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Competition and Inflation – Summaries of Contributions

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This document reproduces summaries of contributions submitted for Item 12 of the 139th OECD Competition Committee meeting on 29-30 November 2022.

More documentation related to this discussion can be found at:
www.oecd.org/competition/competition-and-inflation.htm

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Summaries of contributions

This document contains summaries of the various written contributions received for the discussion on Competition and Inflation (139th OECD Competition Committee meeting on 29-30 November 2022). When the authors did not submit their own summary, the OECD Competition Division Secretariat summarised the contribution. Summaries by the OECD Secretariat are indicated by an *.

Argentina

The world economy is undergoing a process of widespread nominal price increases for goods and services. The return of inflation as a universal economic and social problem has revived the academic debate about its causes, as well as a discussion on which public policy tools are best suited to halt inflation. In this context, some consider that competition enforcement may be helpful.

As regards inflation, the case of Argentina is unique. Firstly, because it has one of the highest cases of hyperinflation in world economic history and, secondly, because it has had a very long continuous inflationary period.

Within this context, the Argentine competition authority –the National Commission for the Defence of Competition (CNDC, for its acronym in Spanish), in conjunction with the Secretary of Commerce–, has experience in addressing the demand for solutions to the problem of inflation, which comes from both government administrations and constituents, something that the rest of the agencies seem to have only recently begun to deal with.

This contribution briefly touches on some theoretical explanations regarding inflationary processes, a practical definition of the phenomenon and the techniques used to measure it. It also examines some of the implications of inflation on competition enforcement, and ponders on the different opportunities that it presents for competition agencies to push a pro-competitive agenda in specific sectors.

Austria

After many years of low inflation, the European Union and Austria are increasingly facing a stronger inflation trend. In its latest flash estimate, Statistics Austria expects an inflation rate of 10.5% for September 2022, which means that inflation in Austria will reach its highest level in almost 70 years. With such distortion to prices, competition policy also faces a veil of inflation when enforcing the competition principle.

During the past lowinflation environment, inflation did not play a role for competition analysis. While the positive relationship of competition and low prices is widely accepted among stakeholders, the link between competition and inflation is more unclear. With inflation currently overshadowing market outcomes, it can be unclear if price or cost increases are due to market dynamics or also effected by competition issues. Inflation related issues could certainly emerge within investigations, for example, when applying an as-efficient-competitor test. Improving the understanding of the relation between competition and inflation is helpful when addressing such questions. While engaging in such issues, authorities have to find solutions, which are important to share.

The Austrian submission shall show that while this new environment raises challenging new questions, the toolbox of modern competition policies allows authorities to address these problems in different ways and stages. Thus, this contribution addresses the following experiences of the AFCA from recent activities: Our participation in the expert group for the observation and analysis of the inflation development by the Austrian government addresses advocacy work, where the authority ensures the competition principle in proposed measures. Our finalised sector enquiry fuel market addresses suspicions on a macroeconomic level, which were initiated due to an increasing number of complaints about price increases. Our ongoing investigation into the Austrian pellets market addresses concrete suspicions on the case level, which lead to dawn raids between 18.-20. October 2022.

BIAC

Business at OECD (BIAC) is grateful for the opportunity to contribute to the Competition Committee’s roundtable on competition and inflation.

While we believe it is important to recognise that competition law has an important role to play in mitigating the negative effects of inflation, it is not necessarily, in and of itself, a tool for addressing inflationary price increases, which are often triggered by factors other than market power.

BIAC fully supports the OECD’s analysis of the role of competition law in relation to inflation. Careful consideration of that relationship will help governments and competition authorities to retain a clear view of the possibilities but also the limitations, of competition law when it comes to tackling high prices.

This paper considers, in section II, the inflationary context and its relationship with competition law enforcement. Section III acknowledges the role that competition policy and enforcement can have, and Section IV sets out recommended enforcement priorities, with Section V offering concluding remarks.

BIAC commends the following objectives and enforcement areas as deserving of careful consideration by competition authorities: efforts and recommendations to lowering barriers to entry/expansion; extra vigilance for unjustified price increases or price “stickiness;” advocacy efforts to avoid the unintended consequences from price controls; guidance/authorisation relating to particular conduct (e.g. competitor collaboration) in the light of economic realities; and continued commitment to strong and impartial merger control rules.

Brazil

This paper seeks to discuss the interaction between competition law and inflationary control from the Brazilian perspective. It introduces the Brazilian history of fight against inflation and questions whether there is room for competition law in this fight. Afterwards, the paper presents three theoretical and empirical discussions. It starts with a critical view of claims by Sophie Guilloux-Nefussi (2020) and other authors that large business concentration can reduce inflationary impact. However, there is a lack of evidence that a large concentration is necessarily beneficial to society. In a second discussion, the view of Peter Duersch and Thomas Eife (2019) is critically discussed. According to these authors, an inflationary process can hinder collusion, and thus sometimes be beneficial to society. This paper, on the other hand, tries to demonstrate there is some empirical and theoretical evidence that question the conclusion of Duersch and Eife. Finally, the article discusses the risk of forgoing consumer welfare as a paradigm to be protected and pursued by competition law, which may generate a situation that leads to price rises. Therefore, great caution is necessary when evaluating an increase in the scope of what competition law protects.

Chinese Taipei

In Chinese Taipei, the Fair Trade Act empowers the Fair Trade Commission to investigate price fluctuations in daily necessities, including investigating the abuse of market power by monopolies, price agreements between horizontal competitors, restrictions on resale prices, and other acts of competition restriction. The administrative investigation by the Fair Trade Commission (CTFTC) could ensure the maintenance of market competition order. After the investigation, the CTFTC may penalize enterprises engaging in joint price increases in violation of the law. The CTFTC may order penalized enterprises to abandon concerted action agreements, and restore competition. However, it will not request a return to reasonable prices, because the CTFTC cannot decide for the market the prices at which certain products should be sold.

In order to cope with the price fluctuations in daily necessities, the CTFTC established the “Price Manipulation Prevention Task Force” as early as May 2007. In its second year, the Executive Yuan established the inter-ministerial “Commodity Price Stabilization Task Force.” Its convener is the Vice Premier of the Executive Yuan, and its members are from the competent authorities for various industries, including the Central Bank of Chinese Taipei, the CTFTC, and so on. In recent years, due to rising prices, the competent authorities for various industries have also proposed price warning mechanisms and measures to stabilize the supply of and demand for daily necessities. In terms of the division of labor, the CTFTC will take the initiative to commence an investigation into whether the enterprises are involved in concerted actions in the event of abnormal price increases.

In order to encourage whistle-blowers to provide evidence of illegal acts, the CTFTC significantly increased whistle-blower rewards for reporting concerted actions in November 2021. This measure may help to increase the incentive for insiders to report illegal acts and help to find the joint monopoly actions of enterprises. In this report, Chinese Taipei will share two recent positive results of law enforcement in the face of rising prices: a case of joint price increases by dried scallop enterprises, and a case of joint price increases by fishery ice-making enterprises.

In conclusion, only inter-ministerial cooperation and public-private cooperation can effectively fight inflation. In a period of rising prices, and with the manpower and investigative tools available, the screening of cases by the CTFTC has become even more important. This relies on day-to-day familiarity with the industrial structure, and knowledge of the key upstream and downstream enterprises. Therefore, from 2022, the CTFTC has selected key industries for “industrial supply chain data construction,” thereby strengthening the effectiveness of future investigations.

Consumers International

The principal concern of consumers everywhere is high and rising prices. It is important to appreciate that today's inflation is not solely a demand driven phenomenon.

This suggests that attention should be given to many supply-side factors that are driving up prices, including inflationary expectations.

The paper suggests that competition agencies should play a more active role in dealing with high and rising prices.

EU

We address three main questions. We begin with the causal link between increased concentration and inflation and argue that any such relationship cannot possibly be material, for a number of reasons. Firstly, while we do believe that there has been an increase in concentration in the EU, this claim is still not fully established as serious data issues remain. Secondly, the reason for any increase in concentration matters. If it is the result of the increased dominance of the more efficient company then it might well lead to lower rather than higher prices. Thirdly, it is hard to explain a rapid increase in the rate of change of prices by a slow increase in the level of concentration. Fourth, there has been no documented relationship between concentration and inflation in the past. Fifth, the sectors experiencing the higher rates of inflations are not those which have become more concentrated at a higher rate. Sixth, the countries experiencing higher inflation are not those with the higher levels of concentration or with the higher rate of increase in these levels.

Even if higher concentration does not cause inflation, it might amplify inflationary shocks on the demand and/or supply sides, thereby aggravating or alleviating the effect of these shocks on prices. The economics literature is rather clear on this point: higher market power tends to amplify demand shocks, but it tends to limit the effect of supply-side disturbances on prices. The beginning of the COVID crisis was mostly characterised by demand side disturbances. However, as the crisis evolved, supply-side bottlenecks began to appear. Still it is not until the Ukraine crisis that the magnitude of supply-side shocks exploded with the induced energy crisis. So, blaming market power for amplifying recent inflation is at the very least questionable. This however, does not mean that supply shocks did not underline serious flaws in the design of some markets, like electricity markets.

While not responsible for the current state of affairs, Competition Policy can help in a number of ways. In particular it should look for sectors with rapid price increases as well as for communication between rivals about prices and costs, which might be facilitated by the inflationary environment. Special attention should also be given to the times where inflation vanishes as prices in a number of energy-intensive sectors should actually start decreasing. Finally, competition authorities might help companies design appropriate temporary horizontal agreements when these help relief some severe but temporary supply bottlenecks.

France

The last two years have been marked by the return of inflation to historically high levels. This finding can be observed at the global, European and French levels, with variations according to territories and socio-professional categories. In the OECD countries, year-on-year inflation averaged 10.3% in August 2022, following rates of 10.2% in July and 10.3% in June. In August 2022, inflation in the eurozone stood at 9.1%. These particularly high figures cover more contrasting situations depending on the country. In France, inflation in August 2022 was contained at 5.9%, down to 5.6% in September 2022.

The main causes of this price surge are well known: the imbalance between production capacities and the high level of demand after the lockdowns caused by the Covid-19 pandemic, plus a significant increase in the cost of inputs - energy and food raw materials - since the start of the war in Ukraine, which is gradually spreading to the whole economy. However, the determinants of inflation are not identical in all countries. In the United States, inflation is also being driven by the dynamism of the labour market and wage increases, which are more contained in the eurozone.

The main tool for fighting inflation is monetary policy, which relies on steering interest rates and the quantity of money. For the eurozone, it is decided and implemented by the European Central Bank (ECB), whose objective is to ensure price stability. Budgetary policy and supply-side policies, including competition policy, can also have an impact on inflation, even if this is not their primary objective. The current inflationary context and the resulting threats to economic prospects and purchasing power have rekindled the debate on the role that these policies can play.

Temporality is a major factor in understanding the nature of the links between competition and inflation. It is indeed necessary to differentiate between the impact of competitive intensity on the price point, which is a long-term phenomenon, and its impact on price variation, which is the only relevant factor for short-term analysis. In the long run, market power generally leads to higher prices. In the short term, by contrast, the link between market power and general and rapid price increases is not demonstrated, particularly when the latter are caused by rising costs, as is the case today, especially in Europe.

Against this background, competition policy cannot therefore be the primary tool for combating current inflation, but it can help prevent excessive market concentration and sanction anticompetitive behaviour that may amplify price increases.

The contribution of competition policy to the fight against inflation is twofold: it helps to combat anticompetitive practices and it organises a pro-competitive market. Sanctioning anticompetitive agreements and abusive of dominant positions makes it possible to combat excessive incomes and, thus, restore purchasing power to consumers. Competition policy also affects the pro-competitive organisation of the market. On the one hand, merger control ensures that the competitive structure of markets is preserved by providing an obligation of prior control for all acquisition and merger projects over a certain size. On the other hand, the role of competition policy is also to guide the government in promoting the principles of competition for the benefit of consumers.

The current period of high inflation requires increased vigilance on the part of national competition authorities with regard to the risks of anticompetitive behaviour.

In response to the exceptional inflationary crisis, the DGCCRF has set up a single point of contact enabling professionals, via their federations, to report anomalies in price formation,

which may lead to investigations in the event of suspected anticompetitive behaviour. In addition, the purchasing power dimension has been integrated as a priority focus of its National Investigation Programme (PNE for “*programme national d’enquêtes*”), which will soon be made public. In its roadmap for the period 2022-2023, the *Autorité de la concurrence* has made the preservation of purchasing power a priority area of action, whether in its litigation, advisory or merger control capacities. Within this framework, special attention is paid to particularly affected sectors such as energy, food and public procurement.

Germany

The inflationary environment is not only creating challenges for the enforcers: the macroeconomic development is putting pressure on policy-makers in particular. Even though there are many different possible causes of inflation, competition policy can only have an indirect influence on few of them, and can only have a direct impact on profit-driven inflation. Nevertheless, competition policies which increase the intensity of competition on product and services markets are likely to have an (albeit hard to quantify) inflation-reducing effect, so that policy-makers currently have a special incentive to take such legislative measures. For example, the Federal Ministry for Economic Affairs and Climate Action, which is responsible in Germany for competition policy, has presented a draft act to revise national competition law in the form of the Competition Enforcement Act. At the heart of the draft act is a flexible instrument which the Bundeskartellamt can use to impose structural and behavioural remedies following a sector inquiry where there is a substantial and lasting “malfunctioning of competition”.

Hungary

The notion that absent price regulation the Hungarian Competition Authority (Gazdasági Versenyhivatal – GVH) has to deal with increasing prices dates back to the beginnings of modern Hungarian competition law which happened to be an inflationary period. It resulted in a relatively high number of excessive pricing complaints and excessive pricing cases in the past.

Surging prices and shortages – presumably caused mainly by the short-term and longer-term effects of the Covid19 pandemic and the war in Ukraine – triggered waves of excessive pricing and other complaints. Nevertheless, the GVH was not under pressure to deal with inflation, while the government introduced a number of retail price caps. The GVH did not oppose these regulations.

Nevertheless, the GVH launched five accelerated sectoral inquiries – an agile version of “regular” sectoral inquiries, with a shorter time frame and a streamlined procedural framework – to better understand why prices surged in certain industries and to clarify whether enforcement action or advocacy is needed. Two inquiries concerned Covid19 antigen and antibody rapid tests, and another three concerned construction materials, namely ceramic masonry products (mainly bricks), wooden construction materials, and thermal insulation materials.

Due to their ambitious time frame, the GVH made reasonable simplifications in data gathering and analysis in these inquiries, still gaining reasonable insight. While findings varied across industries, none of the inquiries triggered enforcement action, but each of them produced a number of advocacy proposals. The most successful of them was the recommendation to allow the sale of Covid19 rapid antigen tests not only in pharmacies but also in retail chains, drugstores, and petrol stations. Consequently, prices fell substantially after its implementation by the government.

Substantive fines of the GVH adjust automatically to inflation, as they are based on turnover. Merger notification thresholds and procedural fees do not adjust automatically, therefore they are reviewed from time to time and updated when appropriate.

Indonesia

Indonesian inflation in 2022 is generally caused by increased demand after the pandemic subsides, international food price fluctuations due to the disruption of distribution chains, and rising fuel prices. Competition does not solve inflation in the short term and market powers are not the cause of the current inflation trend. However, business competition has an important role in restraining inflation, where the competition will suppress prices and benefit consumers, encourage the economy to better adapt to economic shocks, and help stimulus and stabilization policies become more effective.

The competition authority has an important role in monitoring and controlling inflation in Indonesia. Indonesia Competition Commission (ICC) actively monitors prices both individually or in a joint team with other government institutions, conducts investigations, and provides policy recommendations and advices to the Government in times of inflation. To protect domestic consumers and producers, the Government of Indonesia may establish policies that regulate supply and prices. Such policies can harm the competition climate. For this reason, ICC plays an active role in providing policy recommendations and advices so that Government policies remain in line with the principles of fair business competition.

The role of the Commission is getting stronger, one of which is shown by the involvement of ICC in the task force on food commodities since 2017. In this task force, apart from being involved in monitoring activities, ICC also provides input to the Government's policy plans in the food industry in Indonesia, especially related to price and supply arrangements for subsidized products and services.

In inflationary conditions, especially in industries with a high concentration level and regulated by the Government in terms of prices and supply, there are opportunities for business actors to practice unfair business competition, such as agreeing to increase prices as much as possible to approach the highest retail price set by the government or agreed to set the supply quota. ICC has handled cases under these conditions, for example, the case of the imported beef cartel and the case of the garlic import cartel.

Kazakhstan

Today, inflation in many world countries continues to rise, reaching historical highs. Kazakhstan belongs to the countries with a small open economy and is import-dependent in many commodity items, and therefore feels the consequences of the negative inflationary influence of external factors. Thus, in October 2022, inflation in Kazakhstan reached 18.8% year-on-year, significantly deviating from the forecast trajectory (4-6% - for 2021-2022) . Prices for food products increased by 23.1%, non-food products - by 17.9%, and paid services – by 13.5%.

The National Bank (the Central bank of Kazakhstan, whose primary goal is to ensure price stability in Kazakhstan) and the Government are jointly engaged in controlling inflation in Kazakhstan. The Agency for Protection and Development of Competition of the Republic of Kazakhstan (APDC, antimonopoly authority) is also actively involved by the authorities of the country in the implementation of anti-inflationary measures in the country.

Antimonopoly instruments play a separate role in the implementation of a set of measures to control and reduce the level of inflation. For the most part, these are antitrust issues related to the suppression of price collusion, abuse of a dominant or monopoly position, as well as restriction of access to goods. Thus, as operational measures for 2022, the APDC is assigned an analysis for the detection of antimonopoly violations at the auction of coal, petroleum products, and electric energy.

Moreover, the impact of antimonopoly measures is only local and short-term, without solving systemic problems in a particular area. Antimonopoly control measures can cover only commodity markets with the presence of large producers and suppliers of goods.

It seems that competition is certainly closely related to the price situation in the markets. Broadcasting the concept of a “hypothetical monopolist,” it is safe to say that in markets with inefficient competition (in highly concentrated markets), it is much easier for the main players (suppliers) to raise prices for consumers painlessly for themselves than in markets with the effective competition. In other words, in weak competition or its absence in the short term, prices will rise faster since it is easier for a market entity endowed with market power to increase the level of its marginal costs and marginality under the influence of any external factors (if any).

Lithuania

This Note overviews advocacy efforts of the Lithuanian competition authority in the context of increased inflation rates.

First, it refers to the position of the Lithuanian Competition Council with regard to the role of competition policy while inflation rates in Lithuania have reached unprecedented levels in 2022. The competition agency argued that overall inflation in variety of products was not likely to be caused by restrictions of competition which could be remedied by the Competition Council. However, in general, competition policy can contribute to lower prices by addressing distortions of competition of private and public nature in particular markets.

Second, this Note discusses the experience of the Lithuanian Competition Council in advocating against price regulation in the beginning of COVID-19 pandemic in 2020, when it was feared that prices for most necessary products would reach unacceptable levels. The competition authority pointed out that price regulation may cause shortages of products and, in the longer period, even serious disruptions of national economy. Therefore, the Competition Council advised the Government to consider alternative means in reaching the goal of regulation.

Portugal

In this note, the Portuguese Competition Authority (Autoridade da Concorrência – hereinafter “AdC”) provides an overview of its advocacy experience relating the role of competition policy in times of inflation and of economic recovery. Section 2 refers to the relationship between competition and inflation, with a particular emphasis on the key drivers behind the current inflationary context. Section 3 presents the AdC’s initiatives in response to high levels of inflation and in raising awareness to risks to competition in policy support measures, with a special emphasis on energy markets. Section 4 concludes with final remarks.

Competition advocacy and competition law enforcement can contribute to keeping markets open and competitive. Competition can ensure a swifter adjustment of the economy to unanticipated shocks and can help mitigating the impact of inflation on households in their different roles as taxpayers, consumers, and workers.

Thus, in the last year and a half, the AdC has decided to reach out to stakeholders in Portugal, to raise awareness as to the role of competition in the context of inflation and economic recovery. In August 2022, the AdC published an issues paper on “*Competition and purchasing power in times of inflation*”¹ and in June 2021, the AdC published an issues paper on “*The role of competition in implementing the economic recovery strategy*”². Both issues papers were sent to the Government.

The AdC has been highlighting that is key to eliminate unnecessary barriers to entry and expansion across many sectors of the economy. Reforms that enhance competition in labor and product markets might reduce the degree of price stickiness and help stimulus or stabilization policies to be more effective. The enforcement of the rules by the AdC, through merger control and the investigation of anticompetitive practices, contributes greatly to keeping markets open and competitive. The AdC has also stressing that administrative price controls may pose risks to competition and, thus, it is key to assess alternative policies that may achieve the same objective.

¹ Available at https://extranet.concorrencia.pt/PesquisAdC/EPR.aspx?Ref=EPR_2022_18&isEnglish=True.

² Available at https://extranet.concorrencia.pt/pesquisAdC/EPR.aspx?Ref=EPR_2021_15&isEnglish=True.

Romania

Commodity prices rose in the first half of 2022, reflecting the effect of global factors . Therefore, the inflation issue has global causes, manifesting itself in each state, with some variations depending on the characteristics of each national economy (e.g. the degree of energy independence, the resources held, the industrial structure of the economy and possibly its energetic character, etc.).

National approaches often seek short-term solutions, but can generate serious medium and long-term effects by distorting competition, regulating markets or removing intervention filters or even inhibiting competition authorities which should represent objective poles of economic reason in an environment that is deeply sensitized by severe socio-economic problems.

Therefore, the RCC considers it essential to maintain a prudent attitude, in accordance with its own role, towards possible interventionist measures of the Government (e.g. by capping prices), to develop its capacity to analyze and monitor price developments and to identify their real causes, to support the Government in generating appropriate solutions, only when and in the markets on which it is needed and to take into account not only short-term inflation objectives, but also medium and long-term objectives related to the competitive environment as a whole.

Also, given the global nature of the causes that led to the rise in inflation, international communication is essential to generate compatible solutions at the level of states, which do not generate a global discriminatory framework (e.g. through incentives) between global players, depending on their nationality. Therefore, even if measures are taken at the level of each state, certain solutions need to be agreed at international level.

South Africa

The CCSA generally accepts that there are likely to be some genuine cost drivers behind periods of inflationary pressure in different parts of the economy. However, the CCSA is of the view that inflationary outcomes may be exacerbated by exploitative and opportunistic behaviour of firms in concentrated markets.

The CCSA's experience in dealing with a series of economic shocks since the beginning of the pandemic, including periods of high inflation, has shown that these concerns are well-founded. Our findings in much of the research and investigations shows that some firms do exploit economic turbulence to pass through higher than justified price increases and are slow to bring these down once conditions stabilise.

In 2020, the CCSA began actively monitoring essential food prices to understand the effect of the Covid-19 pandemic and the ensuing economic crisis on food markets. A series of essential food price monitoring reports (EFPM Reports) published in 2020 and 2021 pointed to concerning price behaviour and market dynamics in food markets³ that may lessen, impede, or restrict competition in food markets. In a country characterised by high poverty levels, ensuring the proper function of essential food markets and value chains is an important aspect of protecting the spending power of vulnerable consumers. In particular, the CCSA found that food markets can over-react to shocks with quicker and higher price increases than justified, which are frequently slow to reduce once the shock has passed.

Whilst public data is a useful source of information to monitor and identify potential candidates of exploitative conduct, a proper assessment cannot be performed using publicly available information, which is aggregated and does not speak to costs. On the basis of these findings, the CCSA has initiated an investigation against major producers and retailers of sunflower and other cooking oils. This investigation also includes maize and wheat products.

The CCSA has also been closely monitoring developments in the domestic airline industry since the start of the pandemic when many airlines came under financial strain due to travel restrictions that were imposed to curb the spread of Covid-19. Persistent complaints around increases in fares resulted in the CCSA investigating the domestic airlines for excessive fare inflation in the context of a capacity shortage. The airlines indicated that some price inflation was unavoidable due to the substantial increase in the jet fuel price driven by global events coupled with refinery closures for maintenance in South Africa. In the context of a large underlying cost driver increasing, and the inability to separate fare inflation from exploitative conduct using public data, the CCSA acted on the complaints and took forward the investigation.

The CCSA will continue to intervene in markets and pick the most appropriate and effective enforcement tools from its arsenal to deal with economic shocks.

³ These include garlic, ginger, sunflower and cooking oil, white and brown bread

Spain

This contribution by the Spanish National Markets and Competition Commission (CNMC) addresses the topic of the Roundtable on “Competition and Inflation”. In this regard, some key aspects of inflation, namely its macroeconomic and dynamic nature, should be considered when addressing the potential role of competition policy as an anti-inflationary tool.

Competition policy can have a significant effect on prices. A competition policy that promotes more efficient and competitive markets will affect the price level and, in certain scenarios, its variation over time or inflation. The CNMC in its market studies has repeatedly examined these effects, which have been checked by some empirical literature.

The fight against high inflation may count on competition policy. It can contribute in the medium and long term to this anti-inflationary task through a permanent effort across the entire business cycle, delivering more flexible, efficient markets which can respond quickly to any kind of inflationary shocks and, equally important, to any anti-inflationary policy implemented to tackle them.

Finally, competition authorities must adapt themselves to new circumstances and in times of high inflation they should be alert against certain practices or market outcomes.

Türkiye

It is a well known fact that, competition authorities contribute to fight against inflation indirectly by implementing competition rules. However, an economy where inflation prevails, especially if the inflation is triggered by supply or demand shocks, creates challenges for competition authorities in terms of implementing competition rules. Because, in such an economic environment, firms are generally eager to raise prices and it is questionable whether price increases are the legitimate consequences of market conditions or the illegitimate results of undertakings' anticompetitive conduct.

Competition law enforcement during Covid 19 pandemic that caused price spikes in certain goods all over the world, illustrates how all competition authorities around the world including the Turkish Competition Authority (TCA) face abovementioned challenges.

Following the Covid 19 outbreak in the world at the end of 2019, and after the first Covid 19 case reported in Turkey in March 2020, supply shortages and extreme prices increases were observed in many products, especially in agricultural commodities, food products and cleaning/hygiene supplies. In order to determine whether these supply shortages and price increases resulted from anticompetitive behaviors of undertakings, the Turkish Competition Board (Board) initiated many examinations. In these examinations, the TCA aimed to build a "holistic approach" and to analyse and assess the production and distribution processes of the related products, the undertakings that play role in these activities, and the relations between these undertakings entirely.

One of the most crucial examinations initiated in this period is the "Retail Investigation", which was held against Fast-moving Consumer Goods (FMCG) retailers and their suppliers. By examining the evidences and price data obtained within investigation, the Board concluded that five of the investigated retailers operating at national level shared competitively sensitive information such as future prices, dates of price changes, activities and campaigns directly or via common suppliers and coordinated prices and the changes in prices. It was also assessed that one of the suppliers under investigation, intermediated the sharing of competitively sensitive information between the retailers and helped ensuring coordination between them concerning to its own products. Consequently, the Board decided that the five retailers and a supplier violated Competition Act by means of agreements or concerted practices which aimed to fix retail prices of many products and also had the nature of hub and spoke cartels. It is the first decision that the Board characterized an infringement as "hub and spoke cartel" and imposed record administrative fines on hub and spoke cartel participants. Moreover, the Board decided that the supplier violated Competition Act by resale price maintenance and imposed an additional fine to the supplier for this violation.

The decision have shaped the Turkish competition law enforcement in FMCG retail sector. Because, the holistic approach adopted in the investigation enabled the TCA to scrutinize elaborately the way of doing business in FMCG sector and helped to understand that common way of doing business may cause competition law violations such as hub and spoke cartels, exchanges of competitively sensitive information and resale price maintenance.

This understanding, evidence gathered in the investigation and considerable number of complaints induced the Board to open several other investigations on allegations related to abovementioned infringements. Concluded and ongoing investigations in the FMCG retail markets indicate that anticompetitive conduct in this sector may aggravate the inflationary

effects of supply and demand shocks and, considering the importance of this sector for all consumers, it should be a prioritized enforcement field for competition authorities.