INDIAN ECONOMY 21 October 2026

RBI MPC raises repo rate to 5.5% amid inflation concerns

RBI released the minutes of the Monetary Policy Committee meeting held in October 2026.

The Monetary Policy Committee (MPC) is the statutory body in India responsible for fixing the benchmark interest rate to maintain price stability while keeping in mind the objective of growth.

KEY EXAM POINTS

- The Reserve Bank of India's Monetary Policy Committee raised the repo rate by 25 basis points to 5.5% at its meeting held on October 5-7, 2026.
- Two external members of the MPC opposed the tighter monetary stance, highlighting differing views on further rate hikes.
- MPC members acknowledged the risks posed by the West Asia conflict, rising global oil prices, and broader inflationary pressures spreading beyond food and fuel.
- The central bank warned of potential second-round price increases and widening inflationary pressures in the economy.
- Dr. Nagesh Kumar participated as an external member in the discussions of the October Monetary Policy Committee meeting.

DID YOU KNOW..!?

The Monetary Policy Committee (MPC) was constituted under **Section 45ZB** of the **Reserve Bank of India Act, 1934**.

The Monetary Policy Committee consists of a total of **six members**, with three members from the RBI and three external members appointed by the Central Government.

The **Governor** of the Reserve Bank of India serves as the ex-officio Chairperson of the Monetary Policy Committee.

Urjit Patel Committee recommended the adoption of the flexible inflation-targeting framework in India, which was formally adopted in **2016**.

Repo rate is the interest rate at which the Reserve Bank of India lends short-term funds to commercial banks.

The primary objective of the monetary policy in India is to maintain **price stability** while keeping in mind the objective of growth.

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The RBI Monetary Policy Committee consists of 6 members and is headed by the RBI Governor.

Syllabus Relevance: Highly relevant for TNPSC Group 1 and Group 2 questions on RBI functions, inflation, and monetary policy tools.

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