Abstract

The theory on the disaster impacts on firm growth is ambiguous and the empirical evidence on this topic is scarce, which hampers the design of disaster risk reduction and climate change adaptation policies. This paper estimates growth models of the impacts of natural disasters on labour, capital, and value-added growth of firms in the short run, and identifies the role of financial constraints in shaping disaster outcomes. The analysis uses a comprehensive enterprise census data (2000-2009) and also two different types of disaster measures from Vietnam: the physical intensity measures and the socioeconomic damage measures. We apply the Blundell-Bond generalized method of moments (GMM) to estimate firm level disaster impacts, and find robust evidence that natural disasters on average increase firm growth significantly. We also find stronger positive impacts in labour and output growth for more constrained firms. We argue that this occurs because financially more constrained firms substitute labour for capital during the reconstruction phase after a disaster.