



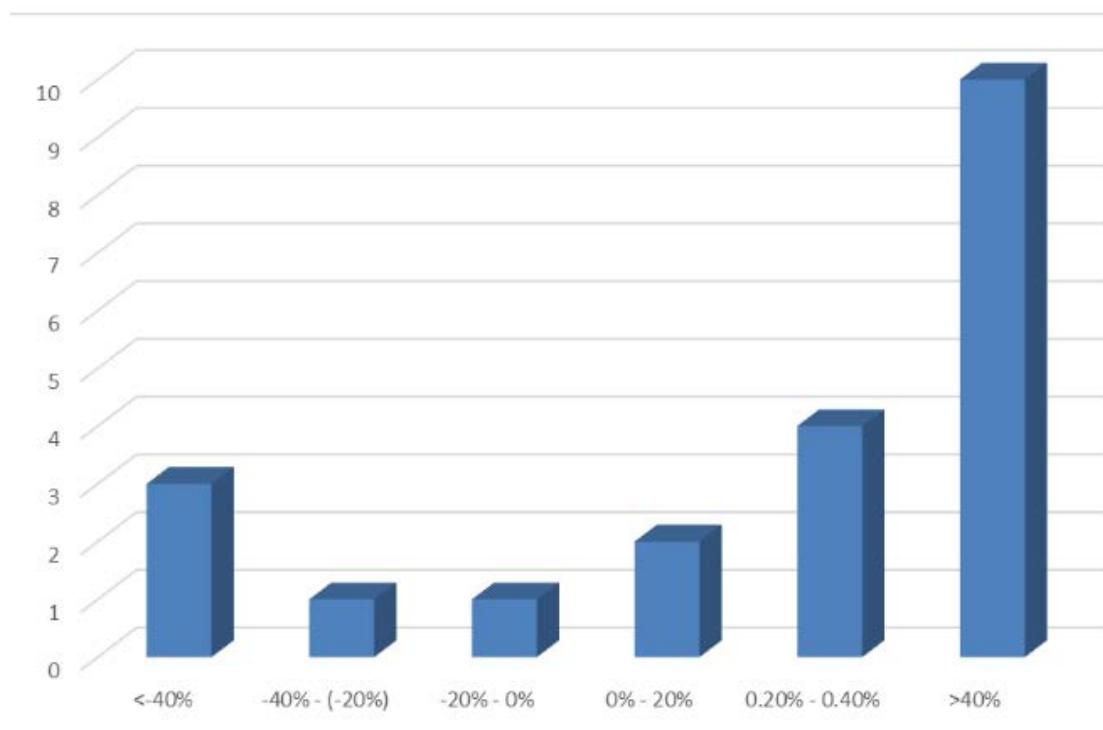
Concentration trends

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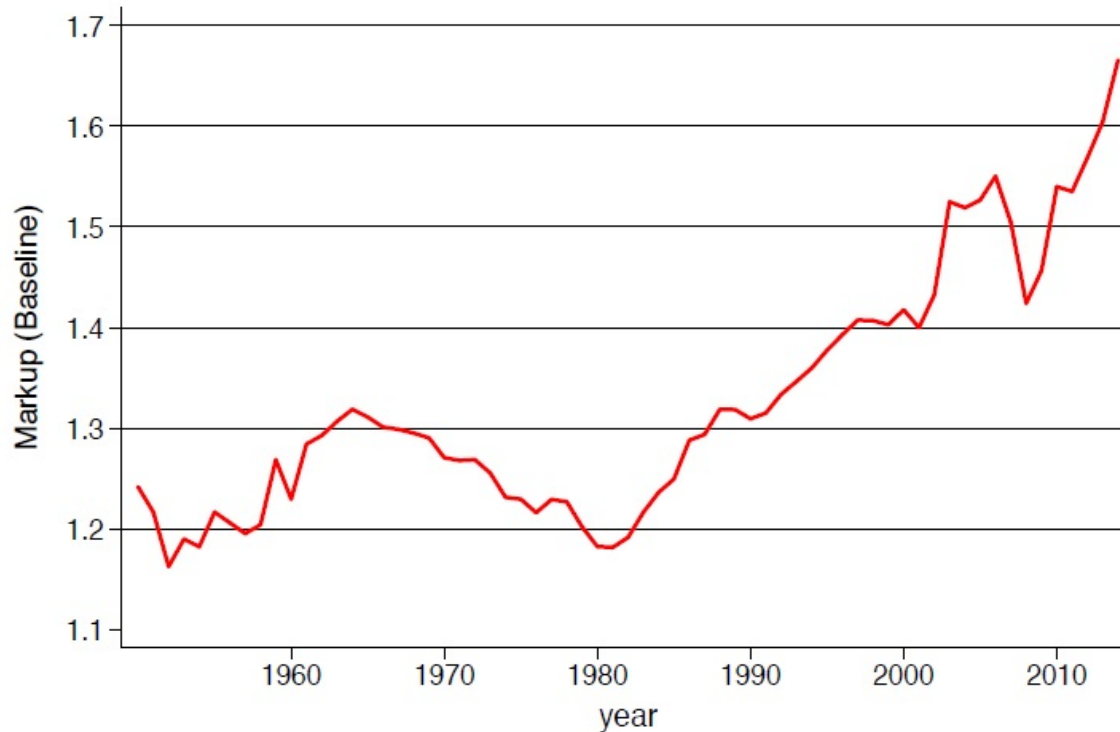
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US: Concentration is increasing (HHI)



Period: 1997-2014. Industries: NAICS 3-digit classification
See Grullon, Larkin and Michaely (2017)

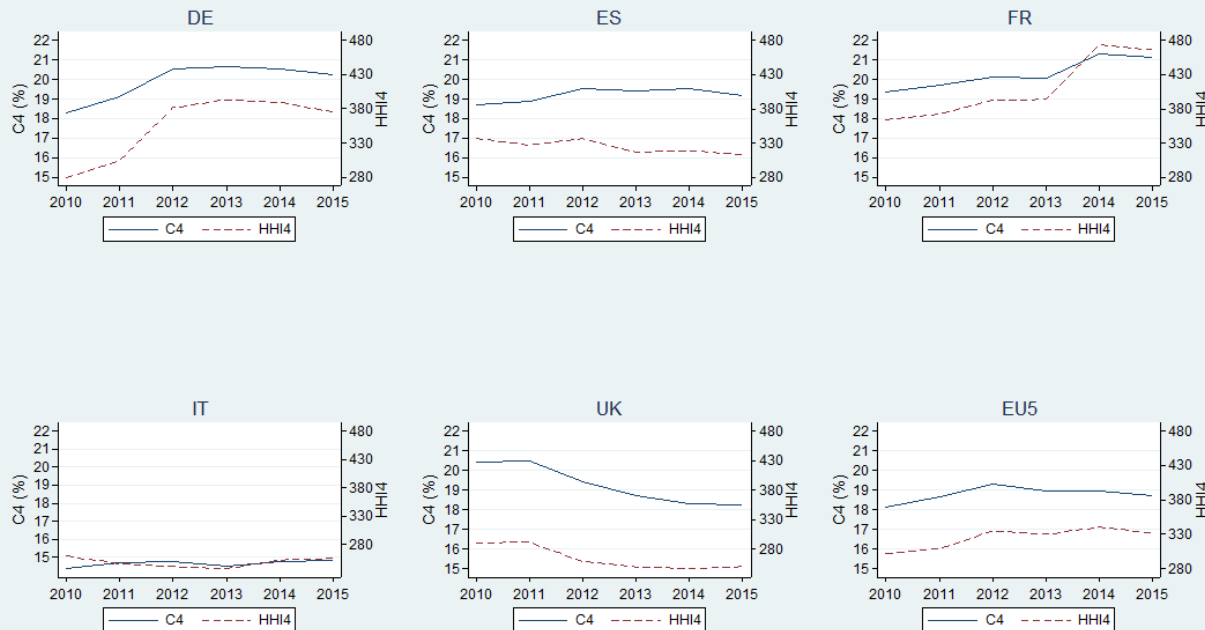
US: Economic markups have increased even more



See De Loecker & Eeckhout (2017): This increase in markups implies an increase in the economic profit margin from around 20% (1980s) to 30% (2000) to 40% (today).

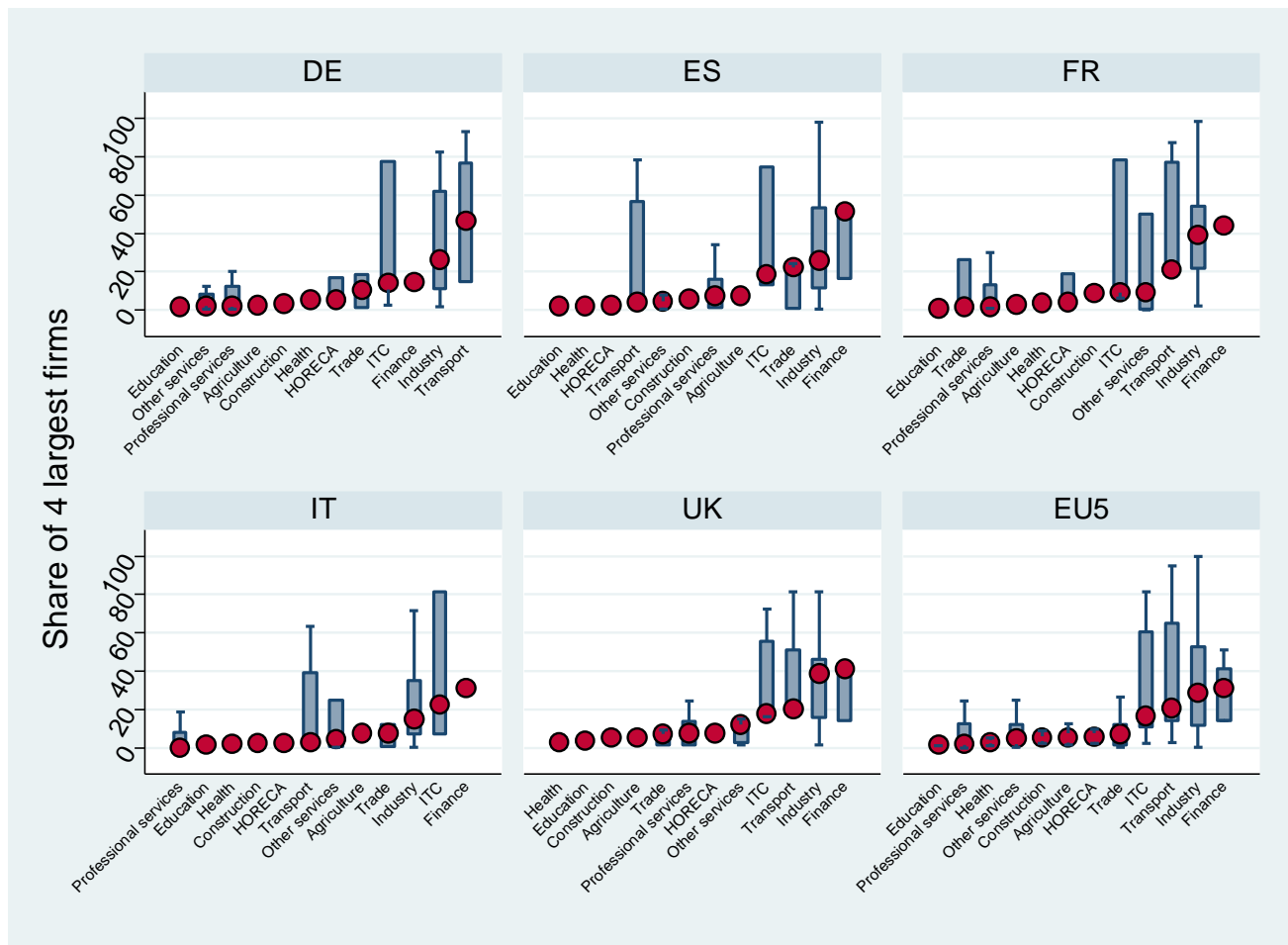
EU: No increase in concentration after the crisis

Evolution of C4 and HHI4 in EU5, 2010-2015

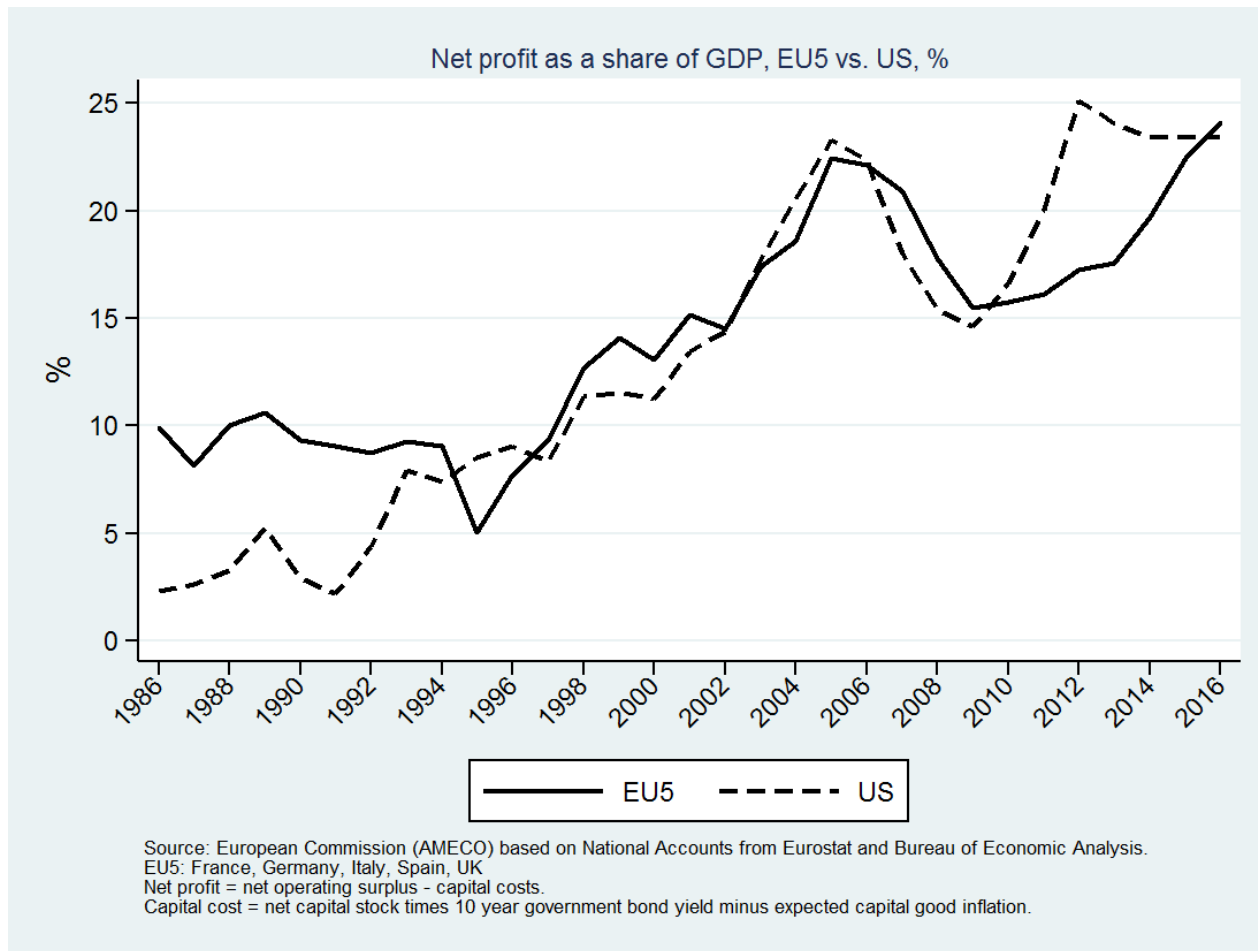


C4: Weighted average share of 4 largest firms of each country/industry.
 HHI4: Weighted average of sum of squared shares of 4 largest firms of each country/industry.
 Source: Euromonitor data, EC calculations.

Most concentrated sectors in EU: ITC, Transport, Industry and Finance



US and EU: Profit share of GDP is increasing



Implications for **pricing**

Pass-through (**PT**) of cost shocks depends on curvature of demand. Going from competition to monopoly should **reduce** PT

Responsiveness of firms should decrease

- a) Less monetary transmission
- b) Less responsiveness for output and labour choices to shocks
- c) Less market dynamism?
- d) Think of **vertical** structure of industries

However, PT **may increase** if demand is very convex: must-have goods?

Composition of industries

Many sectors (consumer goods), will be **less** affected by monetary policy

Others, "essential" goods (transport, energy, communications, and part of banking/finance) might even become **more** sensitive to monetary policy shocks

Note: not all sectors became more concentrated, and, at least since 2010 in Europe, it's not the concentrated markets that have increased further their concentration

What about **digitisation**

GAFA: market power vs reduced marginal costs

- Their role in the economy
- A 'typical' 3-2 merger predicted to increase prices by 10% -> need a cost reduction of 16% to compensate
- Paying with 'personal data' rather than money

Limit case of monopolist practising perfect **personalised pricing**: unaffected by costs

No much **evidence** of personalised pricing so far (but evidence of personalised listings/rankings)