

Changes in telecommunication prices

Executive summary

- In June 2019, telecommunication prices, measured by the sub-index of the Consumer Price Index (CPI), decreased 0.48% from the previous month. This reduction resulted from changes in bundled offers and mobile Internet tariffs via PC/tablet by one provider.
- The average rate of change in telecommunications prices in the last twelve months was -0.61%, 1.48 percentage points (p.p.) below the CPI (0.87%).
- Compared with the corresponding month of the previous year, the variation in prices was -3.76%. From November 2017, the variation of year-on-year telecommunication prices was less than CPI growth.
- In June 2019, and for the first time since April 2011, the variation in telecommunications prices in Portugal was lower than that of the EU average (-0.3 pp). However, the average rate of change in the last twelve months for telecommunications prices in Portugal was the 16th highest among EU countries, where the greatest price increase was Greece (+4.8%) while the highest price decrease was the Netherlands (-4.3%). On average, telecommunication prices in the EU fell by 0.3%.
- In absolute terms, and according to EUROSTAT, in 2018, communications prices in Portugal were 19.7% above the EU average.

1. Changes in telecommunications prices in June 2019

According to Statistics Portugal, in June 2019, telecommunications prices decreased 0.48% compared to the previous month. This reduction resulted from changes in bundled offers and mobile Internet tariffs via PC/tablet by one provider with a significant market share.

Compared with the same month of the previous year, the variation in telecommunications prices was -3.76%. This price variation was in the 39th position (or the 5th lowest) among the 43 subgroups of goods and services considered (Table 1).

Table 1 – Change in Consumer Price Index (CPI) and in telecommunications prices

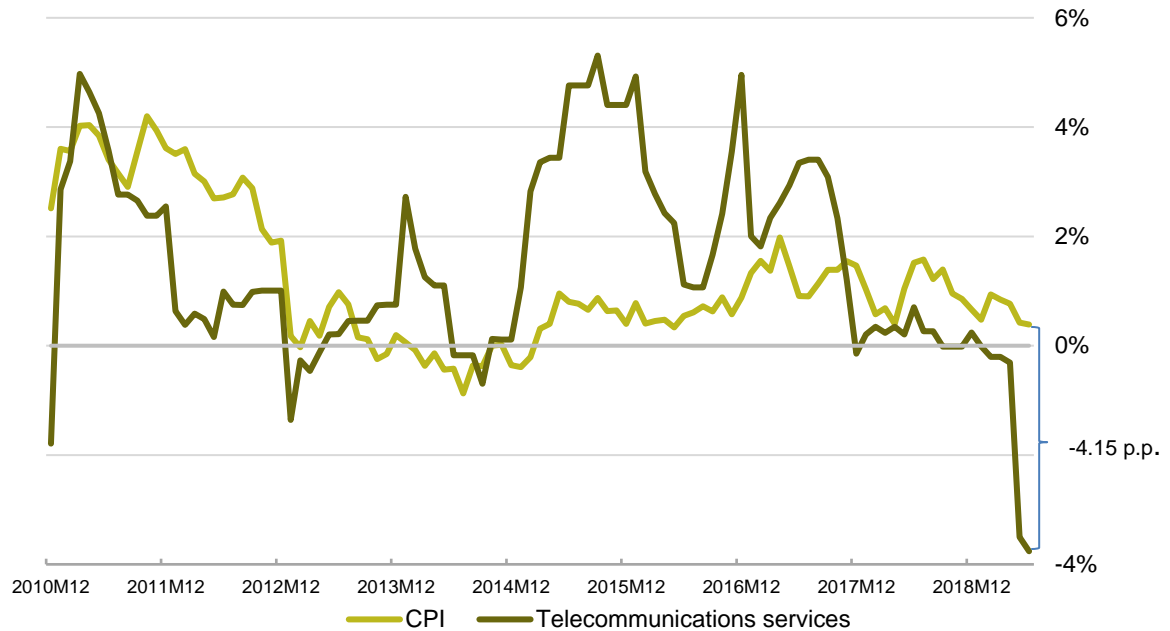
	June 2019			2018
	Year-on-year var.	Average var. in the last 12 months	Var. previous month	Var. average of the last 12 months
CPI	0.39%	0.87%	0.03%	0.99%
Telecommunications	-3.76%	-0.61%	-0.48%	0.23%
Relative position (descending order among the 43 subgroups of goods and services)	39	32	30	28

Unit: %

Source: Statistics Portugal

Between August 2013 and October 2017, year-on-year growth in telecommunication prices was almost always higher than CPI growth. However, the situation was reversed in November 2017. In June 2019, the deviation from the CPI reached -4.15 p.p., the largest negative deviation since December 2010 ((Graph 1).

Graph 1 – Year -on-year rate of change of CPI and telecommunications prices



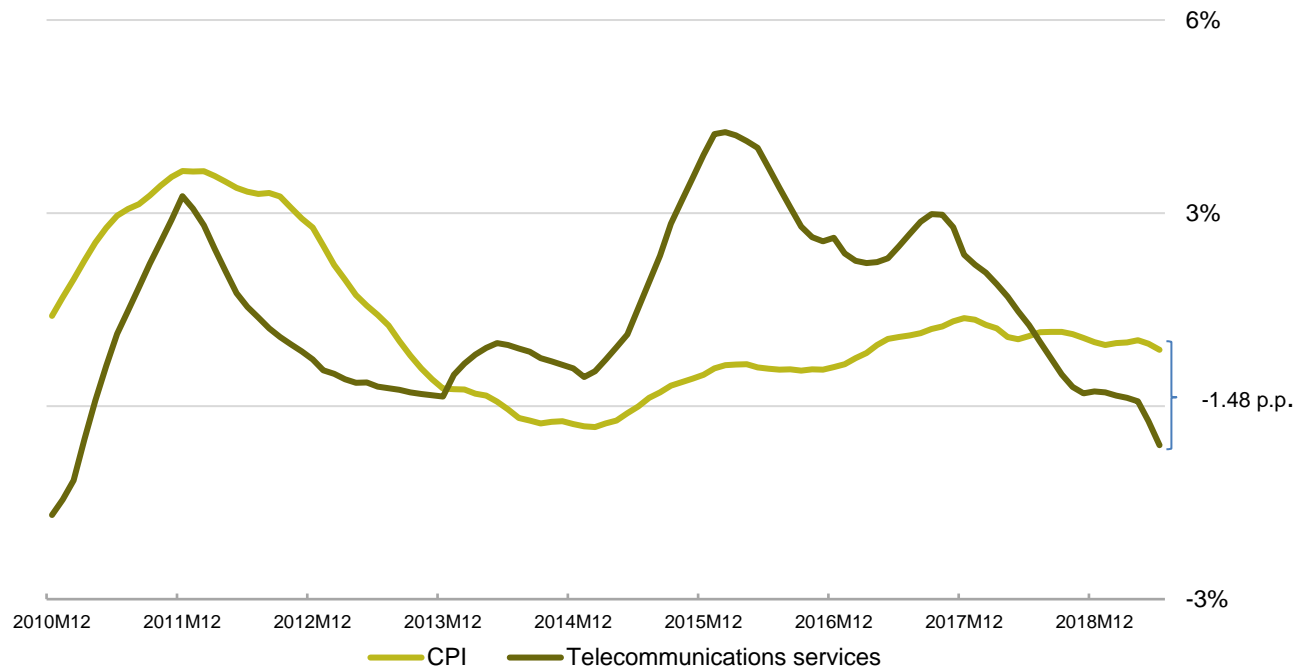
Unit: %

Source: Statistics Portugal

The average rate of change for telecommunications prices in the last twelve months (-0.61%) ranked 32nd out of the 43 subgroups of goods and services considered, being higher than the price rate of change for “Clothing and Footwear” and lower than the price rate of change for “Transport Services”, “Electricity, gas and other fuels” and “Water supply”.

The spread between the average rate of change of the last twelve months for telecommunications prices and the CPI reached -1.48 p.p. in June 2019, the largest negative deviation since March 2013. In the 103 months that have elapsed since December 2010, telecommunication prices grew at rates above the CPI in 54 months (Graph 2).

Graph 2 – Average change in CPI and telecommunications prices in the last twelve months

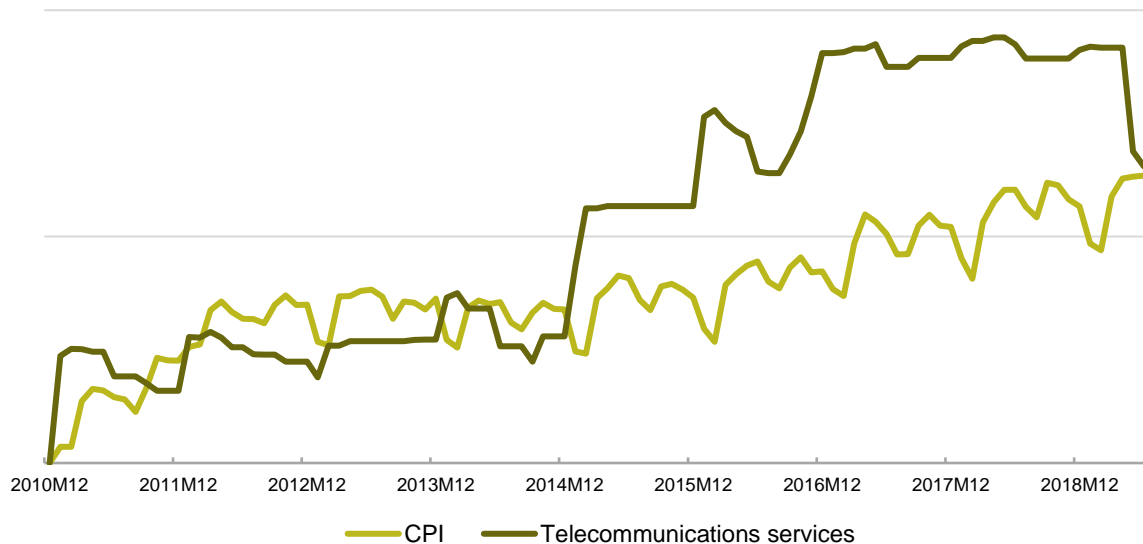


Unit: %

Source: Statistics Portugal

In cumulative terms since the end of 2010, telecommunications prices grew 10.5 pp., while the CPI increased 10.2 p.p. The spread in the changes in the two indices began in 2015 and became more pronounced in 2016, being associated with the “price adjustments” made by the main providers (Graph 3). From May 2019 the spread narrowed considerably due to the entry into force of Regulation (EU) 2018/1971 of the European Parliament and of the Council which imposed a maximum price on international intra-EU calls and SMS messages.

Graph 3 – Change in CPI and telecommunications prices in Portugal (2010M12 = Base 100)



Unit: index (2010M12 = Base 100)

Source: ANACOM, based on data from Statistics Portugal

Reduction in intra-EU call prices

On 15 May 2019 new European rules came into force which establish caps on retail prices charged to consumers for intra-European Union communications¹. These new rules apply to international communications (voice - fixed and mobile - and SMS) which originate in one Member State and terminate at a number of another Member State and the invoicing of which is totally or partially made based on actual consumption.

Calls originated by the consumer in their country and terminated at a (fixed or mobile) number of another EU country now have a maximum price of 0.19 euros per minute (without VAT) paid by the consumer originating the communication. Text messages (SMS) originated by the consumer in their country and terminated at a (fixed or mobile) number of another EU country now have a maximum price of 0.06 euros per minute (without VAT) paid by the consumer originating the communication.

In May 2019, telecommunication prices fell by 3.2%.

¹ In accordance with Art. 5 of Regulation (EU) 2015/2120 as amended by Art. 50 of Regulation (EU) 2018/1971 of the European Parliament and of the Council available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:L:2018:321:TOC>.

2. Changes in telecommunication prices in the EU in June 2019

According to EUROSTAT, in March 2019, the average rate of change in the last twelve months of telecommunications services prices in Portugal was 0.3 p.p. lower than the EU average, with Portugal being the 16th country in terms of highest prices. The countries with the largest price increases were Greece (+4.8%), Spain (+3.3%) and Bulgaria (+2.3%) while the Netherlands (-4.3%), Cyprus (-3.9%) and Italy (-3.3%) showed the largest decreases.

On a year-on-year basis, the variation in telecommunications prices in Portugal was the 26th highest (or the 2nd lowest) among the 27 countries considered (Table 2).

Table 2 – Change in telecommunications prices: Portugal vs EU

	Year-on-year var.	June 2019 Average var. in the last 12 months	Var. previous month	2018 Average var. in the last 12 months
E.U.	-0.1%	-0.3%	0.2%	-0.2%
Portugal	-3.8%	-0.6%	-0.5%	0.2%
Deviation PT / EU	-3.7 p.p.	-0.3 p.p.	-0.7 p.p.	0.4 p.p.
Relative position (descending order among 27 countries)	26	16	23	8

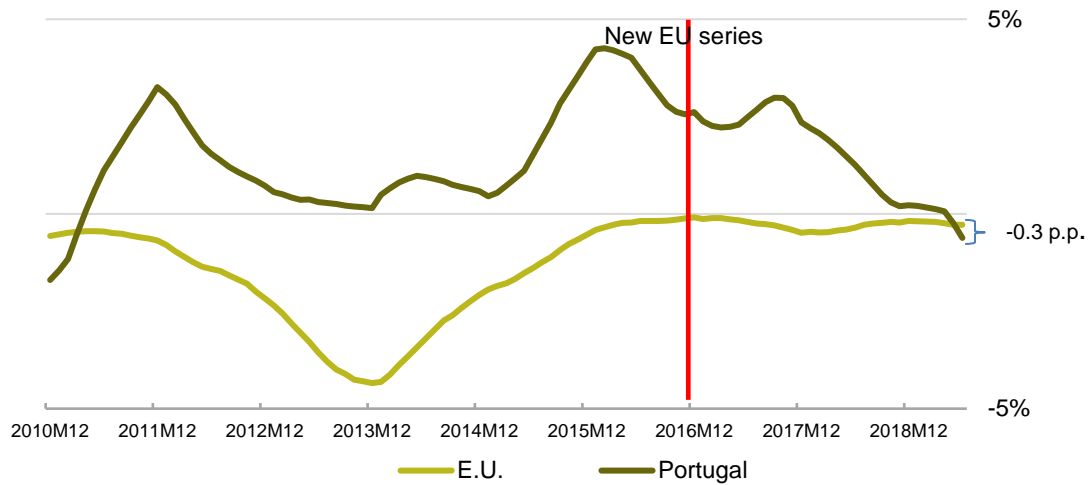
Unit: %, p.p.

Source: EUROSTAT

Note: Information not available for the United Kingdom. The differences between the values for Portugal in Tables 1 and 2 result from the different number of decimal places with which the information is published by Statistics Portugal (CPI) and EUROSTAT (HICP) and the consequent rounding up.

Between April 2011 and May 2019, telecommunications prices grew more in Portugal than in the EU (in terms of the average rate of change over the last twelve months). In June 2016, and for the first time since April 2011, the variation in telecommunications prices in Portugal was lower than that of the EU average (-0.3 p.p.). - See Graph 4.

Graph 4 – Average change in the last twelve months- telecommunications prices: Portugal vs EU



Unit: %

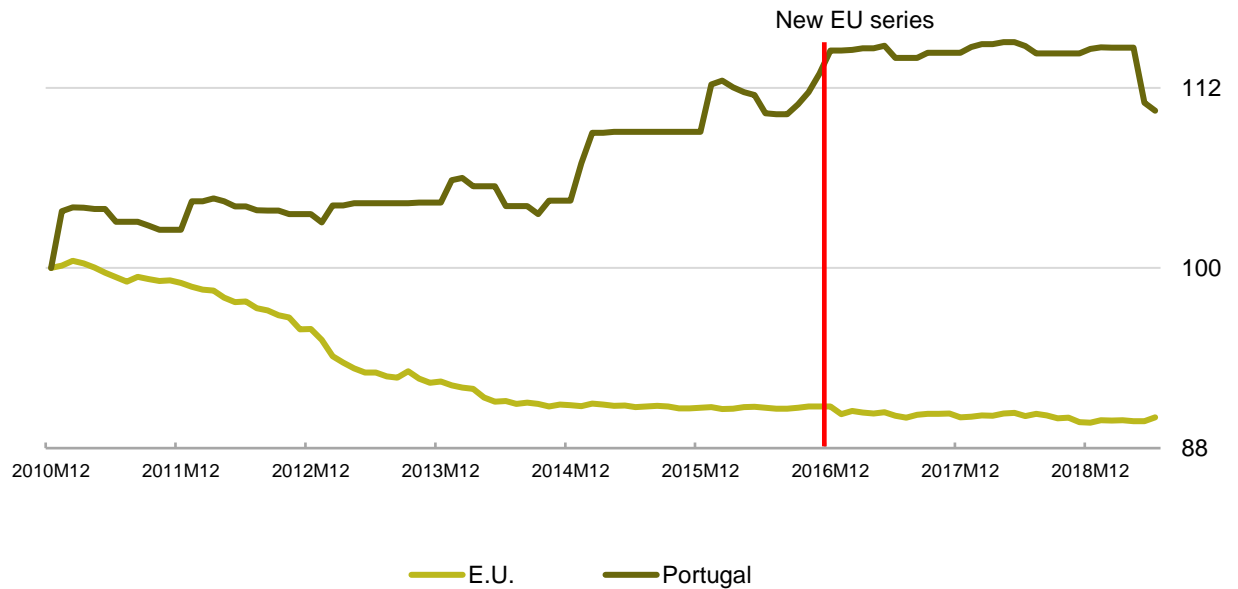
Source: ANACOM, based on data from EUROSTAT

Note 1: From the publication, by EUROSTAT, on 25 February 2016, of data for January 2016, the reference year of the HICP series was changed from 2005 to 2015. There may be differences in the series due to rounding effects.

Note 2: Telecommunications prices for the EU from December 2016 differ from those published previously due to alterations carried out by EUROSTAT. The information up to November 2016 was collected on 16 March 2018. The information from December 2016 was collected on 18 July 2019.

In cumulative terms since the end of 2010, telecommunications prices indices in Portugal and the EU started to differ (mainly from the beginning of 2012). Since 2017 the spread has remained between 24 and 25 p.p., having narrowed to 20 p.p. in the month under review (Graph 5), for the reasons mentioned above.

Graph 5 – Changes in telecommunications prices in Portugal and the EU (2010M12 = Base 100)



Unit: index (2010M12 = Base 100)

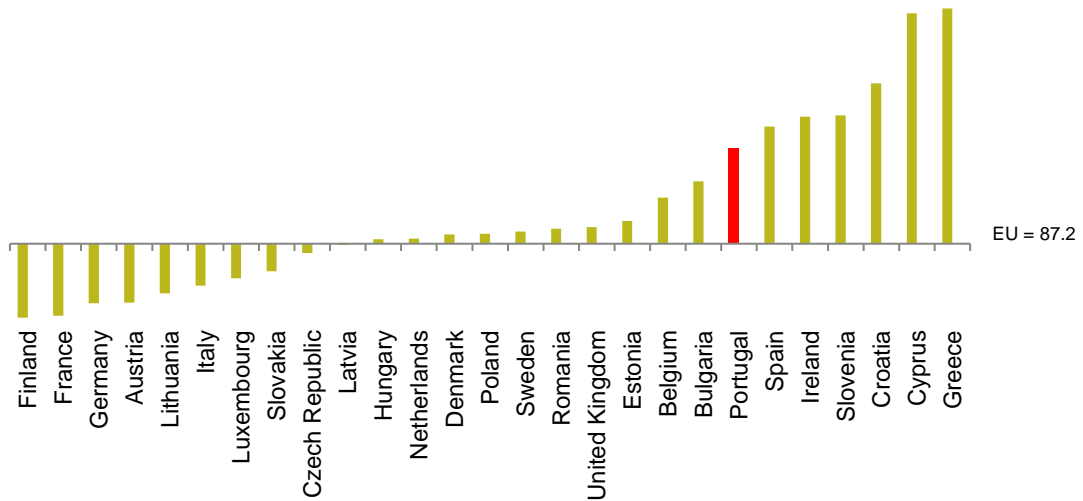
Source: ANACOM, based on data from EUROSTAT

Note: Telecommunications prices for the EU from December 2016 differ from those published previously due to alterations carried out by EUROSTAT. The information up to November 2016 was collected on 16 March 2018. The information from December 2016 was collected on 18 July 2019.

3. International comparisons of communications prices

According to the European Commission's 2019 "Broadband price index", the fixed broadband price in Portugal was the 7th highest in the EU.

Graph 6 – (Fixed) broadband price index in the EU in 2019

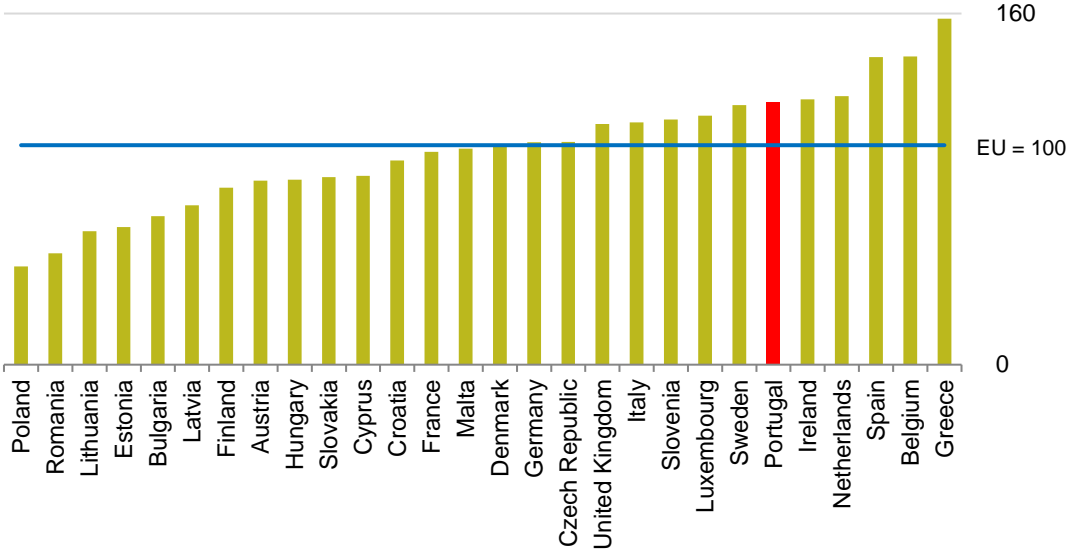


Unit: Deviation from EU average in percentage points

Source: ANACOM, based on data from the European Commission, *Digital Economy and Society Index*, June 2019

In addition, and according to EUROSTAT, in 2018, communications prices in Portugal were 19.7% above the EU average. Portugal was in 6th position among countries with the highest communications prices. The country with the highest prices was Greece (57.6% above the EU average), while Poland had the lowest prices (55.2% below the EU average).

Graph 7 – EU consumer communication price levels 2018



Unit: Index (EU = 100)

Source: EUROSTAT

Methodological note

a. Sources

- “Consumer Price Index – June 2019” (INE, 2019), available at https://www.ine.pt/xportal/xmain?xpid=INE&xpgid=ine_destaquas&DESTAQUESdest_boui=353911667&DESTAQUESmodo=2
- “IHPC- monthly data” (EUROSTAT, 2019), available at http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=prc_hicp_midx&lang=en. The methodology used is described at http://ec.europa.eu/eurostat/statistics-explained/index.php/HICP_methodology
- “Broadband Price Index”, 2019, available at <https://ec.europa.eu/digital-single-market/en/desi>
- “Consumer price levels in the EU”, 2018, available at <https://ec.europa.eu/eurostat/news/themes-in-the-spotlight/price-levels-2018>

b. Definitions

- Year-on-year rate of change: compares the level of the variable between the current month and the same month of the previous year. This rate of change, given a stable seasonability pattern, is not effected by oscillations of this nature but may, however, be influenced by effects localised to one (or both) of the months being compared – See <http://smi.ine.pt/VariavelFisica/Detalhes?id=4263&LANG=PT>
- Average rate of change for the last twelve months: compares the average price index for the last twelve months with the twelve months immediately preceding. As a mobile average, this rate of change is less sensitive to sporadic changes in prices. The amount obtained for the month of December has been used as a reference in the plan for social dialogue, and has therefore been linked to the annual inflation rate – See https://www.ine.pt/bddXplorer/htdocs/minfo.jsp?var_cd=0002390&lingua=PT

c. Notes

- The changes in telecommunication prices presented in this report results from the variation in the "Telephone and fax services" sub-index of the Consumer Price Index (CPI) and the Harmonized Indices of Consumer Prices (HICP), which comprises voice, Internet and subscription TV services acquired on a standalone basis or as part of a bundle of services. The information presented in this report should be complemented by an examination of the characteristics of the offers. This information is available in the reports: "Electronic communications bundles", "Fixed telephone service and nomadic VoIP", "Mobile services", "Internet access service" and "Subscription television service", all available on ANACOM's website.
- The communications prices referred to in the report include, in addition to the “telephone and fax services” sub-index, the “postal services” and “telephone and fax equipment” sub-indexes.
- EU telecommunication prices do not include information concerning the United Kingdom.
- Telecommunications prices for the EU from December 2016 differ from those published previously due to alterations carried out by EUROSTAT. The information up to November 2016 was collected on 16 March 2018. The information from December 2016 was collected on 18 July 2019.
- The Broadband Price Index is calculated as the percentage of the prices of twelve representative fixed broadband bundles in terms of family income. The bundles include three download speed categories (12-30 Mbps, 30-100 Mbps, and at least 100 Mbps) and four types of product (Internet single play, Internet + TV, Internet + Landline and Internet + TV + Landline). The higher the index value, the more affordable the prices are. In Graph 3, the values of this index for each country are presented as the symmetric deviation from the EU average, for ease of interpretation.

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