India:

- India imports ~88-89% of its crude oil needs (3rd largest oil importer globally)
- Every \$10/barrel rise in crude oil adds ~₹80,000-85,000 crore to India's annual import bill
- Petrol, diesel, and LPG prices feed directly into the CPI through transport, food, and cooking fuel costs
- The West Asia disruption also affected India's supply chain: shipping rates via Strait of Hormuz corridor rose 35-40% during the conflict

In this environment, an additional rate cut would have signalled either optimism about inflation that the data did not support, or a prioritisation of growth that risked MPC's credibility as an inflation-targeting body.

UNDERSTANDING INDIA'S MONETARY POLICY FRAMEWORK

Flexible Inflation Targeting (FIT)

India adopted Flexible Inflation Targeting in 2016 (RBI Act amendment), charging the MPC with keeping CPI inflation at $4\% \pm 2\%$ (band: 2-6%). The MPC consists of 6 members: 3 from RBI (Governor, Deputy Governor for Monetary Policy, and one RBI official) + 3 external members appointed by the Government.

MPC's mandate is primarily inflation control — growth considerations are secondary (“flexibility” in FIT means the MPC can exercise judgement when growth-inflation tradeoffs are acute, but cannot permanently subordinate inflation control to growth objectives).

Repo Rate and Its Transmission

- **Repo rate:** Rate at which RBI lends to commercial banks (overnight) — currently 5.25% (held at April 2026 MPC meeting)
- **Standing Deposit Facility (SDF) rate:** Rate at which RBI absorbs liquidity from banks — typically repo minus 25 bps
- **Transmission:** Repo rate changes take 3-6 months to fully transmit to lending rates (EBLR — External Benchmark Linked Rate — transmits faster than MCLR)
- **Current cycle:** RBI's 2025 easing cycle cumulatively cut 125 bps — from 6.50% to 5.25%. The April 2026 MPC meeting held rates at 5.25%, pausing the easing cycle amid West Asia-driven inflation risk.

THE EDITORIAL'S ASSESSMENT

The Case for Holding — Supply-Side Shocks Need Fiscal, Not Monetary Response

The West Asia oil shock is a supply-side shock — it raises prices by reducing supply, not by stimulating demand. Monetary policy (rate cuts) works on demand-side inflation by reducing borrowing and spending. Using rate cuts to offset a supply-side shock would: (a) do little to reduce oil prices; (b) risk adding demand-side inflation on top of supply-side cost pressures; © signal that MPC's decisions are driven by events beyond its control.

The correct response to supply shocks is fiscal — excise duty cuts on fuel, targeted transfers to low-income households, strategic petroleum reserve releases.

The Call for Forward Guidance

The editorial's constructive critique: having held rates, the RBI must now clearly communicate its **forward guidance** — under what conditions will it resume cutting? Clarity on the “reaction function” (how MPC responds to specific data inputs) reduces market uncertainty and improves policy effectiveness.

Data triggers the RBI should signal:

- CPI sustained below 5.5% for two consecutive months
- Crude oil below \$90/barrel (or domestic fuel prices stabilised)
- GDP growth below 7% for two consecutive quarters (growth trigger for cuts)

UPSC RELEVANCE

GS3 (Economy): Monetary policy, Flexible Inflation Targeting, MPC composition, repo rate transmission.

Key facts for Mains:

- FIT adopted: 2016; Legal basis: RBI Act Section 45ZA-ZL (amended 2016)
- CPI target: $4\% \pm 2\%$ (band: 2-6%); Failure defined as: breach of band for 3 consecutive quarters
- MPC: 6 members — 3 internal (RBI) + 3 external (GoI appointed, 4-year term)
- Repo rate (held at April 2026 MPC meeting): 5.25%; prior easing cycle: 125 bps cut from 6.50% through 2025

RBI's hold was correct — supply-side oil shocks require fiscal response, not monetary accommodation. But the MPC must provide clear forward guidance on rate-cut triggers.

Repo rate 5.25% (held, April 2026); prior easing: 125 bps through 2025 (from 6.50%); Brent crude peak ~\$112/barrel; India oil import dependence ~88-89%; CPI target $4\% \pm 2\%$ band

Flexible Inflation Targeting, Monetary Policy Committee, repo rate, supply-side shock, forward guidance, transmission mechanism

When supply-side inflation (oil, food) dominates, is monetary policy the right lever — or does rate action merely create growth sacrifice without inflation control?

RELATED DAILY ARTICLES

10 Apr [Current Affairs Today — April 10, 2026](#)

10 Apr [16th Finance Commission — ₹4.35 Lakh Crore for Rural...](#)

10 Apr [Cabinet Approves ₹41,534 Crore P&K Fertiliser Subsidy...](#)

8 Apr [Current Affairs Today — April 8, 2026](#)

[← PREVIOUS EDITORIAL](#)

[NEXT EDITORIAL →](#)

**Making Scholarships Integral to India's
Academic Culture**

**West Asia Ceasefire Won't Quickly Calm
Energy Markets**



CURATED & WRITTEN BY

Bharat Choudhary

UPSC Educator & Content Creator

[linkedin.com/in/epicbharat](https://www.linkedin.com/in/epicbharat)[Read Full Article on Ujiyari →](#)<https://ujiyari.com/editorials/2026/04/rbi-repo-rate-hold-west-asia-inflation/>

ALSO FROM THE CREATOR

BharatNotes

Free UPSC study platform — subject-wise notes across all 4 GS papers, Prelims MCQs, Mains answer frameworks, PYQ analysis & progress tracking. **100% Free • No Login Required.**

[Start Preparing → bharatnotes.com](http://bharatnotes.com)

📌 OPPORTUNITY

Advertise with Ujiyari

Reach **thousands of serious UPSC & State PCS aspirants** daily through our PDFs, website, and social channels.

Ideal for: Coaching institutes • EdTech platforms • Book publishers • Exam prep apps

[✉ epicbharat@gmail.com](mailto:epicbharat@gmail.com)

Write to us for rates & media kit

Free UPSC & State PCS Current Affairs · ujiyari.com · bharatnotes.com