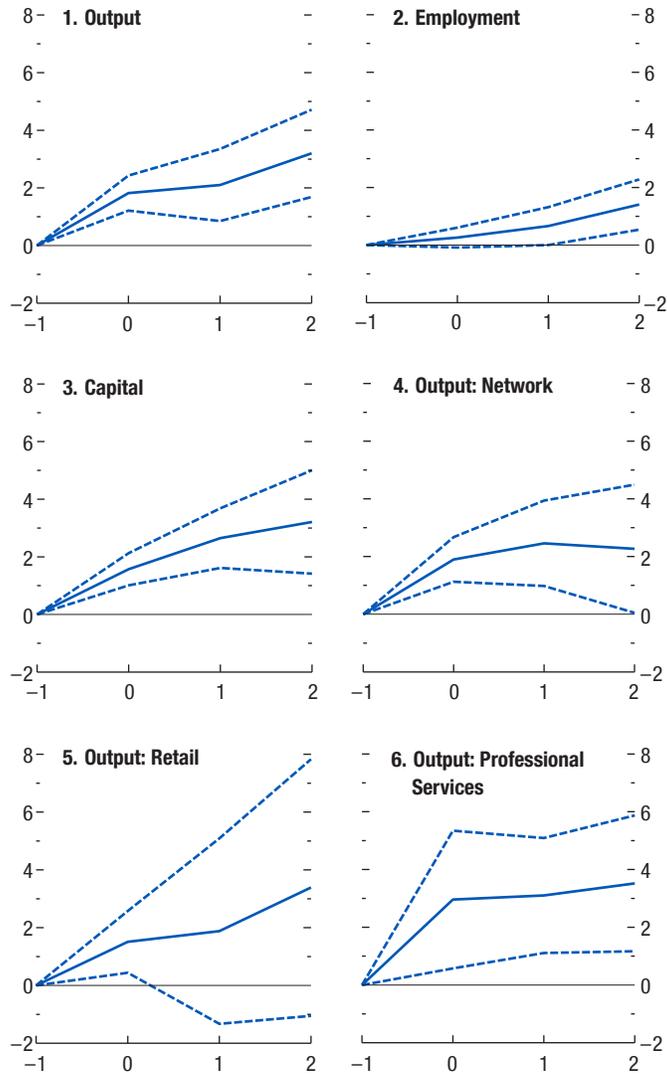


Figure 3.7. Direct Effects of Product Market Reforms on Incumbent Firms' Output

(Percent; years on x-axis)

Product market reforms have statistically significant positive effects on the output, employment, and capital of incumbent firms. The output effects of reforms in retail trade and professional services are comparable to those in network industries.



Source: IMF staff estimates.

Note: $t = 0$ is the year of the shock. Solid lines denote the response to a major reform in product market regulation, and dashed lines denote 90 percent confidence bands. Network industries are air, rail, and road transportation; electricity and gas distribution; and telecommunications and postal services.