Natural disasters and a sector's export competition

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Abstract

In this paper we analyze the impact of large idiosyncratic shocks on the sectoral characteristics and dynamics of firms' exporter decision. In particular, we use a large dataset covering all exporting firms in 56 countries and estimate the impact of large disaster shocks on the composition and dynamics in an industry's stock of exporting firms. Our results suggest that an increase in the occurrence of a natural disaster leads to an exit of firms from the export markets. The remaining firms are able to disproportionately increase their export volume, which leads to an increase in the total export volumes in the affected sector. Second, natural disasters significantly constrains less productive firms as we observe an increase in export concentration in the top of the firm size distribution. Third, distortions due to a natural disaster tend to block efficient firms from expanding and entering the export market. Finally, the impact of natural disasters on a firms export behavior differ largely in regard with the labor value added in exports. With these findings we add to the literature on the macro-economic impact of natural disasters by suggesting one potential causal channel how these could have an impact on economic outcomes.