Product market reforms in network sectors have statistically significant direct and indirect medium-term effects on output.

**Figure 3.6. Direct and Indirect Sectoral Output Effects of Product Market Reforms**

*(Percent; years on x-axis)*

1. **Direct Effect**
   - Solid lines denote the response to a major reform in product market regulation, and dashed lines denote 90 percent confidence bands. The direct effect measures the impact on GDP of deregulating all network industries only through the response of real value added in the deregulated industries themselves. It is computed assuming that all network industries together account for about 10 percent of GDP on average across sample countries.

2. **Indirect Effect: Backward Linkages**
   - The indirect effect measures the average impact on GDP across sample countries of deregulating one network industry only through the response of real value added in downstream industries (backward linkages) and upstream industries (forward linkages). See the chapter text for details.

3. **Indirect Effect: Forward Linkages**
   - Network industries are air, rail, and road transportation; electricity and gas distribution; and telecommunications and postal services.

Sources: Timmer and others 2015; and IMF staff estimates.

Note: \( t = 0 \) is the year of the shock. The direct effect measures the impact on GDP of deregulating all network industries only through the response of real value added in the deregulated industries themselves. It is computed assuming that all network industries together account for about 10 percent of GDP on average across sample countries. The indirect effect measures the average impact on GDP across sample countries of deregulating one network industry only through the response of real value added in downstream industries (backward linkages) and upstream industries (forward linkages). See the chapter text for details. Network industries are air, rail, and road transportation; electricity and gas distribution; and telecommunications and postal services.