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The economic impact of hurricanes [Opinion]

By Fiona Greig, Chris Wheat and Bill Fulton Aug. 29, 2018 Updated: Aug. 29, 2018 5 a.m.

Comments

A neighborhood is inundated by floodwaters from Tropical Storm Harvey near east Interstate 10 on Tuesday, Aug. 29, 2017, in Houston. A new survey shows the city's preoccupation with flooding is declining.
Photo: Brett Coomer, Staff / Houston Chronicle

This year, the National Oceanic and Atmospheric Administration (NOAA) is predicting 10 to 16 named storms, and five to nine hurricanes among them. After the experience of Harvey, Irma and Maria last year, it's clear that we need to change the way we think about hurricane preparedness.

Storms are increasingly powerful and increasingly expensive. Families and small businesses need to prepare for both the physical impact and the financial impact of these storms, or face the potential for long-term financial damage that could last long after the flood waters have receded.

The 2017 hurricane season was the most expensive on record, surpassing 2005, when Hurricane Katrina made landfall. Sustained flooding from Hurricane Harvey inundated Houston. In Florida, Hurricane Irma's unpredictable course made it difficult for government agencies to prepare.

Since Harvey and Irma, there has been much publicity about the physical damage these storms left behind. In Houston, for example, more than 200,000 homes were damaged in some way. Many families are still out of their homes or living with damage. But recovery has varied dramatically across neighborhoods.

That's partly because a family's ability to recover isn't only about their property. It's also about their finances. And as new research from the JPMorgan Chase Institute shows, disasters such as hurricanes can lead to wide-ranging financial impacts — and related health impacts — that can affect families long after the floodwaters have receded.

But there are steps that even families of modest means can take to help soften the blow.

For many families, private insurance and the National Flood Insurance Program are crucial safety nets that can help families weather the storm by providing affordable insurance to property owners, renters and businesses as well as encouraging communities to adopt and enforce floodplain management regulations.

Federal reauthorization of NFIP before July 31 was an important step to help families in hurricane-prone areas.

However, as the JP Morgan Chase Institute research shows, families and small businesses can be affected in many ways.

The good news was that businesses and families alike showed admirable resilience in the face of Hurricanes Harvey and Irma. For small businesses in Houston and Miami, cash balances for the typical small business dropped by more than 7.4 percent after landfall in Houston and Miami, but recovered within two weeks. Few small businesses in most Houston and Miami neighborhoods had significant revenue loss for more than four weeks.

During the week of landfall, checking account deposits for consumers were more than 20 percent ($400) lower and expenditures were more than 30 percent ($500) lower than the baseline in the week of landfall for both Harvey and Irma. This is a meaningful amount of money for many families. And loss of income during a large storm can force families to make difficult financial trade-offs. In the case of Hurricanes Harvey and Irma, many families put off debt payments.

To mitigate the financial shock created by hurricanes, small businesses and families alike should maintain an emergency cash fund to help them get through the immediate aftermath of a storm. The average small business has less than a month of cash on hand if they were to face an interruption, and the average American family needs a cash buffer of $2400 to withstand fluctuations in income and spending.

The storms also had a significant effect on debt payments, such as mortgages and student loans, in the weeks after landfall. Debt payments dropped by more than 15 percent in the week of landfall and cumulatively remained lower than baseline 12 weeks after Hurricane Harvey and 10 weeks after Hurricane Irma. Debt payments dropped to a greater extent among Miami residents (many of whom were forced to evacuate) than Houston residents (where evacuations were not ordered). In Houston, student loan payments and mortgage payments dropped by 9 percent and 12 percent. In Miami, those drop were 19 percent and 16 percent.

When feasible, families should consider setting up auto-pay for bills and loans that they know they can afford on a monthly basis. If autopay isn't a realistic idea, families should contact their lenders or financial institutions early to see if deferring payments without penalty is an option when hurricanes make landfall.

Perhaps the most unexpected finding in the research was the impact on health care spending, even months after landfall in both Miami and Houston. During the week of landfall, spending at health care providers was 65 percent and 53 percent lower than baseline in Houston and Miami respectively. Twelve and 10 weeks after landfall, that number still had not recovered, with health care spending 5 percent below baseline in Houston and 4 percent lower in Miami.

This raises a critical question with significant policy implications: Was the slowdown in health care spending caused by a drop in demand — as consumers sought less care and spent on more immediate needs — or by disruptions in health care supply, as a result of the hurricane? Health care issues don't age well, and especially for individuals with chronic conditions, it's important to maintain health care even throughout these major storms.

Hurricanes have the potential to upend homes, finances and livelihoods. As American families prepare for yet another powerful hurricane season, it’s important to consider these additional measures, outside knowing your evacuation routes or having emergency kits prepared, to ensure you don’t feel underwater after the floodwaters recede.

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