

## Competitive conditions close to historic lows in Australia

The new Competition Pulse launched by Policy Institute Australia shows for the first time how competition across industries has evolved during and after the COVID pandemic. The results show the COVID disruption was significant across almost all industries, and suggest that competitive conditions across the economy have since returned to around pre-COVID lows.

Policy Institute Australia has launched Competition Pulse to enable ongoing tracking of the indicators that diagnose the degree of competition and dynamism in our economy. Competition among firms benefits Australians by lowering prices, increasing consumer choice and expanding options for workers (ACCC, 2008; Auster et al., 2025; Hambur, 2023).

There is no single number that tells us how competitive an industry is (OECD, 2021). A range of metrics are required, and Competition Pulse is the only publicly available dashboard using the most up-to-date data to calculate the key metrics used to assess competition trends.<sup>1</sup> It is also unique in enabling industry-by-industry analysis and comparisons.

This debut version of Competition Pulse covers six of the key metrics used to analyse competition: industry concentration, firm persistence, firm entry and exit rates, labour mobility and profit share.<sup>2</sup>

Competition Pulse is interactive, and will be updated as new data is released, and as further tools and indicators are added.

## Key findings as of February 2026

Competition Pulse shows for the first time just how disruptive the COVID period was for Australian industry. Movements in a number of the indicators during this period pointed to an improvement in competition. However, five of the six metrics measured in the Pulse have since returned to their pre-COVID average, suggesting that competitive conditions across the economy have returned to around historic pre-COVID lows.

### Rising industry concentration

One of the most important competition metrics is industry concentration, which measures the percentage of sales that is captured by the four largest firms in an industry. Industries that are highly concentrated are dominated by a few large firms that have more potential to use their market power, enabling them to outprice or lock out rivals. Concentration across Australian industries has been rising over the last two decades.

Of all the sectors, retailing has shown the most dramatic increase in concentration, with the percentage of sales captured by the largest firms rising from 22% in 2006 to around 32% in 2025. Food retailing as a subset has seen concentration rise from 22.8% to 28.6% over the same period. Among all industries, utilities (64.6%), media and telecommunications (59.6%),

1. Competition Pulse was created as an outcome of Policy Institute Australia's report *Match fit: Reinvigorating competition in Australia* (Auster et al., 2025) which documented the need for a consistent, contemporary set of indicators that would provide a common basis for understanding how competition metrics are tracking.

2. Competition Pulse uses data from the PLIDA dataset, maintained by the Australian Bureau of Statistics (ABS). The metrics follow OECD methodology (OECD, 2021). Detail about methodology is available on the Competition Pulse website (Parta & Williams, 2026).

and manufacturing (55.7%) have the highest industry concentration, with this top three remaining unchanged over two decades. In addition to retailing, other sectors that have exhibited notable increases in concentration are agriculture, forestry and fishing (growing from 25.6% to 30.2% over the last decade), and 'other services', which includes repair and maintenance, and person services (and has grown from 20.6% to 28.2%). A number of sectors that saw falls in concentration during COVID, such as media and telecommunications and professional services, appear to be moving back toward their long term trend.

## Profit share spiked during COVID

Profit share is the competition metric most impacted by the COVID period. Profit share describes what proportion of industry revenue is left for firms after they have paid other costs, such as wages and taxes.<sup>3</sup> A high profit share suggests an industry with firms that may hold significant pricing power with their customers, or bargaining power with their employees or suppliers, or both. Profit share has trended upwards over the long term, although with significant short-term volatility.

Average profit share across all industries was about 45.9% in 2018-19, but spiked upwards dramatically over the COVID period, peaking at a record 49.4% in 2020-21. This is at least partly thanks to government support provided to business during this period. Average profit share has since declined to 44.6% in 2024-25, taking this metric to its second lowest annual level in two decades.

Over the decade to 2024-25, profit share in both wholesale trade and manufacturing increased from around 34% to around 39%. In mining, it increased from 69% to 81%.

Over the same period, profit share has fallen in utilities (64.4% to 56.6%), media and telecommunications (58.7% to 48.9%) and arts and recreation (42.2% to 33.1%).

## COVID saw a temporary rise in firm entry and fall in firm exit

Firm entry and exit rates saw significant volatility over the COVID years. The exit of failing firms and entry of new ones is a key marker of economic dynamism. In 2020-21, the net firm entry rate jumped up to 7% from a long term trend of about 2%, reflecting a significant increase in the entry rate (from about 10% to about 13%), and a significant decline in the exit rate (from about 8% to about 6%). This change at least partly reflects a response to COVID supports, with fewer employing firms shutting down (and, perhaps, more employing firms entering and claiming these supports). Firm entry and exit rates then returned to trend levels over the subsequent two years.

## COVID saw firm persistence decline dramatically

Firm persistence is the percentage of the top four largest firms in an industry in a given year that are still in the top four three years later. High persistence means the leaderboard of the biggest firms in that industry may have enough market power or scale advantage to keep challenges from gaining market share (Andrews et al., 2023). Firm persistence stood at about 62% in the

3. We use a common proxy measure for profit share using national accounts data: total industry Gross Operating Surplus as a share of total industry Gross Value Added.

mid 2000's, and rose rapidly to around 70% ten years later, indicating that leading firms were almost 15% more likely to stay at the top. But COVID reversed this, with firm persistence falling below 62% in 2020-21 (the lowest level in 15 years, and the latest year that can be estimated). As firm persistence is measured with a three-year lag, it is too early to know whether the COVID disruption will be undone as it has been with other indicators.

## References

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