

Economic damage of wildfires in Southern Europe is up to €21 billion per season, on average

April 3rd, 2023



Photo: Wildfire in Spain in 2022 (source: [Josef Grunig, www.3ckr.com](https://www.3ckr.com))

6,700 wildfires

Wildfires in Europe are a growing risk, predominantly affecting Southern Europe. These events can be highly disruptive and destructive, affecting various sectors of the economy, including forestry, agriculture, industry and construction, and recreation and tourism. However, little is known about the economic effects of wildfires in fire-prone regions in this part of Europe.

A recent study addressed this gap by examining the economic implications of wildfires on regional employment and GDP growth in Portugal, Spain, Italy and Greece. In this study, annual economic data on employment and GDP growth from 2010 to 2018 were matched with climatic and land cover data and satellite data on burned area. About 6,700 wildfires hit these countries between 2010 and 2018, burning a total of 2.4 million hectares.

Economic impact: €13-21 billion per season

Fire-prone regions in Southern Europe saw a reduction of annual GDP growth rate by 0.11-0.18%, on average, as a result of recent wildfires. This may not seem like much, but this equates to an annual production loss of €13-21 billion for Southern Europe for an average wildfire season. For an individual year, the economic impact can be much larger, though. A decrease in the GDP growth rate of up to almost 5% has been calculated for the most severe wildfire years.

Employment: winners and losers

Some sectors benefit from wildfires while others are adversely affected. In 2010-2018, wildfires reduced the average annual employment growth in the retail and tourism sector by 0.09-0.15%, corresponding to a loss of about 6,000-10,000 jobs for Southern Europe in an average year. This reduction is offset by 0.13-0.22% employment growth in insurance, real estate, administrative, and support service-related activities, corresponding to about 4,000-7,000 jobs. The latter positive effect reflects extra activities in the aftermath of wildfires by the insurance industry and real estate agencies, and temporary jobs for more construction workers and firefighters.

Overall, there is a clear, negative effect of wildfires in Southern Europe on regional economy. The impact on employment seems to be small, though.

Source: Meier et al. (2023). *Journal of Environmental Economics and Management* 118, 102787.