



PRESS RELEASE

La Niña takes over El Niño: a favorably cooler weather, but many unknowns

Hong Kong S.A.R, July 24, 2024 – The second half of 2024 is expected to be marked by the appearance of La Niña. This phenomenon, whose extent and consequences remain uncertain, is likely to cause weather changes in multiple parts of the globe.

La Niña and El Niño: two alternating phenomena

The El Niño Southern Oscillation (ENSO) is a large-scale oceanic-atmospheric phenomenon originating from **abnormal variations in surface water temperatures in the central and eastern Pacific**. It comprises two opposing phenomena – La Niña and El Niño – which historically occur approximately **every 2 to 3 years**. The current unprecedented situation, **ongoing since 2019**, casts significant uncertainties over the future effects.

Cooler weather but more frequent extreme events

La Niña brings **cooler and wetter weather**. Its arrival is thus positively anticipated in various regions such as Southern Africa, Southeast Asia, and Australia, which are expected to receive heavy rains from December 2024 to August 2025. Conversely, western Canada, northern United States, Japan and the Korean peninsula are anticipating a colder winter.

However, La Niña mainly leads to an **increase in extreme weather events**. One of the main anomalies expected at this stage is the rise in the number of **hurricanes** along the Atlantic coast of the United States.

A double effect on global agricultural production

• Increase in agricultural production in the Asia-Pacific region

Major producing countries in the Asia-Pacific region, such as India (2nd largest producer of rice, wheat, and sugarcane), Indonesia (world's largest producer of palm oil and 3rd largest producer of rice), and Australia (4th largest producer of barley and canola), are expected to see a **significant increase in production**. This will likely **ease commodity prices** and mitigate **inflation risks** in the region.

• Negative impact on North and South American harvests



Conversely, La Niña is expected to **reduce agricultural yields in North and South America** by causing droughts and cold spells that will particularly affect wheat (United States) and soybeans (Brazil). Non-cereal commodities will also be highly sensitive to weather fluctuations. Regional production of coffee, cocoa, and fruits will be particularly at risk over the next year.

Increase in piracy in the Arabian Sea

La Niña is expected to bring warmer and drier weather to the Horn of Africa by the end of the year, plunging **several countries into food insecurity**. It is worth recalling that the 2011 famine in Somalia, partly due to La Niña, caused the death of 260,000 people. This situation increases the number of households dependent on fishing. This phenomenon, linked to the depletion of marine resources, is likely to fuel tensions and **increase the propensity of these populations to turn to piracy as an alternative source of income**.

The rise in hurricanes on the U.S. East Coast threatens oil production

The increase in the number of hurricanes along the Atlantic coast of the United States and in the Gulf of Mexico could cause **significant damage to offshore oil installations**. Figures from the Bureau of Safety and Environmental Enforcement (BSEE) show that up to 95% of Gulf of Mexico oil production was halted on August 29, 2021, after Hurricane Ida. A drop in production is therefore very likely, with the Gulf of Mexico accounting for **15%** of total U.S. **crude oil** production, **45%** of total **refining** capacity, and **51%** of total **natural gas processing capacity**.

The Panama Canal finally at a proper level

Dependent on freshwater from numerous lakes and rivers in its watershed, the Panama Canal is expected to see its **level finally rise** after a year of drought and logistical disruptions, reducing **pressure on global freight operations**.

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