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THE ECONOMIC VALUE OF WEATHER INNOVATION: EVIDENCE FROM HURRICANE FORECASTS

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The US Government makes significant investments in weather innovation and yet the economic value of weather forecasts is poorly measured. We examine the economic consequences of poor hurricane predictions on business and regional performance in the US Atlantic Basin. We isolate the role of the forecast over the direct effect of the hurricane using new indices that measure geographic variation in forecast errors among places similarly affected by a given storm. We link this variation to long run measures of economic growth as measured by changes in the intensity of nightlights. Additional data linking weather forecasts to the airline and energy industries will shed further light on the link between weather innovation and economic performance.