

Planalytics' Assessment: Harvey's Economic Impact

August 28, 2017



Harvey is first Category 4 Hurricane to make U.S. landfall since Charley in 2004. For reference, Charley's impacts were over \$15B. Harvey is poised to have the same, if not larger economic impacts, and is likely to be a Top 10 (if not Top 5) storm in these terms — but we won't know for sure until it's over.

- Hurricane Ike in 2008 was one of the largest to impact Texas, with estimated impacts of \$28B, although Ike also impacted Louisiana and Mississippi.
- A good reference point for Houston is Tropical Storm Allison in 2001, which dropped 28 inches of rain in less than 24 hours, resulting in an estimated \$5B impact to Houston.
- A reminder that Sandy, which had losses of over \$50B, is not on the list as it was no longer a hurricane when it made landfall.

Planalytics' initial estimate on lost sales in the Consumer/Retail sector will be \$1B. This represents revenue that is lost and WILL NOT be made up later.

- All major businesses will be impacted.
 - Restaurants will take the biggest hit as these businesses do not make up for lost traffic.
 - Restaurants with a large % of stores in Houston include P.F Chang's and Brinker (parent of Chili's).
 - 'Mom & Pop' restaurants can take a devastating impact due to store closures and spoilage of foods.
 - Malls/apparel stores also take a big hit.
 - Consumers are focused on making 'need based purchases' right now - shopping malls/department stores and specialty apparel chains all see negative impacts to traffic and sales.
 - Retailers with a large % of their total store base in Harvey's impacted areas include Dillard's, Fred's Stores, Stage Stores, Cato Corp., 99 Cent Only Stores, and Hibbett Sports.
 - Home Centers (Home Depot, Lowe's, Tractor Supply) likely had an increase in traffic before the storm and will aid in the clean-up efforts.
 - In the peak of the storm, these chains also lose business as stores are closed and people are unable to leave their homes.
- The total impact will take place OVER TIME — not just now/this week.
 - Following major weather events such as this, the economic impacts are felt in the coming weeks and months as consumers and businesses look to repair/rebuild based on their own individual situation.

-\$1 Billion
Planalytics' initial
estimate on
lost retail sales
due to Harvey

Near-term economic impacts will be felt outside of Texas.

- Over 20% of all U.S. refineries are in the Gulf Coast region. Many of these have closed/shut down as a result of Harvey. This can impact production of hundreds of thousands of barrels of crude oil production per day.
- Reduced production can result in an increase to gas prices in the coming days/weeks.
 - A rise in gas prices can lead to less discretionary income for those impacted.
 - This can also result in less spending on apparel/Back to School items in the near term.

Additional Thoughts

- We are approaching the peak of the Atlantic Hurricane season, which is typically early September. There is a system off the coast of Florida (threatening the Carolinas) which is projected to become Tropical Storm Irma and impact the Southeast coast.
- Social media is playing an increasingly larger role in weather events. They help individuals and businesses to communicate with each other.
- About Houston:
 - It's about 600 square miles – America's 4th largest city by population.
 - Drainage and flooding are a constant problem — it's basically built on a swamp — it's a very low city and has had flooding here for decades. It's probably worse now than it has been due to all the development.
 - Have a fairly elaborate bayou system here. Bayous are a little bigger than a creek and smaller than a river. Once the bayous are inundated, and the reservoirs get full, it just starts to back up.