

**Abstract:**

The paper investigates whether supply chain networks are an important channel for the propagation of monetary policy shocks in the Euro-area. A simple production model with intermediate inputs, which translates into a spatial autoregressive model guides the empirical strategy of the paper. First, employing an event-study approach around ECB Monetary Policy Announcement dates and a detailed data on input-output relations between European industries, the paper shows that between 30% and 40% of the overall stock market reaction is due to indirect network effects. Second, the paper explores the implications of the structure of the network for the transmission of monetary policy. Peripheral industries and industries located closer to the end-customer are most sensitive to negative shocks, whereas central industries are most influential and serve as an amplification mechanism for the transmission of shocks.