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Abstract

In this paper, we study the effect of weather shocks on firms' productivity and performance. Over the last decades, the world has faced a notable increase in extreme weather events, which are becoming more frequent and devastating. These weather shocks affect firms' productivity, ultimately affecting their performance in the market. We propose an estimation strategy that allows us to quantify these effects. We use data of EAM from DANE and climate information from CHIRPS and Copernicus. Our results show evidence that weather shocks negatively affect firms' productivity, which translates into lower firm performance on different variables, such as ROA, gross investment, and added value.

> **Climate shocks negatively affect productivity. This is due to the health problems they cause and the damage to road infrastructure, aspects that ultimately affect the economy in general and firms in particular.**