

# CMA reports on the state of competition in the UK

Commissioned by the Chancellor and the Business Secretary, the report looks at the state of competition in the UK economy. It is intended to provide a baseline for future analysis and monitoring, by the Competition and Markets Authority (CMA) and others; to inform the work of the CMA; and to contribute to wider public debate on these important issues.

To produce today's report, the CMA considered the economy as a whole as well as individual sectors, using quantitative and qualitative indicators of how markets are functioning. It analysed key metrics of competition, including entry and exit rates, profitability and market concentration, as well as considering the experiences of consumers.

Although much of the study uses comprehensive analysis covering the last 20 years, with the most recent data from 2018, the CMA has also started assessing early metrics of how the coronavirus (COVID-19) has affected competition.

Key findings include:

- Taken together, the indicators examined suggest that competition across the economy as a whole may have declined over the last 20 years.
- Concentration rose as a result of the 2008 recession and, though it has decreased slightly since 2010, it remains 3 percentage points higher today than in 1998.
- Among the biggest companies in the economy, profits and mark-ups appear to be rising. The biggest firms saw mark-ups increase by 9% over the last 20 years.
- Consumer surveys suggest that the UK has a relatively high incidence of consumer problems compared to EU member states and poor complaint handling. In 2018, around 1 in 3 UK customers experienced a consumer problem across all markets, the highest in the EU (where the average is 22%). Evidence also shows that transport, telecommunications/mobile/internet, utilities and property services perform relatively poorly when it comes to satisfaction and trust.
- The UK scores relatively well in these surveys on consumer switching in some service markets, although switching is not as common among low income and financially insecure consumers.

In addition, and in order to consider the early effects of the coronavirus pandemic, the CMA placed questions in 2 ongoing Office for National Statistics surveys and considered “business demographic” data: the number of businesses created and closed.

Although it is still early to draw any definitive conclusions about the impact of the pandemic on competition, initial data shows:

- Since the start of the pandemic, around 40% of consumers report shopping around less than usual, particularly among older groups (55+) and those with an illness or condition that limits their ability to perform day-to-day activities. The main reason given for shopping round less is feeling safer buying in one place, which could suggest this drop is temporary.
- The accommodation and food services, as well as the arts, entertainment and recreation sectors are more likely to report that the number of competitors in their areas had decreased.
- Most businesses did not report experiencing any challenge in selling goods and services online during the pandemic.
- 40% of companies have postponed or reduced plans to expand and the new businesses created up to Q3 2020 appear to be smaller in size than in previous years.
- Construction, accommodation and food; and arts, entertainment and recreation saw the biggest drops in the number of businesses being created. There are no clear regional differences in business creation, although London is the only area to record positive business growth in both Q1 and Q2 2020 .
- There has so far been no spike in business closures, although the overall business population shrank in Q2 2020 for the first time since Q2 2017.

Mike Walker, Chief Economic Adviser at the CMA, said:

Understanding what is really happening to competition across the UK economy is more important than ever as we start to analyse the impact of a devastating global pandemic.

Our findings suggest a need for vigilance – by the CMA and by government – to ensure competition is not weakened because of the effects of coronavirus.

We will be presenting our findings to government and we hope that they will add to public debate around the UK's economy and markets, as well as providing a baseline for future analysis.

Throughout this work, the CMA has drawn on the considerable internal knowledge amassed during its day-to-day work of enforcing consumer and competition law, assessing mergers and examining markets. It has also sought the assistance of outside experts and other parts of government; and has set out where it thinks further work is needed.

For more information, and to read the report, visit the [State of UK Competition report page](#).