Bank Financing of Global Supply Chains*

Laura Alfaro
Harvard Business School,
NBER, CEPR

Mariya Brussevich
International Monetary Fund
Ibmec-RJ

Camelia Minoiu
Federal Reserve Bank
of Atlanta

Andrea Presbitero
International Monetary Fund
CEPR

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We analyze how bank financing shapes the realignment of supply chains for firms facing search costs related to trade disruptions. We exploit the 2018–2019 trade tensions between the United States and China and two matched administrative datasets—shipment-level import data with the U.S. credit register—to obtain comprehensive information on importer-supplier relations at the firm level and credit relationships at the bank-firm level. We document firm-level evidence of supply chain reallocation in response to the tariffs imposed on China in 2018–2019. Firms importing tariff-hit products from China increased their credit demand: they increased credit line utilization, took out new loans, and obtained more credit at higher spreads. Furthermore, firms with multiple banking relationships, as well as those borrowing from specialized banks, were better able to find new suppliers and increase their import shares outside China.

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*Authors' e-mail addresses: Laura Alfaro (lalfaro@hbs.edu), Mariya Brussevich (brussevich@gmail.com), Camelia Minoiu (Camelia.Minoiu@atl.frb.org), and Andrea Presbitero (apresbitero@imf.org).

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