Summary

In the 2nd quarter of 2018 services producer prices increased overall by 0.6% 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 11%, while advertising and market research charges decreased by 3.2% compared to the 2nd quarter of 2017. The sharp decrease in telecommunications service charges is mainly caused by previous investments’ impact, market, technical, legislative changes and in the short run the decrease of mobile internet and roaming fees.

Price increases in excess of 5% occurred in two areas: security and investigation activities became more expensive by 6.4%, while prices of employment activities increased by 5.6%. In the other areas the price increases fell between 1.0% – 3.5% year-on-year.

In the background of the price change stands the significant, 8% increase of the minimum wage occurring at the beginning of 2018, as well as the inflation-led repricing of contracts. Changes in gas prices and of the HUF exchange rate has an impact on the price modifications of several services. In the 2nd quarter of 2018 the price of gas-oil increased by 11% year-on-year, the national currency depreciated against the euro on average by 2.4% compared to the 2nd quarter of 2017.

Taking into account the weight of individual activities the transportation and storage section contributed in a 0.8%, the professional, scientific and technical activities section in a 0.6%, the administrative and support service activities section in a 0.5% proportion to the 0.6% increase of services producer prices in the 2nd quarter of 2018; on the other hand the information and communication section diminished it by 1.3 percentage points.

Table 1

<table>
<thead>
<tr>
<th>Activity</th>
<th>Services producer price index, 2nd quarter 2018 (2nd quarter 2017=100.0)</th>
<th>Net sales revenue</th>
<th>Value added (at factor cost)</th>
<th>Number of employees (in full-time equivalents)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Freight transport by road, removal services</td>
<td>103.2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Warehousing and storage</td>
<td>101.1</td>
<td>3.1</td>
<td>4.8</td>
<td>4.7</td>
</tr>
<tr>
<td>Cargo handling</td>
<td>102.5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Postal and courier activities</td>
<td>103.5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Telecommunications</td>
<td>88.8</td>
<td>1.2</td>
<td>2.4</td>
<td>0.7</td>
</tr>
<tr>
<td>Computer programming, consultancy and related activities</td>
<td>101.0</td>
<td>1.4</td>
<td>3.1</td>
<td>2.2</td>
</tr>
<tr>
<td>Information service activities</td>
<td>101.5</td>
<td>0.3</td>
<td>0.5</td>
<td>0.4</td>
</tr>
<tr>
<td>Legal and accounting activities; management consultancy activities</td>
<td>101.9</td>
<td>1.7</td>
<td>3.5</td>
<td>3.2</td>
</tr>
<tr>
<td>Architectural and engineering activities; technical testing and analysis</td>
<td>103.2</td>
<td>0.8</td>
<td>1.4</td>
<td>1.4</td>
</tr>
<tr>
<td>Advertising and market research</td>
<td>96.8</td>
<td>0.6</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>Employment activities</td>
<td>105.6</td>
<td>0.4</td>
<td>1.4</td>
<td>3.1</td>
</tr>
<tr>
<td>Security and investigation activities</td>
<td>106.4</td>
<td>0.4</td>
<td>0.4</td>
<td>1.0</td>
</tr>
<tr>
<td>Cleaning activities</td>
<td>102.4</td>
<td>0.2</td>
<td>1.2</td>
<td>1.6</td>
</tr>
<tr>
<td>Total</td>
<td>100.6</td>
<td>10.1</td>
<td>19.2</td>
<td>18.8</td>
</tr>
</tbody>
</table>

1 Source: National Bank of Hungary
The fees of the observed services increased by 0.5% in the first half of 2018 compared to the same period of 2017. Within it, once again, security and investigating activities, as well as employment activities became more expensive (by 6.6% and 6.0%) and fees in telecommunication decreased (by 11%) in the highest degree.

Calculated on the 2015 base starting from the last quarter of 2011 the prices of industrial products increased overall on a higher rate than the prices of the monitored services. In the 2nd quarter of 2018 services producer prices increased by 1.1% compared to the 2015 average, while industrial prices exceeded it by 6.5%.

International outlook
In the 2nd quarter of 2018 service prices increased collectively by 1.4% in the European Union and by 0.6% in Hungary compared to the same period of 2017. The EU-level average prices increased in all observed service areas.

The national and EU price changes of the observed services had a similar direction – except two areas. Telecommunications service prices basically stagnated in the EU, advertising and market research fees increased by 0.8%, while our country registered in these areas a price decrease of 11% and 3.2%. The highest price increases on EU level occurred at freight transport by road (2.2%), postal and courier activities (by 2.0%), while in Hungary security and investigation activities and employment activities registered the highest price increases (6.4% and 5.6%).

In most service areas the Hungarian price increases overpassed the EU average, in the highest proportion in the security and investigation activities area (by 4.7 percentage points).

Transportation and storage section
In the 2nd quarter of 2018 compared to the corresponding quarter of the previous year producer prices in the observed services of the transportation and storage section increased overall by 2.5%, representing an increase of 1.3 percentage points year-on-year. Sales revenues for these services had a share of 30% in total sales revenues for all observed services.

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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 October 2018.
A significant price increase occurred at postal and courier services (3.5%) as well as in freight transport by road (3.2%), the 11% gas oil price hike contributed to this increase. Last time a price hike surpassing 3% in freight transport by road taking place in the same period of the year, was in 2014. Cargo handling became more expensive by 2.5%, warehousing and storage by 1.1% compared to the 2nd quarter of 2017.

In the 1st half of 2018 prices in transportation and storage increased by 1.9% year-on-year. The 3.1% price hike in postal and courier activities contributed by the greatest extent to the collective increase of the observed service fees.

**Information and communication section**

In the 2nd quarter of 2018 producer prices of services observed in the information and communication area lessened in average by 4.1% 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 11% compared to the same quarter of 2017, in a two and a half times higher degree year-on-year. There is no precedent since the start of the data collection in the 1st quarter of 2007 to such a price fall of this magnitude. The continuous decrease is basically due to investments realised in the previous years and to legislation changes affecting the member countries of the European Union.

Information technology activities continued to become more expensive during the year: one had to pay 1.5% more for information services and 1.0% more for computer programming, consultancy and related activities. The most significant price influencing factor, among others, was the 2.4% depreciation of the HUF against the euro year-on-year.

To the 2018 2nd quarter’s 4.1% price decrease in information and communication prices telecommunications contributed mainly (by 4.7 percentage points), these being reduced by computer programming, consultancy and related activities (by 0.5%) and by information service activities by 0.1 percentage points.

In the 1st half of 2018 services producer prices in information and communication collectively decreased by 3.8% year-on-year. The price drop of telecommunication fees (11%) contributed measurably to this trend. At the same time information service activities became more expensive, by 1.1% on average, prices in computer programming, consultancy and related activities increased by 0.9%.

**Professional, scientific and technical activities section**

In the 2nd quarter of 2018 services producer prices observed in the professional, scientific and technical activities areas increased on the whole by 2.0% 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 1.9% in the 2nd quarter of 2018, while they registered a 0.6% increase one year earlier. Architectural and engineering activities, technical testing and analysis fees increased in the same pace, by 3.2%, as in the previous quarter, surpassing by 1.5 percentage points the price hike of the previous year’s same period. Prices of advertising and market research activities fell by 3.2%; they increased by 0.9% in the same period of 2017.

Taking into account weight proportions, legal and accounting activities, management consulting activities contributed by 1.2% architectural and engineering activities, technical testing and analysis contributed by 1.0% to the 2.0% overall price increase, while advertising and market research diminished the growth by 0.2 percentage points.
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 sections.

Methodological notes

Services producer price indices (SPPI)

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 sections. From the 1st quarter of 2013 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.

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.
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

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) (sts_os_pp)
http://ec.europa.eu/eurostat/data/database

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