

The State of Competition in New Zealand

At a glance

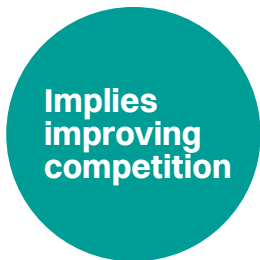


Our very first State of Competition in New Zealand report reflects our commitment to being a long-term, intelligence-led organisation focused on enhancing competition and improving choice and value for New Zealanders.

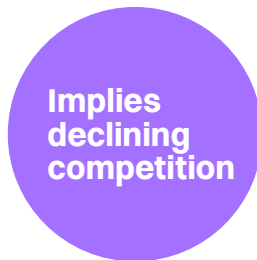
This is a research report providing an evidence-based assessment of how competition is working across the economy in more than 400 industries over 22 years (2001-23).

Our key findings: the competition picture is mixed

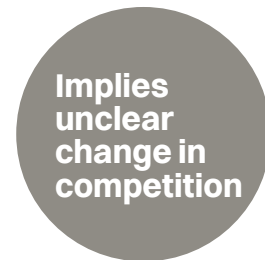
Industry concentration
DECLINING SLIGHTLY



Business Dynamism
DECLINING



Performance
MIXED



- Smaller and newer businesses appear to be finding it harder to gain traction and grow, while incumbent firms often retain their market position.
- Competition varies widely between industries. It is improving in some sectors such as rental, hiring and real estate services, as well as in parts of the wider services sector. Competition is relatively weak in electricity, gas, water and waste services, and financial and insurance services.

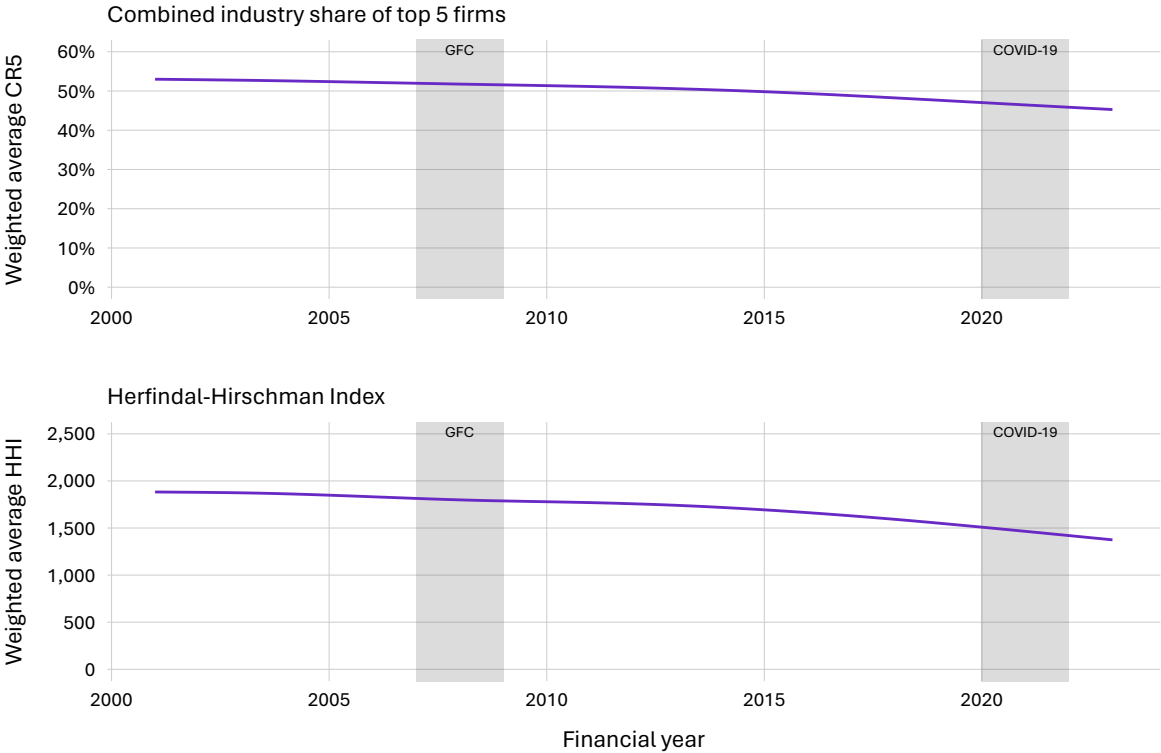
Our findings are generally consistent with international experience across developed economies and reflect broader challenges, including low-productivity growth and under-investment.

Industry concentration is declining slightly



Concentration measures the share of industry output held by the largest businesses within an industry. Declining concentration implies there is more competition.

Measures of business concentration



Our findings:

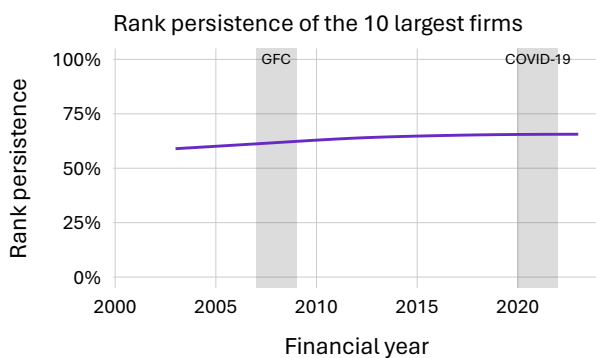
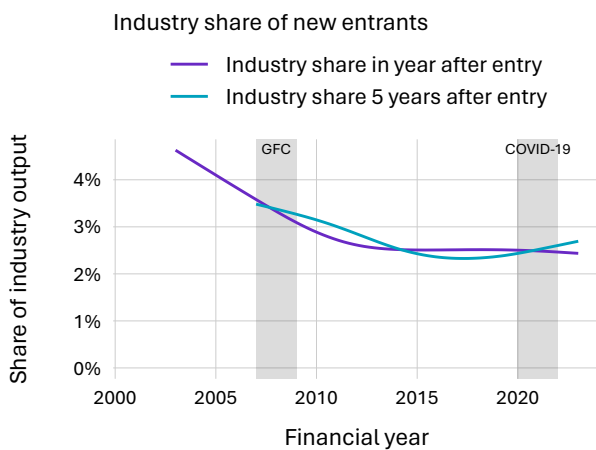
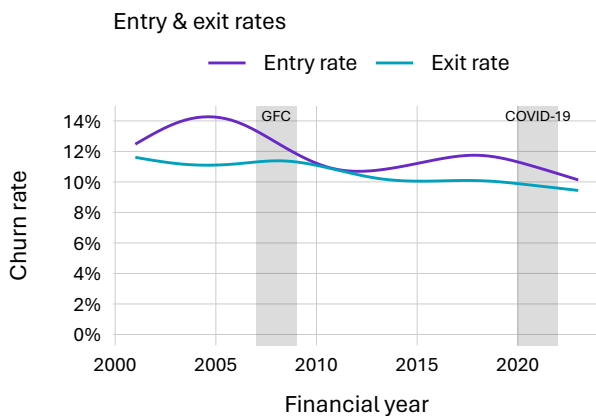
- New Zealand's economy has become slightly less concentrated over the period 2001-23.
- This trend has occurred consistently over time, including through the global financial crisis (GFC) and COVID-19 pandemic.

Business dynamism is declining slightly



Dynamism measures business entry, exit and growth within an industry, including the extent to which new or smaller businesses gain market share at the expense of large ones. Less dynamism implies weaker competition in an industry.

Measures of business concentration



Our findings:

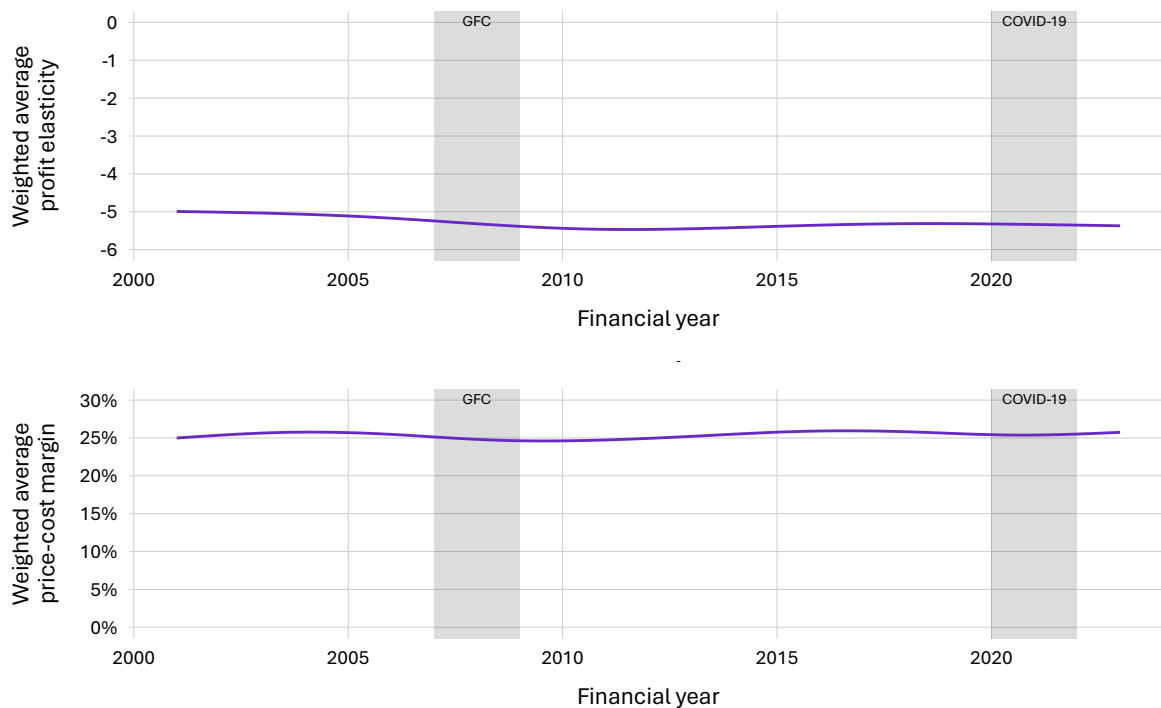
- The rates of business entry and exit have fallen materially.
- New businesses entering markets are gaining less early traction.
- Bigger older businesses are becoming more entrenched.
- This suggests market conditions are favouring larger incumbent businesses and it is becoming harder for smaller, newer businesses to displace them.

Performance is mixed

Unclear change in competition

Performance measures the markup business put on their prices over their variable costs, and what happens to their profits when these change. They indicate how competition affects consumers, whether the benefits of efficiency are passed on, and how much inefficiency (or innovation) might lead to lower/higher profits.

Performance measures

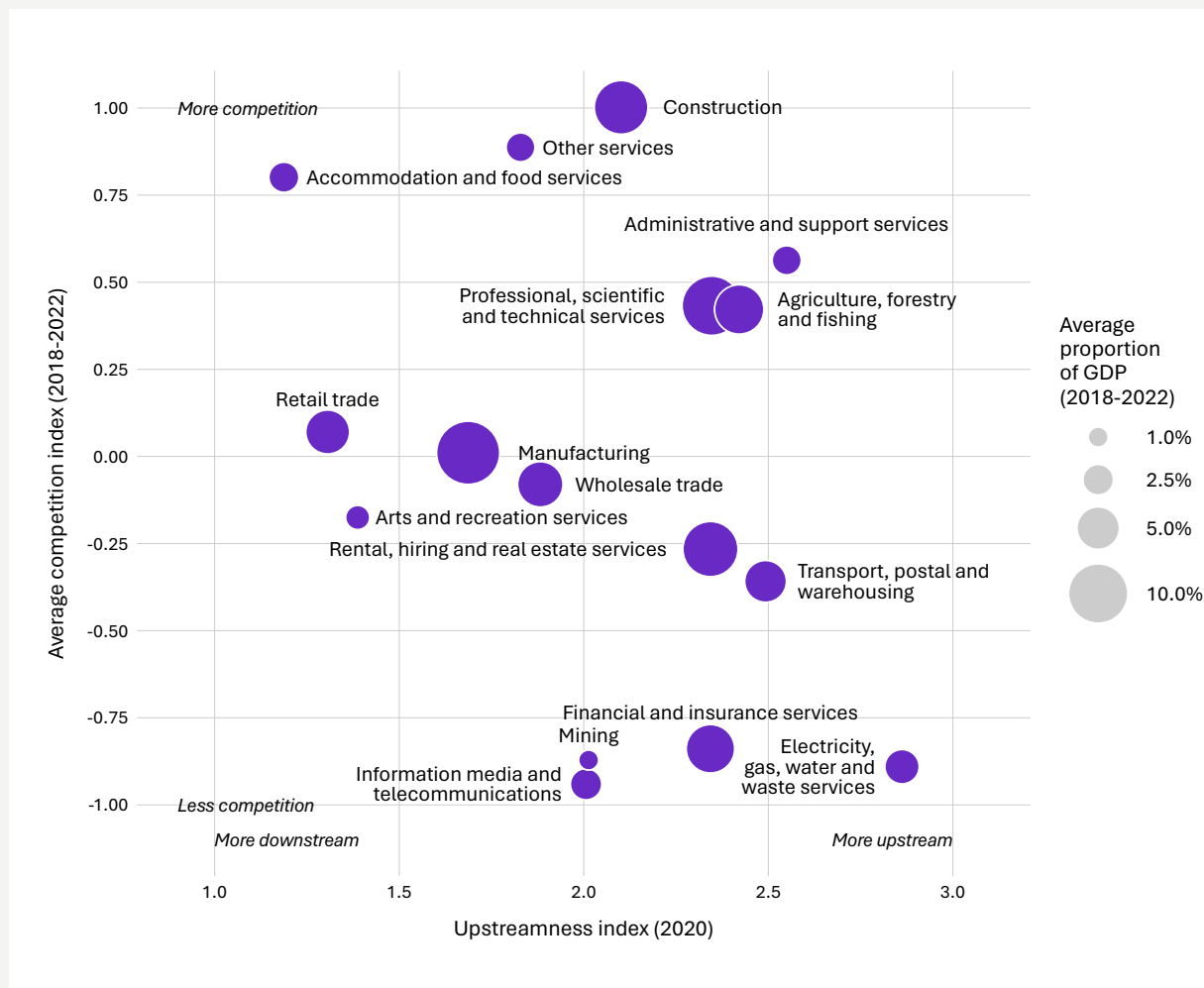


Our findings:

- Average margins have been roughly stable over the past two decades, without a clear trend.
- The overall trend from 2001-23 suggests profits have been slightly more affected by changes in costs, indicating greater competition. But the trend changed direction after the GFC.

Competition varies widely between industries

Some of the industries that face little competition are also the ones that supply essential goods or services to other industries (they are more “upstream” than others). So relatively low competition in upstream sectors can flow through and affect many parts of the economy, potentially causing greater harm to consumers. Upstream industries with weak competition include electricity, gas, water and waste services and financial and insurance services.



Our findings:

- Upstream market power matters.
- Economic structure matters. Services industries, which make up a growing proportion of the economy, generally have lower competition than primary and goods-producing industries.
- Import competition matters. Although the relationship is complex, more exposure to imports is generally associated with stronger competition.

The timescale matters for trends



Our findings:

→ Competition measures for the more recent period (2010-23) after the Global Financial Crisis show more competition trends improving than for the full period (2001-2023), particularly for concentration and business dynamism.

What next?

You can read the full report here:

www.comcom.govt.nz/about-us/research/state-of-competition-report-in-new-zealand.

We want to ensure New Zealanders benefit from fair, dynamic and competitive markets. The report is an important step in building the evidence base to support that. It:

- Establishes a baseline for future monitoring
- Helps identify where improvements may be needed, and where competition settings may need to evolve as markets change.

The data in the report suggests more work is needed to build on recent efforts to support competition across the New Zealand economy, alongside the Commission's ongoing regulatory and enforcement work.

We want to hear from you

This report is one lens on the data. We acknowledge that it has some limitations.

We're keen to hear other perspectives. Please send any feedback or comments on our report to

contact@comcom.govt.nz

