Comments on

Foreign Currency Debt and Network Externalities: Matched Credit and Firm-to-Firm Registers’ Evidence during a Foreign Exchange Rate Shock

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6th BdF-BoE International Macroeconomics Workshop Micro and Macro in International Finance

December 3 2020

*The views are those of the author and do not necessarily represent the views of the IMF, its Executive Board or IMF management.
Main contributions

• Very detailed dataset

• Analysis of the effects of currency mismatches in a network framework
  → Spillovers of negative effects through financial linkages and supply chains
Comment # 1: Dollar/Euro Mismatches?

\[ \text{NOP}_{f,t-1} = \frac{\text{FX Debt}_{f,t-1} - X_{f,t-1}}{\text{Assets}_{f,t-1}} \]

• What if debt and revenues are both in FX, but in different FXs?
• Turkey’s X invoicing in 2017: 40% USD, 48% EUR, 9% TRY [Boz et al. 2020]
  → Currency of loans? (USD and EUR shares sizable)
• Underestimating mismatches may affect some results (e.g., interest rates) [Casas et al. 2020]
ERs are correlated, but there is room for large mismatches
Comment # 2: The Demand Side of the Story

• Sorting: are firms randomly “assigned” to banks? Or are they selecting certain banks by features unaccounted for?

• Correlation between bank exposure and exporting clients suggests this could be an issue
  → Bank-level FE's?

• Issuing of new loans/termination of credit relationships: may be a firm’s choice!