

Trade Disruptions and Global Banking

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Abstract

Does global banking alleviate or exacerbate the transmission of major disruptions in global trade? Using novel data linking regional banking markets with import flows to Brazil, we document that the presence of global banks at the municipal level is associated with a weakened transmission of trade disruptions to imports.

For identification, we exploit municipalities' exposure to pandemic-related lockdowns in their trade partners abroad, controlling for local imports demand. The supply-driven and robust results suggest that global banks compensate for the effect of lockdowns by providing wider access to US dollar funding. This evidence highlights a strong link between global banking and the resilience of real-sector integration.