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Headline: The Many Channels Of Firms' Adjustments To Energy Shocks: Evidence From France

Article Link: https://cepr.org/voxeu/columns/many-channels-firms-adjustments-energy-shocks-evidence-france

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Publication	Center for Economic and Policy Research
Publication Date	July 26, 2023

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Summary: The energy price shock also generates a fall in production and employment: a 10% increase in electricity price translates into a 1.6% fall in production and a 1.5% fall in employment. Energy efficiency increases at the firm level. Profits fall but modestly or only for the most gas-intensive firms. However, these negative impacts wane over time. Our interpretation is that during 1995–2019, firms adapted their technology and production processes to higher energy prices and a selection process eliminated those not able to adjust. All in all, these results suggest that firms are able to adjust and adapt strongly to energy shocks but that the competitiveness impact is significant.

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