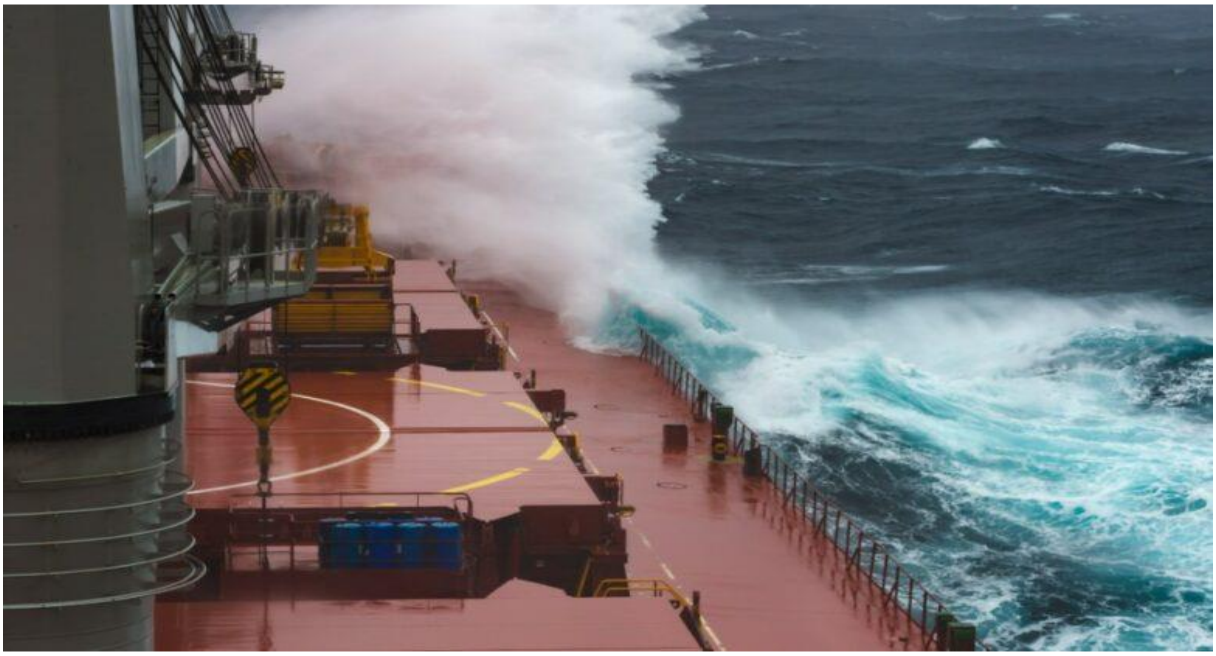
Upcoming arrival of La Niña set to impact trading patterns

Sam Chambers

July 17, 2024

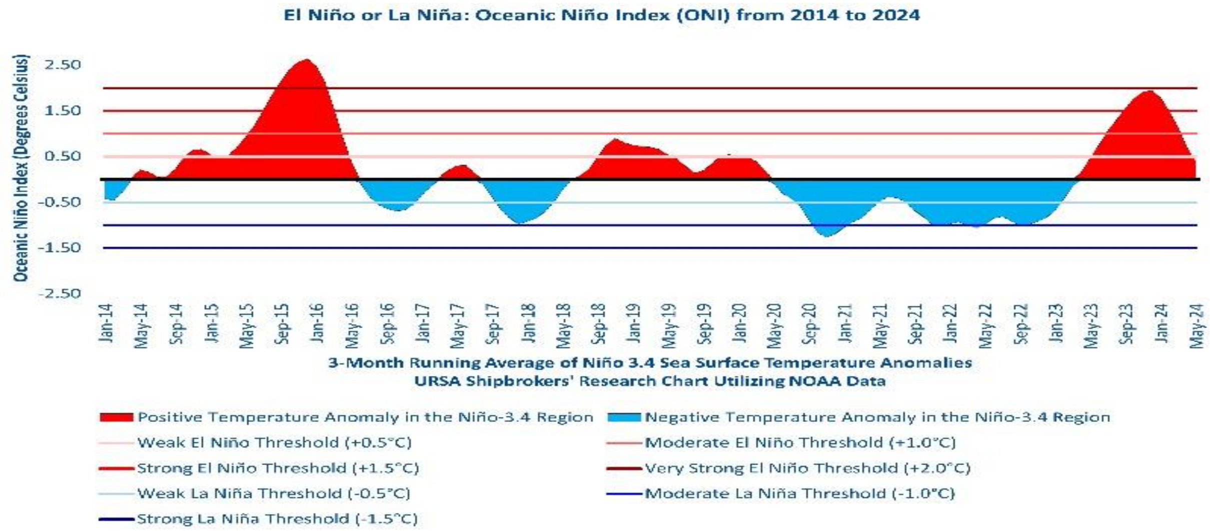


StormGeo

Meteorologists in various nations have now concluded the world is set to be impacted by the weather phenomenon known as La Niña from as early as next month, something that will alter shipping trade patterns heading into the new year.

La Niña is characterised by cooler-than-average waters and tends to have a significant effect on multiple commodities.

Forecasts now suggest a 70% probability that La Niña will develop during the period from August to October this year and persist through the Northern Hemisphere winter, with a 79% chance of continuing into early 2025.



"This transition is significant for agriculture as it can lead to diverse weather patterns, such as reduced rainfall in parts of South America, including South Brazil, Argentina, and Uruguay, potentially resulting in droughts that adversely affect crop yields," notes an update from Greece's Ursa Shipbrokers. The southern US will also face more drought-like conditions.

Conversely, regions such as Southeast Asia and India might experience increased rainfall, benefiting crops such as rice and palm oil, as well as increasing the potential for hydropower generation.

"In Australia, heavier-than-average rainfall and the greater frequency — and intensity — of cyclones associated with La Nina could hinder the extraction and export of key mineral commodities, such as iron ore and coking coal," states a report out this week from S&P Global.

La Niña's influence also extends to the Atlantic hurricane season. It typically leads to an increase in hurricane activity. Another side effect of the weather phenomenon are colder than normal winters in North Asia and North Europe requiring greater energy use from utility firms.