

Services producer prices, 4th quarter 2018

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Summary

In the 4th quarter of 2018 services producer prices increased overall by 2.3% in the observed service areas compared to the same quarter of the previous year. Within this, the fees in the significant weight representing telecommunications (with a share of 1.2% in total sales revenues and a share of 2.4% in added value in the national economy in 2016), fell by 9.2%, advertising and market research charges decreased by 1.7% compared to the 4th quarter of 2017. The significant decrease in telecommunications service charges is mainly caused by market, technical, legislative changes and in the short run the decrease of mobile internet and roaming fees.

Price increases of at least 5% occurred in five areas: freight transport by road and employment activities became both more expensive by 5.0%, warehousing by 5.1%, postal and courier activities by 5.6%, prices of security and investigation activities increased by 8.0%.

In the background of the price change stands the significant, 8% increase of the minimum wage occurring at the beginning of 2018, other impacts of the labour market trends as well as the inflation-led repricing of contracts. Changes in gas prices and of the HUF exchange rate had an impact on the price modifications of several services. In the 4th quarter of 2018, due to division-specific global market influences, the price of gas-oil increased by 13.5% year-on-year while HUF depreciated against the euro on average by 3.7% compared to the 4th quarter of 2017.¹

Taking into account the weight proportion of individual activities the transportation and storage section contributed in a 2.0%, the professional, scientific and technical activities section as well as the administrative and support service activities section each with 0.6 percentage points to the 2.3% increase of services producer prices in the 4th quarter of 2018. On the other hand the information and communication section diminished the increase of services producer prices by 0.9 percentage points.

¹ Source: National Bank of Hungary.

Table 1

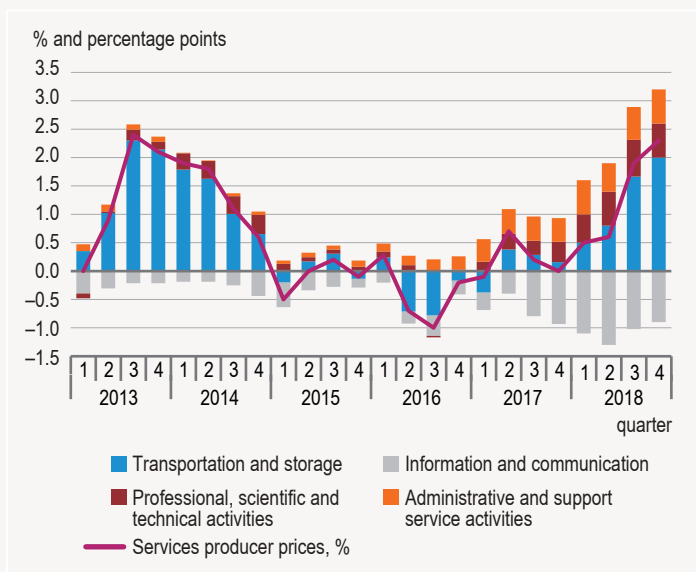
Characteristics of the observed service areas

Activity	Services producer price index, 4rd quarter 2018 (4rd quarter 2017=100.0)	share of total national economy, 2016 ^{a)}		
		Net sales revenue	Value added (at factor cost)	Number of employees (in full-time equivalents)
Freight transport by road, removal services	105.0	3.1	4.8	4.7
Warehousing and storage	105.1			
Cargo handling	103.4			
Postal and courier activities	105.6			
Telecommunications	90.8	1.2	2.4	0.7
Computer programming, consultancy and related activities	101.5	1.4	3.1	2.2
Information service activities	101.1	0.3	0.5	0.4
Legal and accounting activities; management consultancy activities	102.1	1.7	3.5	3.2
Architectural and engineering activities; technical testing and analysis	103.4	0.8	1.4	1.4
Advertising and market research	98.3	0.6	0.5	0.5
Employment activities	105.0	0.4	1.4	3.1
Security and investigation activities	108.0	0.4	0.4	1.0
Cleaning activities	104.3	0.2	1.2	1.6
Total	102.3	10.1	19.2	18.8

a) Excluding data on agriculture, financial services, public administration and household activities.

Figure 1

Contribution of sections to changes in services producer prices (compared to the same quarter of the previous year)



The fees of the observed services increased on average by 1.3% in 2018 compared to the same period of 2017. Within it prices of security and investigation activities and employment activities increased the most (by 7.2% and 5.6%), and fees in telecommunication decreased in the highest degree (by 10%).

Calculated on the 2015 base starting from the 4th quarter of 2011 the prices of industrial products increased overall on a higher rate than the prices of the monitored services. In the 4th quarter of 2018 services producer prices increased by 1.4% compared to the 2015 average, while industrial prices grew about 9.0%.

International outlook

In the 4th quarter of 2018 service prices increased collectively by 1.7% in the European Union² and by 2.3% in Hungary compared to the same period of 2017. While telecommunications service prices remained unchanged in the EU, at the same time one had to pay 9.2% less for

these services in Hungary. Price change trends were similar in all other divisions. Advertising and market research prices decreased in our country on a 1 percentage point higher level than in the EU. Price increase over 3% only occurred at warehousing and storage in the EU, while Hungary registered price hikes in at least 5 areas. The highest price increase took place in security and investigation activities (8.0%).

In most service areas except information service activities the Hungarian price increases overpassed the EU average, in the highest proportion in the security and investigation activities as well as in postal and courier activities (by 5.7 and 3.0 percentage points).

Figure 3

Average changes in services producer prices in Hungary and in the European Union, 4rd quarter 2018 (compared to the same quarter of the previous year)

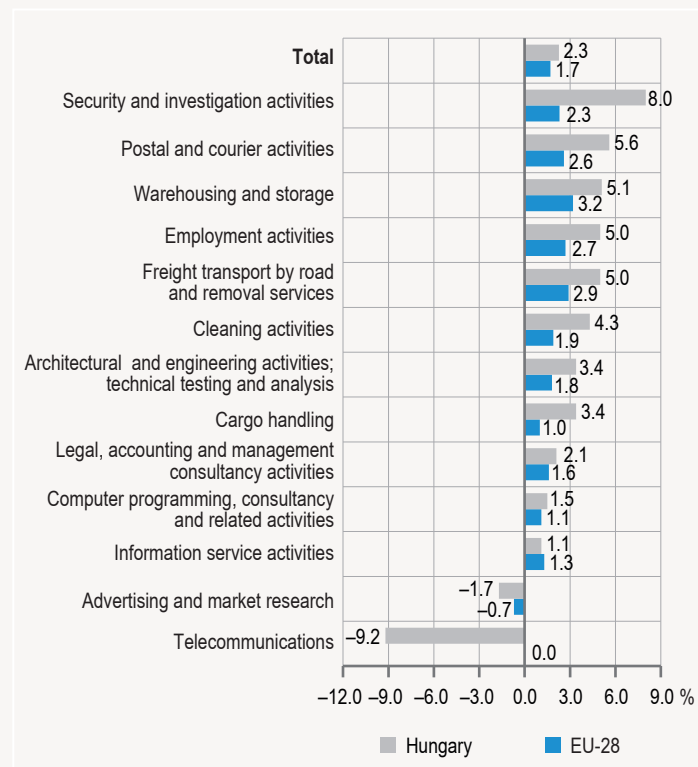
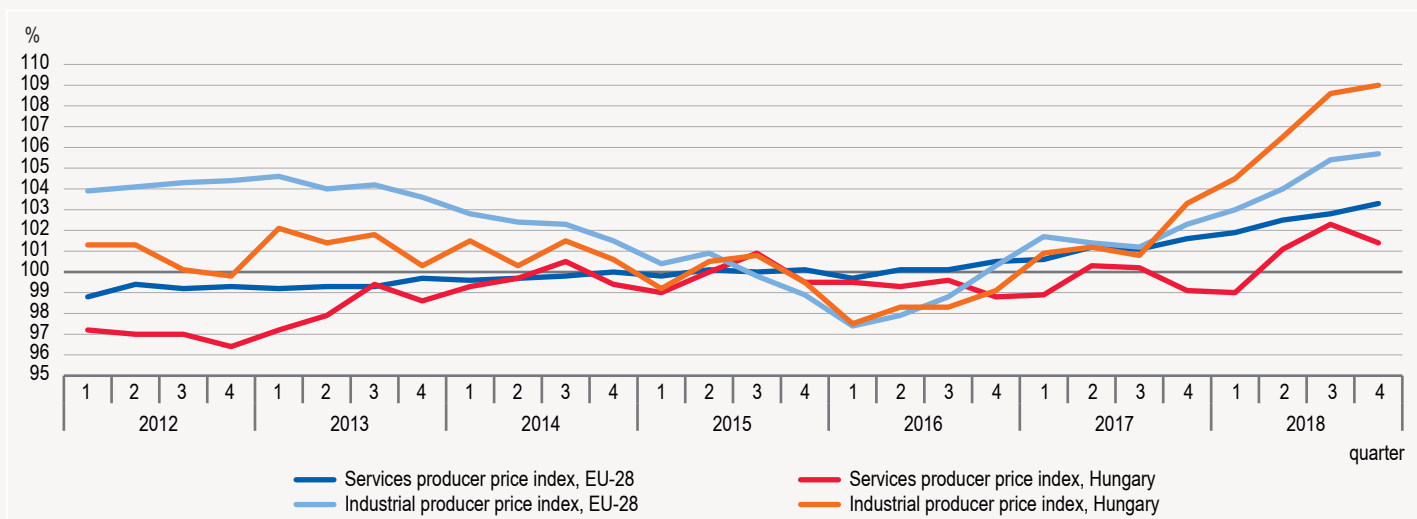


Figure 2

Services producer price index and industrial price index in Hungary and in the European Union (2015=100%)



² In addition to price indices of member states Eurostat publishes the EU-level average of the different service groups if in terms of sales revenues the coverage of the particular service area reaches 60%. Our calculations are based on data available in the Eurostat database on 4 April 2019.

Transportation and storage section

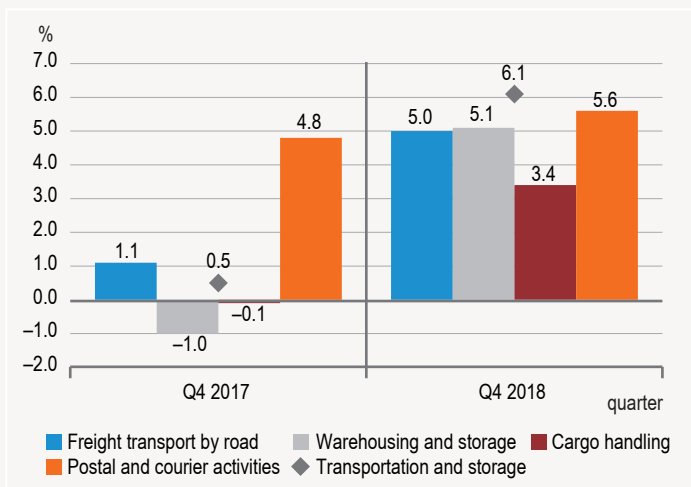
In the 4th quarter of 2018 compared to the corresponding quarter of the previous year producer prices in the observed services of the transportation and storage section³ increased overall by 6.1%, representing an increase of 5.6 percentage points year-on-year. Last time a greater price hike took place in this area was in the 4th quarter of 2013. Sales revenues of the section had a share of 30% in the total sales revenues for all observed services.

In one year a significant price increase occurred in all service groups of warehousing and storage. Postal and courier activities prices increased the most (by 5.6%), warehousing and storage as well as freight transport by road fees increased by 5.1% and 5.0%, cargo handling became more expensive by 3.4%.

The price increases are mostly due to the 3.7% HUF depreciation against the EUR and the significant 13.5% rise in gas oil prices.

Figure 4

Changes in transportation and storage services producer prices
(compared to the same period of the previous year)



In 2018 the fees of freight transport by road as well as those of the postal and courier activities increased in a similar manner by 3.7% and 3.8% year-on-year. Cargo handling prices increased by 2.3%, warehousing and storage by 2.5% in one year.

Information and communication section

In the 4th quarter of 2018 producer prices of the services observed in the information and communication area lessened in average by 3.0% compared to the same quarter of the previous year. Their sales revenue had a 29% share in sales revenues total for all observed services.

Telecommunication fees fell by 9.2% in one year. In the background of this trend are basically the investments realised in the previous years and the legislation changes affecting the member countries of the European Union.

Information technology activities continued to become more expensive: one had to pay 1.5% more for computer programming, consultancy and related activities and 1.1% more for information services. A significant price influencing factor, among others, was the 3.7% depreciation of the HUF against the euro as well as its 7.0% depreciation against the USD year-on-year.

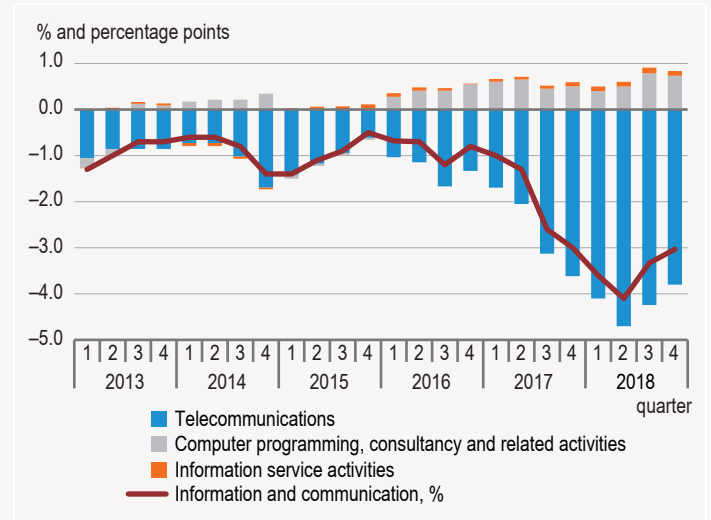
To the 2018 4th quarter's 3.0% price decrease in information and communication prices telecommunications contributed by 3.8 percentage points, this trend being moderated by computer programming, consultancy and related activities by 0.7% and by information service activities by 0.1 percentage points.

Compared to the previous year in 2018 producer prices of information and communication services decreased collectively by 3.5%. Within this

telecommunication fees fell by 10%, in contrast computer programming, consultancy and related activities became more expensive by 1.3% and information service activities by 1.1%.

Figure 5

Contribution to changes in information and communication services producer price indices
(compared to the same quarter of the previous year)



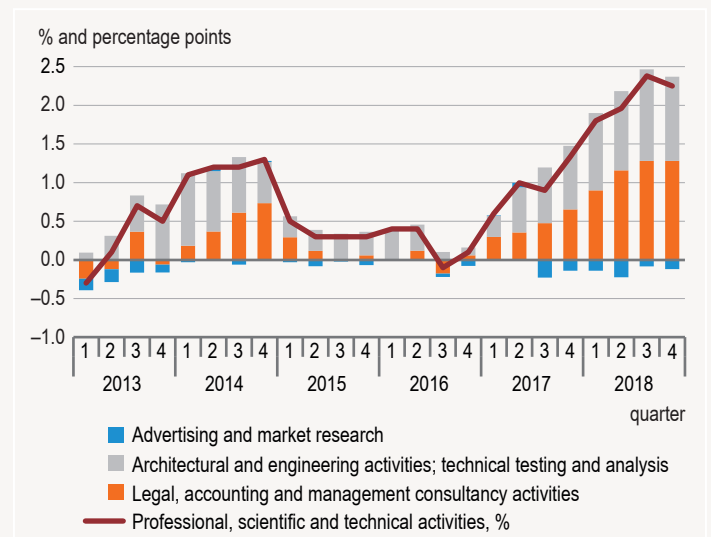
Professional, scientific and technical activities section

In the 4th quarter of 2018 services producer prices observed in the professional, scientific and technical activities areas increased on the whole by 2.3% compared to the same quarter of 2017. Sales revenue for these services had a 31% proportion in sales revenues for all observed services.

Prices of legal and accounting services and management consultancy services increased by 2.1% in the 4th quarter of 2018, while they registered a 1.1% increase one year earlier. Architectural and engineering activities, technical testing and analysis fees increased as well (by 3.4%), surpassing by 1.0 percentage points the price hike of the previous year's same period. Prices of advertising and market research activities decreased by 1.7%; they fell more significantly, by 2.2% in the same period of 2017.

Figure 6

Contribution to changes in professional, scientific and technical activities' producer price indices
(compared to the same quarter of the previous year)



³ Air transport was included in the calculation of the price index for transportation and storage services section and of the proportion of sales revenues, however due to confidentiality reasons the data are not presented separately.

Legal and accounting activities, management consulting activities contributed by 1.3% architectural and engineering activities, technical testing and analysis contributed by 1.1% to the 2.3% overall price increase, while advertising and market research activities somewhat diminished this growth.

Compared to the previous year in 2018 prices increased overall by 2.1% in the professional, scientific and technical section. Within it legal and accounting activities, management consulting activities became 1.9% more expensive, Architectural and engineering activities, technical testing and analysis fees grew by 3.4%, while one had to pay 2.0% less for advertising and market research activities.

Administrative and support service activities section

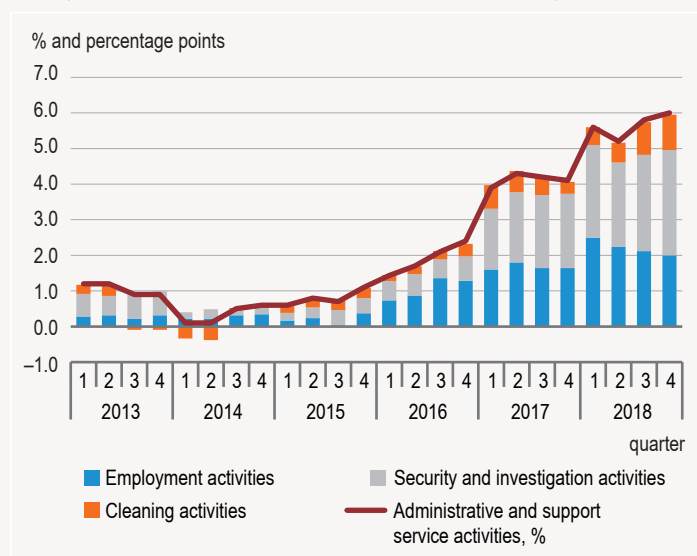
Compared to the same period of 2017, in the 4th quarter of 2018 producer prices of the observed services in the section including the administrative and support service activities grew on average by 6.0%, surpassing by 1.9 percentage points the previous year's growth. Sales revenues for these services had a share of 10% in sales revenues for all observed services.

One had to pay 4.3% more for cleaning activities, 5.0% more for employment activities, security and investigation activities became more expensive, by 8.0% compared to the 4th quarter of 2017.

There is no precedent for a price hike of this proportion since the start of the data collection (in 2007) in the whole of the section and within it in security and investigation activities and cleaning activities; these price increases were basically caused by the 8% minimum wage increase occurring at the beginning of 2018 as well as by other labour market trend influences.

Figure 7

Contribution to changes in administrative and support service activities' producer price indices
(compared to the same quarter of the previous year)



Security and investigation activities contributed by 3.0%, employment activities by 2.0% and cleaning activities by 1.0 percentage points to the overall price increase of 6.0% in the section in the 4th quarter of 2018.

Compared to the previous year in 2018 prices of administrative and support service activities increased on average by 5.6%, in the highest degree at security and investigation activities (by 7.2%). Employment activities became 5.6% more expensive, prices of cleaning activities increased by 3.2% in one year.

Methodological notes

The production of services producer price indices (SPPI) is required by the Regulation of the Council of the European Union on short-term statistics (STS Regulation) for determined service activities (see Appendix). The SPPI indices calculated in national currencies express the average price changes of services provided in the service divisions and reflect both domestic and export price changes. Price statistical observations – as a result of which SPPI indices are published for 14 service groups – concern four sections⁴. From the 1st quarter of 2013⁵ the producer price indices for services provided to all customers (business to all – B-All) are published. Due to confidentiality reasons air transport data are not presented separately, though they were included in the calculation of the aggregated average price changes of the transportation and storage section and of the observed services.

Appendix

Observed service activities according to TESZOR'15:

49.4	Freight transport by road, removal services
50.1–50.2	Sea and coastal passenger and freight water transport
51	Air transport
52.1	Warehousing and storage
52.24	Cargo handling
53.1	Postal activities under universal service obligation
53.2	Other postal and courier activities
61	Telecommunications
62	Computer programming, consultancy and related activities
63	Information service activities
69–70.2	Legal and accounting activities; management consultancy activities
71	Architectural and engineering activities; technical testing and analysis
73	Advertising and market research
78	Employment activities
80	Security and investigation activities
81.2	Cleaning activities

⁴ According to NACE Rev.2: transportation and storage (section H), information and communication (section J), professional, scientific and technical activities (section M) and administrative and support service activities (section N).

⁵ In 2012 the producer price indices for services provided to business partners (business to business – B-B) were published, in accordance with the STS Regulation. However, in the database of the Statistical Office of the European Union (Eurostat) the producer price indices for services provided to all customers (business to all – B-All) are regarded as the standard. As a result of methodological developments, from the 1st quarter of 2013 B-All producer price indices are analysed.

Further data, information (links):

[STADAT \(3.6.28. Service producer price indices, services provided to all customers \(B–All\)\)](#)

[STADAT \(3.6.29. Service producer price indices, services provided to business partners \(B–B\)\)](#)

[Database of the European Union Service producer prices \(SPPI\)](#)

[Methodology](#)

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