

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

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# 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