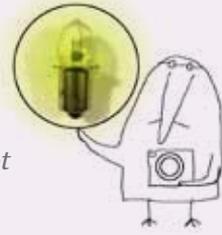


Snapshot



The new value at stake in regulation

Robin Nuttall and Sergio Sandoval

The expanding role of governments in the marketplace has become a hot topic in many executive suites around the world. But how much value is actually at stake from state intervention in the wake of the financial crisis of 2008? The answer, according to our analysis, is close to \$800 billion a year of earnings before interest, taxes, depreciation, and amortization (EBITDA) worldwide—on top of around \$2.8 trillion on the table before the crisis.

Regulation's impact varies by industry: half of the new value at stake is in banking and insurance, 15 percent in the automotive industry, and the remaining 35 percent scattered among other sectors. In banking and insurance, the crisis has added close to \$400 billion to the industry

EBITDA affected by government intervention and regulation, for a total of \$970 billion (exhibit). This means that two-thirds of the sector's profits are now at stake.

The huge regulatory impact of the crisis in just a few sectors doesn't mean that executives in other ones can relax. Telcos, transport and logistics companies, energy providers, retailers, pharma companies, and health care providers have long been subject to extensive government intervention. These industries continue to represent most of the regulatory value at stake around the world. Indeed, with a total of some \$3.6 trillion a year on the table, an effective strategy for engaging government clearly has a place on the agendas of most CEOs. ◉

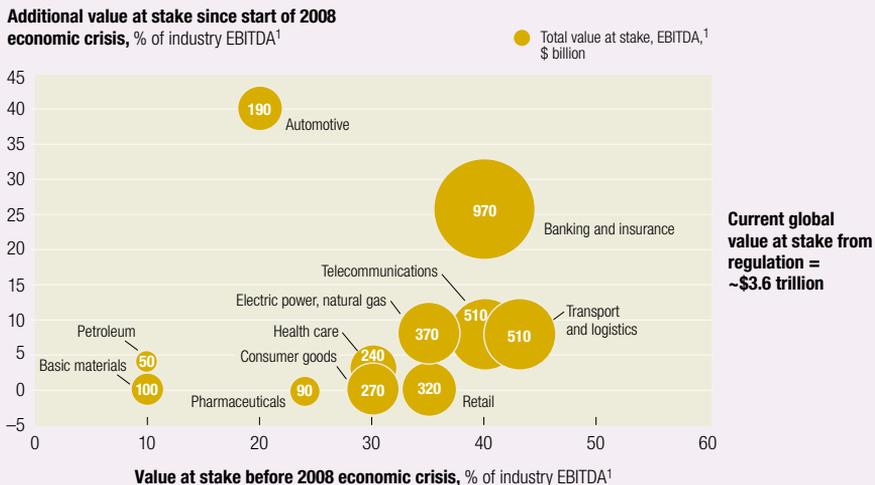
Robin Nuttall is a principal in McKinsey's London office, and **Sergio Sandoval** is a consultant in the Brussels office.

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Exhibit: Value at stake from regulation

Government regulatory intervention since the economic crisis began has increased the value at stake across industries.

Estimated share of value at stake from government regulation, EBITDA¹



¹ Earnings before interest, taxes, depreciation, and amortization.

Source: Global Insight; interviews with experts; McKinsey analysis