Launch Event – Drought Stress Testing

Key Findings and Results

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Results in the US

Portfolio 1:
• Companies relatively resilient to direct impacts of droughts
• 60-100% downgraded
• Drought increases portfolio losses by ten-fold in highest loss impact scenario

Portfolio 2:
• California: 75% drop in revenues & 20% increase in prices
• Default risk low
• Two years drought impact relatively small vs five years impact

Conclusion: Portfolios/industries less vulnerable to droughts
Results in Brasil, China & Mexico

- 2 portfolios tested
- 65%-90% downgraded
- No differences between SMEs and large companies
- Biggest losses in crop production

- 2,500 companies from 11 different sectors
- Low % downgraded
- SMEs more affected vs. large companies
- Industrial concentration

- 2 portfolios tested
- 65%-100% downgraded but small probability of default
- Industrial areas responsible for losses
- Biggest losses in oil & gas, food manufacturing

Conclusion: Reliance on hydropower, geographical concentration key drivers for the observed results

Conclusion: Geographical concentration key driver for risks

Conclusion: MEX affected more severely due to geographical layout
Key Findings

(1) Process:
- Starting Point
- Standardisation
- Adaptability

(2) Data:
- Availability
- Cross-sector integration

(3) Geographical Concentration:
- Natural hazard
- Diversification
Thank you.

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