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Competition in the Australian economy: too little of a good thing

Speakers:

Caron Beaton-Wells, Professor, *Melbourne Law School*

Stephen King, Commissioner, *Productivity Commission*

Jim Minifie, Productivity Growth Director, *Grattan Institute*



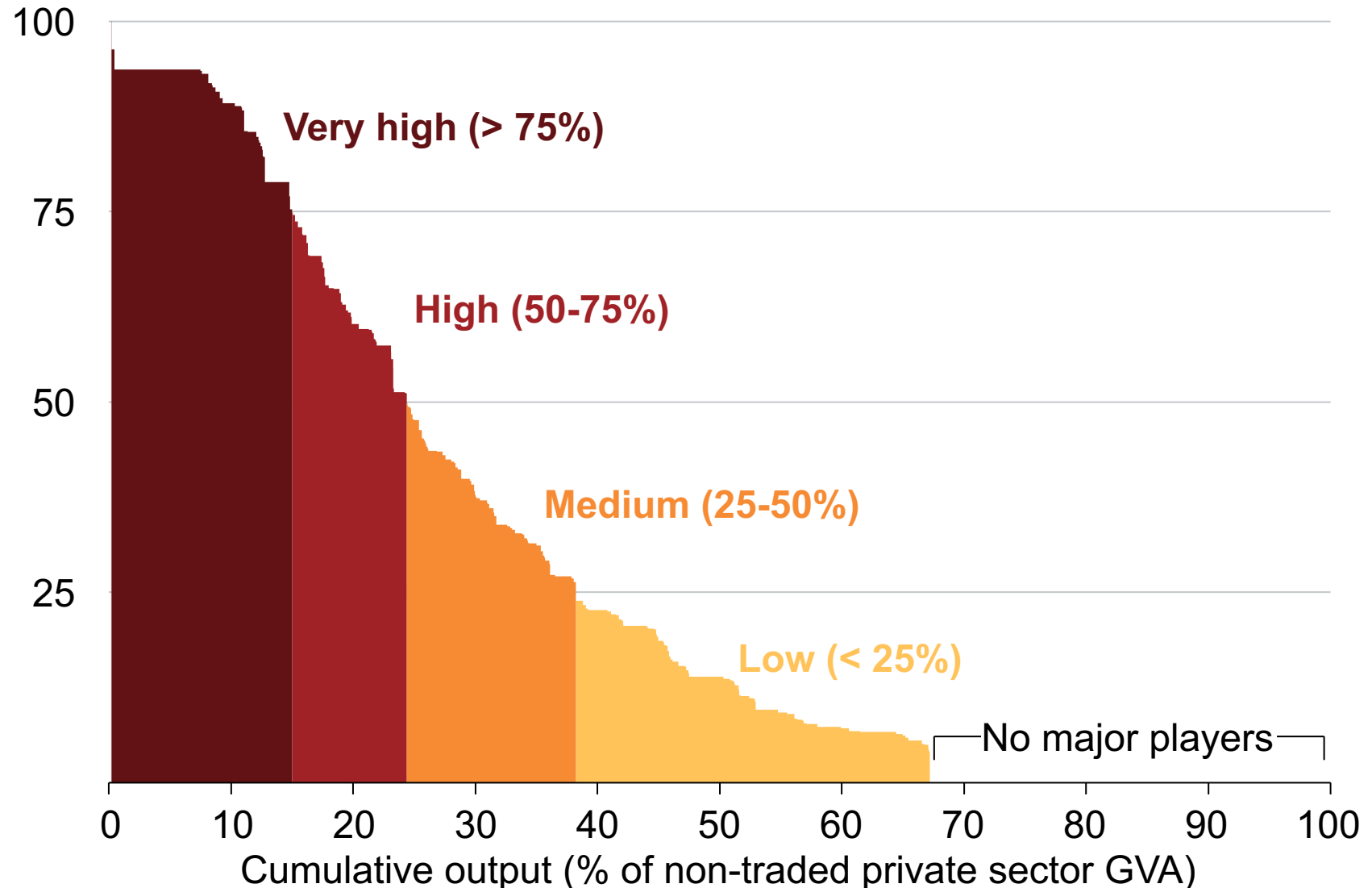
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#PolicyPitch

About a third of Australia's non-traded sectors are highly concentrated

Four-firm industry market share by value added, percentage, 2015-16

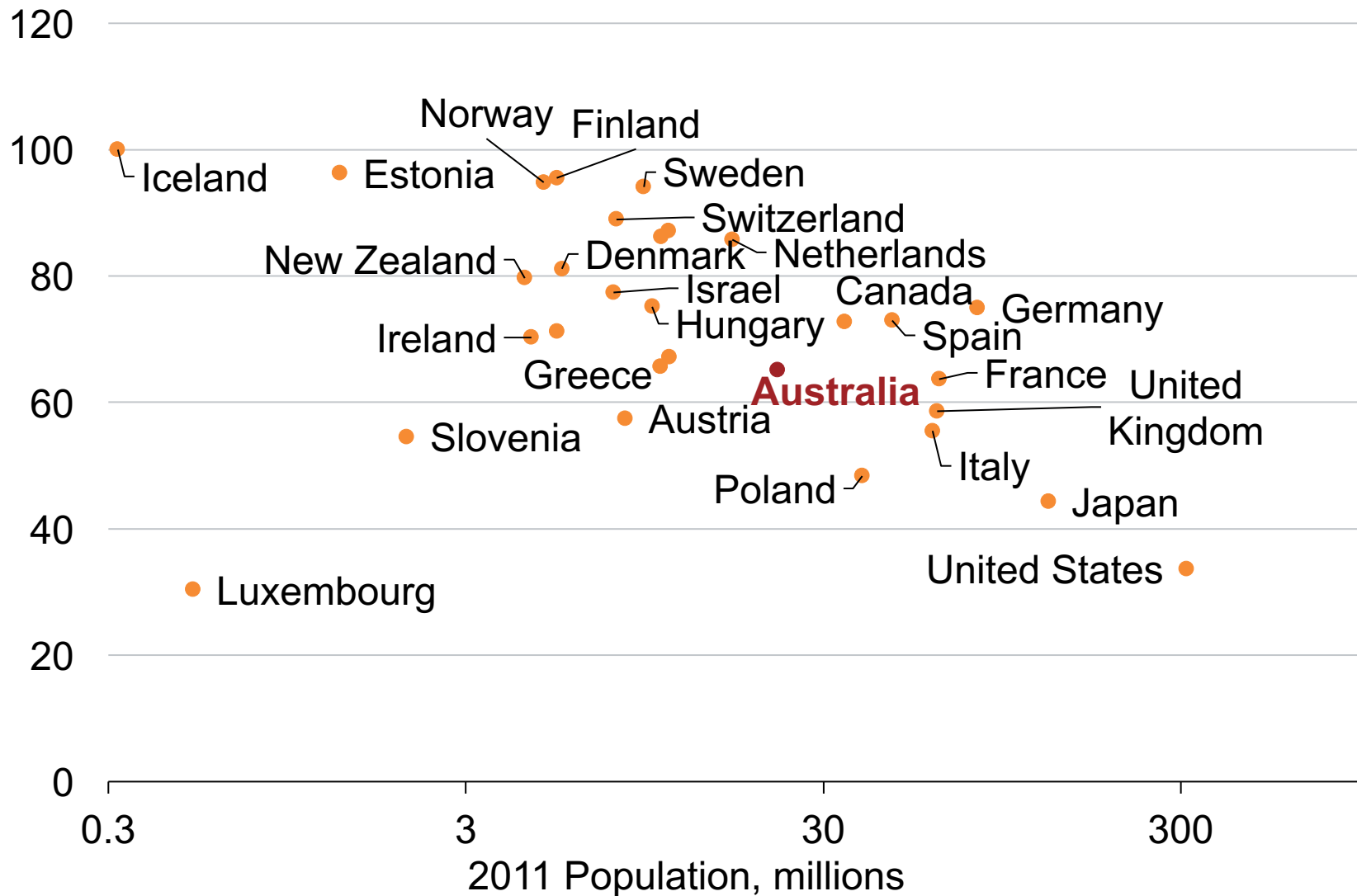


Notes: Market shares defined according to ANZSIC industry class (4-digit)

Source: Grattan analysis of IBISWorld (2017) and ABS (2016)

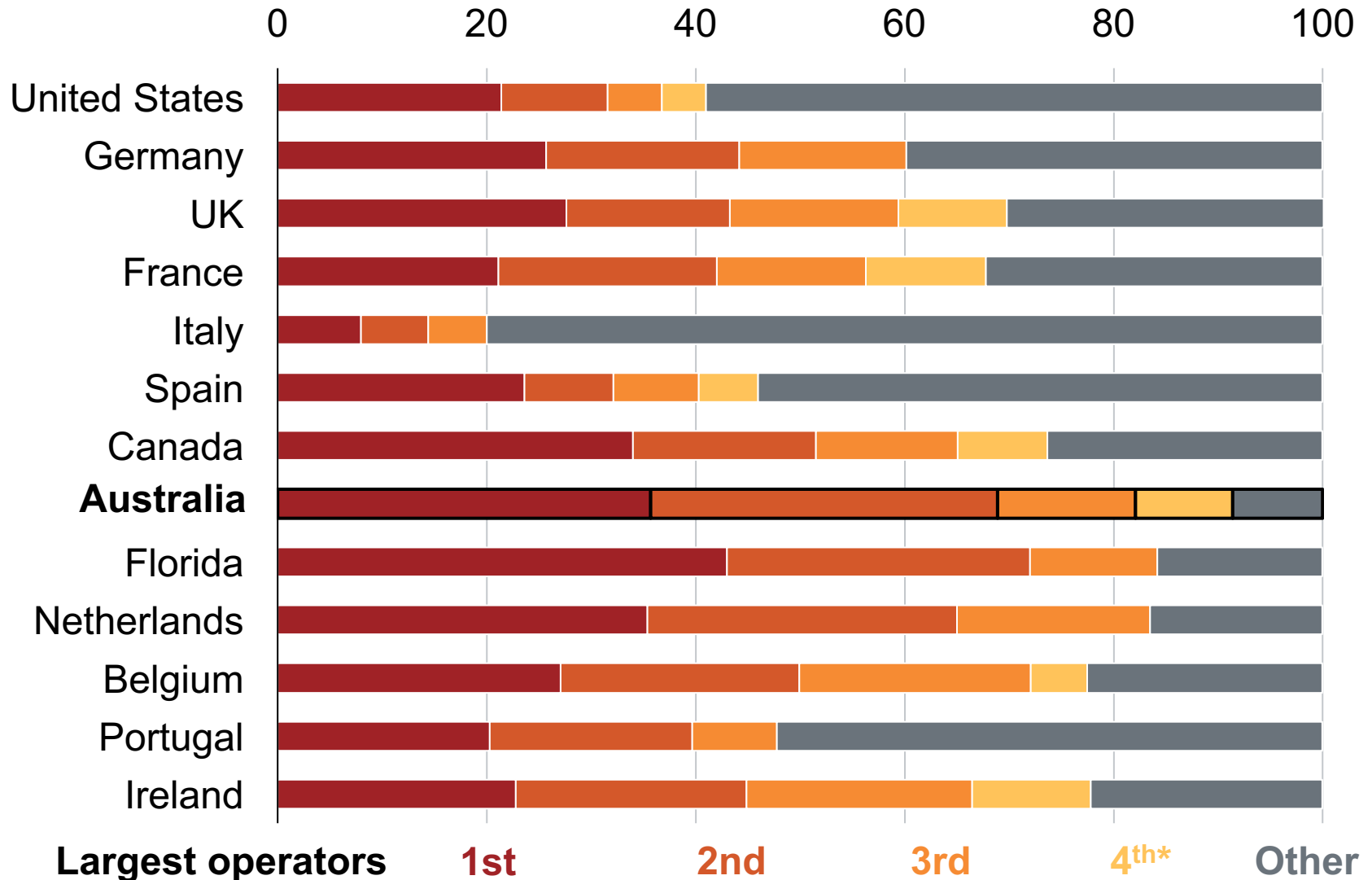
Australian banking concentration is not unusual

Three-firm bank concentration (average 2007-2011) and population (log scale)



Australian supermarket concentration is relatively high

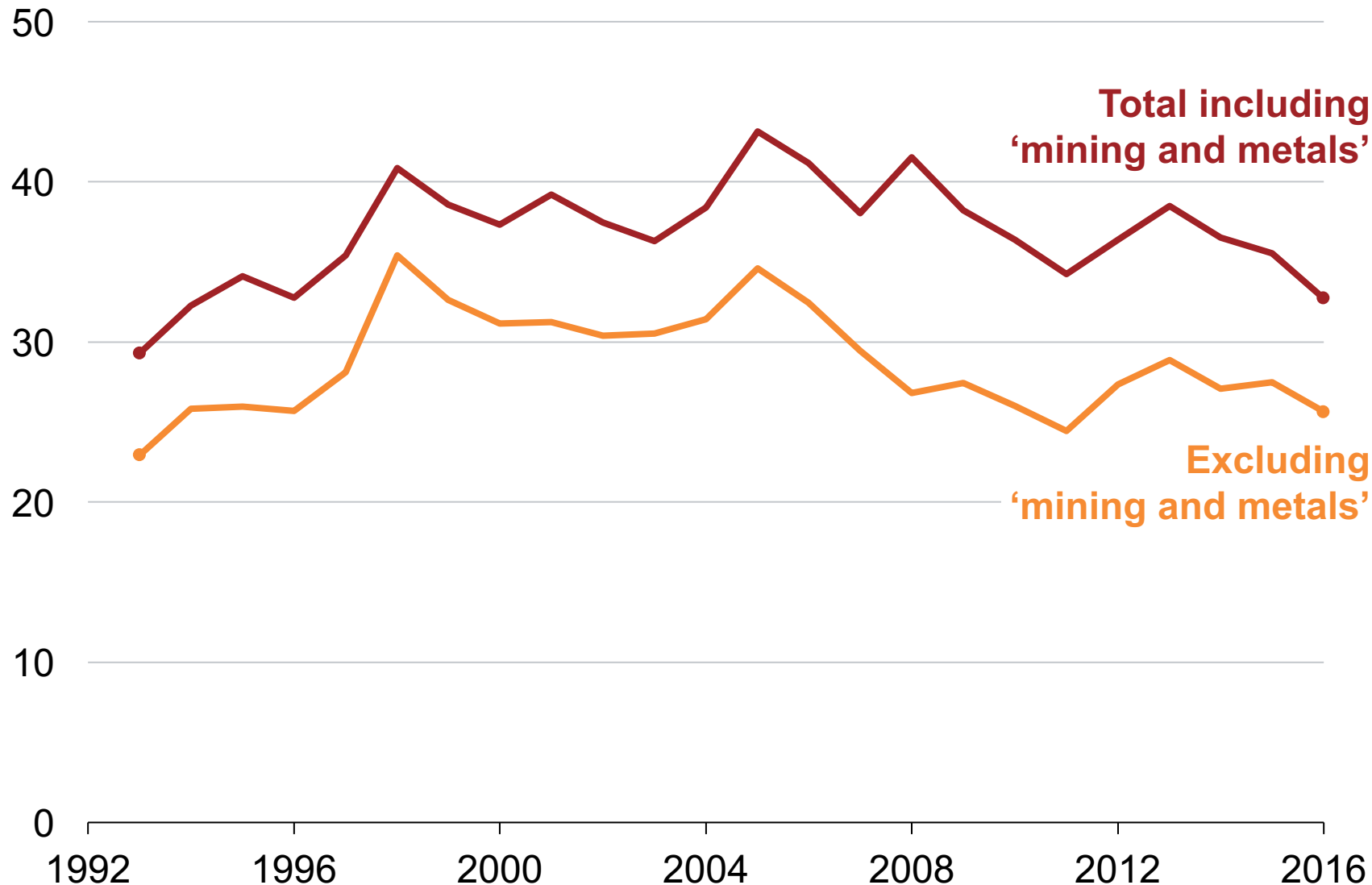
Largest four-firm supermarket market share, sorted by population



Source: Statista (2017), websites

Large firms have not grown faster than GDP

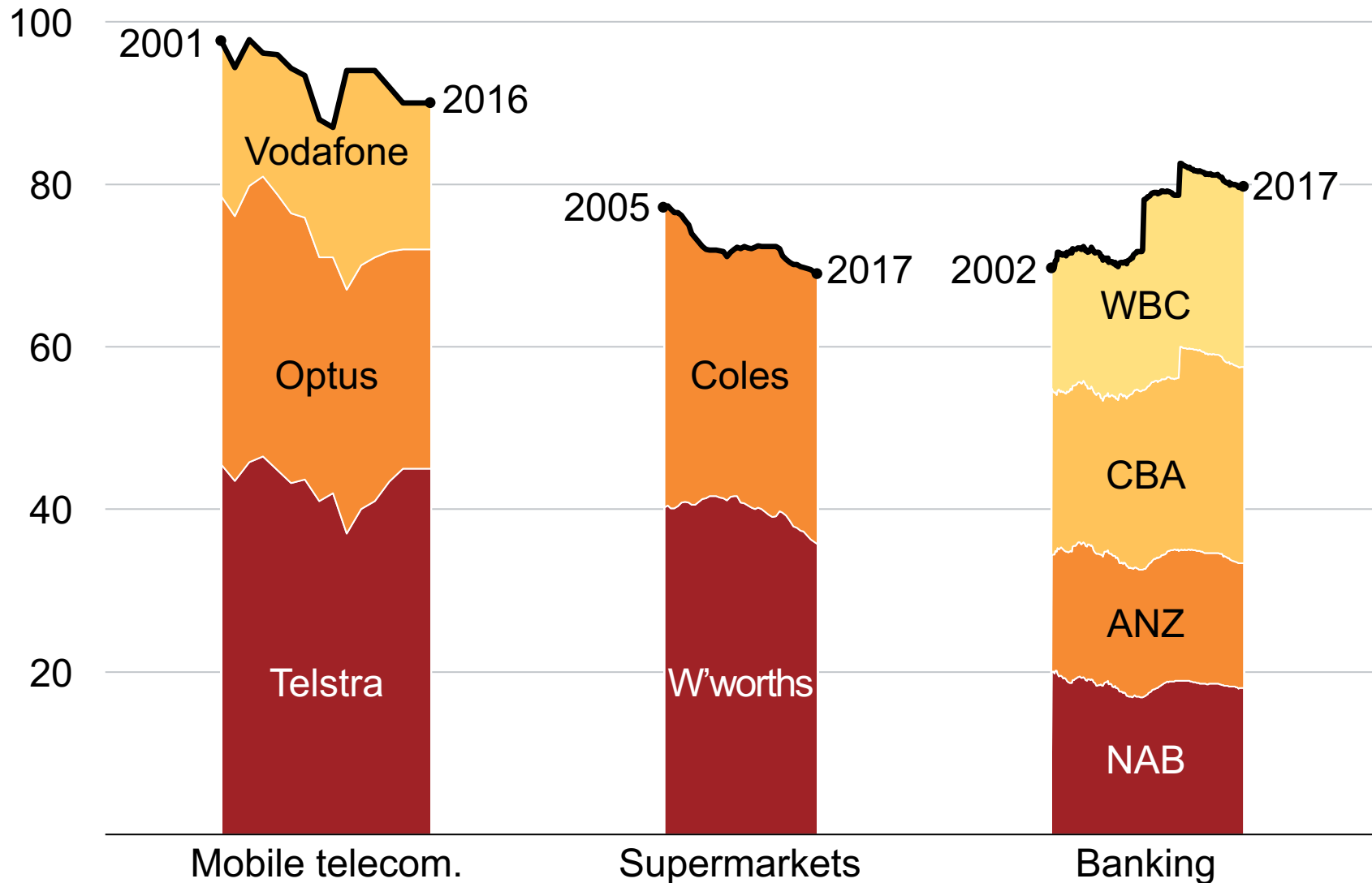
Revenue of top 50 Australian publicly listed firms as percentage of GDP



Source: Grattan analysis of Morningstar (2017) and ABS (2016)

Some larger sectors are becoming less concentrated

Market share, percentage

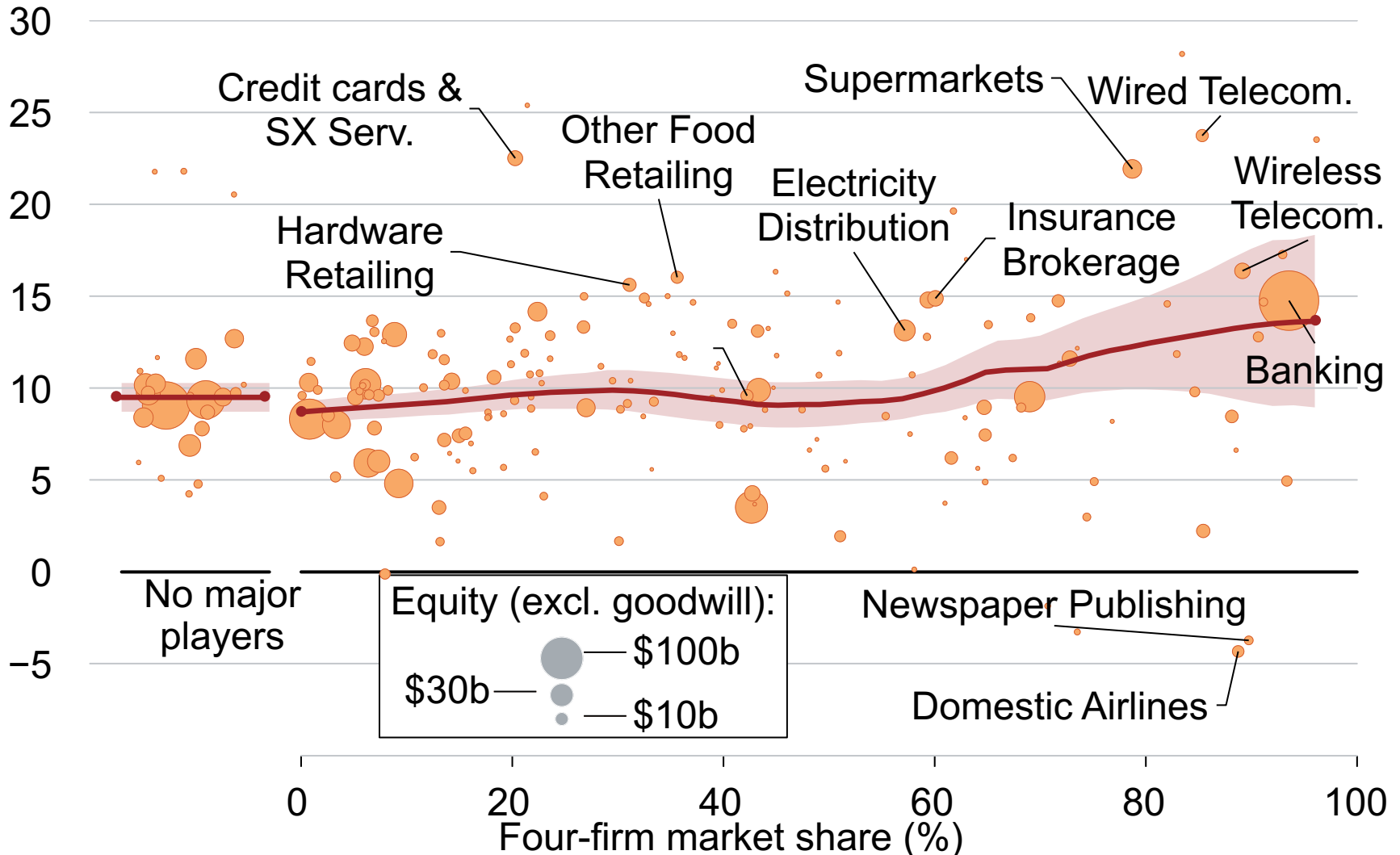


Notes: Mobile telecom: total mobile phone subscriptions. Supermarkets: revenue. Banking: gross loans and advances

Source: Grattan analysis of ACCC (2016), Roy Morgan (2017) and APRA (2017)

Concentrated sectors have slightly higher returns on average

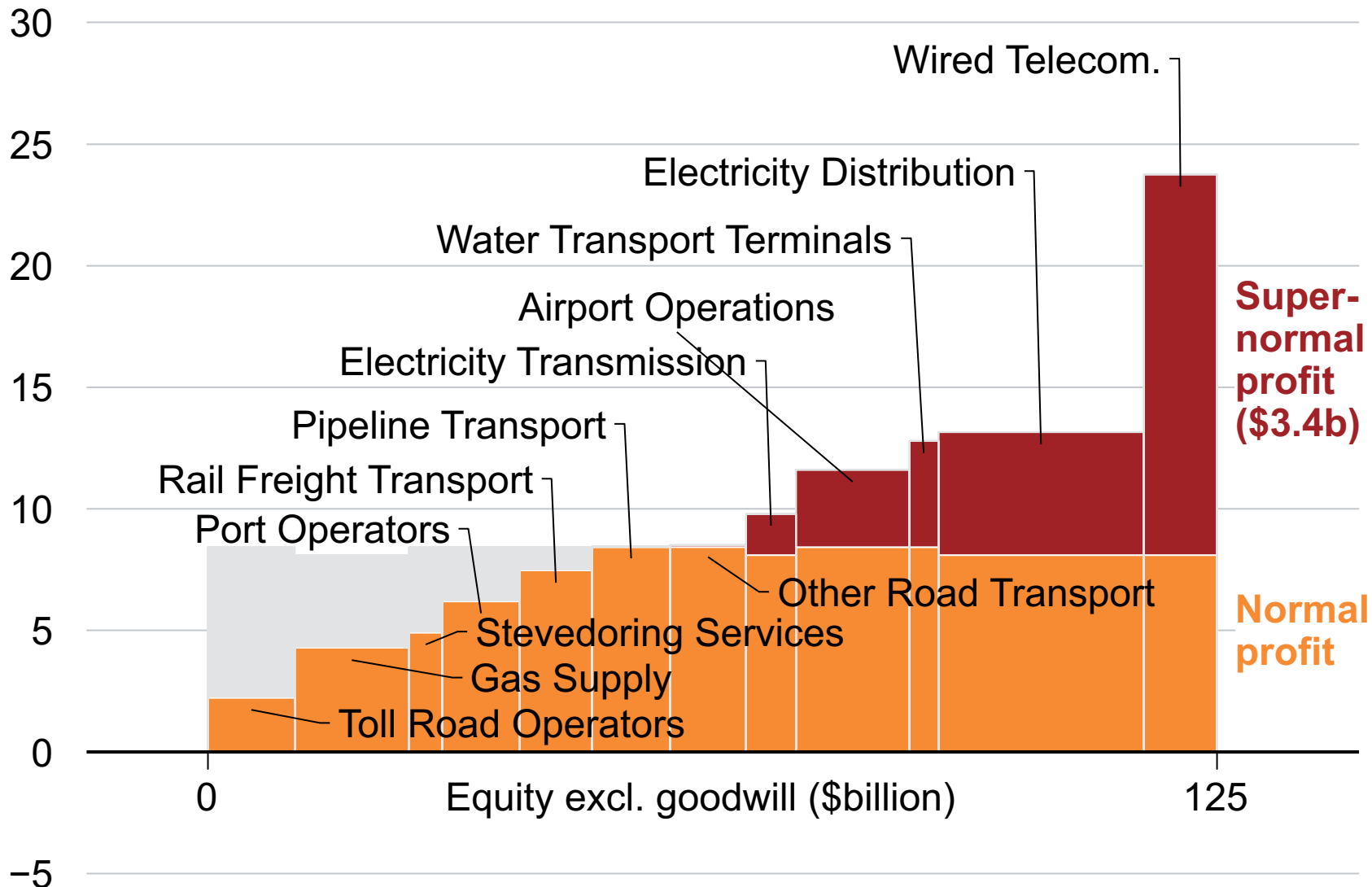
Average return on equity (excl. goodwill) by industry, 2010-11 to 2015-16, percentage



Notes: includes industries with value added greater than \$1b, excludes traded and public industries. ROE is 6-year average, excluding goodwill. Source: Grattan analysis of IBISWorld and Morningstar data

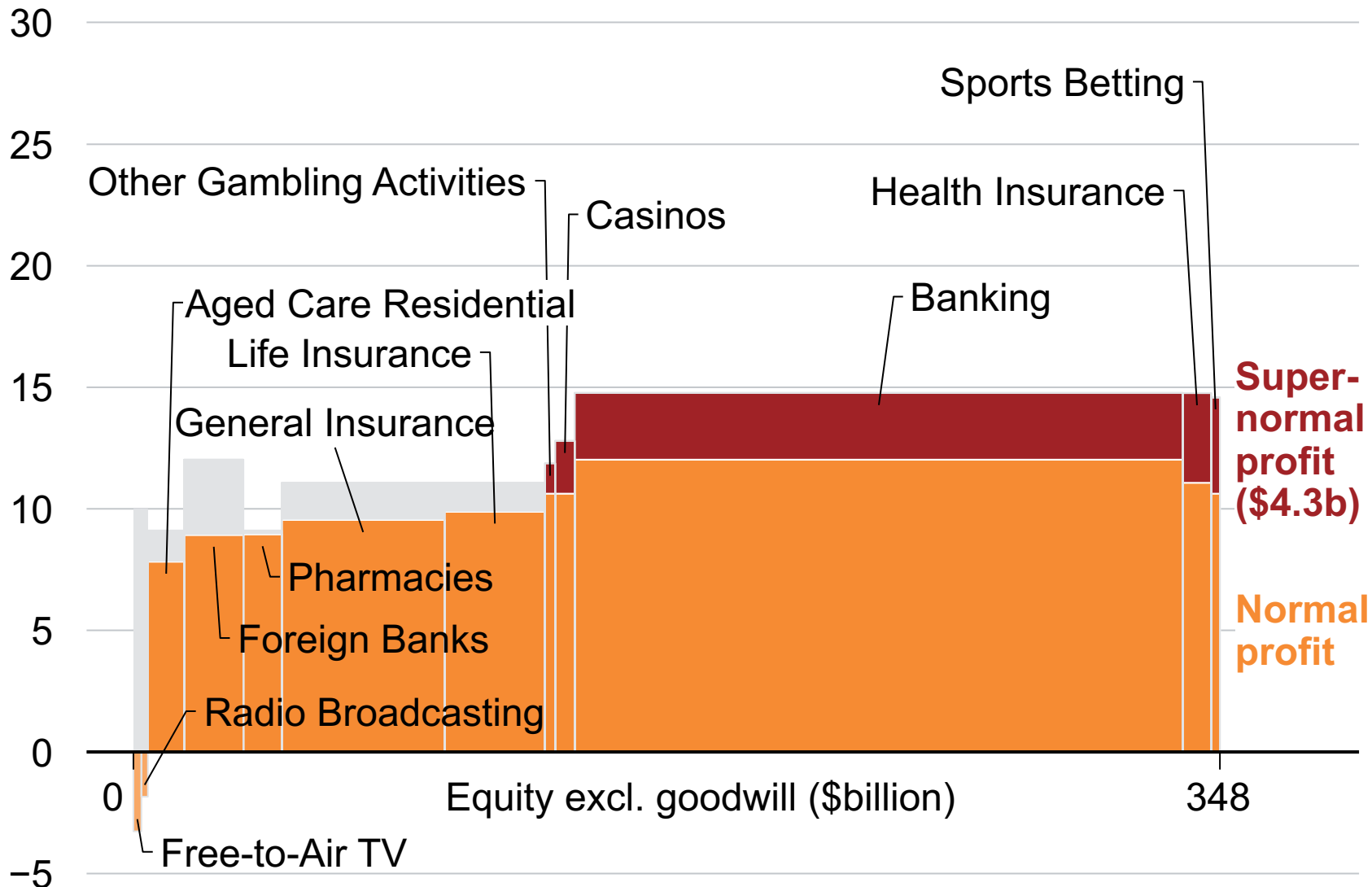
Natural monopoly sectors

Return on equity (excl. goodwill) in natural monopoly industries, percentage



Highly regulated industries

Return on equity (excl. goodwill) in heavily regulated industries, percentage



Source: Grattan analysis of IBISWorld and Morningstar data. ROE is 6-year average, excluding goodwill

Sectors with economies of scale & network effects

Return on equity (excl. goodwill) in industries with network effects, percentage

