

RESEARCH**BOB ECONOMICS RESEARCH | IMPACT OF HEATWAVE**

India's ongoing heatwave

Daily macro indicators

Indicator	25-Jun	26-Jun	Chg (%)
US 10Y yield (%)	4.25	4.33	8bps
India 10Y yield (%)	6.99	7.00	1bps
USD/INR	83.43	83.58	(0.2)
Brent Crude (US\$/bbl)	85.0	85.3	0.3
Dow	39,112	39,128	0.0
Hang Seng	18,073	18,090	0.1
Sensex	78,054	78,674	0.8
India FII (US\$ mn)	24-Jun	25-Jun	Chg (\$ mn)
FII-D	54.7	127.8	73.2
FII-E	103.0	295.5	192.4

Source: Bank of Baroda Economics Research

SUMMARY**INDIA ECONOMICS: IMPACT OF HEATWAVE**

India is in the midst of a sweltering heatwave, which is the longest ever recorded in the country. While the onset of the monsoon has led to a fall in temperatures in some parts of the country, the northern part still awaits a meaningful respite from the heat-spell. Due to the ongoing heatwave, there has been an increase in both demand for FMCG items as well as durable goods, with major industry players betting on double-digit growth in sales.

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27 June 2024

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Economist

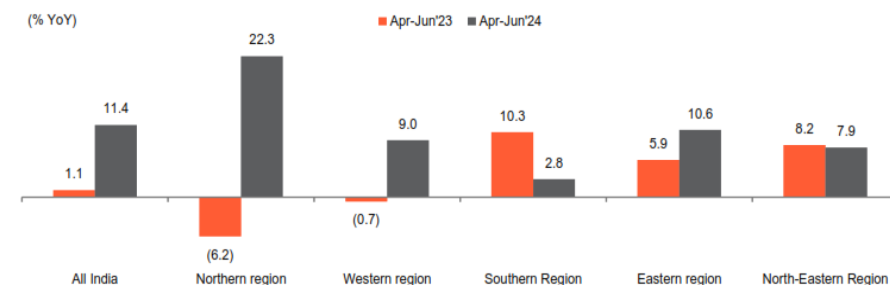
Rising commodity prices

Prices of these products seem to be crawling up, even as early signs point to a ramp-up in production. Perhaps, the major impact of the ongoing heatwave will be felt on inflation amidst a sharp increase in prices of staple vegetables such as tomato, onion and potato. Due to the heatwave, production of these perishables has been impacted which is also reflected in lower mandi arrivals. As a result, prices of these commodities have seen a significant uptick which is expected to keep food inflation elevated in the near term.

Energy demand has increased sharply:

Due to the severe heatwave in the country, power demand witnessed a sharp surge. There was a sharp pickup in electricity demand at 11.4% between Apr-Jun'24, compared with an increase of 1.1% in the same period last year. Region wise, electricity demand from the northern region rose steeply by 22.3% compared with a decline of 6.2% last year. Power demand in other regions also witnessed a significant uptick. In fact, barring the southern and north-eastern region, power demand in all other regions was higher compared to last year.

Figure 1: Power demand in India surges



It must be noted that parts of northern and central India have been reeling under intense heatwave conditions. Both maximum and minimum temperature recorded in several parts of northern India remained 5-8°C and 4-7°C above normal temperature even in Jun'24.



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