

Supply shocks in supply chains: Evidence from the early lockdown in China

Raphael Lafrogne-Joussier Julien Martin Isabelle Mejean

Discussion by Maxime Bonelli

2021 Franco-German Fiscal Policy Seminar



This Paper

What are the effects of input shortages on imports and exports of firms in global value chains?

- ▶ Exploits the January 2020 lockdown in China as a natural experiment of a shock to French firms' supply chain
- ▶ French firms relying on Chinese inputs experienced:
 - ▶ 7% drop in their imports
 - ▶ 5% drop in their exports
- ▶ Inventories act a buffer for exposed firms while geographic diversification of imported inputs does not

Comments

Generalization of the findings from the pandemic to other contexts?

1. Firms importing from China versus other importing firms
2. Relationship between geographic diversification/inventories and other firm-level characteristics
3. Additional results on sales and employment (available “high-frequency” data?)

Firms importing from China versus other importing firms

To what extent are firms importing from China comparable to other importing firms?

- ▶ Importing from China is an endogenous decision of the firm that might be driven by:
 - ▶ Network and search cost
 - ▶ Legal and verification cost
 - ▶ Exchange rate risk

⇒ Firms importing from China are larger than other importers

- ▶ Implications for external validity?

Hedging against input shortage risks

Holding inventories seems to act a buffer while geographic diversification of imported inputs does not

- ▶ But those decisions are also endogenous to the firm in the first place
 - ▶ Correlation with other firm-level factors? (E.g., financial strength, network, diversification of clientele)
 - ▶ Instrument(s) for these variables? (Location of the firm, belonging to an enterprise group, CEO's features)
- ⇒ Implications for normative analysis?

Effects on sales and employment

The paper shows that input shortage has an impact on exports

- ▶ But it could go one step further and investigate the impact on sales and employment
- ▶ How does the Chinese shock affect (short-term) firm survival and performance?
- ▶ Issues if administrative data are only available at the yearly frequency. Alternative datasets?

Concluding remarks

- ▶ Great paper on an important dimension of the pandemic
- ▶ Provide more details about the treated and control firms
- ▶ Clarify the potential hedges against input shortage risk