

SEPTEMBER 13, 2021

On the Radar

FAQS ON THE MARKETS AND ECONOMY

How significant will the economic impact be from Hurricane Ida?

While the economic damage from Hurricane Ida is still being assessed, the storm that wreaked havoc from New Orleans to New York could end up becoming one of the costliest hurricanes to hit the U.S. since 2000, with projections now that total losses may reach \$95 billion.

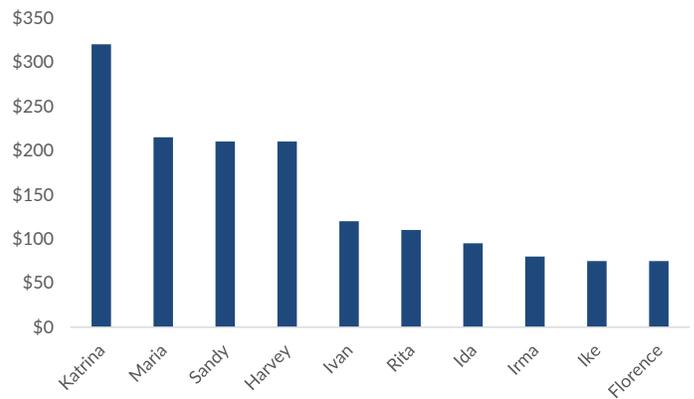
However, although the storm was a significant event for many individuals and localities, the immediate and long-lasting impacts to the \$23 trillion U.S. economy are expected to be relatively small.

The primary concern is how quickly oil and gas production in the Gulf of Mexico can be restored. Additionally, Ida has struck at a time when supply chains are already under stress from the COVID-19 pandemic, and there is a risk that rebuilding efforts could translate into further upward pressure on prices.

From a historical perspective, though, changes in GDP around past major storms do not seem to be notably different than what we have seen in periods without significant weather events, and it is unlikely that Ida will have a meaningful impact on quarterly U.S. GDP.

The general pattern with hurricanes and other natural disasters is that the immediate disruption causes a drop in

Estimated Economic Impact
 millions of barrels



Source: Accuweather.

demand, but in the aftermath, there is a rise in spending to repair damaged buildings, and particularly when flooding is involved, to replace wrecked motor vehicles.

Current estimates are that Ida will cause a modest 0.2–0.3% drag on Q3 GDP growth due to higher energy prices, supply chain disruptions, and property damage, with recovery efforts in turn modestly boosting growth in Q4.

KEY QUESTIONS

Did Hurricane Ida have an impact on the energy sector?

Hiring slowed sharply in August; what does that mean?

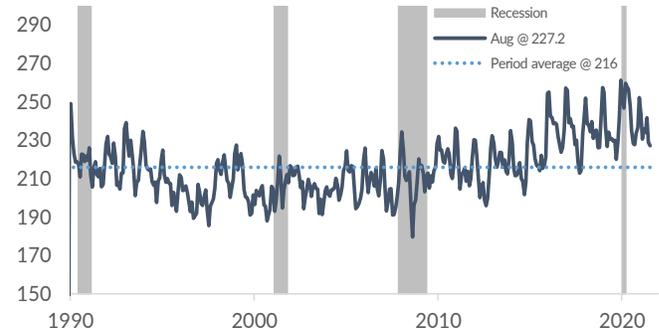
Did Hurricane Ida have an impact on the energy sector?

So far, oil prices have continued to stay relatively stable below \$70 per barrel, indicating the impact on the nation has been benign.

That said, the impact on the Gulf of Mexico’s oil and gas production has been severe. A *Wall Street Journal* article stated that 80% of the Gulf’s oil and gas production is offline. The Gulf accounts for 17% of the nation’s oil output and 5% of natural gas.

Getting production back to pre-hurricane levels has been hard because key ports and airports have remained closed, making it difficult to get workers and supplies to places that need them. Also, it has been difficult to find enough offshore staff since many workers are tending to their families following the storm.

U.S. Gasoline Inventory
millions of barrels



Source: U.S. Department of Energy.

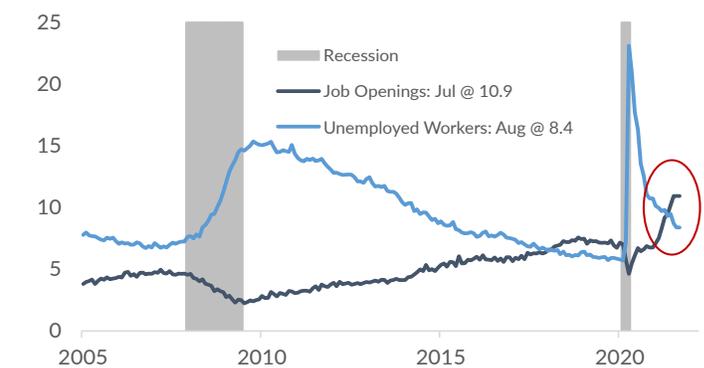
Hiring slowed sharply in August; what does that mean?

Payrolls grew by 235,000 jobs in August, well below the gain of 1 million in July and nearly 1 million in June. The labor market took it on the chin due to rising COVID-19 concerns and a significant pullback in hiring in the hospitality sector. That is not a surprise since it is the end of the summer and seasonal adjustments are a little wacky due to the reopening of the economy during the pandemic.

It is probably best to look at this monthly data with a three-month moving average since it softens the volatility. The three-month average gain is 750,000, down from recent readings but still a very strong number.

The most encouraging sign for the labor market is the number of job openings, which stands at a record 10.9 million. There are 8.4 million people looking for a job (chart), so there are 1.3 jobs available for each worker, a very high number.

Job Openings and Unemployed Workers
millions, seasonally adjusted



Source: Bureau of Labor Statistics.

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