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Dual Threats: COVID and Climate Change

The pandemic has intensified existing stresses on U.S. state and municipal economies – with implications for investors.

The COVID-19 pandemic is exhausting local finances and may impact growth trajectories for years to come. As of mid-April, states and municipalities will need at least $500 billion in aid to shore up balance sheets as demand for services intensifies and tax revenue plummets, according to the National Governors Association. At the same time, hurricane season – and the economic havoc it wreaks – is officially upon us.

To understand the implications of this dual threat, we have combined our local economic coronavirus impact modeling with our climate change risk assessments. We find, regrettably, that:

Hurricane damage is expected to produce a negative local GDP impact along the Gulf Coast and Atlantic Basin ranging up to 1.9% annualized GDP loss over the decade.

Some of the regions hardest hit by the pandemic may also have the greatest exposure to hurricane risk and costs from wind and flooding damage. For example, we estimate Miami-Dade County with a joint COVID/Climate annualized loss of 2.6% to 2030
Even those counties with relatively muted GDP impacts from COVID may face more significant losses after factoring in climate risks

As investors navigate the uncharted waters of COVID-19 and look ahead, we recommend that they, too, bear in mind this dual threat of climate change.

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