



The Perryman Group Preliminary Estimates of Economic Costs of the February 2021 Texas Winter Storm February 2021

The recent extreme winter weather is unprecedented in Texas. Records were shattered, and the demands on the power grid were exceptional. When brutal conditions took down about 40% of generation capacity (wind turbines and conventional plants alike), disaster struck. Most people had to deal with power outages (sometimes for days in freezing temperatures) and millions had no water (again for an extended period).

All industries were impacted, and supply chains have been disrupted. Much of the state business complex came to a standstill, affecting everything from consumer spending to manufacturing, oil production, agriculture, and beyond. It will take some time for a full understanding of the damages and economic cost of the storm, but preliminary estimates indicate that it will be massive. Unlike a hurricane or tornado, the damage and business interruption has touched every corner of the state.

Any economic stimulus, whether positive or negative, leads to additional responses

and multiple rounds of business activity. Interruptions of business operations causes lost revenue and profits even beyond the damage to facilities. In many cases, these revenues cannot be recouped. Productivity has also been affected as workers dealt with weather issues and power outages.

The Perryman Group utilized its impact assessment model and current property damage estimates to measure the total economic cost of the storm when multiplier effects are considered based on the preliminary data currently available from the insurance industry and weather services and experiences from other weather events. Using the low and high estimates to date, projected long-term losses in gross product over time include between \$85.8 and \$128.7 billion, with lost income of \$56.8 billion to \$85.1 billion. These amounts are in the range of (and potentially above) the losses associated with the most expensive weather events in Texas to date, Hurricanes Harvey and Ike.

Preliminary Estimates of the Economic Impact of the February 2021 Texas Freeze

| | Total Expenditures | Gross Product | Personal Income | Job-Years* |
|-----------|--------------------|---------------|-----------------|------------|
| Low Case | \$197.196 b | \$85.779 b | \$56.761 b | 573,900 |
| High Case | \$295.795 b | \$128.668 b | \$85.141 b | 860,800 |

Source: US Multi-Regional Impact Assessment System, The Perryman Group

Notes: Based on the range of preliminary damage estimates currently available and The Perryman Group's measurement of associated multiplier effects across the economy. Monetary values given in billions of 2020 dollars. A job-year is one person working for one year, though it could be multiple individuals working partial years.

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M. RAY PERRYMAN, PH.D.

Dr. Perryman is the President and CEO of the Perryman Group and Distinguished Professor of Economic Theory and Method at the International Institute for Advanced Studies. Over the past 40 years, Dr. Perryman has helped recruit corporations providing tens of thousands of jobs through economic development work, resolved billion-dollar legal issues, and revamped public policy through impact assessments and other studies. His firm has measured economic impacts for corporate locations and expansions involving billions in investments, and his economic forecasts are used by corporations and government agencies alike.

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