

## In light of the current energy situation, in September 2023 industrial enterprises reported that they had responded by squeezing their margins rather than increasing their prices

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In September 2023, as in March and June of this year, the INSEE business tendency surveys questioned industrial enterprises about their response to the current energy situation. Business were asked whether, in light of the cost increases induced by rising energy bills, in the previous three months they had been inclined to raise prices, reduce their margins, dip into their cash reserves and/or reduce or halt their activities. Respondents were also able to indicate whether they had plans to adapt their production methods, make specific investments, introduce other new measures, change contracts or suppliers, or continue as before.

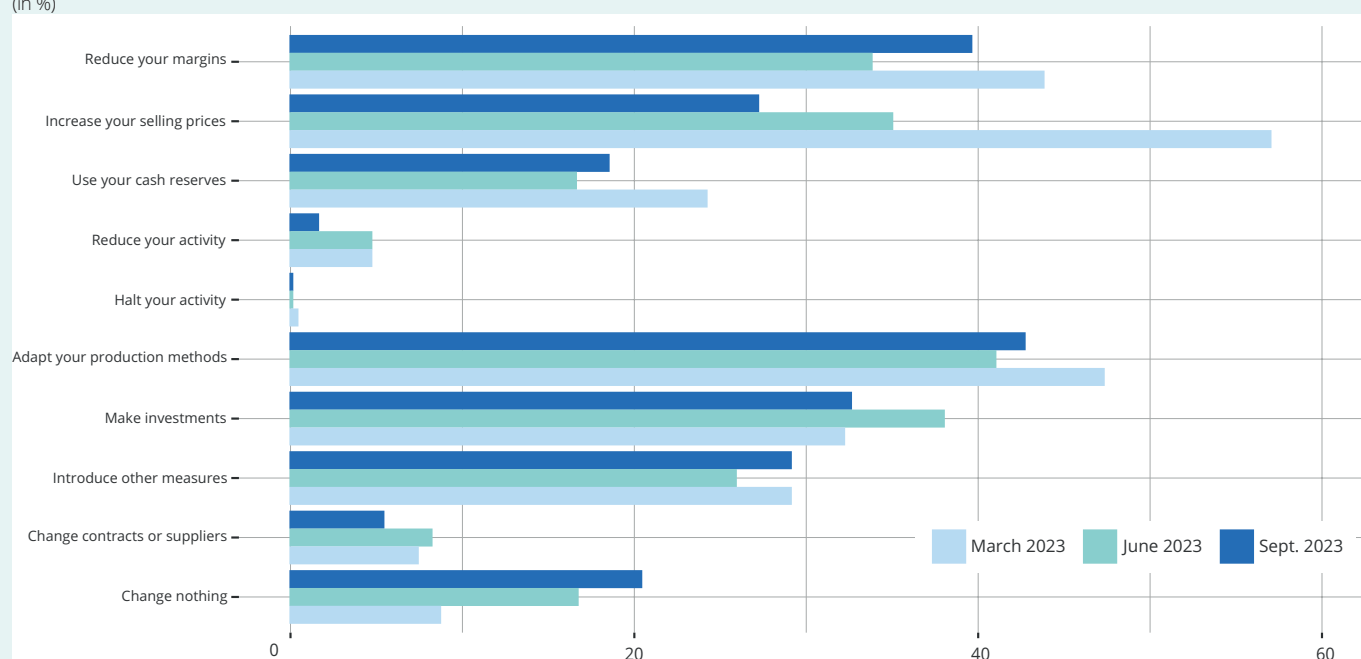
After a period of easing in the energy market in the spring, albeit in an atmosphere affected by greater tension on oil prices, more than a third (40%) of industrial enterprises surveyed in the business tendency surveys in September reported that they had reduced their margins in response to the energy situation (► [Figure 1](#)), slightly fewer than in March (44%), but more so than in June (34%). Shrinking margins were frequently reported in September by two particularly energy-intensive sub-sectors of industry, namely metallurgy (50%) and wood, paper and printing (47%) (► [Figure 2](#)). Compared with the figures for June, it is in the textile and pharmaceutical industries that the proportion has seen the greatest increase.

Furthermore, in the most energy-intensive sectors of activity, far fewer businesses in September than in March declared that they had reduced their activity levels (3% in metallurgy and 5% in the chemical sector, for example, compared with 16% and 13% respectively in March).

Finally, while in March 57% of respondents reported that they had increased their sale prices over the past three months as a result of the energy situation, only 27% of industrial enterprises reported price increases in September. This decrease was observed in all sub-sectors of industry. Nonetheless, price rises were still more frequently reported in the agrifood, textile and chemical sectors (38%, 33% and 33% respectively). This appears to be a continuation of the trend observed in Q2 2023, when production prices subsided in the manufacturing industry.

### ► 1. Responses of industrial enterprises in the current energy context, regarding the last three months

(in %)



**Note:** Data as at 27 September 2023. Proportions are calculated by weighting companies' responses by their turnover.

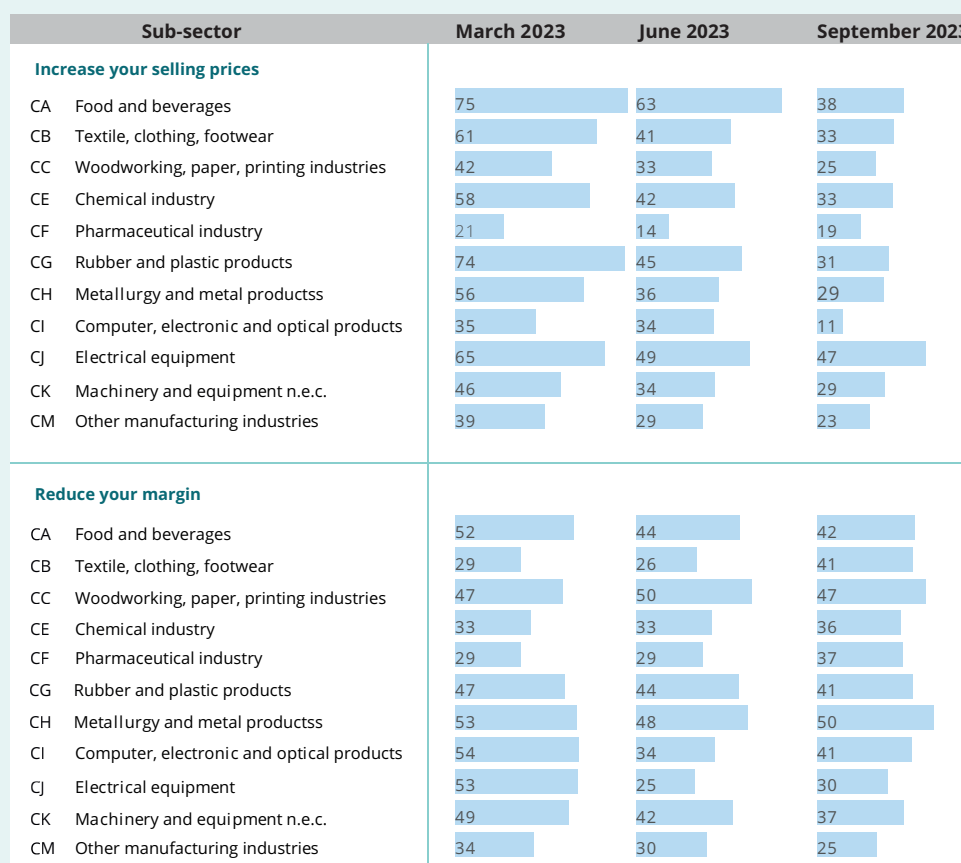
**Source:** industry business survey, INSEE.

# Economic outlook

The risks weighing upon demand, as well as the relative easing of the commodity markets, could account for this lessened appetite for price rises. At the same time, businesses might continue to express a readiness to reduce their margins since these margins currently stand at a relatively high level: since Q3 2022 the margin rate in the manufacturing industry, for example, has remained at least 2 points above its 2018 average. The presence of upward pressure on wages may also prompt companies to adopt a degree of moderation with regard to their margins. ●

## ► 2. Proportion of companies declaring, given the current energy situation, an intention to increase prices or reduce margins, by industrial sub-sector

(in %)



**Note:** Data as at 27 September 2023. Proportions are calculated by weighting companies' responses by their turnover.

**Scope:** manufacturing industry excluding coking and refining.

**Source:** industrial Business Survey, INSEE.