

Climate forecasts – A banker's view

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The drought has had a significant impact on National Australia Bank's business, and a massive impact on most of our rural clients. This impact lasts well beyond any recent rains – frequently the impact covers at least 18 months.

Climate forecasts from a range of Government agencies have become increasingly visible in the landscape of data provided to farmers and their service providers. This is matched by the data provided by private forecasters. However the validity of this data is largely dependent upon both the type of user and the geographic location of their exposure.

NAB derives value from climate forecasts, but agencies need to be mindful in controlling the communication message to the public. Too often key decision makers in business and Government are influenced by headline messages, to the detriment of individual circumstances.

Many farmers and rural service providers use climate forecasts in key business decisions, and these forecasts add value. This group heavily rely upon climate forecasts. However many farmers question the value of climate forecasts to their individual location, and are critical of forecasters "over-promising" outcomes and not being held accountable.

I believe there is a need for a strategic review of how forecasts are communicated, to achieve uniformity and a greater understanding by the users. Without such an approach climate forecasts will not be seen as fully credible.

Agencies and the users of forecasts should also be aware that there is an emerging risk management market in climate impacts. This appears to be best suited to those with climate exposures broad in geographic area, but with a specific need. Participants in this market will heavily rely on climate forecasts.