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Title:

The Adverse Consequences of Global Harvest and Weather Disruptions on Economic Activity

Abstract:

Extreme weather events are generally detrimental for local economic activity, but could also affect countries that are not directly exposed to the extreme weather through global agricultural production shortfalls and price surges induced by such events. Panel estimations for 75 countries show that increases in global agricultural commodity prices caused by harvest or weather disruptions in other regions of the world significantly curtail economic activity. The impact is considerably stronger in advanced countries, despite their relatively lower shares of food in household expenditures. Furthermore, the effects are weaker when countries are net exporters of agricultural products, have large agricultural sectors and/or are less integrated in global markets for non-agricultural trade. Once we control for these characteristics, the relationship between the country's income per capita and the economic repercussions becomes negative. Overall, these findings suggest that the consequences of climate change on advanced countries may be larger than previously thought.