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Ines Buono, Sara Formai

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# The heterogeneous response of domestic sales and exports to bank credit shocks*

Ines Buono[†] and Sara Formai[‡]

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**Abstract**

This paper analyzes how bank credit affects foreign and domestic sales. We use Italian matched bank-firm data and exploit bank mergers and acquisitions as a novel instrument to establish a causal link. We find that shocks to the supply of bank credit induce exporters to decrease their export flows, without affecting their domestic sales. On the other hand, non-exporters react by reducing their domestic sales. We argue that these differences are not driven by the kind of flow, but by the kind of firm: exporters and non-exporters differ in how they can react when facing credit constraints.

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[†]Corresponding author: ines.buono@bancaditalia.it Bank of Italy, Directorate General for Economics, Statistics and Research.

[‡]sara.formai@bancaditalia.it Bank of Italy, Directorate General for Economics, Statistics and Research.