

## U.S. Municipal Bond Market

# Economic Impact from Hurricane Ida Expected to be Modest, Municipal Credit Impact Likely to be Minimal

- Hurricane Ida made landfall as a category 4 storm near New Orleans, Louisiana, 16 years to the day after Hurricane Katrina slammed into the gulf region in 2005.
- Over the weekend, President Biden declared a major disaster in Louisiana and approved an emergency declaration in Mississippi.
- The economic impact from Hurricane Ida is expected to be modest compared to Katrina. We are also expecting very little credit impact to public finance entities as a result of the storm.

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## Fifth-Strongest Hurricane Winds from Hurricane Ida

The 2021 hurricane season was forecast to be above average according to a meteorologist's report in June. Events over this weekend met the forecast, and then some. Hurricane Ida was classified as a category 4 storm when it struck the Louisiana shoreline this weekend. Category 5 is the only notch classified as more impactful. Dangerous weather in the form of high-speed winds, rain, and flooding endured through the weekend. Life threatening flash flooding remains an extreme threat as well. President Joe Biden declared a major disaster exists in Louisiana on Sunday, making federal funding available and the president approved an emergency declaration in Mississippi on Saturday. Over 1 million customers are without power in Louisiana and Mississippi.

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The storm has essentially shut down gulf oil production. Oil production in the gulf accounted for about 15% of U.S. oil production in 2020. Oil and gas prices are expected to rise, but how high they go is still uncertain.

Only four other storms have made landfall in the U.S. with stronger winds than Ida, and they were all classified as category 5 storms. Ida was downgraded to a tropical storm as of mid-day, Monday Aug. 30. Its current path is projected to flow northeast through Mississippi and Tennessee.

## Economic & Credit Damage from Hurricane Ida Should be Manageable

The economic damage from Hurricane Ida is expected to modest and not reach the levels we experienced with Hurricane Katrina (2005), or even Harvey (2017) as long as circumstances do not change. Insurance industry analysts are expecting a price tag for Ida close to \$10 billion, a number that is nowhere near the \$90+ billion in losses from Katrina. Economic growth could fall slightly in the third quarter but this is likely to quickly rebound as federal aid is delivered to the state and local government hit by the storm.

Hurricane Ida is not likely to impair the credit quality of most state, local, and other municipal entities. State government credit quality is unlikely to be affected. A small number of local governments and hospitals may have a more difficult time managing the recovery path, but this should reverse once Federal Emergency Management Agency

(FEMA) funds begin flowing and insurance reimbursement occurs.

### Disaster Declaration Activities and Projected Costs of Catastrophic Disaster Declarations

Fiscal Year	Number of Major Disaster Declarations	Number of Catastrophic Disaster Declarations	Total Projected FEMA Costs of Catastrophic Disaster Declarations (\$ millions nominal)	Total Gross Federal Disaster Relief Fund Appropriation (\$ millions nominal)
2004	65	5	\$6,906	\$4,023
2005	45	5	47,919	68,427
2006	53	1	2,606	-16,391
2007	67	0	-	5,743
2008	68	3	8,048	12,935
2009	63	0	-	1,178
2010	79	1	573	6,573
2011	98	2	1,344	2,650
2012	46	1	706	7,076
2013	65	3	22,767	18,469
2014	48	0	-	5,897
2015	44	0	-	6,729
2016	41	2	3,407	6,329
2017	60	8	85,991	13,996
2018	54	2	2,914	45,011
2019	53	4	6,628	12,005
2020	100	33	79,601	62,863
<b>Total</b>	<b>1,049</b>	<b>70</b>	<b>\$269,410</b>	<b>\$263,513</b>

Source: Congressional Research Service and HilltopSecurities.

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