

Product Market Regulation: Extending the Analysis Beyond OECD Countries

In this paper the recently updated product market regulation (PMR) indicators are extended to a larger set of countries including several non-OECD members. It investigates regulatory patterns in this extended set of countries as compared to the OECD countries and analyses the link between regulation and growth. On average, regulation is more restrictive of competition in non-member countries than in the OECD area. However, there exists considerable heterogeneity within this country grouping as concerns the level of the regulatory stance and its composition as well as the potential past evolution of regulatory processes. Furthermore, growth regressions provide evidence that less restrictive product market regulation is conducive to growth. An improvement of 1/2 index points of barriers to entrepreneurship would translate into approximately a 0.4% higher average annual rate of GDP per capita growth. However, the results also suggest that for countries that are less advanced, the potential growth benefits of enhancing product market competition may be impaired by other structural weaknesses. In particular, some restrictions of foreign trade and investment might be beneficial for growth in early stages of development.

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