



By: *Emre Alkin*

The Economic Significance of the California Wildfires



On the one hand, we are observing the revised expectations of international institutions for 2025; on the other, we are following the fires in California.

Of course, we are worried since part of our family lives in Long Beach, very close to Los Angeles. We are saddened to see that many family members, including my aunt, uncle, their daughters, sons-in-law, and grandchildren, are under the threat of the **wildfires**.

My aunt's eldest daughter, Yasemin, and her husband, Mustafa, as owners of a large warehouse, are, of course, viewing the situation from a different perspective.

My aunt's younger daughter, who was formerly an advertiser, has become a housewife, while her husband Mario works as a senior manager at an international auditing firm. Those who stay at home and those going to school or work are constantly at risk.

From a lengthy phone conversation with Yasemin, we learned that homes in wealthy neighbourhoods have completely burned down, and hotels and restaurants have also turned to ashes.

Areas such as Palisades, Malibu, Santa Monica, and Hollywood in Southern California are on fire or under fire threat. From a great distance, one can see fires along both the ocean and land sides of the famous Sunset Boulevard, covering everything in smoke and causing breathing difficulties.

Remember the Australian fires

We did not receive a positive response to our question, "Has the fire been brought under control?" The mayor's failure to return urgently from an overseas trip has created significant public outrage. If elections were held today, it is clear the Democrats would lose California.

I mentioned over the phone, "Remember the Australian fires; they appeared to be over, but

suddenly, they spread everywhere." I was about to advise them to prepare for the possibility of having to evacuate their homes, but I changed my mind. They know better than I do, since they live there. Unfortunately, just two hours after hanging up, the fire spread to Los Angeles.

We often have to wait for the fire to extinguish itself

The rapid spread can be illustrated by a wildfire that **occurred** a few years ago in northern California, which nearly left the Napa Valley barren. Although current seasonal temperatures are not high, the fire is spreading due to the Santa Ana winds.

Additionally, the hot air rising from the fire creates strong downward winds, even transporting sparks from one area to another. Therefore, we refer to this type of fire as "wildfires" instead of "forest fires." As a result, we often have to wait for the fire to extinguish itself.

Impact on global trade

There are news agencies **claiming** that the damage has exceeded \$50 billion. California's Gross Domestic Product (GDP) is around \$3.5 trillion.

If it were a country, it would rank 59th in the world. California has a larger land area than both the United Kingdom and France. Furthermore, nearly 40 million people live in California, with Los Angeles being the most populous region in the U.S. and housing close to 10 million residents. It is worth noting that 8 out of the 25 most populous regions in the U.S. are located in California.



Serious market rumours have peaked regarding the failure of insurance companies to compensate for the burned homes - Emre Alkin

The Port of Los Angeles is recognised as the largest container port in the U.S. and the 17th largest in the world. The port in Long Beach, where my family resides, is also a significant container port, ranking 22nd globally.

Additionally, there are 9 other major ports in the state, including Oakland, San Diego, and San Francisco. The total of 11 ports accounts for 38% of U.S. container imports and 28% of exports. Another example: More than 15% of Turkey's exports to the U.S. go to California.

Automotive, textiles, agricultural products, and construction materials are among the leading exports. Therefore, the fire's potential negative impact on both EU and global trade should also be considered.

The state of California, suffering from the fire, has some of the most expensive homes in the world and also hosts some of the U.S.'s "fastest home buying and selling" cities.

It is too early to comment on whether home prices and sales speed will drop following this disaster. However, serious market rumours have peaked regarding the failure of insurance companies to compensate for the burned homes. It appears that another matter for Trump to deal with immediately upon taking the oath of office is emerging.