

JULY 17, 2023

# Hotter Summers Ahead

**El Niño will test the resilience of both infrastructure and food supply chains.**



Summer is upon us in the northern hemisphere. This year, it's already bringing record high temperatures in many parts of the world, thanks in part to the formation of an El Niño pattern of ocean currents.

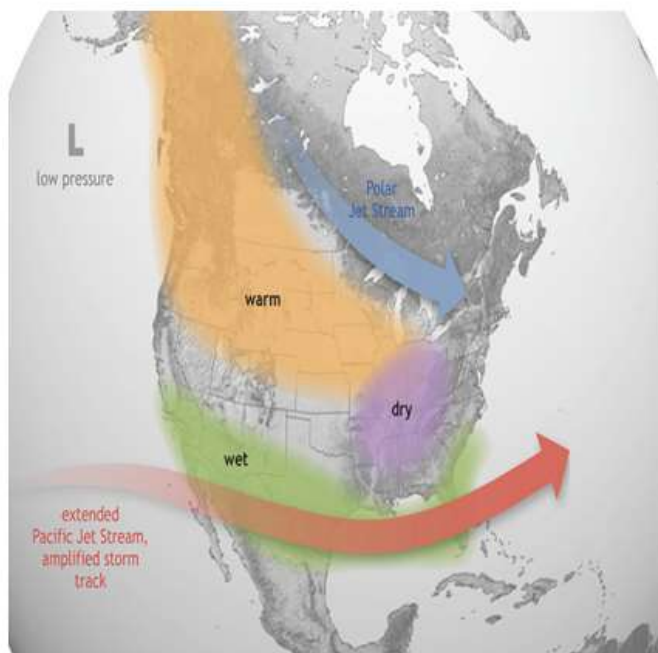
During an El Niño event, the trade winds flowing west over the Pacific Ocean become weaker. The water along the equator is not cooled by the wind. Warmer ocean water upends weather patterns worldwide, with jet streams and rainfall moving outside their usual locations. Cycles of El Niño (warmer) and La Niña (cooler) waters emerge unpredictably and will last from two to seven years.

The risks presented by El Niño are substantial. Commodity markets are struggling to price the potential for lower yields in commodities sourced from Asia and the Americas. Prices of sugar, palm oil and wheat are already reacting. **Crop disruptions** can happen for myriad reasons, but

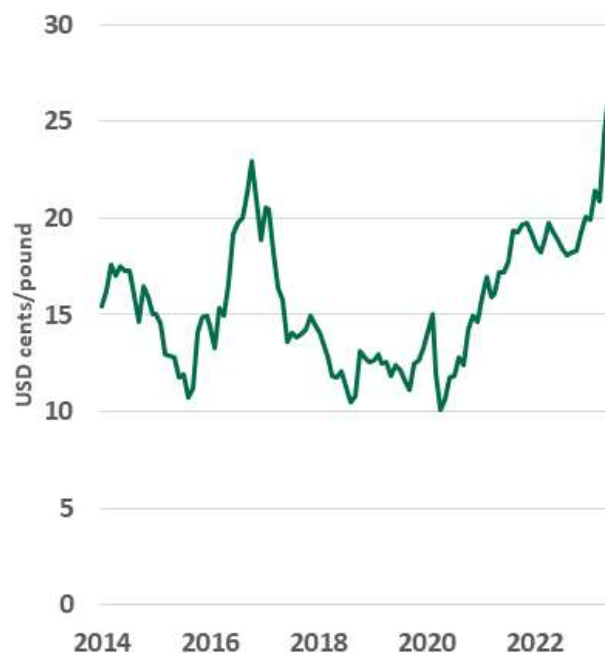
more droughts and flooding will add to volatility for food growers and raise prices for consumers. Fish will move from their usual ocean locations, and some species may be challenged by a lack of prey. Effects of wildfires and flooding range from disruptive to deadly, and will create more underwriting losses for the insurance sector.

The resilience of infrastructure will also be tested. Already, capacity is lower in the **Panama Canal**, which relies on rainfall to replenish the reservoirs that fill its locks. Hydroelectric generators and wind farms will not capture their usual flows of water and wind, leaving them underutilized just as air conditioners are turned on.

**El Niño Weather Patterns**



**World Sugar Futures Price**



Sources: NOAA, WSI, Haver Analytics

El Niño was given its name more than four hundred years ago, and scientists believe the pattern has emerged sporadically for thousands of years. Today's warming is part of a natural cycle, but it demonstrates the difficulty of forecasting and managing climate risk.

Summer is a time for holidays and relaxation. But El Niño's warming may make it harder to cool down.

---

Information is not intended to be and should not be construed as an offer, solicitation or recommendation with respect to any transaction and should not be treated as legal advice, investment advice or tax advice. Under no circumstances should you rely upon this information as a substitute for obtaining specific legal or tax advice from your own professional legal or tax advisors. Information is subject to change based on market or other conditions and is not intended to influence your investment decisions.

© 2023 Northern Trust Corporation. Head Office: 50 South La Salle Street, Chicago, Illinois 60603 U.S.A. Incorporated with limited liability in the U.S. Products and services provided by

subsidiaries of Northern Trust Corporation may vary in different markets and are offered in accordance with local regulation. For legal and regulatory information about individual market offices, visit [northerntrust.com/terms-and-conditions](https://www.northerntrust.com/terms-and-conditions).



## Ryan James Boyle

Senior Vice President, Senior Economist

Ryan James Boyle is a Senior Vice President and Senior Economist within the Global Risk Management division of Northern Trust. In this role, Ryan is responsible for briefing clients and partners on the economy and business conditions, supporting internal stress testing and capital allocation processes, and publishing economic commentaries.

## Subscribe to Economic Trends & Insights

Discover our latest insights on all economic news, from breaking headlines to long-term trends.

## Follow Carl Tannenbaum

Discover the latest economic insights from our chief economist on social media.

