

# SEMINARIO DE ECONOMÍA

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Título:

“The effect of entry on price. Evidence from the retail gasoline market”

Ponente:

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Lugar e hora:

***Aula-Seminario 6***

***15:00 h***

Organiza:

Rede Galega de Investigación en Análise  
Económica e Estratexia Empresarial

Coa colaboración de



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## Valeria Bernardo

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### **The effect of entry on price. Evidence from the retail gasoline market**

I exploit a change in Spanish regulations to test the effect of entry restrictions on retail gasoline equilibrium prices. In February 2013, a Central Government reform allowed gasoline stations to operate in industrial and commercial areas. This deregulation led to a high number of new market entrants over the following two years in these newly designated free entry areas. By isolating markets exposed to entry and markets not affected by new entrants, and using a difference-in-difference approach, gasoline retail prices are found to fall on average by 1.82% in the free entry areas. This result is economically significant, representing one fifth of the average retail margin. Moreover, if adopted by every gasoline station, the price reduction would imply savings in gasoline expenditure alone of around 274 million euros per year. Additionally, the results show that the equilibrium price reduction is greatest when the entrant is unbranded and that the effect decreases with the number of entrants and over time..