

## The CNMC publishes a guide on the role of competition in fighting inflation

- Analyzes how competition helps moderate prices and inflation.
- In addition, it protects purchasing power, especially for low-income groups.

**Madrid, August 8, 2023.** – The inflationary process of recent years has affected households, especially those with lower incomes. Competition and efficient regulation are very useful tools to reinforce inflation control and income redistribution policies, according to the CNMC guide *Competition against inflation*<sup>1</sup> ([G-2022-02](#)).

Promoting efficient and competitive markets benefits society, particularly lower-income groups. Competition results in cheaper, more varied and higher quality products, creates more jobs, business opportunities and better public services.

In contrast, lack of competition is related to falling wages, greater wage inequality and lower dynamism in the labour market. It is estimated that firms' market power reduces the wealth of the 20% of citizens with the lowest income by at least 11%<sup>2</sup>.

### Competition against inflation

The document includes a comprehensive review of the main national and international studies and research on the impact that efficient and competitive markets have on the price level, inflation and purchasing power. In particular, it explains in 15 points, among others, the ways in which competition promotes price and inflation moderation, business efficiency, investment, entrepreneurship and innovation, increases productivity, helps create jobs and raises wages, and boosts the international competitiveness of our economy and long-term growth.

The CNMC is the independent market regulatory body that guarantees and promotes the existence of effective competition for the benefit of consumers. This guide has been prepared within the framework of its competition advocacy functions.

### Related content:

- [G-2022-02](#): Guide *Competition against inflation. How competition and efficient regulation help protect the purchasing power of consumers*.

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<sup>1</sup> “*Competition against inflation. How competition and efficient regulation help protect the purchasing power of consumers (G-2022-02)*.”

<sup>2</sup> Ennis, S. F., Gonzaga, P., & Pike, C. (2019). Inequality: A hidden cost of market power. *Oxford Review of Economic Policy*, 35(3), 518-549.

- [Guide](#) (04/2021): *The benefits of competition for consumers* (“Los beneficios de la competencia para los consumidores”, Spanish only)
- [Guide](#) (10/2021): *Recommendations to public authorities to promote competition as an engine of economic recovery* (“Recomendaciones a los poderes públicos para fomentar la competencia como motor de la recuperación económica”, Spanish only)