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Sustainability

What's the impact of natural disasters on local economies?

02 October 2025

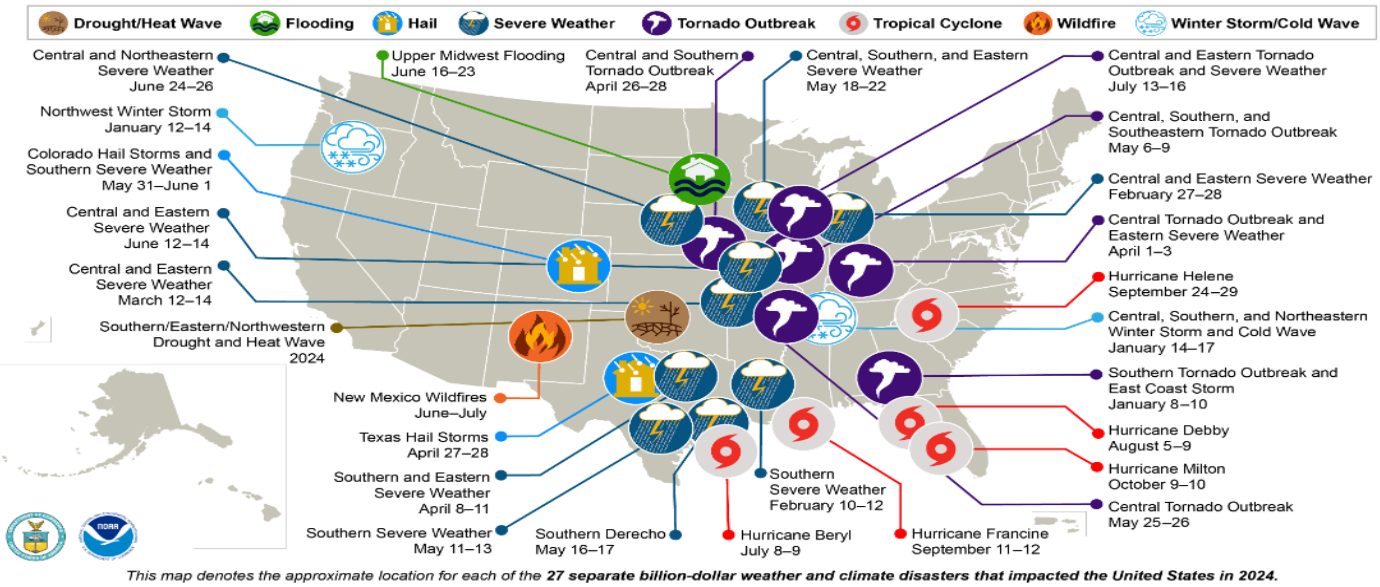
Key takeaways

- In 2024, the US saw 90 major disaster declarations from the Federal Emergency Management Agency (FEMA) - nearly double the 30-year average of 55. These events affected roughly 41% of the population and have caused over $2.9 trillion in damages since 1980.
- According to a Bank of America proprietary survey, insurance premiums rose by an average of $921 annually for those affected by natural disasters. The associated increase in insurance costs could change which areas homebuyers consider affordable or desirable.
- Natural disasters can accelerate financial instability as well as impede economic recovery, particularly for small businesses and households in more vulnerable communities. Following Hurricane Helene and the LA wildfires, spending on home improvement and lodging rose sharply in affected areas, according to Bank of America aggregated card data, forcing people to spend on rebuilding and therefore constraining household budgets.

Major disaster in the US declared every four days in 2024

Climate-driven disasters in the United States are becoming more common and more costly. According to the National Center for Environmental Information, the US sustained 27 natural disasters where overall damages/costs reached or exceeded $1 billion in 2024 (Exhibit 1). And roughly 137 million people – or around 41% of the US population – were living under a major disaster or emergency declaration at some point in the year.[1]

Exhibit 1: In 2024, there were 27 confirmed weather/climate disaster events with losses exceeding $1 billion each to affect United States
US billion-dollar weather and climate disasters in 2024



*This map denotes the approximate location for each of the **27 separate billion-dollar weather and climate disasters that impacted the United States in 2024.***

Source: National Center for Environmental information

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[1] IIED_FEMA Disasters Fact Sheet_Mar2025

In fact, according to an analysis from the International Institute for Environment and Development (IIED), 2024 had one of the highest numbers of major disaster declarations related to weather and natural disasters from the past 30 years, with 90 declarations – or around one major disaster declared every four days.

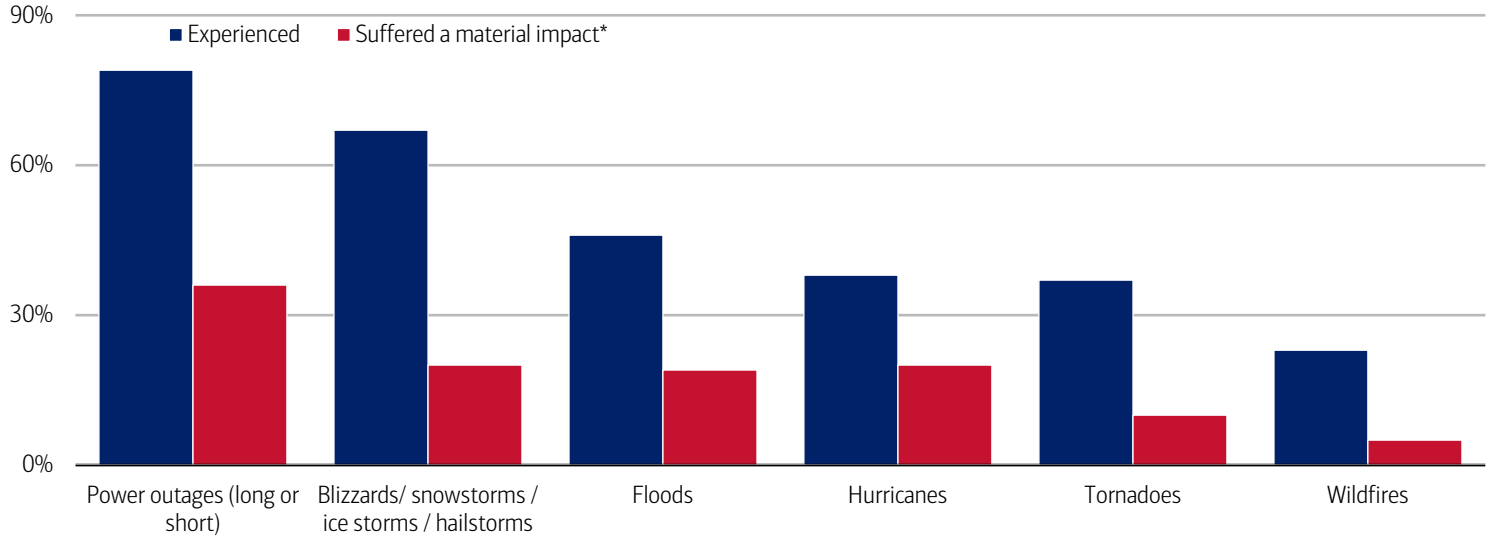
Federal Emergency Management Agency (FEMA) disaster statistics cover a range of major events such as tornadoes, tropical storms, wildfires and floods. As of 2025, there are about 4 million homes in FEMA's Special Flood Hazard Areas that have a 1% or greater chance of flooding each year, but climate risk analytics firm First Street found that another two million homes outside those zones may still face major flood risks.

Almost all Americans have experienced a severe weather event/natural disaster

How communities adapt and prepare for these increasingly common events is important in understanding the economic impact. According to a recent Bank of America proprietary survey (see Methodology for details), 98% of Americans have faced a severe weather event/natural disaster in their lifetime. The survey also found that power outages were the most common impact for respondents experienced either as a direct or indirect consequence of a weather event (Exhibit 2).

And of the 58% of Americans concerned about a severe weather incident or natural disaster within the next one to two years, the top concern is the potential disruption of essential utilities, many of which are already under strain due to infrastructure gaps (read more on this in February's utility bills analysis).

Exhibit 2: Power outages have the broadest reported impact, both as standalone events or as a ripple effect from other incidents
Share of respondents reporting having experienced an impact or suffered a material impact* from a severe weather event



Source: Bank of America Proprietary Market Landscape Insights Study
Note: *A material impact refers to a significant and noticeable effect on property, finances, or daily life that resulted in tangible losses or disruptions. This may include, but is not limited to, damage to one's home or possessions, financial costs, loss of income, or substantial changes to routine that lasted more than a day or two

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California, Texas, and New Jersey are notable states where homebuyers face increased insurance costs

Climate risks are also likely impacting homebuying decisions, and a 2024 analysis from Redfin found that low-risk homes across three major climate categories—heat, fire and flood—gained value faster than high-risk homes for the first time in 14 years. And with insurance costs skyrocketing, many risky areas that were once affordable have become expensive (read more on this in June's Insurance report).

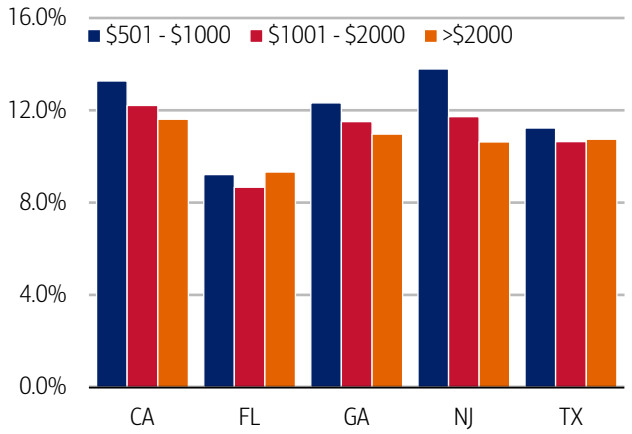
For example, homeowners who experienced a severe weather or natural disaster event saw their insurance premiums increase an average of $921 per year, according to the Bank of America survey.

Furthermore, more than 10% of households in California, Texas, New Jersey and Georgia (Exhibit 3) saw their insurance payments increase >$2000 in 2025, according to Bank of America payments data. And notably Georgia has seen insurance payments as a percentage of income rise to 6% this year. That is not only one percentage point (pp) higher than the US median (Exhibit 4) but also more than Florida, South Carolina, Nevada and Texas.

The severity and frequency of natural disasters – and ever rising insurance costs – could change which areas homebuyers consider affordable or desirable.

Exhibit 3: In Florida and Texas, the share of households with a >$2000 change in insurance payment was greater than those with a $1001-$2000 increase

Distribution of insurance payments by change in amount paid by state in 2025 (%)



Source: Bank of America internal data

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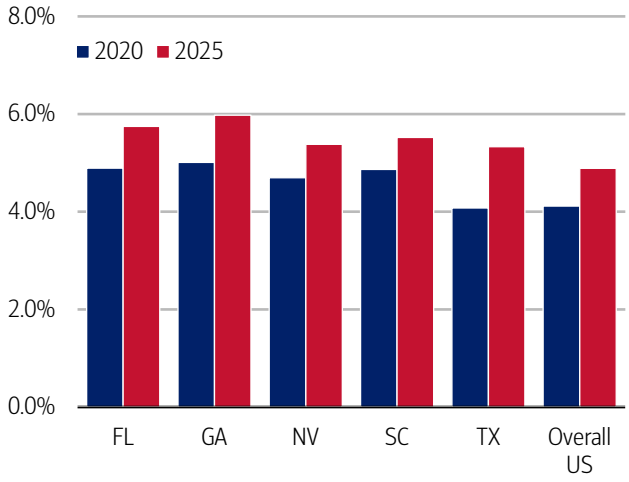
Exhibit 4: In Georgia, insurance payments as a percentage of income was 6% which is 1 pp higher than the US median

Median insurance payments as a share of income by state in 2025 (%)



Source: Bank of America internal data

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Two case studies: Hurricane Helene and LA wildfires

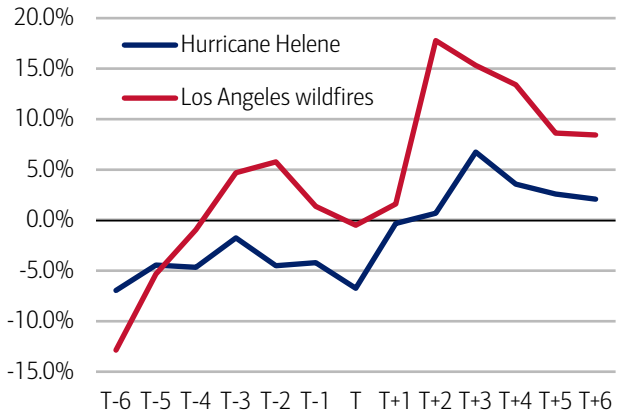
According to the US Government Accountability Office, Hurricane Helene made landfall in the US in late September 2024, devastating portions of the southeastern US. And starting January 7, 2025, a series of catastrophic wildfires developed in the Los Angeles (LA) area, destroying more than 15,000 homes and businesses and creating dangerously unhealthy air for millions of people,, according to the National Oceanic and Atmospheric Administration.

Home improvement and lodging spending accelerate after a natural disaster

The economic impact of these events is sizable. According to Bank of America internal data, spending on home improvement among households in zip codes directly impacted by Hurricane Helene and the LA wildfires increased substantially in the months following the respective natural disasters (Exhibit 5). And LA saw spending per household on lodging jump a staggering 63.4% year-over-year (YOY) in January on a three-month moving average (Exhibit 6).

Exhibit 5: In areas directly impacted by Hurricane Helene, spending on home improvement peaked at 6.7% YoY in the months following, whereas in LA, spending peaked at 17.8% YoY after the wildfires

Credit and debit card spending per household on home improvement by impacted zip code (monthly, YoY%, 3-month moving average)



Source: Bank of America internal data

Note: "T" represents the month in which the natural disaster occurred.

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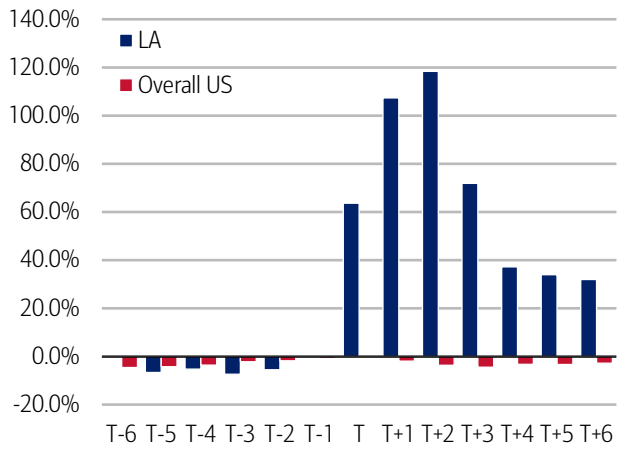
Exhibit 6: LA saw spending on lodging peak around 120% YoY in the months following the start of the wildfires

Credit and debit card spending per household on lodging by zip code (monthly, YoY%, 3-month moving average)



Source: Bank of America internal data

Note: "T" represents the month in which the natural disaster occurred.

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An estimated 2.5 million people were forced from their homes in the United States by weather-related disasters in 2023, according to the Census Bureau Household Pulse Survey, with hurricanes being the top cited type of natural disaster to cause displacement.

All of this underscores the displacement effect of natural disasters on local communities, particularly lower-income households. Such events can be a significant strain on household budgets, forcing people to spend on everything from repairs to rebuilding, thus constraining, or even temporarily eliminating, spending on certain discretionary items.

Small businesses are often most at risk for delayed recovery after a natural disaster

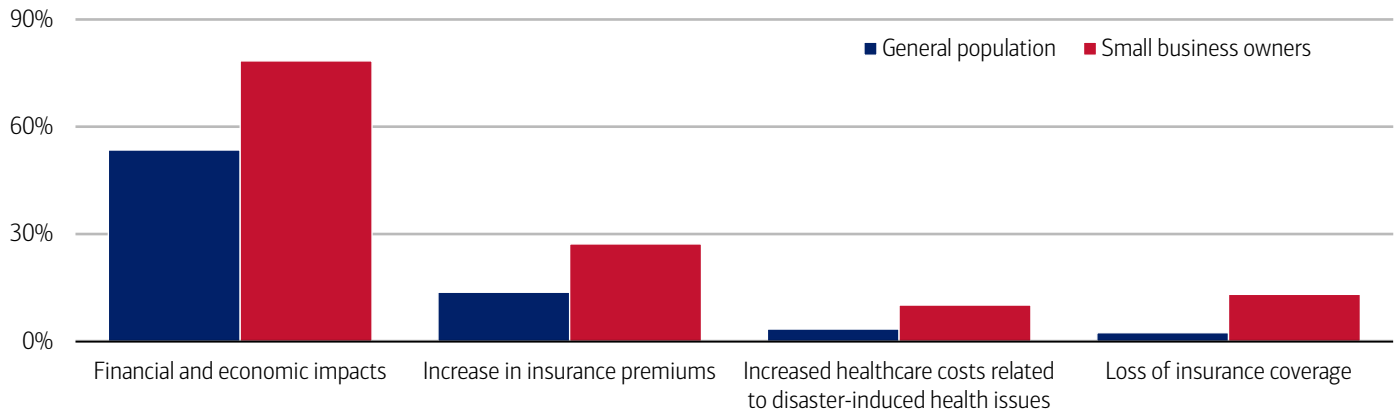
Beyond households, small businesses are also severely impacted by natural disasters. According to Small Business Administration (SBA) disaster loan data for FY2022, the average total approved loan was only just over about half the average business total verified loss. Furthermore, FEMA estimates that 40% of small businesses never reopen after a natural disaster, and the SBA finds that figure is closer to 90%.[2]

According to the Bank of America proprietary survey (same as previously mentioned), small business owners were significantly more likely than the general population to report negative financial and economic impacts from a severe weather event or natural disaster (Exhibit 7).

In fact, Bank of America small business account data found deposits for those small businesses directly impacted were at their lowest point of 2024 following Hurricane Helene, down 7% from the annual average. Still, of the 96% of western North Carolina small businesses impacted by Hurricane Helene, a local survey found 93% of small businesses are now open. Only about 7% have yet to reopen in 2025.[3]

Exhibit 7: Small business owners were significantly more likely to report negative financial and economic impacts from a severe weather event or natural disaster

Financial and economic impacts by respondent type (%)



Source: Bank of America Proprietary Market Landscape Insights Study

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Not all impacts are financial, but all have economic repercussions

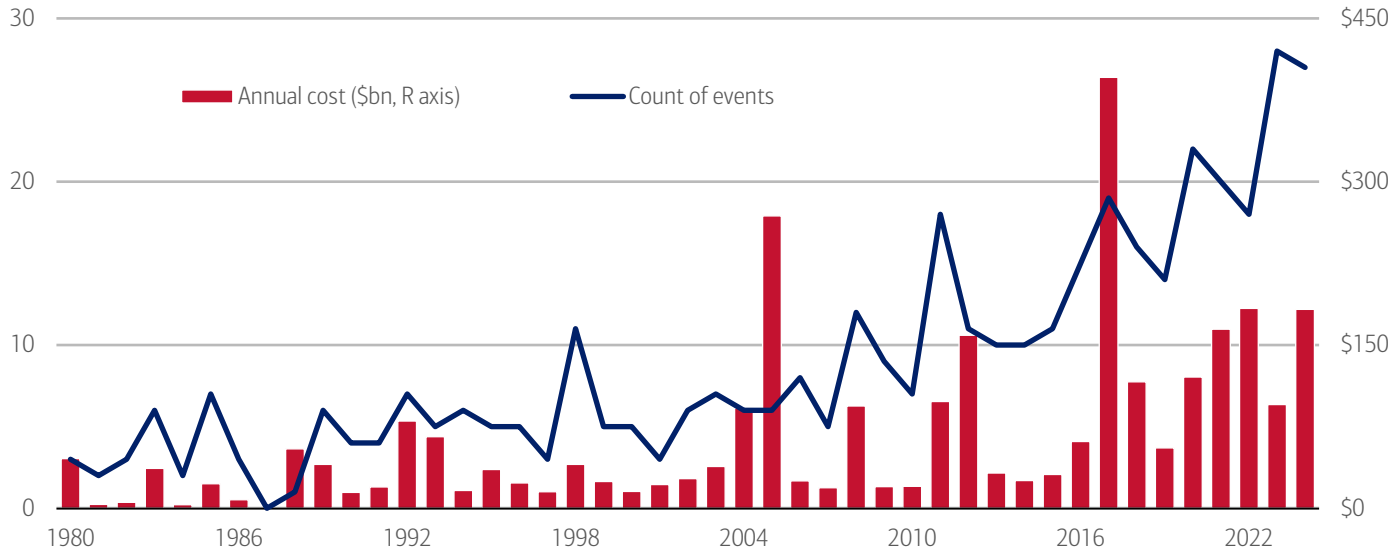
According to the Government Accountability Office, the concurrent nature of disasters, limited disaster workforce capacity, and undertrained surge responders pose challenges to federal agencies responding to environmental emergencies. For example, following Hurricanes Helene and Milton, only 4% of FEMA's incident management workforce was available to deploy as of November 1, 2024.

BofA Global Research noted additional cuts to FEMA proposed by the current administration could affect state governments whose budget costs would rise to pay for emergency and disaster response jobs previously held by federal employees. Plus, recent FEMA workforce reductions could determine how effective the federal response is to future high-impact disasters. At the same time, cuts at the National Weather Service could further impair emergency managers' ability to respond to fast-moving disasters.[4]

For small businesses and consumers alike, the growing force and economic fallout from the increasing frequency and nature of natural disasters will continue to shift economic outcomes (Exhibit 8).

[2] Improving Small Business Disaster Response and Recovery | Milken Institute
[3] 2025 Local Business Impact Survey: Insights from 700 Small Business Owners Around Helene Recovery - Mountain BizWorks
[4] Disaster Assistance High-Risk Series: Federal Response Workforce Readiness | U.S. GAO

Exhibit 8: The frequency of events has been increasing along with the associated costs
US count of climate emergency events (annual) and cost associated with them ($billion (bn), annual)



Source: National Oceanic and Atmospheric Administration, National Centers for Environmental Information (NCEI) U.S. Billion-Dollar Weather and Climate Disasters (2024)
BofA Global Research
Note: CPI-adjusted to 2024.

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Methodology

Selected Bank of America transaction data is used to inform the macroeconomic views expressed in this report and should be considered in the context of other economic indicators and publicly available information. In certain instances, the data may provide directional and/or predictive value. The data used is not comprehensive; it is based on **aggregated and anonymized** selections of Bank of America data and may reflect a degree of selection bias and limitations on the data available.

Any payments data represents aggregated spend from US Retail, Preferred, Small Business and Wealth Management clients with a deposit account or credit card. Aggregated spend include total credit card, debit card, ACH, wires, bill pay, business/peer-to-peer, cash, and checks.

Any **Small Business** payments data represents aggregate spend from Small Business clients with a deposit account or a Small Business credit card. Payroll payments data include channels such as ACH (automated clearing house), bill pay, checks and wire. Bank of America per Small Business client data represents activity spending from active Small Business clients with a deposit account or a Small Business credit card and at least one transaction in each month. Small businesses in this report include business clients within Bank of America and generally defined as under $5mm in annual sales revenue.

Unless otherwise stated, data is not adjusted for seasonality, processing days or portfolio changes, and may be subject to periodic revisions.

The differences between the total and per household card spending growth rate (if discussed) can be explained by the following reasons:

1. Overall total card spending growth is partially boosted by the growth in the number of active cardholders in our sample. This could be due to an increasing customer base or inactive customers using their cards more frequently.

2. Per household card spending growth only looks at households that complete at least five transactions with Bank of America cards in the month. Per household spending growth isolates impacts from a changing sample size, which could be unrelated to underlying economic momentum, and potential spending volatility from less active users.

3. Overall total card spending includes small business card spending while per household card spending does not.

4. Differences due to using processing dates (total card spending) versus transaction date (per household card spending).

5. Other differences including household formations due to young adults moving in and out of their parent's houses during COVID.

Any household consumer deposit data based on Bank of America internal data is derived by anonymizing and aggregating data from Bank of America consumer deposit accounts in the US and analyzing that data at a highly aggregated level. Whenever median household savings and checking balances are quoted, the data is based on a fixed cohort of households that had a consumer deposit account (checking and/or savings account) for all months from January 2019 through the most current month of data shown.

Bank of America aggregated credit/debit card spending per household includes spending from active US households only. Only consumer card holders making a minimum of five transactions a month are included in the dataset. Spending from corporate cards are excluded. Data regarding merchants who receive payments are identified and classified by the Merchant Categorization Code (MCC) defined by financial services companies. The data are mapped using proprietary methods from the MCCs to the North American Industry Classification System (NAICS), which is also used by the Census Bureau, in order to classify spending data by subsector. Spending data may also be classified by other proprietary methods not using MCCs.

Generations, if discussed, are defined as follows:

1. Gen Z, born after 1995

2. Younger Millennials: born between 1989-1995

3. Older Millennials: born between 1978-1988

4. Gen Xers: born between 1965-1977

5. Baby Boomer: 1946-1964

6. Traditionalists: pre-1946

Any reference to card spending per household on gasoline includes all purchases at gasoline stations and might include purchases of non-gas items.

The Bank of America Proprietary Market Landscape Insights Study was an online quantitative survey among Bank of America customers and noncustomers sampled and balanced to provide a representative view of the US adult population. Insights are based on aggregated and anonymized responses to surveys. Significance testing was done at the 90 percent confidence interval with a sample of 1,916 respondents over June 18th – June 25th, 2025.

Additional information about the methodology used to aggregate the data is available upon request.

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Sources

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