competition commission south africa

Portfolio Committee on Trade, Industry and Competition

Briefing by the Competition Commission on its 2nd Concentration Report
-
Measuring Concentration and Participation in the South African Economy: Levels and Trends

19 August 2026

Introduction

- This report follows the Commission's Concentration Report published in 2021.
- The study is based on observations from 228 sub-sectors across the economy using the SARS-NT dataset from approximately 450,000 tax-registered firms for the period 2017 - 2021.
  - The previous concentration tracker report used submissions by industry associations and the SARS-NT dataset for 2011 – 2016.
- Purpose
  - Obtain insight into the levels and trends in concentration across the various sectors of the economy, alongside the participation of Micro, Small and Medium Enterprises (MSMEs).
  - Aid sector-specific targeted initiatives.
  - Aid prioritisation and decision-making across government to address concentration and promote participation.
- Concentration
  - Herfindahl-Hirschman Index (HHIs): analyses the turnover shares across all firms in a given sector.
  - Concentration ratios: measures the combined turnover share of the three largest firms in a given sector (CR3).
- Participation
  - Firm entry and exit, firm retention;
  - Firm size transition and growth;
  - Gini coefficients;
  - Turnover share.

Standard Industrial Classification (SIC)

1-DIGIT LEVEL (MAJOR DIVISIONS)
Most aggregated level, representing broad sectors

✓ **0**

AGRICULTURE, FORESTRY AND FISHING

Broad sector covering all agricultural activities, forestry, and fishing.

2-DIGIT LEVEL
More specific groupings within the major divisions

01

AGRICULTURE, HUNTING AND RELATED SERVICES

Focuses on farming, livestock, and related agricultural services.

3-DIGIT LEVEL (MAJOR GROUPS)
Further refinement of industry groups

✓ **011**

GROWING OF NON-PERMANENT CROPS

Covers crops that are planted and harvested within one season.

4-DIGIT LEVEL
Commonly used for detailed industry analysis in tax returns

0111

GROWING OF CEREALS (EXCEPT RICE), LEGUMES AND OILSEEDS

More detailed grouping within non-permanent crops.

5-DIGIT LEVEL
Most granular level of data

01111

GROWING OF RICE

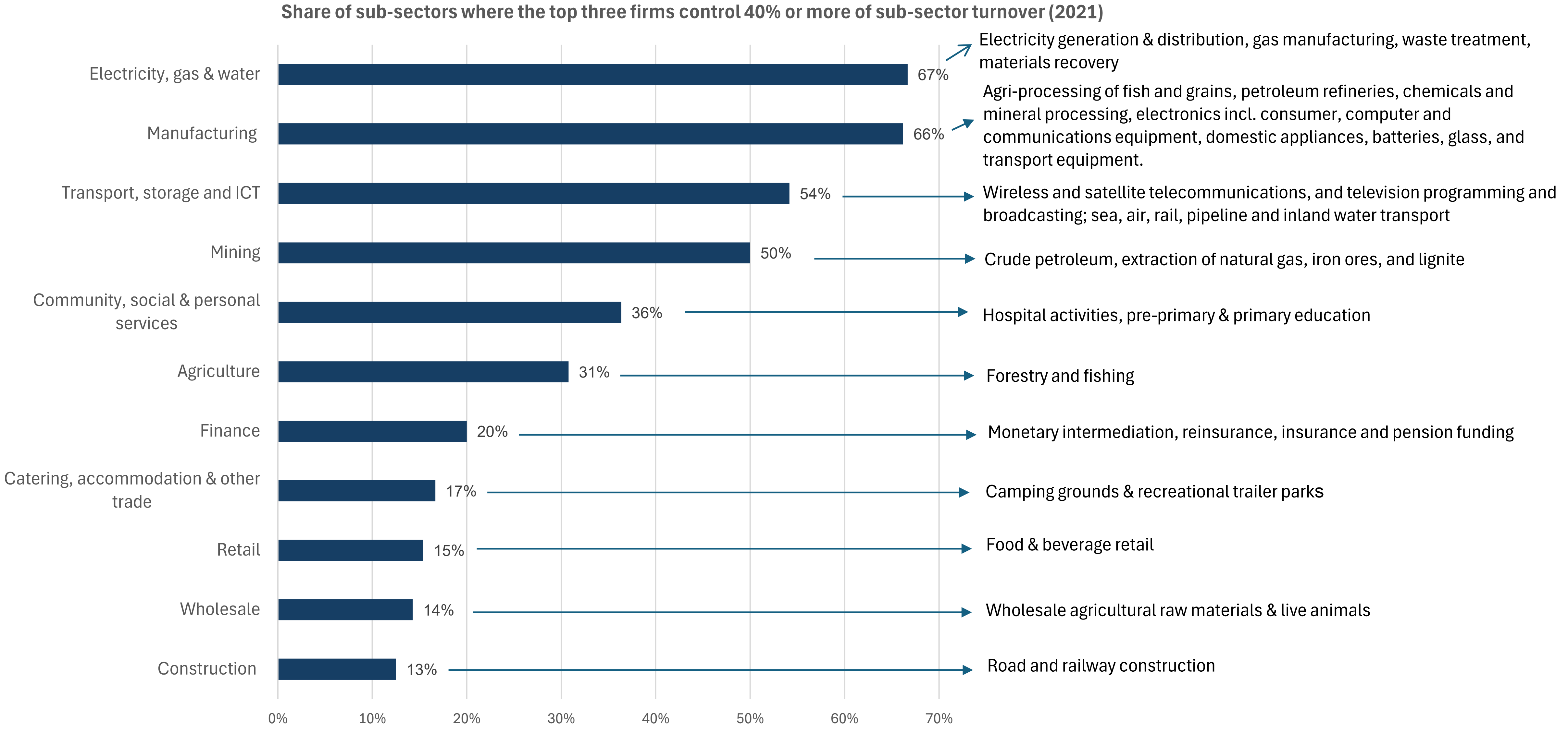
Specific activity at the most granular level.

LEVEL	1-Digit	2-Digit	3-Digit	4-Digit	5-Digit
AGGREGATION	Most aggregated	Less aggregated	Moderately aggregated	Low aggregation	Most granular
DETAIL	Very broad	Broad	More specific	Detailed	Very detailed

- Varying degrees to which industry disaggregation occurs at the 3-digit level.
- *Manufacturing* has been disaggregated into 71 sub-sectors at the 3-digit level.
- *Agriculture* has been disaggregated into 13 sub-sectors at the 3-digit level.
- Implications for concentration and participation measures being underestimated as agriculture (and other sectors) are still highly aggregated at the 3-digit level.

High levels of concentration in the economy persist

- A third to a half of the 228 sub-sectors are estimated to be highly or moderately concentrated depending on the measure



Positive signs of reduction in concentration since 2017

- The number of highly concentrated sub-sectors has reduced by approximately 5 percentage points, with 10 sub-sectors transitioning to a moderately concentrated level.
- Concentration is reducing within each category (by HHI score), with around two-thirds of highly concentrated sub-sectors and almost three-quarters of moderately concentrated sub-sectors seeing some decline in concentration levels, albeit not enough to move down to moderate or less concentrated level.
- Most progress in deconcentration is in markets characterised by multiple competing large firms or oligopoly markets rather than where a single dominant firm exists. Dominant firms can more easily engage in exclusionary practices that prevent rivals from growing and challenging them whereas in oligopoly markets we have a few large firms capable of challenging each other to enhance competition.

Structural concentration levels (HHIs) by sector, 2017 and 2021

Sector	2017			2021		
	High	Moderate	Less	High	Moderate	Less
Agriculture (13)	3	0	10	2	1	10
Catering, accommodation and other trade (6)	-	1	5	0	0	6
Community, social and personal services (22)	1	2	19	1	3	18
Construction (8)	0	1	7	0	1	7
Electricity, gas, and water (9)	2	2	5	1	4	4
Finance and business activities (45)	7	4	34	4	6	35
Manufacturing (71)	23	9	39	22	17	32
Mining (10)	5	1	4	4	0	6
Retail, motor trade and repair services (13)	0	0	13	0	1	12
Transport, storage and ICT (24)	8	5	11	5	5	14
Wholesale (7)	0	0	7	0	0	7

CIT-IRP5 data (own calculations)

Concentration observations at a sub-sectoral level

🌾 **(1) Agriculture:** concentration is declining across most sub-sectors; however, concentration remains high in (i) silviculture/forestry and (ii) non-wood forest products.

🏭 **(2) Manufacturing:** high & rising levels of concentration in (i) grain, (ii) fish processing, (iii) refined petroleum, and (iv) batteries/accumulators.

🛒 **(3) Retail, motor trade and repair:** mostly low concentration; concentration in (i) non-specialised retail stores.

🏗️ **(4) Construction:** low concentration; reliance on sub-contracting further lowers entry barriers.

🚊 **(5) Transport and storage:** dominated by regulated monopolies; (i) rail, (ii) pipeline, and (iii) postal services show CR3 consistently above 80%.

📡 **(6) ICT:** declining concentration; still high in (i) broadcasting and (ii) satellite telecoms.

⚡ **(7) Electricity, gas and water:** high in (i) power generation, transmission and distribution.

⛏️ **(8) Mining:** concentrated in capital-intensive sub-sectors (i) iron ore, (ii) natural gas, and (iii) lignite.

🏥 **(9) Community and personal services:** concentration concerns in (i) hospitals, (ii) gambling and betting, and (iii) higher education.

💰 **(10) Finance and real estate, (11) catering/accommodation, (12) wholesale:** largely less concentrated, though finer 4- or 5-digit analysis may reveal more.

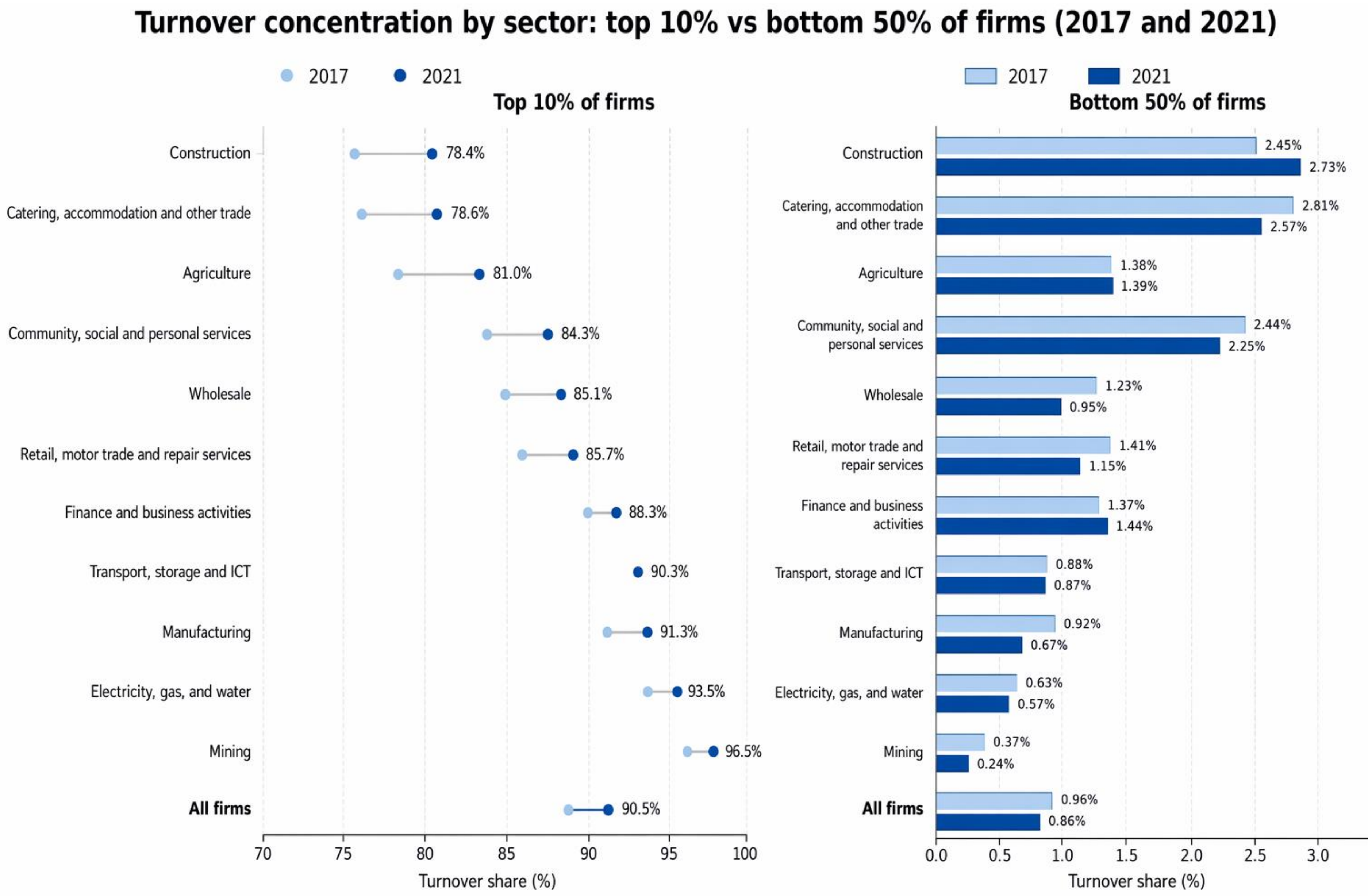
Challenges of growing participation in the economy continue (1)

- MSME participation in the economy remains low by global standards and was set back by Covid
  - Whilst MSMEs make up 97% of all tax-registered businesses, MSMEs accounted for only 22% of turnover in 2021 compared to over 50% for OECD countries.
  - This is because 80% of all businesses are micro-sized, with only 13% small; and just over 4% are medium-sized firms - suggesting a missing middle of medium-sized firms.
  - It is easier to enter than to expand in the economy.

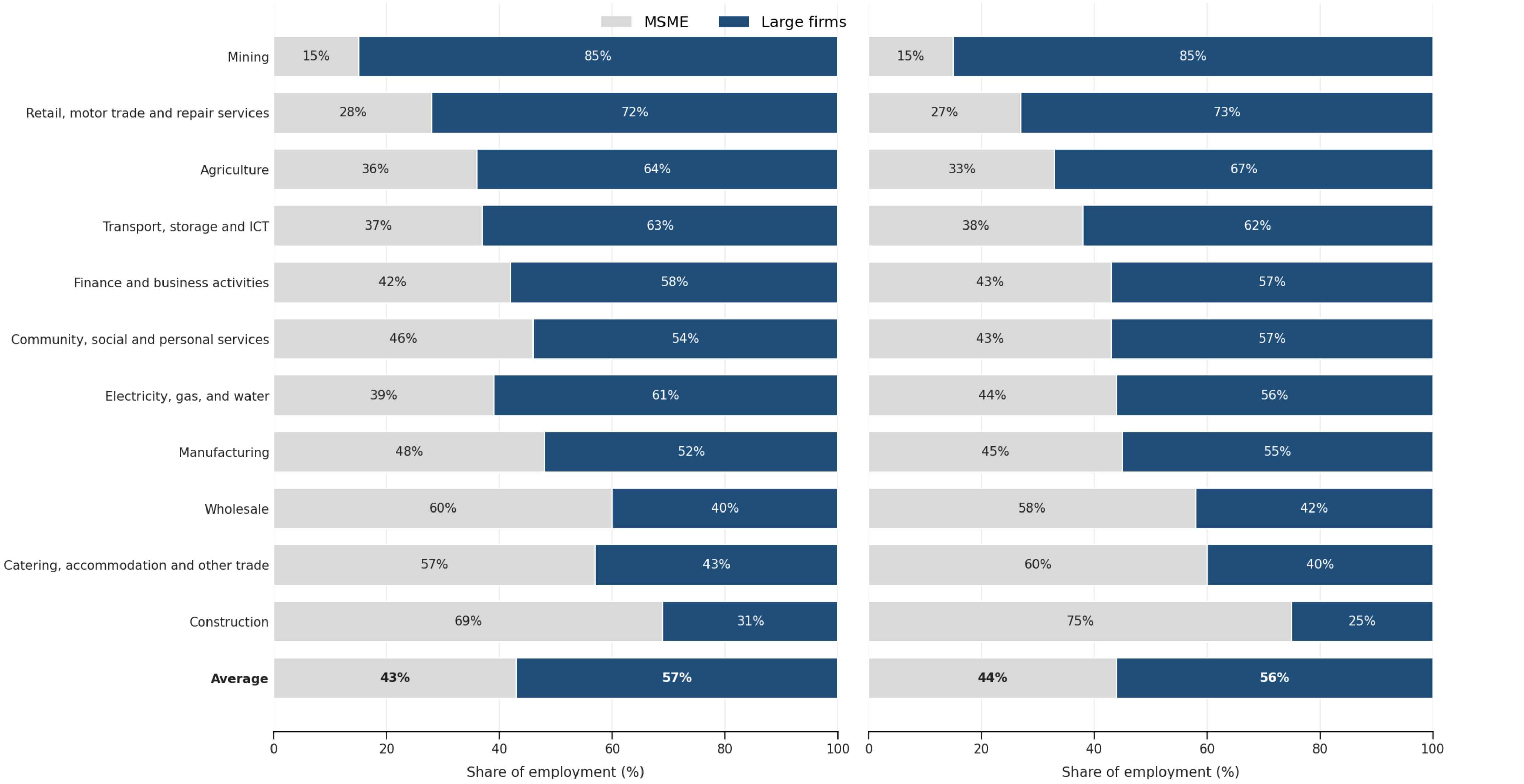
Firm size	2017		2021	
	No. of firms % share	Turnover % share	No. of firms % share	Turnover % share
Large	3%	76%	3%	78%
Medium	5%	10%	4%	9%
Small	14%	9%	13%	8%
Micro	78%	5%	80%	5%
Total	100%	100%	100%	100%

CIT-IRP5 data (own calculations)

Challenges of growing participation in the economy continue (2)



Challenges of growing participation in the economy continue (3)



Challenges of growing participation in the economy continue - firm entry and exit

- MSME exit rates have gradually climbed and even overtook the entry rate in 2020, the first year of COVID-19.

Overall entry and exit rates by firm size, 2017-2020

Year	All firms		MSMEs		Large firms	
	Entry rate	Exit rate	Entry rate	Exit rate	Entry rate	Exit rate
2017	13%	7%	13%	7%	5%	2%
2018	11%	8%	12%	8%	2%	2%
2019	11%	9%	12%	9%	2%	3%
2020	10%	12%	10%	12%	2%	3%
Average	11%	9%	12%	9%	3%	3%

CIT-IRP5 data (own calculations)

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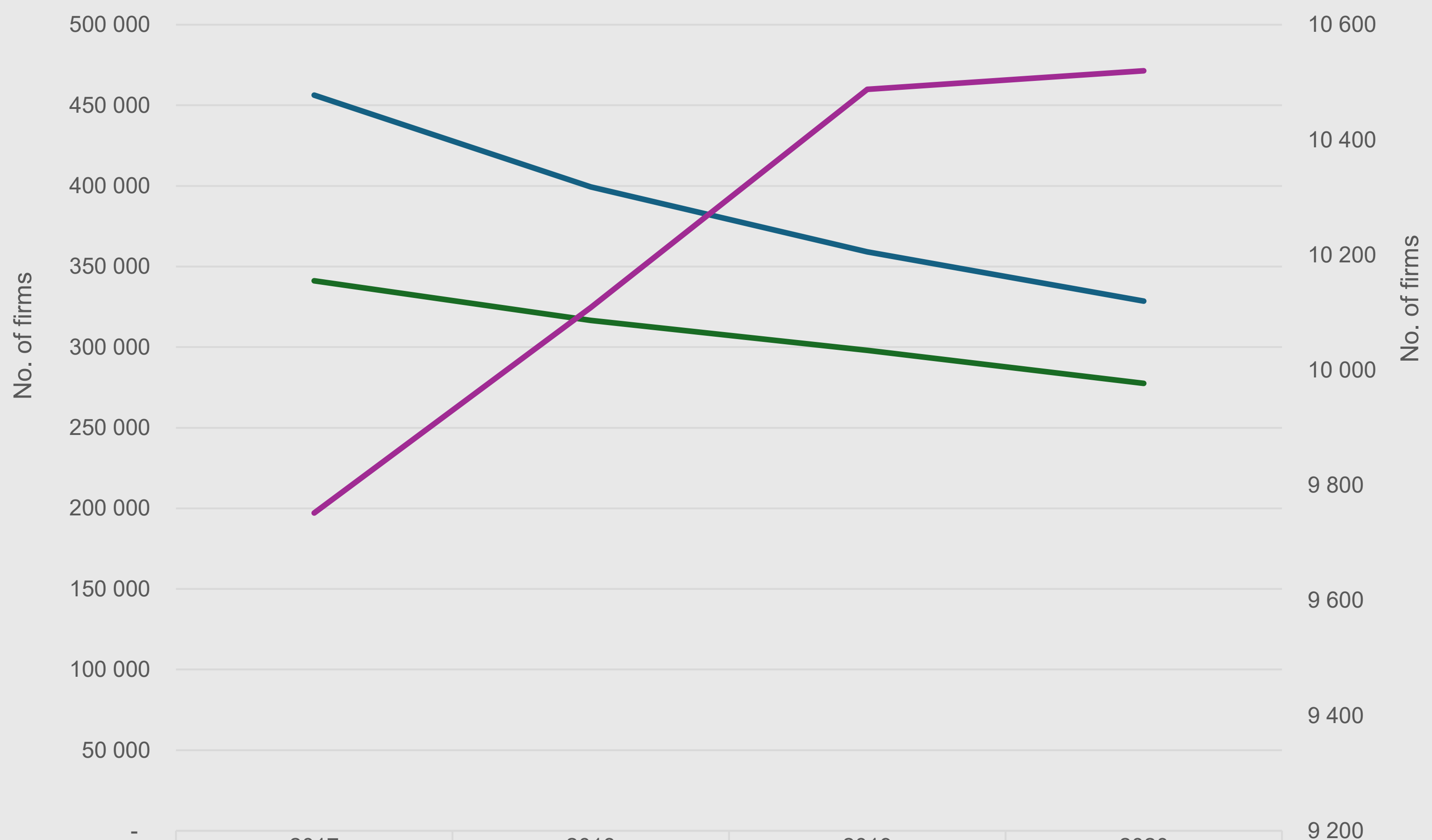

	2017	2018	2019	2020
total_firms (left axis)	456 317	399 457	359 155	328 566
smme_firms (left axis)	341 162	316 590	298 028	277 535
large_firms (right axis)	9 752	10 109	10 488	10 520

Transition of firms and Covid-19 setback

Transition matrix by firm size (2017-18)

		2018 Firm Category				
		Micro	Small	Medium	Large	Total
2017 Firm Category	Micro	96%	4%	0,13%	0,03%	100%
	Small	12%	81%	7%	0,38%	100%
	Medium	1%	11%	79%	9%	100%
	Large	0,34%	1%	8%	91%	100%

Transition matrix by firm size (2020-21)

		2021 Firm Category				
		Micro	Small	Medium	Large	Total
2020 Firm Category	Micro	97%	3%	0,15%	0,03%	100%
	Small	22%	72%	5%	0,34%	100%
	Medium	3%	21%	69%	7%	100%
	Large	1%	2%	13%	84%	100%

CIT-IRP5 data (own calculations)

- The transition rate of small to medium and medium to large annually is well below the entry rate of firms into the economy
  - Whilst it may be easier to enter the economy, there are considerable barriers to expanding into even a small- or medium-sized firm, let alone a large one.
  - Stagnation in turnover by micro firms and a decline in turnover by small and medium firms, compared to increases by large firms over 2017-2021.

CIT-IRP5 data (own calculations)

Conclusion

- Findings
  - Concentration remains high but there are positive deconcentration trends resulting from enforcement, digital disruption and regulatory reforms that will improve competitiveness and promote growth
  - However, broader participation remains low with MSMEs struggling to scale, threatening the inclusiveness of growth and job creation.
- Lessons
  - Deconcentration will only arise from scaling rivals and promoting a vibrant MSME ecosystem.
  - There is a need to dismantle barriers – both routes to market and regulation, that entrench incumbency and prevent challenger firms from thriving in markets.
    - Distribution channels are often hostile to MSMEs through higher fees or restricted access in preference for national chains (both online and brick-and-mortar rentals)
    - Overly burdensome or restrictive regulations including licensing and permits or operating standards that can perpetuate concentration and limit new entry both at a national and municipal level
  - Disruptive entry facilitated by technology and pro-competitive regulation are shown to work in reducing concentration and intensifying competition
    - For example, a reduction in the number of highly concentrated sub-sectors in financial services over time is a result of the entry of innovative digital alternatives – fintechs, new digital-first banks like TymeBank and Discovery Bank
    - Policy and funding should support disruptive technological entrepreneurs and promote greater inclusion in new technologies and markets
  - Both government policy and competition law should have increased emphasis on scaling successful entrants as this remains the single largest bottleneck for MSME growth.
    - This means more funding and enforcement aimed at supporting medium-sized and larger challengers that have demonstrated their capabilities
  - Regulatory reforms should avoid privatising monopolies.
    - Energy reforms have resulted in reduced concentration in energy generation whilst rail network reforms will do the same in transport – these should be monitored to ensure a healthy competitive environment.

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