

Markups and concentration in South African manufacturing

An analysis with administrative data

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1. Context

Economic growth about productivity growth

Competition plays a big role

High markups or concentration symptom of low productivity growth

2. Prior work

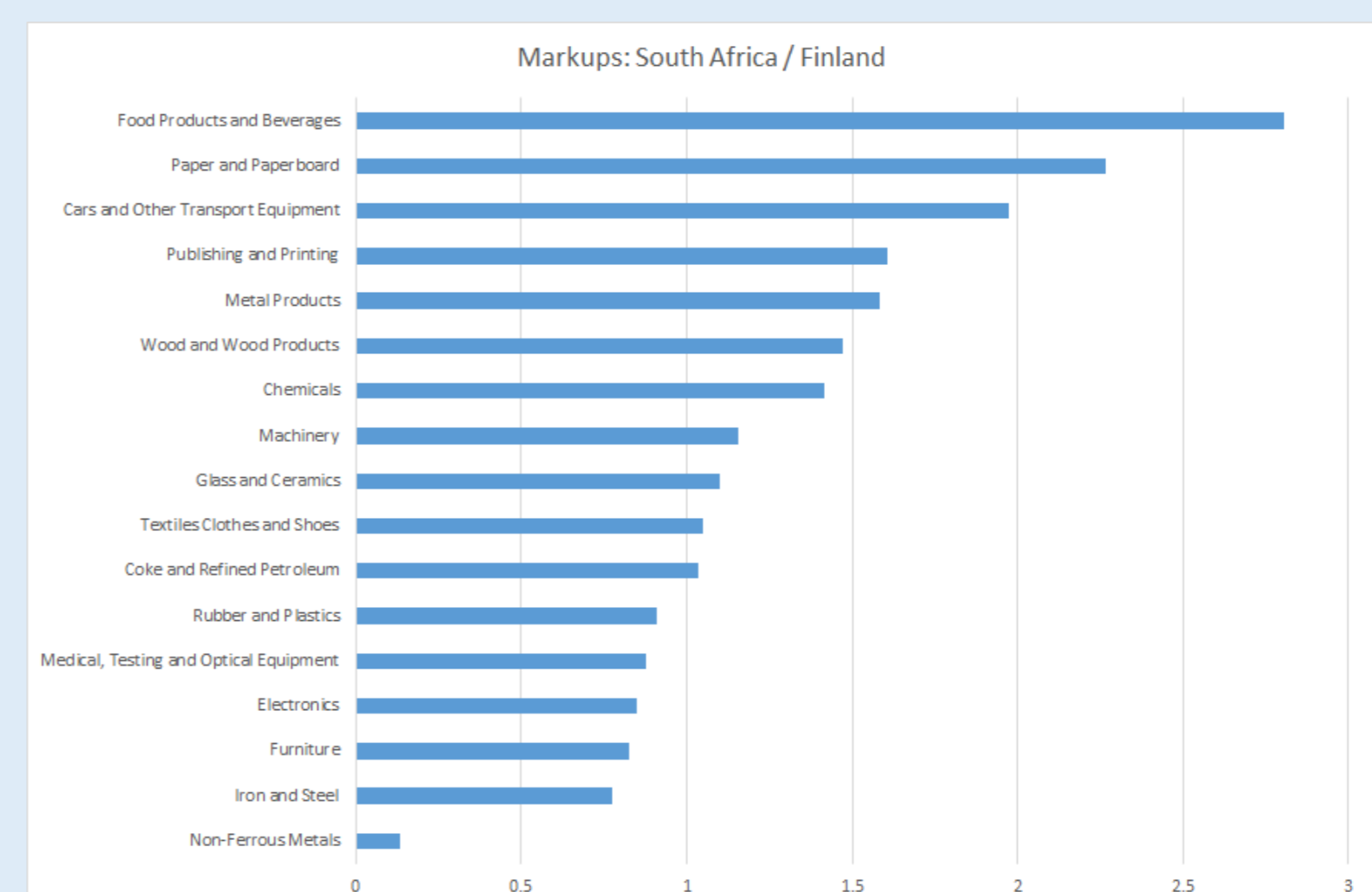
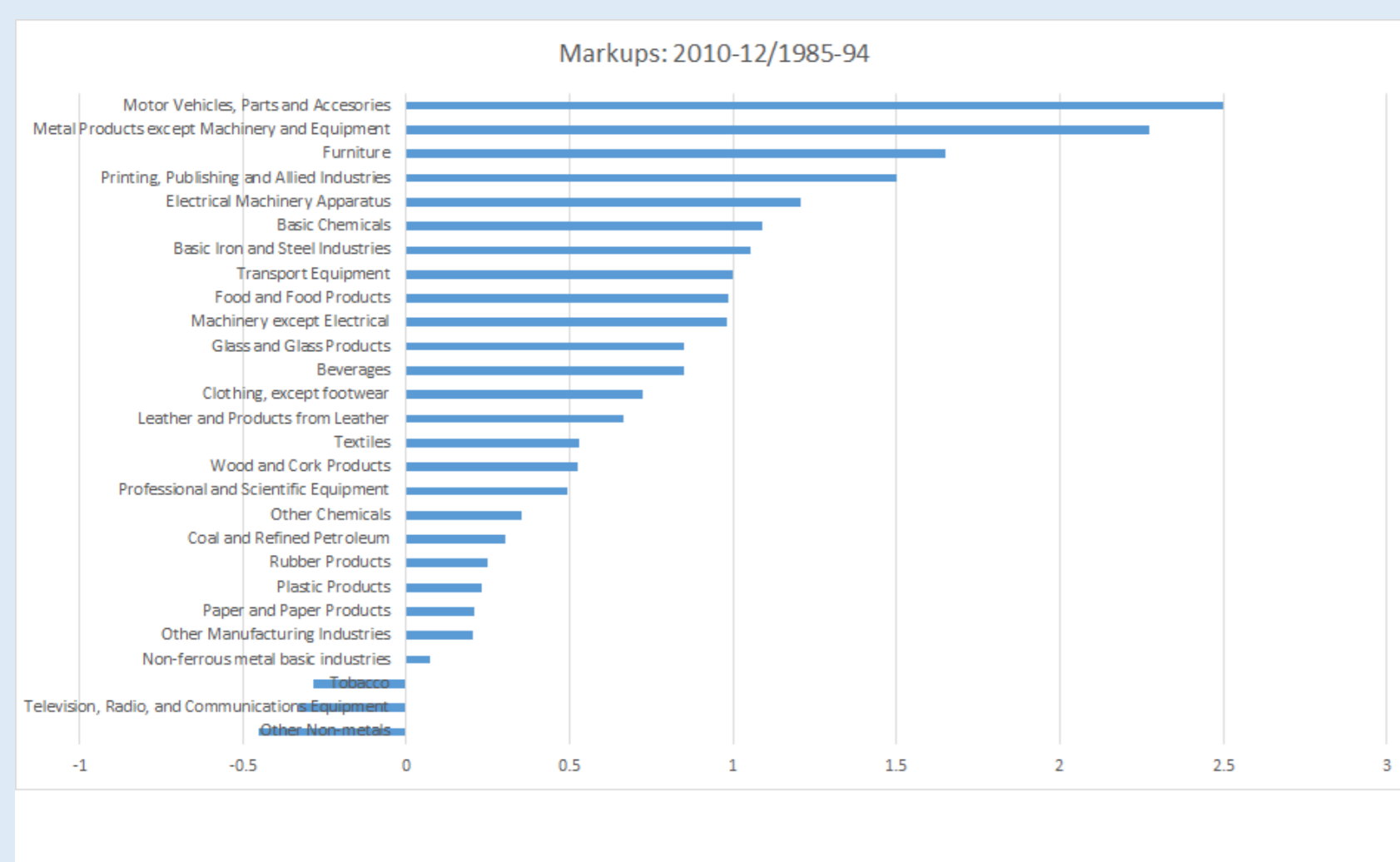
Concentration higher than elsewhere

Markups higher than elsewhere

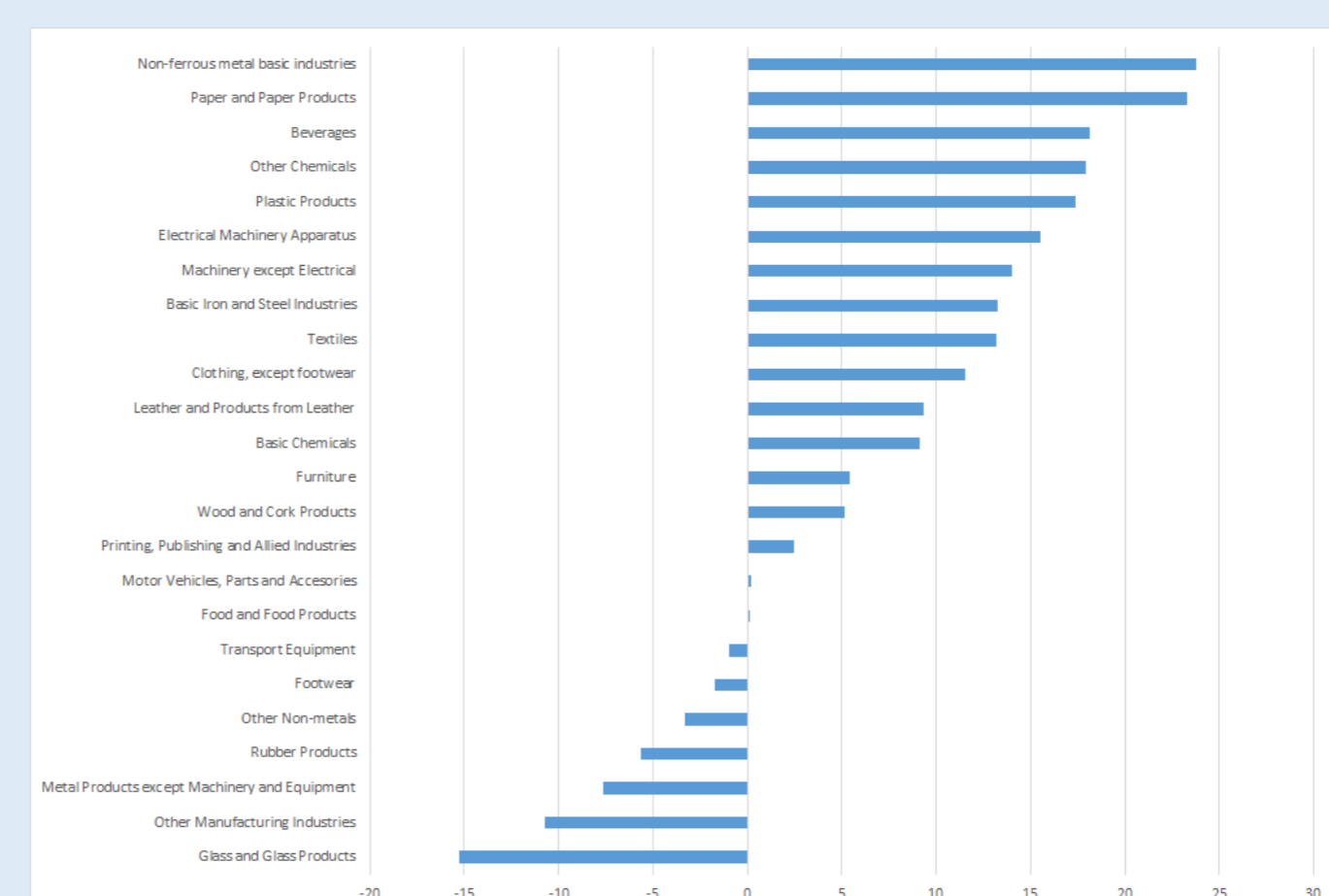
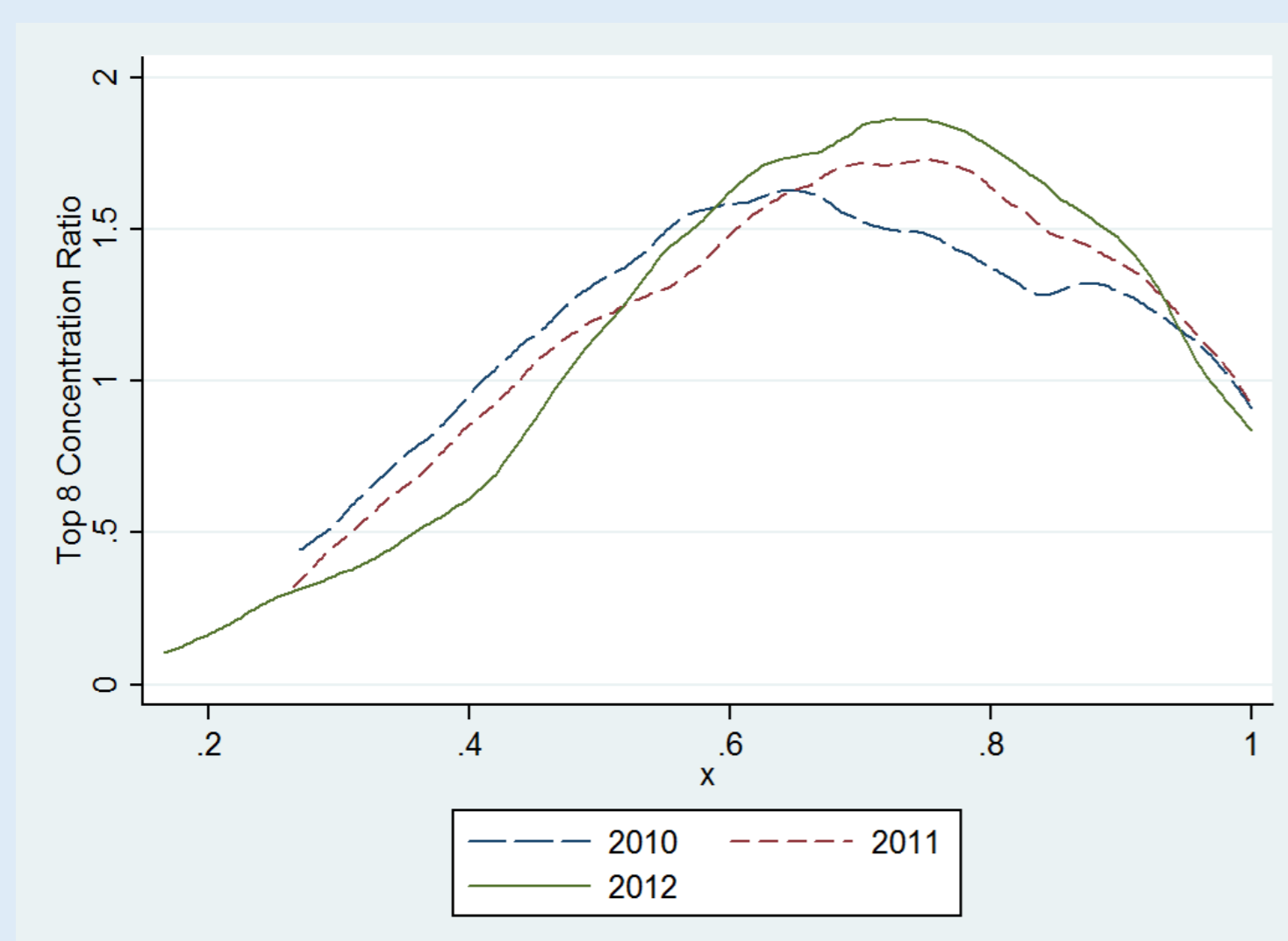
3. Use of anonymized corporate income tax records

- Mark-ups for each firm over the period.
- Concentration for each sector.
- First study to use firm-level data for calculations

4. FINDINGS: Markups relatively high on average



5. FINDINGS: High concentration levels



6. EXPLANATIONS

RULED OUT:

- Markups not directly correlated with concentration
- Higher markups in smaller firms
- Lots of entry and exit for small firms

POTENTIAL EXPLANATIONS

- Barriers to entry
 - Markups systematically higher in high asset requirement sectors & lower in small asset requirement sectors
 - Maybe about pricing power & Turf protection strategies