

# **Supply Shocks in Supply Chains: Evidence from the Early Lockdown in China**

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## *Abstract :*

How do firms in global value chains react to input shortages? We examine micro-level adjustments to supply chain shocks, building on the COVID-19 pandemic as a case study. French firms sourcing inputs from China just before the early lockdown in the country experienced a drop in imports between February and April 2020 that is 7% larger than firms sourcing their inputs from elsewhere. This shock on input purchases transmits to the rest of the supply chain through exposed firms' exports. Between February and April, firms exposed to the Chinese early lockdown experienced a 5% drop in exports, in relative terms. The drop in firm-level exports is driven by a reduction in the number of markets served. Whereas the ex-ante geographic diversification of inputs does not mitigate the impact of the shock, inventory management strategies help firms weathering such adverse supply shock.