The Internal Market Index 2004

Prepared by

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Aim of the Internal Market Index

The objective of the Index is to track over time the effects of Internal Market policy. Internal Market policy aims to achieve the free circulation of goods, services, capital and workers within the European Union. Whereas the ultimate objective of the policy is to increase the standards of living, opportunities and quality of life of European citizens, and the competitiveness of European companies, the Index does not focus on realisation of these long-term goals. Instead, it concentrates on the following medium-term results which can be more directly linked to policy action:

- Effects of the elimination of remaining barriers to the free movement of goods, services and capital: intra-EU\(^1\) trade and investment, consumer choice, competition, price convergence.
- Reform of network industries: telecoms, electricity, gas, postal services.
- Opening of national public procurement markets to foreign competitors: rates, transparency indicators, home bias.
- Evidence of services market integration: cross-border provision of services, consumer choice, competition, investment.
- Achievement of an integrated European market for financial services: price convergence, competition in banking, insurance, brokerage.
- Evidence of labour market integration: EU citizens living and working in another Member State, recognition of professional diplomas.

It is recognised that the reality of the Internal Market is much too complex to be summarised in a single number, but an index can nevertheless provide policy makers with some measure of the effects of Internal Market policy.

The Index is computed as a weighted sum of 12 base indicators – their relative importance was decided by canvassing the members of the Internal Market Advisory Committee (IMAC), the group of Member State officials who advise the Commission on Internal Market matters. The relative weightings of these base indicators are set out below.

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\(^1\) The Index, and this Report, concern only the EU-15 Member States and, due to lack of statistics, do not concern the 10 Member States who acceded to the EU on 1 May 2004.
Note: Average weighting of variables provided by Member States (except Luxembourg). Each Member State was asked to identify important variables and allocate 100 points among these important variables. All Member States have equal weight in the overall average and in the index.

The Index is calculated by aggregating the data from each of the Member States. Thus, although all the data is not available for all Member States, we are able to measure the extent to which the index has increased in each Member State. This does not allow us to rank Member State’s relative Internal Market performance. A rapid increase in the index may simply indicate that a Member State started from a low level and a slow increase could be a sign that a Member State started from a level where there was little room for further improvement. But it is possible to see how much the index has increased in each Member State since 1994 – and to identify the variables within the index responsible for the change.
<table>
<thead>
<tr>
<th>Name of sub – indicator and definition</th>
<th>sign</th>
<th>Explanation [target]</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Sectoral and ad hoc state aid as % of GDP [STRIND]</strong></td>
<td>-</td>
<td>Sectoral and ad hoc state aid distorts the level playing field and should be avoided if possible [down to a meaningful value].</td>
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<tr>
<td>(a) State aid given by way of schemes/programs that specifically promote sectoral objectives plus (b) State aid granted ad hoc to individual companies.</td>
<td></td>
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<tr>
<td><strong>2. Value of published public procurement as % of GDP [STRIND]</strong></td>
<td>+</td>
<td>Publication of procurement enables market access and leads to more competition [up to 100% of public procurement].</td>
</tr>
<tr>
<td>Value of public procurement openly advertised and estimated annually from the contract award notices submitted for publication in the Official Journal.</td>
<td></td>
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<tr>
<td><strong>3. Telecommunication costs [STRIND]</strong></td>
<td>-</td>
<td>Liberalisation of utilities and technical progress should lead to lower prices [down to a meaningful value for both service providers and users].</td>
</tr>
<tr>
<td>Sum of prices in Euro (including VAT) of 10 min calls for (a) local call (3 km), (b) national call (200 km), (c) international call to USA.</td>
<td></td>
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</tr>
<tr>
<td><strong>4. Electricity prices [NEWCHRONOS-SIRENE]</strong></td>
<td>-</td>
<td>Liberalisation of utilities and technical progress should lead to lower prices [down to a meaningful value for both service providers and users].</td>
</tr>
<tr>
<td>Average of energy prices (current prices in Euro), excluding taxes, for household and industry.</td>
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<tr>
<td><strong>5. Gas prices [NEWCHRONOS-SIRENE]</strong></td>
<td>-</td>
<td>Liberalisation of utilities and technical progress should lead to lower prices [down to a meaningful value for both service providers and users].</td>
</tr>
<tr>
<td>Average of gas prices (current prices in Euro), excluding taxes, for household and industry.</td>
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<tr>
<td><strong>6. Relative price level of private final consumption, including indirect taxes [STRIND]</strong></td>
<td>-</td>
<td>More competition, economies of scale etc. should eventually lead to lower prices [each MS as EU = 100].</td>
</tr>
<tr>
<td>Ratio between Purchasing Power Parity and the market exchange rate [EU average = 100] divided by GDP/cap.</td>
<td></td>
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<tr>
<td><strong>7. Intra-EU Foreign direct investment [NEWCHRONOS]</strong></td>
<td>+</td>
<td>Measures free movement of capital [up to a meaningful value].</td>
</tr>
<tr>
<td>Average of inward and outward FDI stocks as % of GDP</td>
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</tbody>
</table>
8. Intra-EU trade as % of GDP [COMEXT]
Average import / export of goods between given country and EU15 normalized by GDP
+ Measures the importance in the economy of trade of goods between Member States [up to a meaningful value].

9. Retail lending and savings interest rates [IMF in international Financial Statistics via DG ECFIN]
Difference between retail lending interest rates and savings interest rates (prime rates)
- Measures the interest rates structure set by commercial banks in a country. The target is to reduce the gap between the high lending rates charged on loans and the low interest rates offered for savings deposits. [down to a meaningful value for both service providers and users].

10. Active population in a Member State (aged 15-64) originally coming from other Member States as % of active population [NEWCHRONOS]
+ Measures the free movement of workers [up to a meaningful value].

11. Postal tariffs: [DG MARKT] postal tariffs for a 20g standard letter (domestic)
- Proxy for market opening in postal services [down to a meaningful and sustainable value for service providers].

12. Pension fund assets: [EFRP via DG MARKT] value of pension fund assets as % of GDP
+ Proxy for movement from pay-as-you-go to funded pension [up to a meaningful value].

Remarks on Member States’ performance in respect of each sub-indicator

The study has been carried out for the years from 1994 to 2002. Before 1994, some data is not available for some Member States for certain sub-indicators. No data are available yet for 2003.

1. Sectoral and ad hoc State aid (structural indicator)
Note: The latest data are revised to exclude aid to the railways.

Progress is being made in reducing the average level of State aid, which is now averaging 0.3% of GDP. This reduction reflects efforts to maintain and uphold competition policy in the internal market.

Despite considerably reducing the State aid it gives, Finland remains the EU-15 Member State that gives the most State aid. Germany and Portugal have also made considerable
efforts to reduce State aid. Some Member States, such as United Kingdom and Luxembourg, gave little State aid in 1994 and their situation has changed little since. The Commission Report to the 2004 Spring European Council strongly advised Member States to “…sustain their efforts to reduce and redirect State aid”.

2. Value of published public procurement (structural indicator)

Another indicator of market access and openness to competition is publication of public calls for tender in the Official Journal of the European Communities, thereby ensuring that companies from throughout the EU are alerted to the possibility of tendering.

There has been a steady increase in the value of published public procurement (from 1% of GDP in 1992 to 2.6% in 2002). The country with the largest proportion of published public procurement is Greece (almost 6% of GDP in 2002, an increase from 5.3% of GDP in 1994). The value of Sweden’s published public procurement was 4% of GDP in 2002, doubling in value since 1994. The value of Austria’s published public procurement increased from 0.3% to 2.6% of GDP over this period, and that of France increased from 0.8% to almost 3% of GDP. Germany lags behind other EU-15 Member States, as the value of its published public procurement in 2002 is just above 1% of GDP.

3. Telecommunication costs (aggregation of three structural indicators)

Note: Sum of (current) prices in Euro (including VAT) of 10 min calls for (a) local call (3 km), (b) national call (200 km), (c) international call to US.

This is an example of a key market that has been completely opened up to competition. Telecommunication costs have significantly decreased in all EU-15 Member States, except for Finland, where the reduction is not so marked, and the UK, where there has been no reduction in telecoms costs over this period. This may be because the UK liberalised its telecoms market earlier than many Member States and reductions in its telecoms prices may have taken place before 1994. The Netherlands and Sweden have seen particularly significant reductions in telecoms prices since 1997.

4. Electricity prices (Sirene)

Note: Average of electricity (current) prices, excluding taxes, for household and industry (€ per KWh).

Belgium, Germany, Portugal and Italy have the highest prices

5. Gas prices

Note: Average of natural gas (current) prices, excluding taxes, for household and industry (€ per GigaJoule). Greece: no data.

Gas prices in Ireland were among the lowest in the EU in 2002. Portugal had the highest price for gas in the EU. Since 1999, gas prices have steadily increased for most European countries (highest growth in Belgium and Germany).
6. Relative price levels of private final consumption (including indirect taxes)
Note: Provisional figures for 2002.

Sweden, Finland and Denmark have among the highest prices in the EU. Price levels have slightly declined in Sweden in the period 1996-2002. Price levels were stable in Finland and Denmark until 2000 but have since increased slightly. Price levels in the UK and Ireland have increased significantly. Prices across the Union have stopped converging in the last five to six years (Spring Report 2004, page 12).

7. Intra-EU Foreign Direct Investment stock as % of EU15-worldwide FDI stock
Note: Measures the free movement of capital (capital transactions). An index increase means that the country is becoming more integrated within the international economy.

The Netherlands, the UK and Germany have the highest levels of FDI, with peaks in 1999 and 2000. For almost half of the Member States, volumes of intra-EU foreign direct investments grew at the same pace as worldwide FDI.

8. Intra-EU trade of goods as % of GDP
Note: Average between import and export of goods between a given country and the other EU-15 Member States

The EU is facing a slowdown in its product market integration. Cross-border manufacturing trade has stalled, with little or no growth in the last three years. There are still too many technical obstacles preventing goods from circulating freely (Spring Report 2004). The only country improving significantly its cross-border trade is Belgium, already at the top, with 20% growth in the last three years (1999-2002). Intra-EU trade also increased for Luxembourg, Ireland and the Netherlands.

9. Difference between retail lending interest rates and savings interest rates (IMF)
Note: Measures the interest rates structure set by commercial banks in a country. The target is to reduce the gap between the high lending rates charged on loans and the low interest rates offered for saving deposits.

The situation in the EU has improved over time, but the introduction of the euro does not appear to have improved the situation further.

10. Active population in a Member State originally coming from other Member States as % of active population (Labour Force Survey)

In the last three years, Ireland, Spain, Greece and Portugal have attracted active population from other EU countries. The situation in other Member States has remained stable. The active population of the EU is growing slowly over time.
11. **Pension fund assets (proxy for movement from pay-as-you-go to funded pension)**
   Note: Assets as % of national GDP. (Source: EFRP via DG MARKT)
   Data for 2001 and 2002 are taken as being equal to those of 2000. Data for 1994 are taken as being equal to those in 1995.

   This sub-indicator shows steady but slow progress in Europe, with above average growth in the Netherlands, the UK, Sweden and Ireland. For all the other Member States, growth in assets has been proportional to their GDP.

12. **Postal tariffs**
   price (Euro) of a standard 20g letter

   The average price for sending a standard letter in Europe has increased constantly over the last ten years. For some countries, the price has increased more rapidly than the average (Greece, Sweden, Finland). Spain has by far the lowest tariffs. Sweden and Finland have the highest tariffs.
CONVERGENCE OF SUB-INDICATORS ACROSS COUNTRIES OVER TIME

We have calculated the standard deviation across countries for each sub-indicator for each year. All countries are deemed to start at the level of 100 in 1994 (with calculations being modified accordingly) in order to study the dispersion of indicator values across European countries. For 5 indicators, there is increasing dispersion over time or a rather stable pattern (see Figure 1a). For 7 indicators, there is integration across countries (see Figure 1b). The values of the standard deviations are given in Table 1.

![Figure 1a](image-url)  
**Figure 1a:** for 5 indicators there is increasing dispersion among countries over time
Figure 1b: for 7 indicators there is increasing integration among countries over time

Standard deviations across countries (indexed 1994 = 100)

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<td>79</td>
<td>58</td>
<td>59</td>
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<td>128</td>
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<td>Active population</td>
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<td>pension fund assets</td>
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<td>89</td>
<td>94</td>
<td>99</td>
<td>103</td>
<td>107</td>
<td>104</td>
<td>101</td>
<td>103</td>
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</tbody>
</table>

Table 2: standard deviations (indexed) for the 12 indicators across countries.
**The Internal Market Index**

The Index is defined as follows. Denote by $x_{ict}$ the $i$-th raw indicator at time $t$ for country $c$, where $i = 1, \ldots, I$; $t = 1, \ldots, T$ and $c = 1, \ldots, C$.

Further, denote by $\tilde{x}_{ict}$ the Z-score transformation of the raw indicator $x_{ict}$ that is defined as

$$\tilde{x}_{ict} = \frac{x_{ict} - x_{ic't'}}{\sqrt{(C-1)^{-1} \sum_{c \in \{c'\}} (x_{ict} - x_{ic't'})^2}}, \quad i \in I_1 \quad \text{(higher better)}$$

$$\tilde{x}_{ict} = \frac{x_{ic't'} - x_{ict}}{\sqrt{(C-1)^{-1} \sum_{c \in \{c'\}} (x_{ict} - x_{ic't'})^2}}, \quad i \in I_2 \quad \text{(lower better)}$$

where $c'$ is the reference country for Z-score, $t'$ is the base year for the Z-score and $I_1, I_2$ are subsets of $\{1, \ldots, I\}$ containing indicators whose higher, lower value is desirable.

Let $w_i, \sum w_i = 1$, be the weight related to the $i$-th indicator. The composite indicator $CI_{ct}$ for country $c$ at time $t$ is then defined as

$$CI_{ct} = \sum_{i=1}^{I} w_i \tilde{x}_{ict}$$

When the set of indicators $\tilde{x}_{ict}$ is not complete, the composite indicator defined above cannot be defined and the following alternative approaches can be used:

- priority to keep all the indicators: the composite is computed only for those countries $c$ and times $t$ that have the complete data for all indicators $\tilde{x}_{ict}$.
- priority to keep all countries: the composite is computed for all countries $c$ and times $t$ but is based only on those indicators $\tilde{x}_{ict}$ that have the complete data for all $t$ and $c$. Weights are set to zero for those $\tilde{x}_{ict}$ not having data, the remaining weights are re-scaled to sum up to one. For any $t$ and $c$ the weights used to construct the composite are the same.

It would also be possible to build the composite indicator using all the indicators available for each country and time $t$. However, weights are set to zero for missing data and the remaining weights are re-scaled in order to sum up to one. So, in general, for any $t$ and $c$ the weights used to construct the index are not the same and, consequently, countries cannot be compared for their performance.

In conclusion, we decided to adopt the option to keep all countries and omitting from the synthetic index the indicator N. 10, ‘Active population coming from another MS’, which is not available for France, Austria and Italy.
The index for Greece does not include indicator N. 5 ‘Gas prices’ because natural gas is not used in Greece. Therefore, the index for Greece is made up of ten indicators, and the index for all the other countries is made up of eleven indicators. In this construction, the weights attributed to the sub-indicators are not the same for Greece as for the other countries. Thus, Greece cannot be compared with the other countries, although the other countries can be compared both across years and across themselves.

RESULTS OF THE INTERNAL MARKET INDEX

We assume for the purposes of the Index that the EU average in 1994 was zero points. A negative score for a country in 1994 means that its situation was worse than the EU-15 average in 1994. Where a country has a score above 100 for 1994, this means that it was better than the EU15 average in 1994.

Scores measure progress of Member States towards achievement of single market, having regard to the situation of the EU in 1994. Scores are not linked to cost savings or the like. The Index for all countries has improved since 1994. The Index for the EU as a whole improved by 60 points in the period 1994-2002.

Figure 2: Levels of the IMI
Measuring improvement towards the single market

The country specific time evolution of the IMI is calculated considering the growth on each sub-indicator and then aggregating those growths using the weights in the form of a geometric average.

The growth on each sub-indicator is defined in terms of the ratio between raw values at year $t$ and raw values at year 1994.

$$IMI'_c = 100 \cdot \prod_{i \in I_1} \left( \frac{x'_{ic}}{x'_{ic1994}} \right)^{w_i} \cdot \prod_{i \in I_2} \left( \frac{x_{ic1994}}{x_{ic}'} \right)^{w_i}$$

where: $I_1$ is the set of the good indicators (the higher the better), $I_2$ is the set of the bad indicators (the lower the better), $x_{ic}$ is the i-th sub-indicator of country c at time t, and $x_{ic1994}$ is the i-th sub-indicator of country c at year 1994.

More simply the growth could have been evaluated using, as a basis, formula 4 of the technical background report of the IMI – 2002 (Tarantola et al., 2002), here reported for simplicity:

$$IMI'_c = \frac{CI'_{c,z-score} + CI_{EU}^{1992}}{CI_{c,z-score}^{1992} + CI_{EU}^{1992}}$$

where: $CI_{c,z-score}$ is the country's z-score and $CI_{EU}$ is the EU average for each sub-indicator.

However, as remarked by Tom Van Puyenbroeck (University of Leuven) in a personal communication, this formula is not appropriate. For the ‘good’ indicators (those that belong to $I_1$) things are straightforward,

$$IMI'_c = \frac{CI'_{c,z-score} + CI_{EU}^{1992}}{CI_{c,z-score}^{1992} + CI_{EU}^{1992}} = \frac{\sum_{i \in I_1} w_i x'_{ic}}{\sum_{i \in I_1} \sigma_i}$$

and one can see that the *de facto* normalization is of the kind “distance to the 1992-group average”, after correction for the dispersion in 1992 values. ‘Bad’ indicators are treated differently, as

$$IMI'_c = \frac{CI'_{c,z-score} + CI_{EU}^{1992}}{CI_{c,z-score}^{1992} + CI_{EU}^{1992}} = \frac{\sum_{i \in I_2} w_i x_{ic1992}^{1992} - x_{ic}'}{\sum_{i \in I_2} \sigma_i} + \frac{\sum_{i \in I_1} w_i x_{ic1992}^{1992} - x_{ic}'}{\sum_{i \in I_1} \sigma_i}$$

where an unclear term ‘twice the EU-1992 average’ is added to each sub-indicator.
In view of the above, we consider the country-specific IMI in terms of a geometric average, with values for a country at 1994 still at 100. Users may be not acquainted with the idea of a geometric average; on the other hand, this easy formalism provides transparency in the way the index is built. The final ordering with the geometric average is invariant given a ratio-scale transformation. The formula says how much the overall set of 12 sub-indicators has progressed since 1994, whatever the value of the IMI at year 1994. The value of the IMI for EU in 2002 is 160 (see Figure 3). This means that the overall increase in the index for the EU since 1994 has been 60%.

Two key reasons for this improvement are the significant decrease in state aid given by Member States, resulting in less distortion of the market, and the liberalisation of the telecoms sector which has delivered significant price reductions to business and consumers.

This year’s Index shows, however, that progress has slowed since 2000. This is principally due to the fact that intra-EU trade in goods and intra-EU foreign direct investment have stalled. Prices across the EU have also stopped converging in the last five years. As the Commission’s Spring 2004 Report ‘Delivering Lisbon: Reforms for the Enlarged Union’ highlighted, this slowdown is a warning sign that more needs to be done to ensure that the Internal Market reaches its full potential.

The Index helps us to see the ‘big picture’ and is easier to read than trying to find a trend in many separate individual indicators. However, as Member States had different starting points in 1994 in respect of each individual indicator, comparisons between them are difficult. Rapid growth in the Index for a Member State may simply indicate that it started from a low level. Likewise, slow growth in a Member State’s Index may simply mean that it started from a level where there was little room for improvement. But it is possible to see how much the Index has increased for each Member State, and to identify the factors within the Index responsible for the change.

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Figure 3: Slowdown in Progress of the Index since 2000
Figure 4: Telecommunication costs and more competitive public procurement explain why the Index for Belgium, Germany, Spain, Luxembourg and Austria improved significantly more than the average.

Figures 4, 5 and 6 show the progress of EU Member States since 1994. Figure 4 shows the countries whose Index increased more than the Union average: Belgium, Germany, Spain, Luxembourg and Austria. The Index for these countries has increased by 65 to 75% since 1994.

One of the main reasons for the increase in the Index of these 5 Member States is a significant reduction in telecoms costs since 1994. The benefits to consumers and businesses from this reduction have been enormous. The other main driver for growth of the Index of 4 of these Member States has been a significant increase in the level of public procurement opportunities published at European level. By publishing more procurement opportunities, they ensure that there is increased competition from companies throughout the EU on both quality and price. This also helps to ensure that the most efficient use is made of tax-payers’ money. Only Germany has failed to increase the level of its published public procurement, which remains equivalent to just over 1% of GDP. This is significantly below the EU average of 2.6% of GDP, and is the lowest among all EU-15 Member States.

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3 The influence results from both the weight of the variable and its development over time.
<table>
<thead>
<tr>
<th></th>
<th>Has driven index up*</th>
<th>Has slowed index down*</th>
</tr>
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<tbody>
<tr>
<td>BELGIUM</td>
<td>Telecommunication costs, public procurement</td>
<td>Interest rates</td>
</tr>
<tr>
<td>GERMANY</td>
<td>State aid, telecommunication costs</td>
<td>Relative price level, interest rates</td>
</tr>
<tr>
<td>SPAIN</td>
<td>Telecommunication costs, public procurement</td>
<td>FDI</td>
</tr>
<tr>
<td>LUXEMBOURG</td>
<td>Telecommunication costs, public procurement</td>
<td>Electricity prices</td>
</tr>
<tr>
<td>AUSTRIA</td>
<td>Public procurement, telecommunication costs</td>
<td>FDI, electricity prices</td>
</tr>
</tbody>
</table>

* This has to be understood in relative terms compared to the evolution of the other variables. A variable might drive the index down even if this variable increases in absolute terms – in such a case the increase would simply be below the average increase. The importance of a variable as a positive or negative ‘driver’ results both from the weight of this variable and its actual values.

Figure 5: The improvement rates of the Index for Greece, France, Italy, Portugal and Finland are clustered around the rate for the EU Index

Here again, significant reductions in telecoms prices have been a major reason for the improvement of the Index for these Member States. Reduction in state aid from Member States has also contributed in 3 of the Member States, ensuring less market distortion from State payments to national industries. France, Italy and Greece have suffered from a slowdown in intra-EU foreign direct investment.
### Table

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<tr>
<th>Country</th>
<th>Has driven index up*</th>
<th>Has slowed index down*</th>
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<tbody>
<tr>
<td>GREECE</td>
<td>State aid, telecommunication costs</td>
<td>Trade, FDI</td>
</tr>
<tr>
<td>FRANCE</td>
<td>Public procurement, telecommunication costs</td>
<td>FDI, interest rates</td>
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<tr>
<td>ITALY</td>
<td>Telecommunication costs, state aid</td>
<td>FDI, relative price levels</td>
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<td>PORTUGAL</td>
<td>Telecommunication costs, interest rates</td>
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<tr>
<td>FINLAND</td>
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</tbody>
</table>

### Figure 6: Electricity prices, state aid and currency fluctuations explain why the Index for Denmark, Ireland, the Netherlands, Sweden and the United Kingdom has improved significantly less than the EU Index

Significant increases in electricity prices, especially over the last 2 years, have been a major contributor to slow growth in the Index for Denmark, Ireland and the Netherlands. Sweden and the Netherlands have bucked the EU trend by increasing, rather than decreasing, state aid since 1994. This has slowed down the growth of their Index. The fact that the United Kingdom and Denmark are not part of the euro-zone means that their relative price levels are inherently more volatile than those of other Member States. This appears to have negatively affected the growth of their Indexes.
**COMPARING LEVELS AND OVERALL GROWTH**

The Index for one group of five countries grows more than the EU average: Germany, Austria, Belgium, Spain and Luxembourg. The Index for another group of four countries, France, Italy, Portugal and Finland, shows a reduced growth (just less than EU growth). The Index for the third group of five countries, Netherlands, Sweden, Ireland, Denmark and UK, has increased less.

<table>
<thead>
<tr>
<th></th>
<th>Has driven index up*</th>
<th>Has slowed index down*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DENMARK</strong></td>
<td>Telecommunication costs</td>
<td>Electricity prices, relative price level</td>
</tr>
<tr>
<td><strong>IRELAND</strong></td>
<td>Telecommunication costs, public procurement</td>
<td>Electricity prices</td>
</tr>
<tr>
<td><strong>NETHERLANDS</strong></td>
<td>Telecommunication costs, interest rates</td>
<td>Electricity prices, state aid</td>
</tr>
<tr>
<td><strong>SWEDEN</strong></td>
<td>Telecommunication costs, public procurement</td>
<td>State aid, FDI</td>
</tr>
<tr>
<td><strong>UNITED KINGDOM</strong></td>
<td>State aid</td>
<td>Interest rates, relative price level</td>
</tr>
</tbody>
</table>

Table: Levels 2002 and growth 1994-2002. (*) the values obtained for Greece cannot be compared with the other countries. Greece performs well because public procurement is large and relative price levels and electricity prices are low.
Figure 7: Levels in 2002 and overall growth 1994-2002 of the IMI
DRIVERS FOR IMPROVEMENT / DETERIORATION OF THE IMI

In the two following tables we report, for each sub-indicator, the countries (if any) that have experienced a major increase, or decrease, in the period 1994 - 2002

Drivers for improvement of the IMI, expressed in terms of weight*(Indicator_2002 – Indicator_1994)

State aid: FIN, D, P, EL
Public procurement: A, F, S
Telecom costs: all countries but FIN and UK
Electricity: E
Gas prices: -
Price levels: -
FDI: UK
Intra-EU trade: B
Active population: -
Pension fund assets: -
Retail lending interests: EL
Postal tariffs: -

Drivers for deterioration of the IMI, expressed in terms of weight*(Indicator_2002 – Indicator_1994)

State aid: -
Public procurement: -
Telecom costs: FIN, UK
Electricity: DK, NL
Gas prices: -
Price levels: I, UK
FDI: F
Intra-EU trade: EL
Active population: -
Pension fund assets: -
Retail lending interests: UK, B
Postal tariffs: -
GDP AND INTERNAL MARKET INDEX

We have investigated the relationship between the GDP and the Internal Market Index in the period 1994 – 2002 for all the Member States and for EU15 as a whole. The GDP is expressed in Million Euro (current prices). The point on the left of each graph corresponds to the starting year (1994), and the line connects a series of one-year points up to 2002. The graphs show that for certain countries (EU15 included) the progress in IMI corresponds to progress in GDP. For other countries the progress in GDP is not accompanied by a corresponding growth in the levels of their Indexes. For Ireland, for example, the IMI oscillates up and down twice, whilst its GDP rapidly rises. For the United Kingdom, there is a fall in the IMI between 1996 and 1998, and a subsequent rise to 1994 levels in 2002.