

OECD Product Market Regulation Indicators: taking stock of PMR reforms

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The importance of competitive markets

Competitive markets are essential for business dynamism, productivity and economic growth because they:

1. Exert pressure on costs and provides incentives for the efficient organization of production
2. Ensure resources go to the most productive firms
3. Promote innovation by:
 - i) fostering the entry of innovative firms and
 - ii) encouraging existing firms to innovate to 'gain an edge in' the market

Various factors contribute to ensure that market competition works effectively: the **regulatory framework** in which firms operate is an important one



Measuring how competition-friendly regulations are

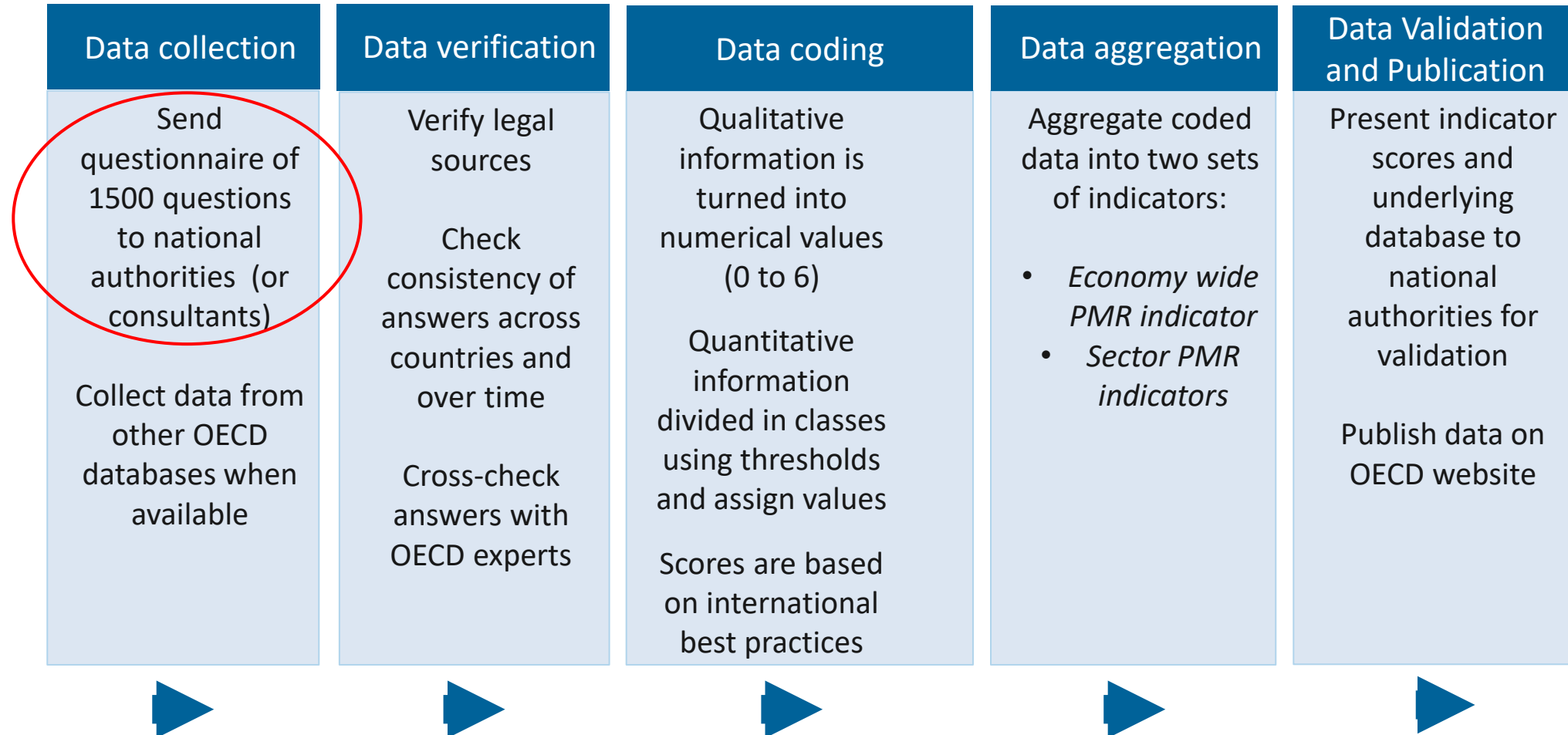
To measure the extent to which a country's regulatory framework fosters productivity-enhancing competition the OECD developed a set of indicators in the late 1990s:

the Product Market Regulation or PMR indicators

These indicators turn qualitative information on laws and regulation into quantitative values



Building PMR indicators





Content of the PMR Indicators: Network Industries and Services Sector

- ☐ Natural Gas and Electricity
- ☐ Mobile and Fixed E-communications
- ☐ Transport (freight and passengers)
- ☐ Retail Distribution
- ☐ Professional Services
- ☐ Digital Markets (new)



Content of the PMR Indicators: Horizontal regulatory domains

- ☐ Design and Evaluation of new and existing laws and regulations
- ☐ Rules on stakeholder consultation and lobbying activities
- ☐ Scope and Quality of the governance of state-owned enterprises
- ☐ Rules on public procurement
- ☐ Administrative Requirements to set up Limited Liability Companies and Personally Owned Enterprises
- ☐ Licensing regime
- ☐ Barriers to Foreign Trade and Investments – *based on other OECD databases and indicators*



De iure indicators: a strength, but also a limitation

PMR indicators reflect the laws and regulations in force in the country **on 1st of January of the reference year** - *de iure* regulatory situation

They include limited information on the level and quality of their enforcement.

This implies that answers are not based on “subjective” assessments by market participants, which:

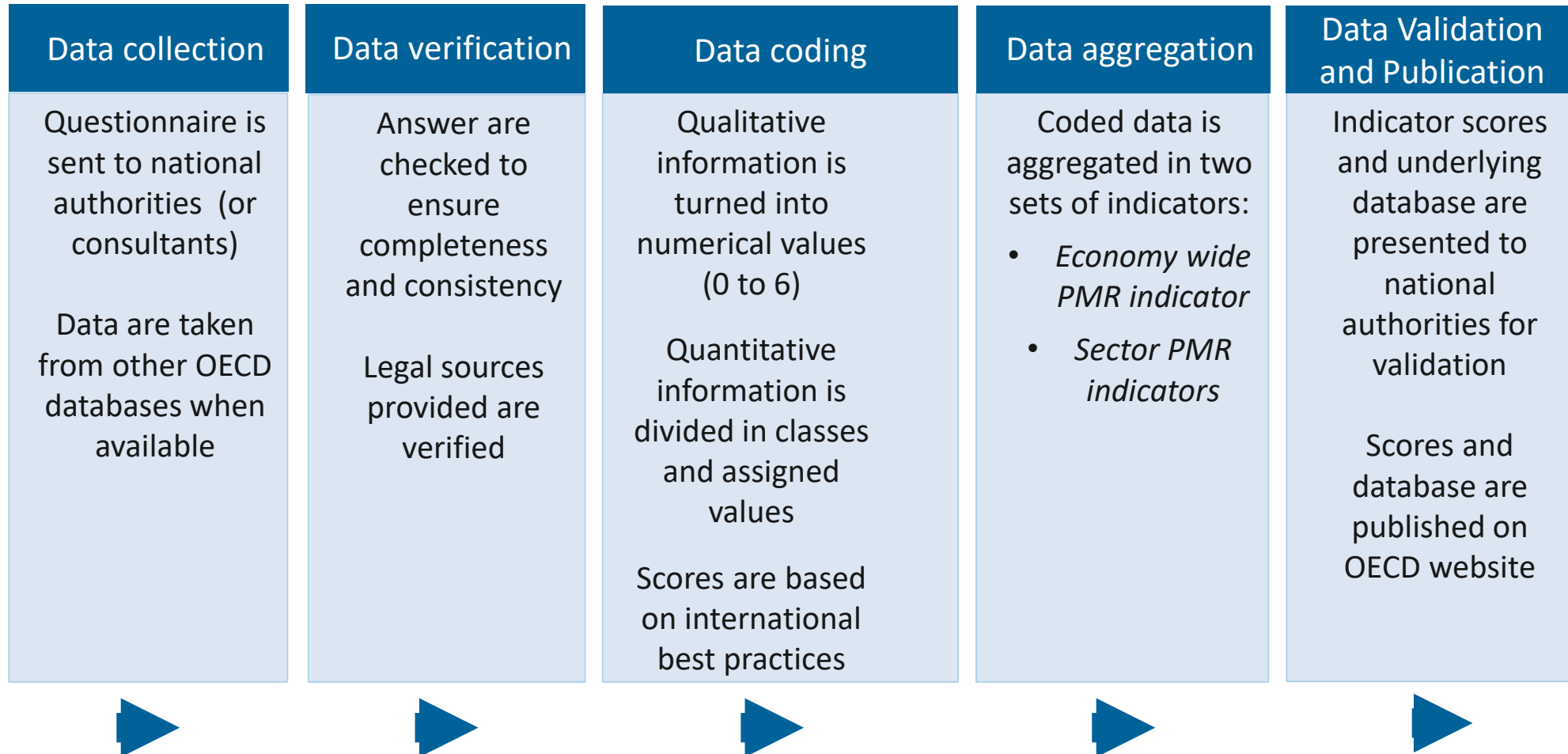
- insulates the indicators from context-specific assessments
- allows OECD to verify answers
- improves the comparability across economies

However, this implies that:

- countries with competition-friendly regulatory settings ‘on paper’ may receive a favourable score, even if regulations are not/not well adopted in practice
- countries that do not have explicit regulatory provisions, but follow best practices, may be penalised



Building PMR indicators

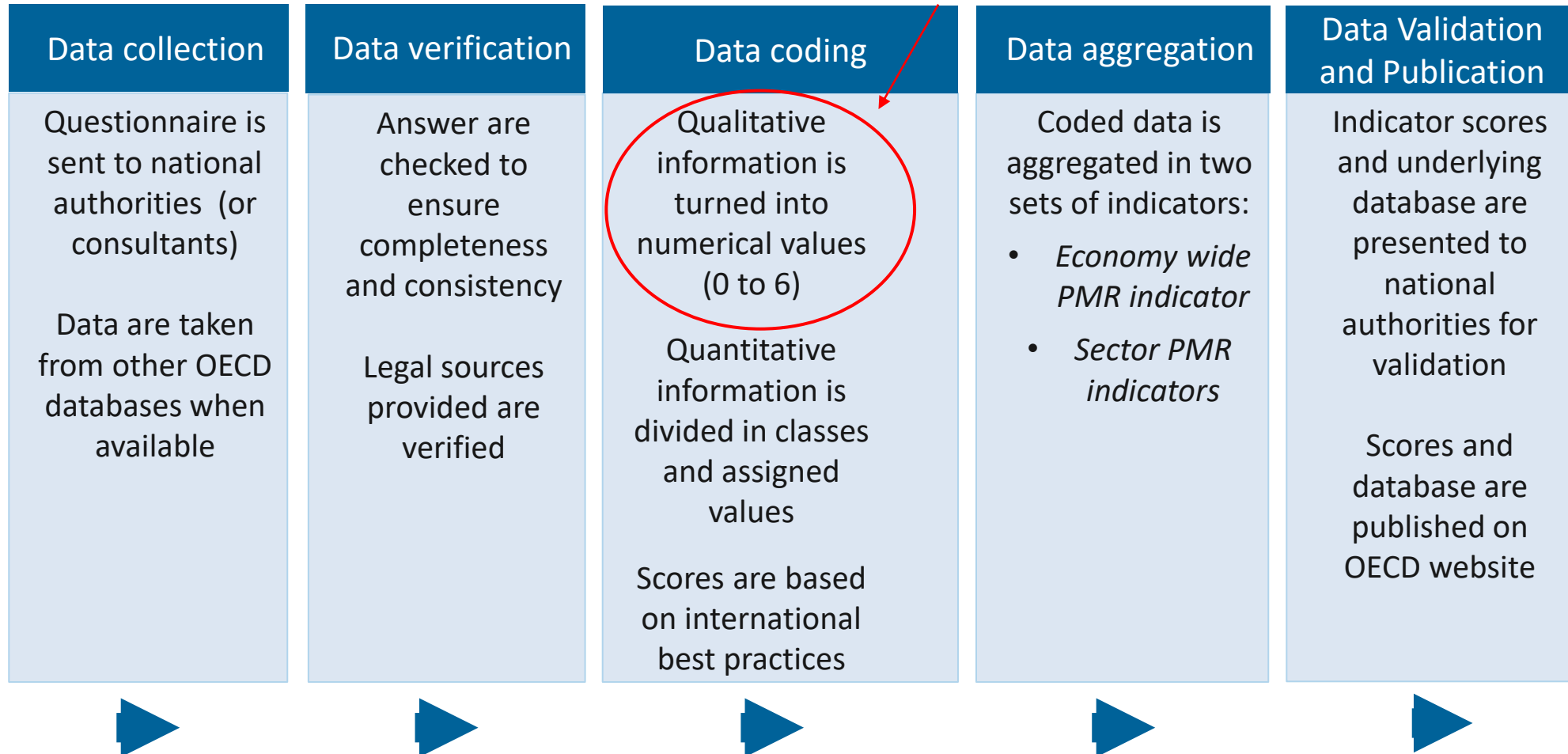




Building PMR indicators (2)

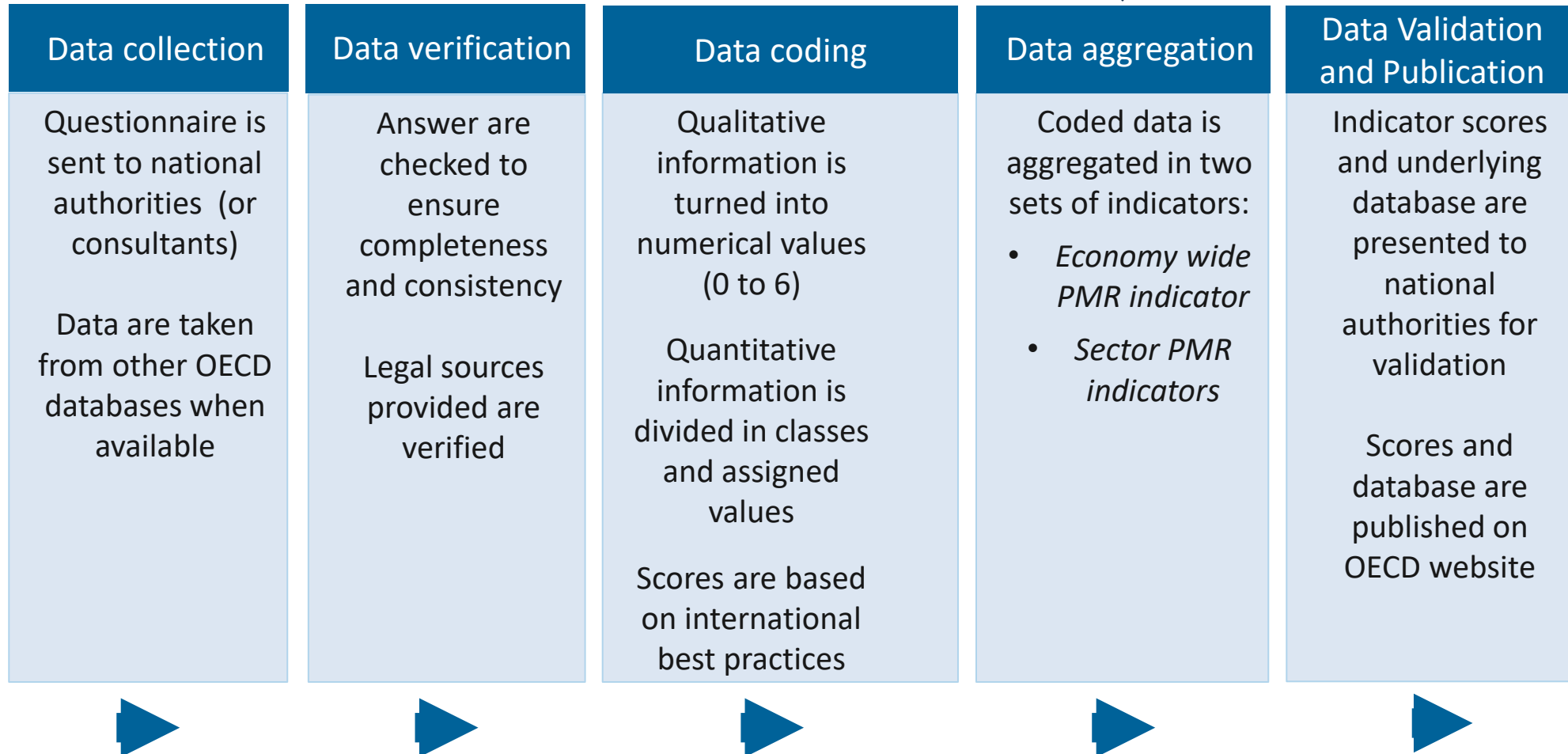


A lower value reflects a more competition-friendly answer



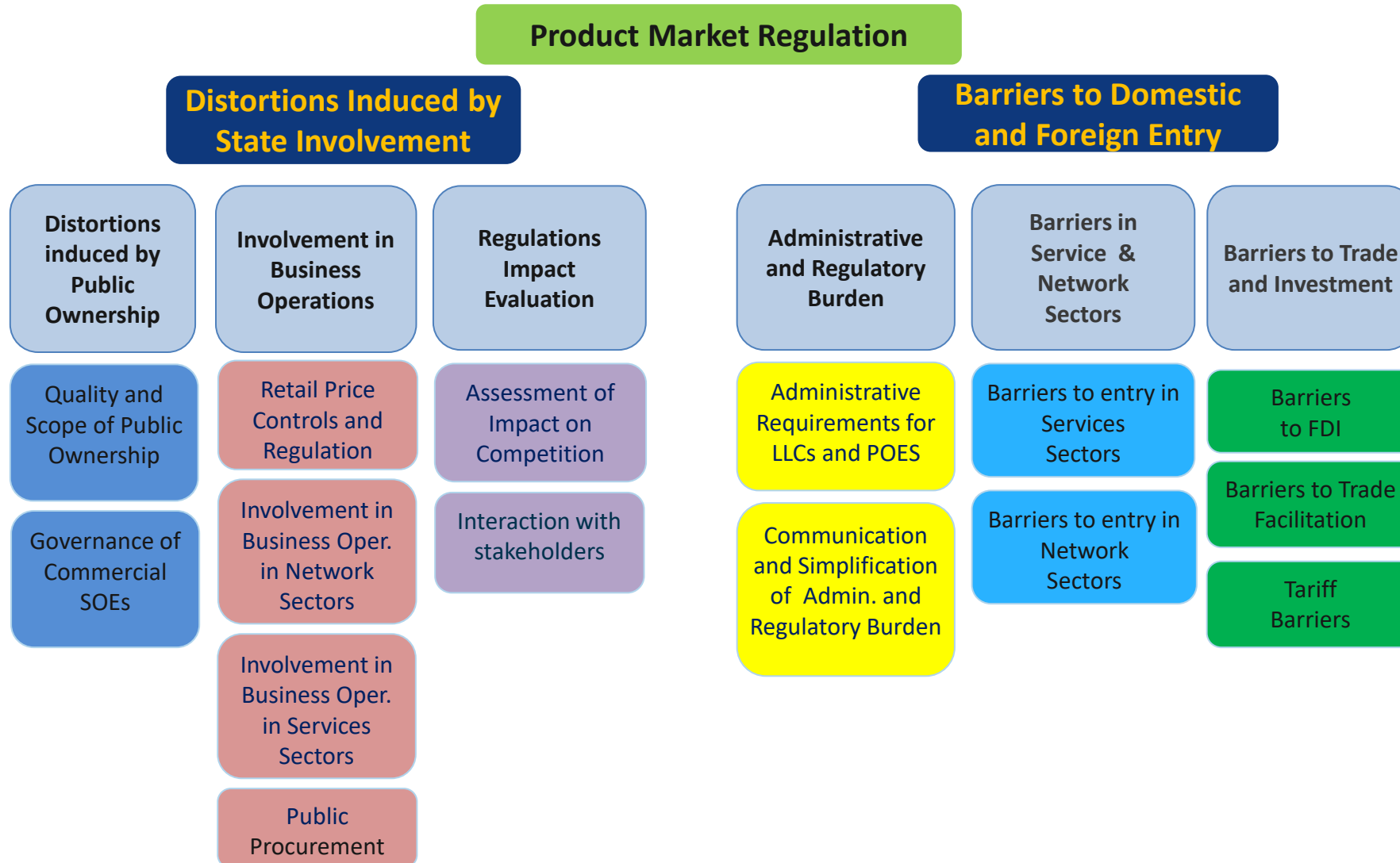


Building PMR indicators (3)





Data aggregation: Economy-wide PMR Indicator





Data aggregation: Sector PMR Indicators

Network Sectors

- Quality and Scope of Public Ownership
- Regulation

- Energy
- Transport
- E-comm.

Professional Services

- Entry Regulation
- Conduct Regulation

- Lawyers
- Notaries
- Accountants
- Architects
- Civil engineers
- Estate agents

Retail Sector

- Regulation of sales in B&M shops
- Regulation of online sales

- General Retail Distribution
- Retail Sale of Medicines

Digital Markets

- Assessment of Competition Challenges
- Merger Control
- Fair Trading for Business Users
- Market Contestability
- Use and Access to Data



The OECD PMR Indicators over time

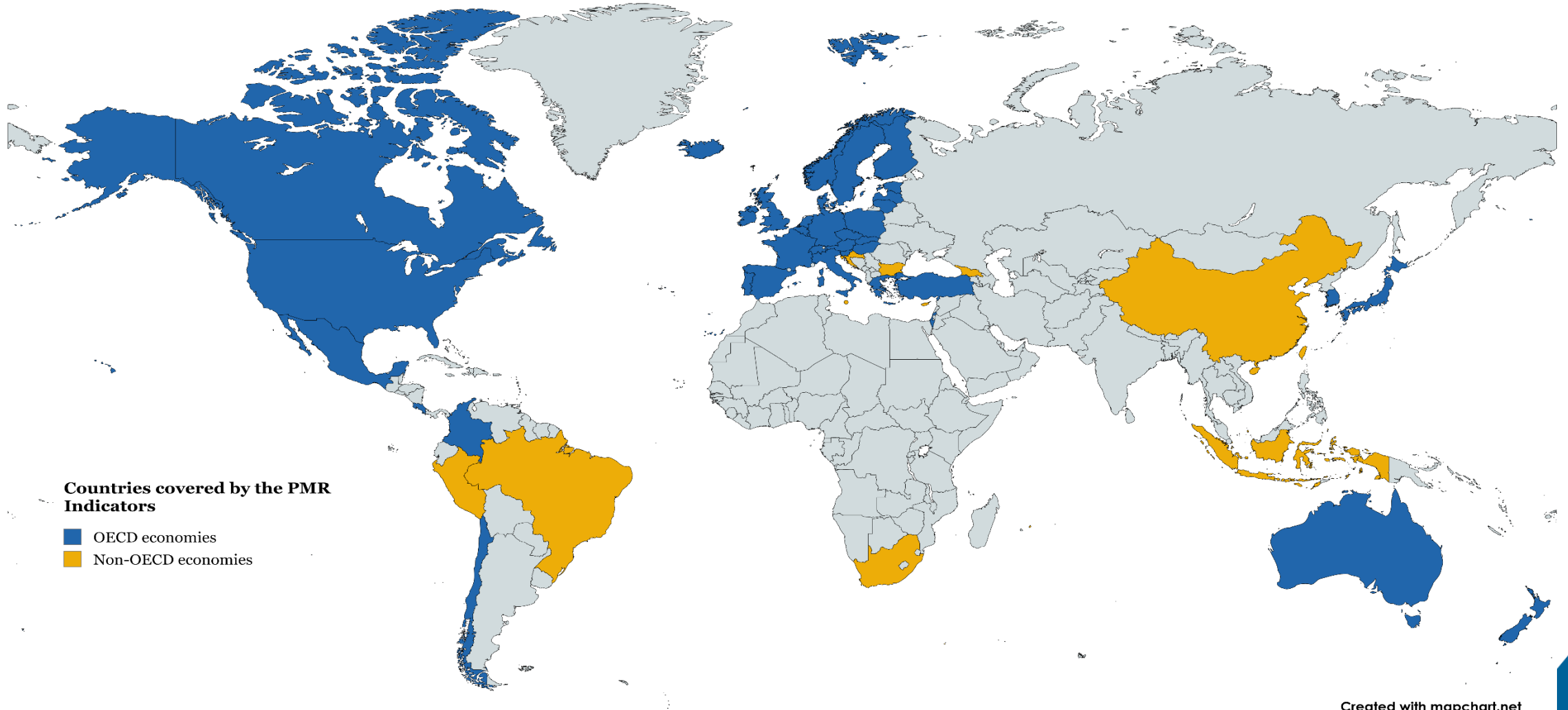
- ❑ The OECD PMR Indicators were first released in 1998
- ❑ The exercise has been repeated at 5-year intervals
- ❑ The last update was released in July 2024

Initially, the exercise included only OECD member countries, but over time the coverage has been considerably expanded through partnerships with other international organisations and governments



So far, the latest update includes all OECD countries, all EU member states (except Romania) and many large world economies
More countries will be added in 2025 and 2026

Geographic coverage of latest update in July 2024

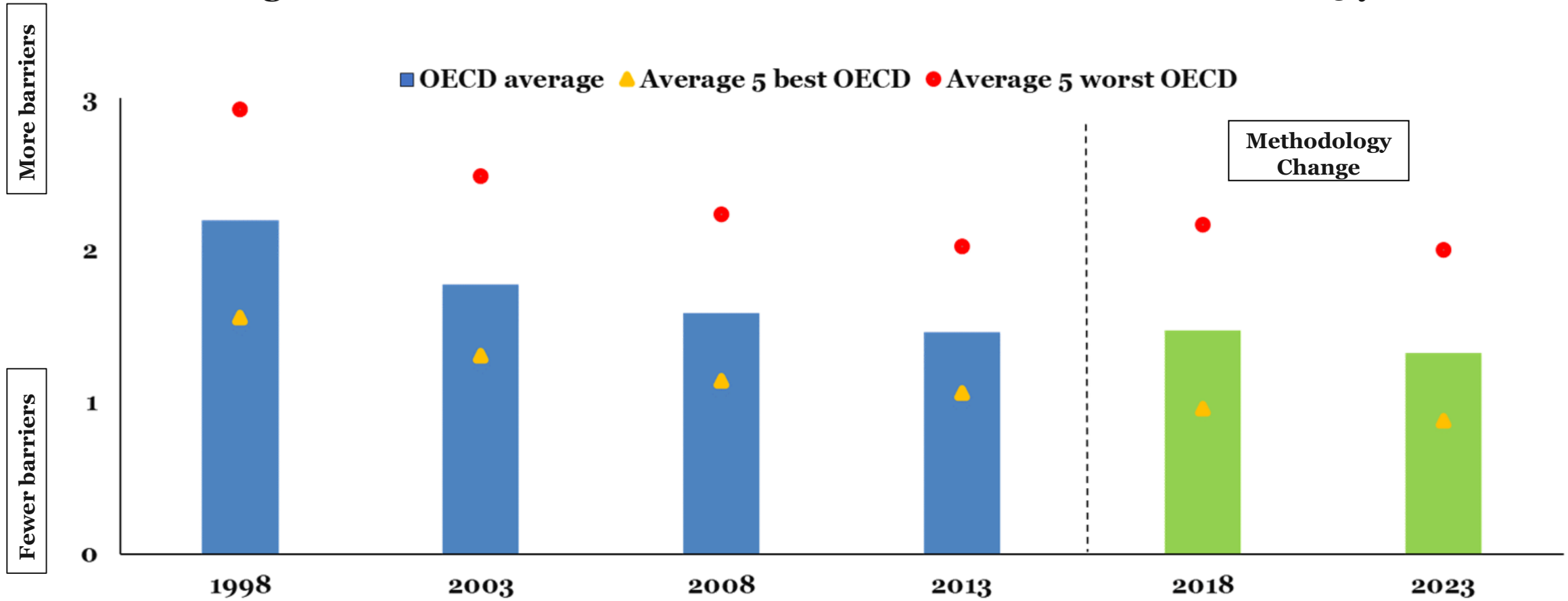


Created with mapchart.net



The pace of regulatory reform has declined

Average value of the PMR indicator for OECD countries over the last 25 years



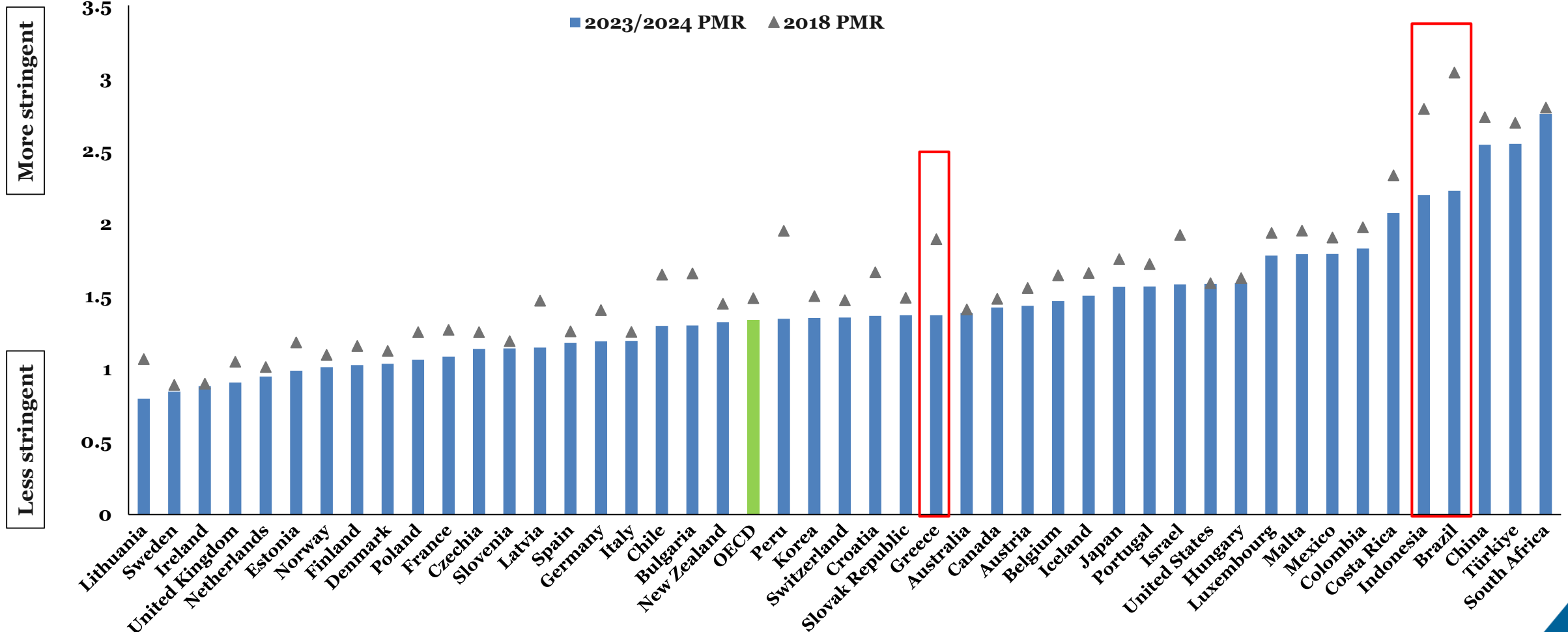
Source: OECD PMR database for 2023/2024, 2018/2019, 2013, 2008, 2003 and 1998.

Note: The averages include all OECD countries that are currently members of the OECD. A change in methodology in 2018/2019 implies that only trends can be compared.

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Not much has changed, since the previous update



Source: OECD PMR database and OECD-WBG PMR database for 2018 and 2023/2024 (July 2024)

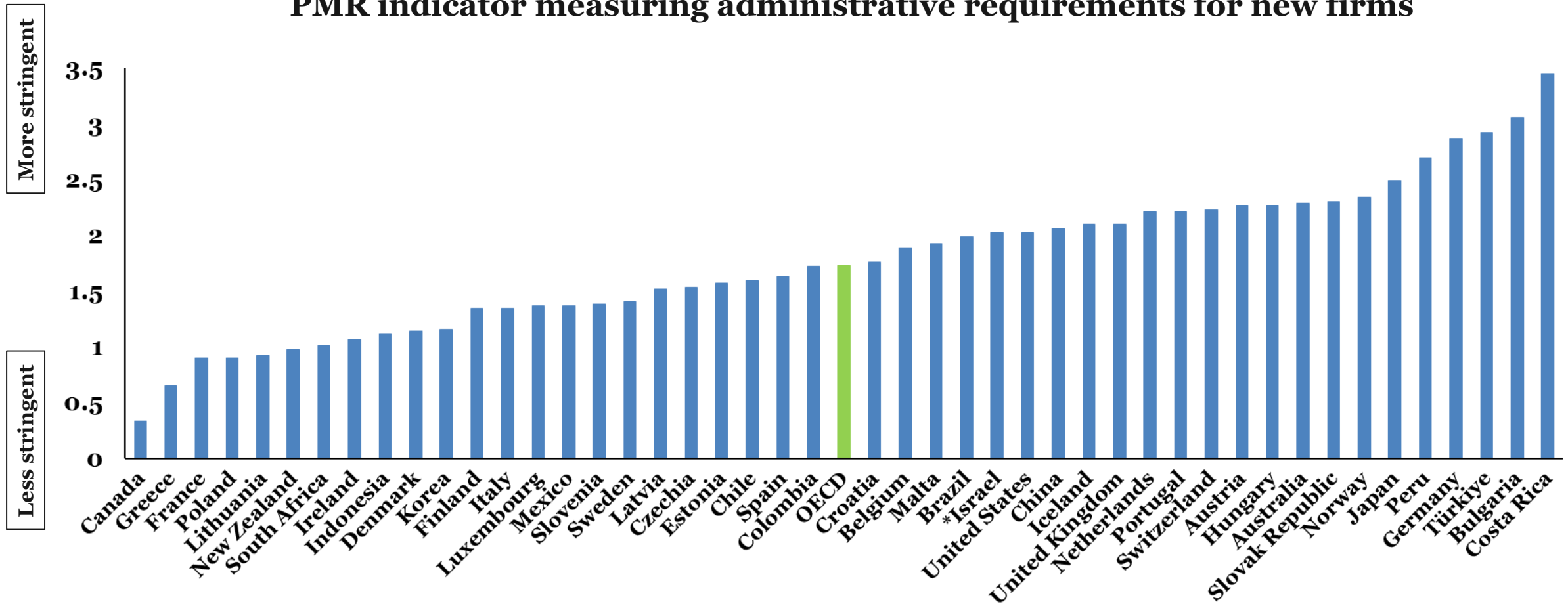
*The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

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Some countries have made it easier to start a business, although red tape persists

PMR indicator measuring administrative requirements for new firms



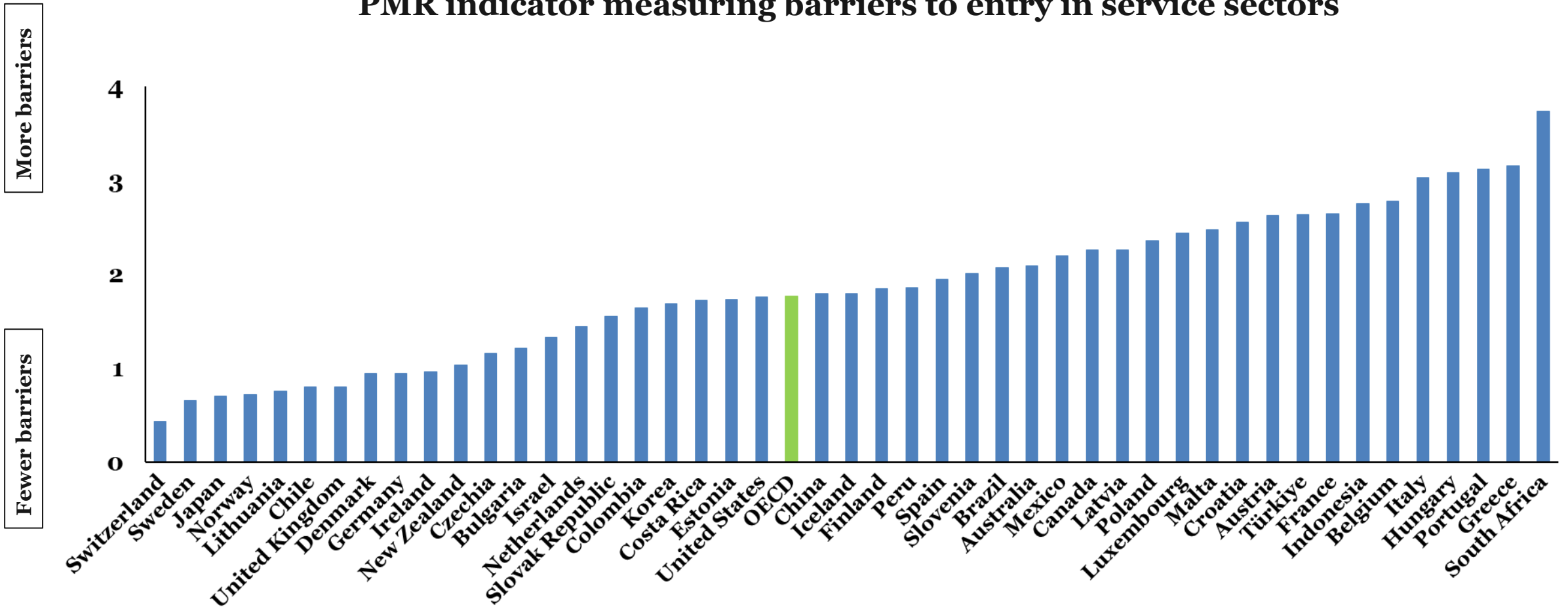
Source: OECD PMR database and OECD-WBG PMR database for 2023/2024 (July 2024)

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Entry barriers in the service sector could be lowered

PMR indicator measuring barriers to entry in service sectors



Source: OECD PMR database and OECD-WBG PMR database for 2023/2024 (July 2024)

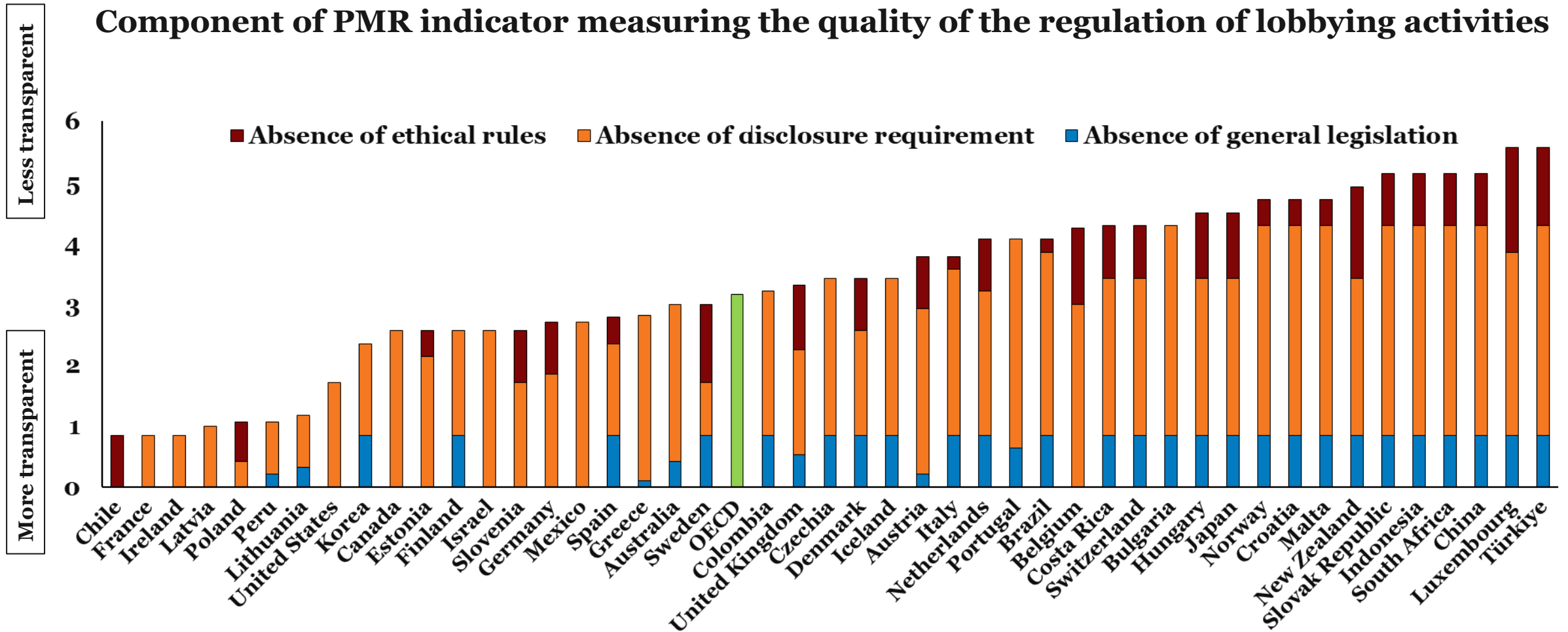
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Lobbying activities could be more transparent and accountable

Component of PMR indicator measuring the quality of the regulation of lobbying activities



Source: OECD PMR database and OECD-WBG PMR database for 2023/2024 (July 2024)

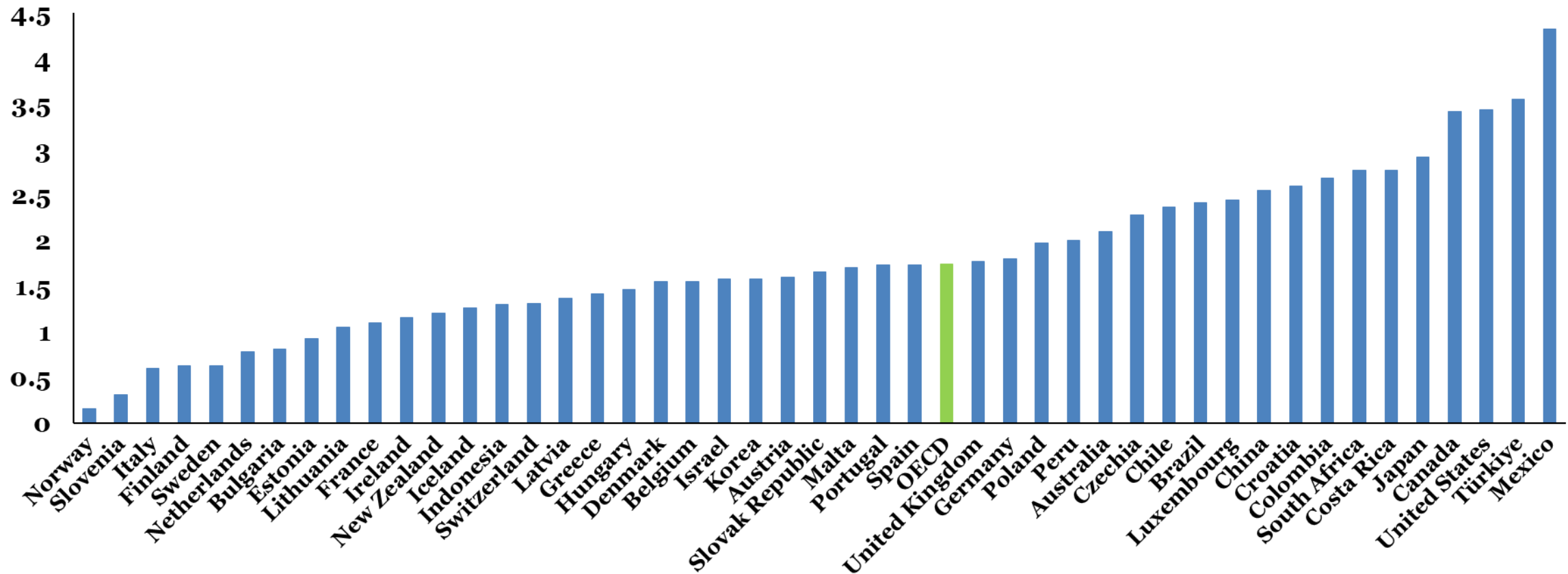
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The governance of SOEs could be improved

PMR indicator measuring the quality of the governance of state-owned enterprises (SOEs)



Source: OECD PMR database and OECD-WBG PMR database for 2023/2024 (July 2024)

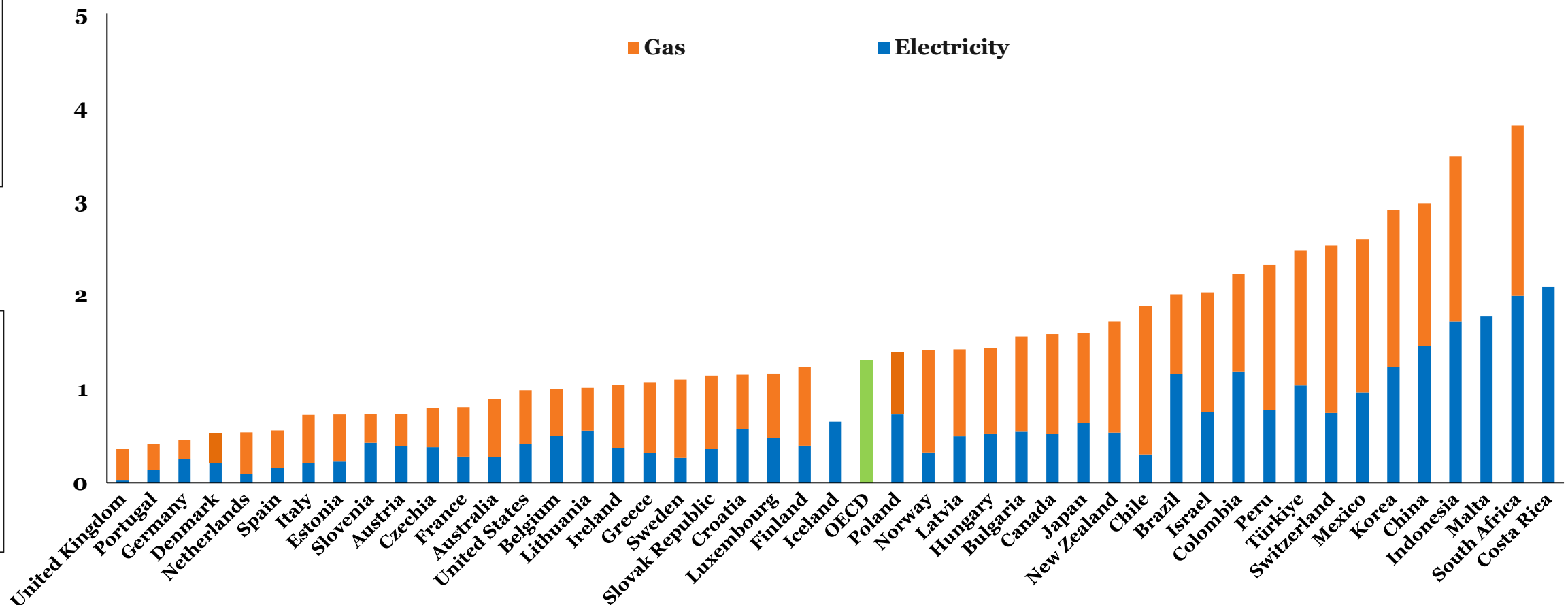
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There is scope to foster competition in natural gas

PMR indicator measuring regulatory barriers in the energy sector



Source: OECD PMR database and OECD-WBG PMR database for 2023/2024.

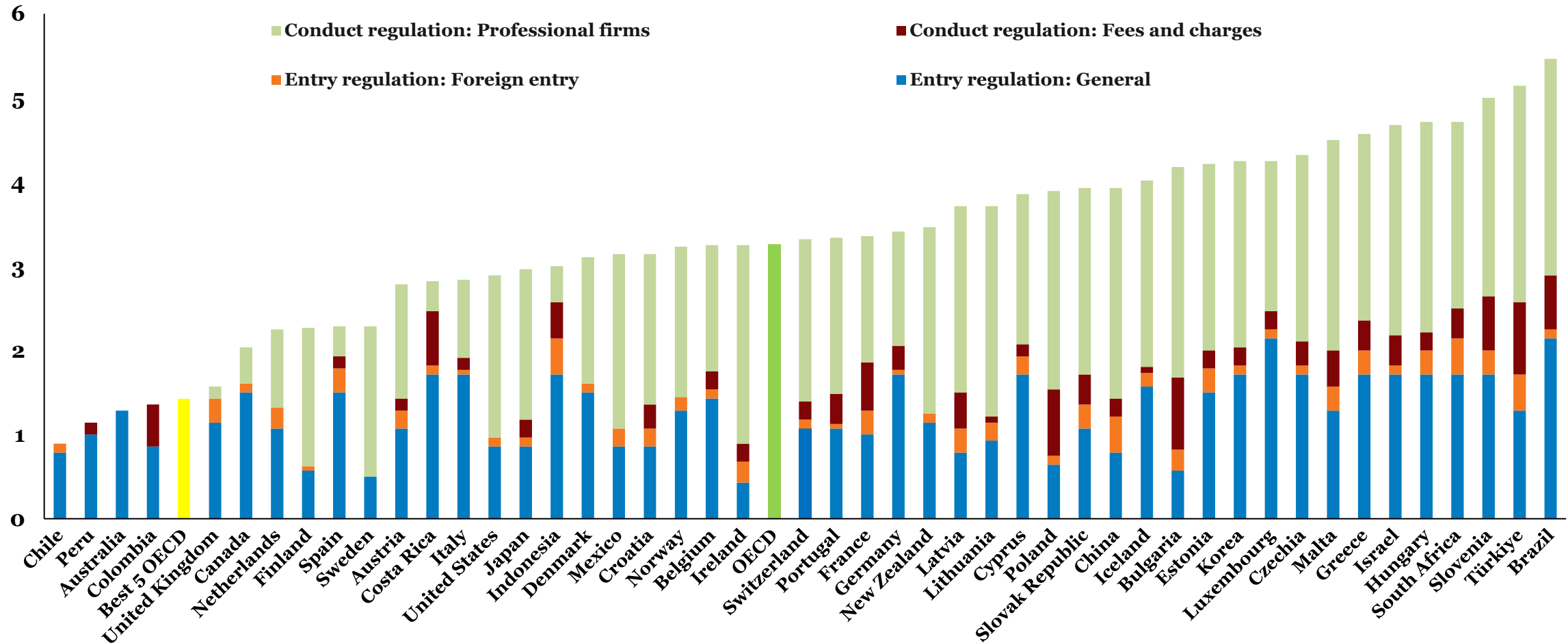
Note if a sector is too small to be taken into account, there will be no bar for it –e.g. there is no bar for gas in Costa Rica, Iceland and Malta

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Regulatory barriers in professional services are still high: Lawyers



Source: OECD PMR database and OECD-WBG PMR database for 2023/2024.

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How can the PMR indicators be used?

These indicators:

- ☐ enhance the knowledge of regulatory practices in the countries surveyed
- ☐ permit to identify areas where regulations are not aligned with accepted best practice
- ☐ allow policymakers to compare policies and learn about other countries regulatory frameworks
- ☐ enable to track regulatory reforms over time
{when exercises is repeated}
- ☐ give the possibility to investigate the link between regulatory reforms and economic performance





Who uses the PMR indicators and how

1. **OECD**

- ☐ Economic Surveys by the Economics Department (ECO)
- ☐ Policy reports
- ☐ Competition Assessment Reviews

2. **National governments**

- ☐ Assessments and identification of priorities for reforms

3. **Other international organizations, e.g. EU and World Bank**

- ☐ Assessment of the regulatory framework and reform suggestions

4. **OECD, IMF, academics and research institutions**

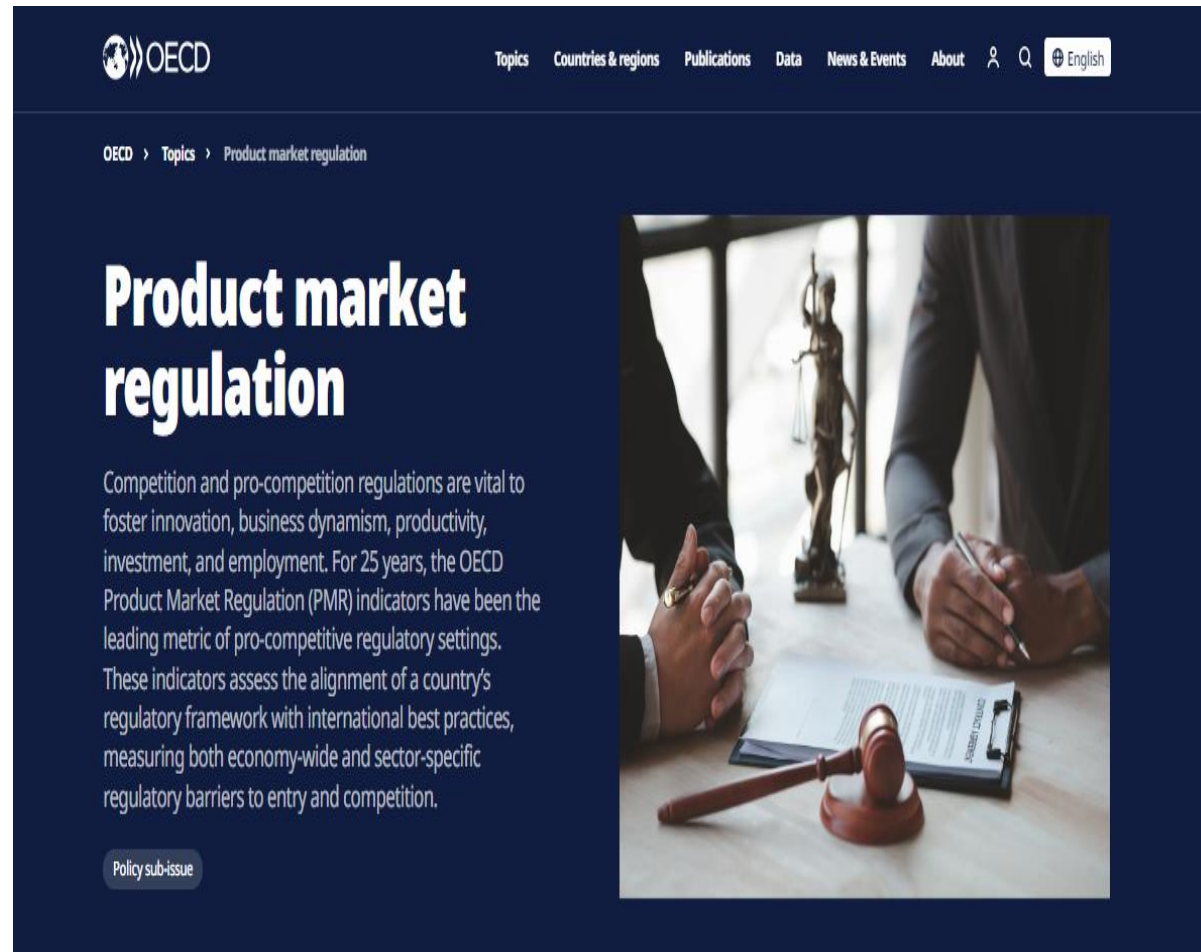
- ☐ Quantification of the impact of pro-competition reforms



PMR webpage: <https://oe.cd/pmr>

Country Notes
with ranking

Key highlights from
latest update



Database

Methodology

Working Papers,
Policy Notes and
Reports

Thank you!

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