Out of sight, out of mind? Global chains, export, and credit allocation in bad times

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We investigate the allocation of credit between globally active and domestically oriented firms during a financial crisis. Using data on 15,000 businesses from seven European countries, we find that firms with a stable involvement in global value chains were 25% less likely to be rationed by banks during the 2009 financial crisis. This contrasts with the increase in the likelihood of credit rationing suffered by the average exporting firm. Matching the firm-level information with data on banks' branch and subsidiary networks in the countries, we obtain that banks insulated global chain participants from the credit crunch, not only accounting for the beneficial effects of global chain participation, but also to minimize negative spillovers on their own foreign activities.

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