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Abstract

As extreme weather events are becoming more frequent, the poor, being overly exposed to these shocks, risk suffering the highest price. The 2012 flood in Nigeria was the worst in 40 years and hit more than 3 million people. Using nationally representative panel data, I study households' asset dynamics for the period 2010-2019. I identify flooded households with MODIS satellite data and then create a comparison group of households living in proximity of flooded households. I find that households hit by the flood converge to multiple equilibria consistent with the poverty trap hypothesis, while non-flooded households show very flat dynamics with only one equilibrium. In particular, flooded households whose assets fell below the threshold converge to a low-level equilibrium point, whereas better endowed households converge to a high steady state. This is consistent across several empirical methods, ranging from parametric to non-parametric methods, as well as panel threshold estimation. Robustness checks further examine the validity of the findings, testing different asset indexes and flood definitions, as well as controlling for conflict-related events and other climatic shocks. Moreover, using as a proxy for flood the proximity to water, I find that households exceptionally hit during the 2012 flood are able to revert back to their growth potential, while flooded households living close to water drive the poverty traps dynamics. However, I am not able to determine whether the poverty trap was already present for these households, as there is only one pre-shock wave. I discuss how the 2010 (much smaller) flood and recurring smaller floods might trap households living close to water impeding their escape (immobility/geographic poverty trap). Identifying a poverty trap is crucially helpful for designing poverty alleviation policies and fostering a country's development.