



## Quake's economic toll is emerging

By Laurent Belsie • Christian Science Monitor | Posted: Saturday, February 26, 2011 12:00 am

As New Zealand begins to pick up the pieces from Tuesday's earthquake in Christchurch, it is beginning to tote up the magnitude of the economic toll.

There are direct losses:

- The government's natural catastrophe fund expects to pay out \$1.1 billion to residential property owners.
- Private insurers are expected to pay out twice that amount in residential claims beyond the government's maximum payouts.
- Commercial losses and business interruption claims will add to private insurers' payouts, estimated to total somewhere between \$3.7 billion and \$8.4 billion.

Indirect economic losses, however, could double or even triple those totals, especially in the next few months. That's because earthquakes tend to have a bigger impact on infrastructure, such as roads and water, than do other large-scale natural disasters, such as hurricanes.

For example, as of Friday morning, 32 streets and 13 bridges were closed to traffic, according to the Christchurch City Council. That's a blow to businesses trying to move products in and out of the area.

"They have to reroute to find a second-best transportation network," says JiYoung Park, a professor of urban and regional planning at the University of Buffalo's school of architecture and planning. "The transportation costs will be increased."

The economy will also lose productivity from area workers. The effect works both ways: Businesses lose worker time and workers lose pay, Park says. "So those laborers will lose their money directly. ... And the economy will be impacted again by the losses of their purchases."

These indirect effects can equal the direct losses of buildings and other capital from an earthquake, he adds.