

Global Sourcing in Times of Covid-19

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This study investigates the impact of the Covid-19 pandemic on firms' sourcing strategies. To this aim, we conducted an interview-based survey of a large sample of Italian manufacturing firms headquartered in Lombardy, one of the most developed regions in Europe, and one most severely affected by the Covid-19 pandemic. We provide new evidence on firms' sourcing behavior, the channels through which the pandemic has affected business activities, and the role of the sourcing strategy in adjusting to the present and future economic consequences of the pandemic.

Firms in our sample prefer outsourcing to integration and domestic to foreign sourcing. The pandemic adversely affected 9 out of 10 of our firms. The impact was equally felt by integrated and outsourcing firms. The main channel through which the pandemic has affected firms' business is demand disruptions, followed by lockdowns imposed on the firm itself and by disruptions in the supply chain. Our firms assign an important role to their supply chain in mitigating the impact of the pandemic. Very few firms consider changing their sourcing strategy in response to the pandemic. If this is the case, they plan to switch from integration to outsourcing and from foreign to domestic sourcing. Our evidence suggests that firms do not fear relying on independent suppliers, albeit they do fear relying on distant suppliers in times of crisis.