

# Launch Event – Drought Stress Testing

## Key Findings and Results

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Secretariat:





## 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

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



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

**Conclusion:** Geographical concentration key driver for risks



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

**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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