

The IER Seminar in Empirical Economics

We would like to invite you to the **Empirical Seminar** series organized by the Institute of Economic Research, Slovak Academy of Sciences, Šancová 56 that will be held online. The seminar will take place on **March 2th, 2021 at 11:00**.

The speaker will be **Ing. Boris Fišera** (Institute of Economic Research, Slovak Academy of Sciences, Slovakia).

The topic of the seminar is: ***Natural Disasters and Government Debt Financing Costs***

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Abstract

We evaluate the effect of natural disasters on government debt financing costs. Using a comprehensive dataset of 272 large-scale natural disasters in 83 countries from 1986 to 2018, we find that natural disasters do lead to an increase government debt financing costs (T-Bill rates and 10-Year government bond yields) but only in middle- and low-income countries. On the other hand, in high-income countries, the natural disasters seem to decrease the government debt financing costs slightly. This distinct response in middle- and low-income countries relative to high-income countries is due to their lower credit market depth, private insurance penetration, and central bank independence. Thus, our results indicate that having more developed financial markets and higher insurance coverage helps to alleviate the increase in government debt financing costs following a natural disaster. We also find evidence that only some types of natural disasters influence the government debt financing costs. We find that the two types of natural disasters, which contribute to the strongest increase in government debt financing costs include the biological (pandemic) and climatological disasters—the two types of hazards the frequency and severity of which have been rising.

The seminar will be co-chaired by Mária Širaňová.