

ANSWER TO REVIEWER 1

Dear reviewer,

Many thanks for offering us the opportunity to revise our manuscript and for your insightful comments and suggestions. Following them we have incorporated several changes, so please, find below the answer to your comments.

- The introduction is too large (9 pages). I suggest that the authors remove the entire graphic discussion from the introduction (rewriting it) and include that discussion in a new section.

ANSWER: We have divided the former introduction finally into three parts. The first one is the introduction (pages 2-5), where we have motivated the paper and analysed the literature. The second part is called “The Spanish Case” (pages 5-10), and, as suggested, we have included the graphic discussion in here in order to explain why Spain is the proper case study for our research questions. Finally, section 3 is titled “Database and descriptives” (pages 10-13), where we have included all discussions regarding the database. In here, we have explained our database and we have included the descriptives in order to better motivate our selection of the Spanish case.

- Page 2, line 1 "exporting helps to mitigate" instead of "exporting helps mitigate".

ANSWER: Changed to “exporting helps to mitigate”. This sentence is still in page 2, line 1.

- On page 6, you point out that financial constraints have a negative effect on several aspects but you cite only two papers. You can include additional references of their impact on trade or in other aspects like foreign direct investment (see, for example, Gil-Pareja et al., 2013 or Buch et al, 2014).

ANSWER: Introduced in section 1 (page 3 paragraph 4): “[...] For instance, financial constraints have been shown to be critical when engaging in FDI (Gil-Pareja et al., 2013; Buch et al., 2014). [...]”

- Page 8, line 2 "this share was still so high" instead of "this share was still that high"

ANSWER: It has been changed to “so”. Now it is on page 12, paragraph 4, second line.

- Section 3 has two headings. I suggest removing these headings and slightly rewriting the text to differentiate the two parts.

ANSWER: The two headings were removed from Section 4 (now the former section 3 is section 4) and we have rewritten it to differentiate the two parts. Section 4 is on pages 14 – 26 (including results tables).

- I would take the results from Table 5 into an Appendix. On page 16, you comment the results of Table 4, after the discussion of Table 5.

ANSWER: We have moved the former Table 5 to an Appendix. The table is now called “Table A2” and it can be found on page 32. The results of this table are commented in the main text (on page 17).

- The second sentence in the second paragraph of page 15 should be rewritten.

ANSWER: It has been changed to: “According to the results in Table A2 in the Appendix (column 1: original annual data) from estimation of this auxiliary equation, the *Probit* model of firms’

survival *versus* death, we see that for SMEs, exporting, being more productive or introducing innovations (mainly process innovations but also product) increase their likelihood of survival". Now this sentence is on page 17 at the beginning of the second paragraph.

- Page 15, second paragraph, line 5, the conjunction "or" is not in the right place.

ANSWER: After checking it carefully, we consider that the conjunction "or" is in the right place as it is part of an enumeration. We wanted to say that SMEs that: 1. Suffer more financial restrictions; 2. Face a more recessive market situation; 3. Pay higher wages per worker; 4. Have a higher share of temporary workers; and 5. Suffer a greater increase in their prices of their intermediate inputs; reduce their chances of survival. Thus, to connect the enumeration we say: "SMEs that suffer more financial restrictions, face a more recessive market situation, pay higher wages per worker, have a higher share of temporary workers, or suffer a greater increase in the prices of their intermediate inputs, reduce their chances of survival", where the conjunction "or" connects the last item of the enumeration. This sentence is on page 17, paragraph 2, line 4.

- You should use the same format for all the references in the list.

ANSWER: The references have been rewritten using the same format for all. The references are now on pages 28 – 31.

- Finally, some references in the list are incomplete (Bentolila et al., (2009), Máñez-Castillejo et al., (2020) and Taylor et al. (2011)).

ANSWER: We have completed the references:

Bentolila et al., (2009) was updated to the definitive published paper: "Bentolila, S., Cahuc, P., Dolado, J. J., & Le Barbanchon, T. (2012). Two-Tier Labour Markets in the Great Recession: France Versus Spain. *The Economic Journal*, 122(562), 155-187."

Taylor et al., (2011) was also updated with the complete information to "Taylor, J., Basu, B., & McLean, S. (2011). Net exports and the avoidance of high unemployment during reconversion, 1945–1947. *The Journal of Economic History*, 71(2), 444-454".

Máñez-Castillejo et al., (2020) is an accepted paper but it has not been assigned yet to a volume and issue. For that reason, we have included the doi in the reference: "Máñez, J. A., Rochina Barrachina, M. E., & Sanchis, J. A. (2020). The effects of export and R&D strategies on firm's markups in downturns: The Spanish case. *Journal of Small Business Management*. <https://doi.org/10.1080/00472778.2020.1725847>".

Once again, thank you for your very helpful comments. We hope that with the changes made according to your suggestions, the paper has improved.

Yours sincerely,

The authors.