

Trends in telecommunications prices

Executive summary

- In September 2019, telecommunications prices, measured by the sub-index of the Consumer Price Index (CPI), remained unchanged from the previous month.
- Compared to the same month of the previous year, the observed variation in prices was -4%. This price reduction primarily reflects the entry into force on 15 May 2019 of the new European rules regulating the prices of intra-EU communications. The year-on-year variation of telecommunications prices has been lower than the growth of the CPI since November 2017.
- The average variation rate of telecommunications prices of the last twelve months was -1.65%, i.e. 2.13 percentage points (p.p.) below that recorded by the CPI (0.48%), corresponding to the highest negative deviation recorded since September 2012.
- In September 2019, the average variation rate of telecommunications prices in Portugal was lower than that observed in the EU (-1.3 p.p.). The average variation rate of telecommunications prices of the last twelve months in Portugal was the 19th highest among EU countries. The country that recorded the highest increase of prices was Greece (+4.6%) while the highest decrease occurred in Italy (-4.9%). On average, telecommunications prices in the EU decreased by 0.3%.

1. Trends in telecommunications prices - September 2019

According to the Portuguese national statistics institute (INE), in September 2019, telecommunications prices remained unchanged from the previous month.

Compared to the same month of the previous year, the variation in prices was -4%. The variation of telecommunications prices was ranked in the 39th highest position (or 5th lowest) among the 43 subgroups of goods and services considered (Table 1). This price reduction primarily reflects the entry into force on 15 May 2019 of the new European rules regulating the prices of intra-EU communications (see box).

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

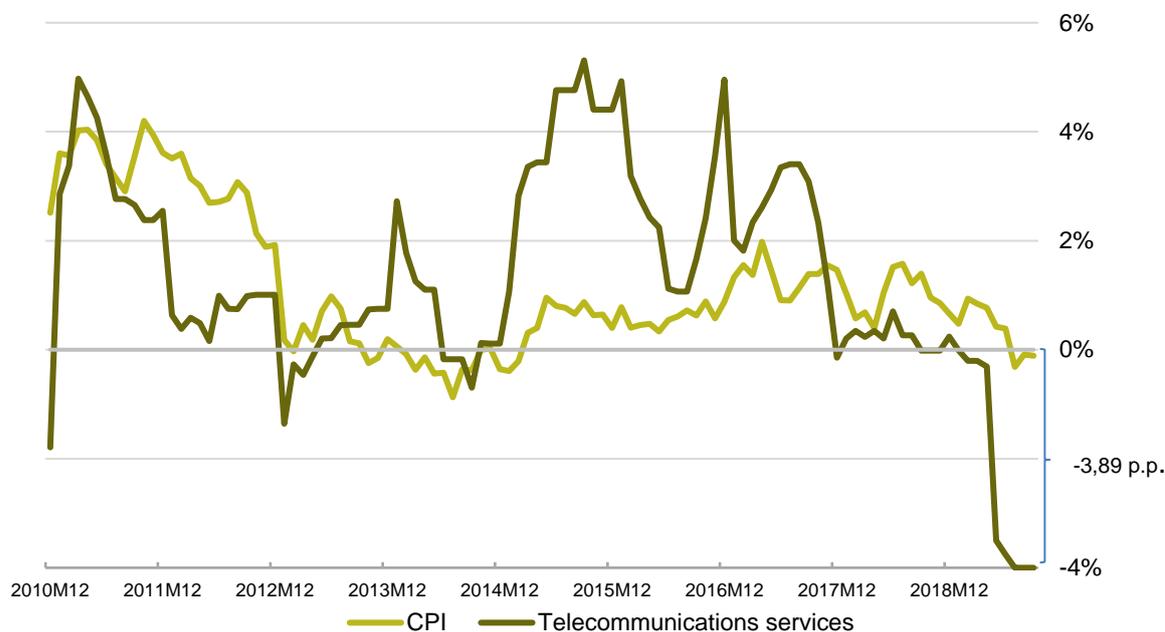
	September 2019			2018
	YoY var.	Average var. of the last 12 months	Var. of previous month	Average var. of the last 12 months
CPI (%)	-0.11	0.48	1.10	0.99
Telecommunications (%)	-4.00	-1.65	0.00	0.23
Relative position (decreasing order among the 43 subgroups of goods and services)	39	35	24	28

Unit: %

Source: INE

Between August 2013 and October 2017, the year-on-year growth of telecommunications prices was almost always higher than the growth of the CPI. However, this situation reversed in November 2017. In September 2019, the deviation in relation to the CPI reached -3.89 p.p. (Figure 1), due to the reason mentioned above.

Figure 1 – Year-on-year variation rate of the CPI and telecommunications prices

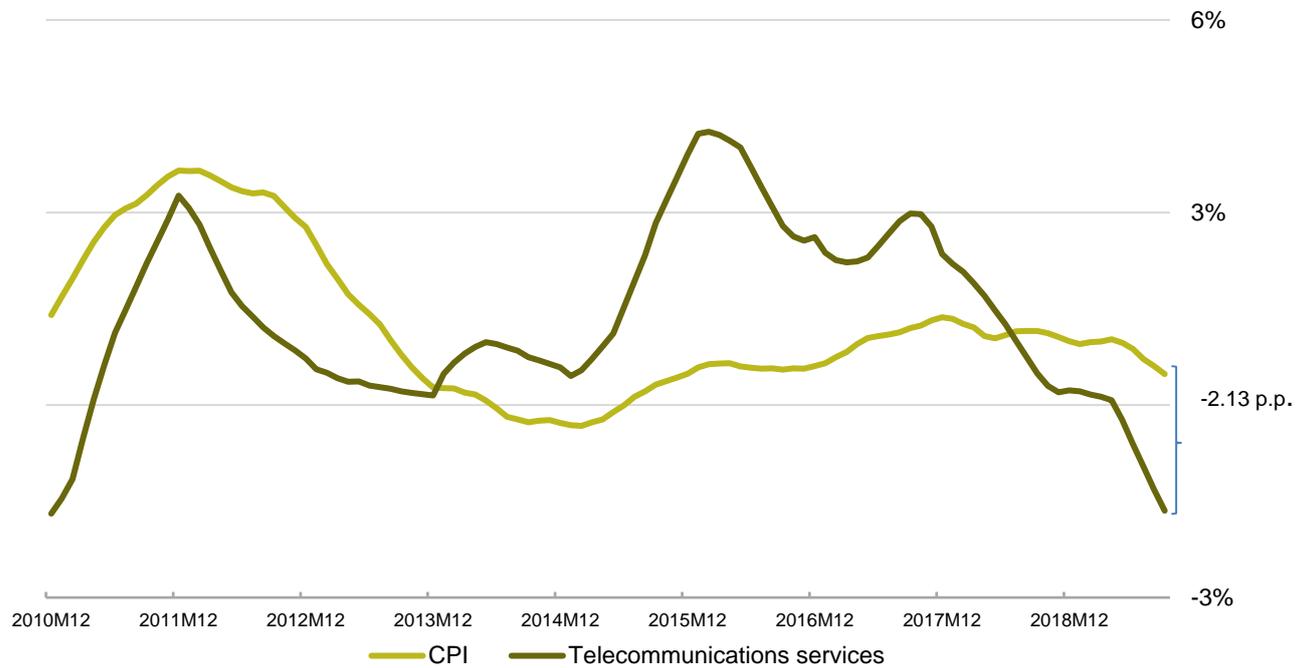


Unit: %
Source: INE

The average variation of telecommunications prices of the last twelve months (-1.65%) was ranked in the 35th position among the 43 subgroups of goods and services considered, being higher than the variation of “Clothing and Footwear” and the “Hosting services” prices and lower than the variation of prices of “Transport services”, “Electricity, gas and other fuel” and “Water supply”.

The differential between the average variation rate of the last twelve months of telecommunications prices and the CPI reached -2.13 p.p. in September 2019, corresponding to the highest negative deviation since September 2012. During the 106 months elapsed since December 2010, telecommunications prices grew at rates higher than the CPI in 54 months (Figure 2).

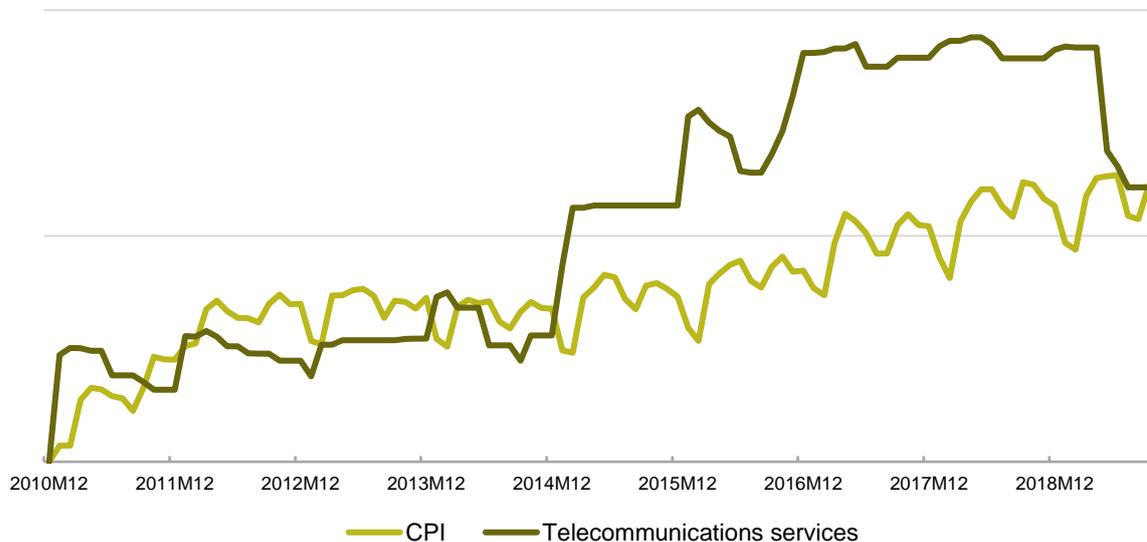
Figure 2 – Average variation rate of the last twelve months of the CPI and telecommunications prices



Unit: %
Source: INE

In cumulative terms since the end of 2010, telecommunications prices increased by 9.7 p.p., while the CPI increased by 9.8 p.p. The differential between the evolution of the two indices started in 2015 and expanded in 2016, being associated to the “price adjustments” made by the main providers (Figure 3). From May 2019, the differential narrowed considerably due to the entry into force of Regulation (EU) 2018/1971 of the European Parliament and Council, which imposed a maximum price on intra-EU international calls and text messages (SMS) (see box). In September 2019, the cumulative growth since the end of 2010 of telecommunications prices shifted to being lower than the cumulative growth of the CPI.

Figure 3 – CPI and telecommunications price trends in Portugal (2010M12 = Base 100)



Unit: index (2010M12 = Base 100)

Source: ANACOM, based on INE data

Reduction in prices of intra-EU calls

New European rules entered into force on 15 May 2019, establishing limits to the retail prices charged to consumers for regulated intra-EU communications¹. These new rules are applicable to international communications (fixed and mobile voice and SMS) made from a number in Member State to a number in another Member State, which is fully or partially charged based on effective consumption.

Calls made by the consumer in one country to a number (fixed or mobile) of another EU country are now chargeable at a maximum price of 0.19 euros per minute (without VAT) to the consumer who made the call. Text messages (SMS) sent by the consumer in one country to a number (fixed or mobile) of another EU country are now chargeable at a maximum price of 0.06 euros per SMS (without VAT) to the consumer who sent the SMS.

In May 2019, telecommunications prices fell by 3.2%.

¹ Pursuant to article 5 of Regulation (EU) 2015/2120 with the wording derived from article 50 of Regulation (EU) 2018/1971 of the European Parliament and Council, available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:L:2018:321:TOC>.

2. Trends in telecommunications prices in the EU - September 2019

According to EUROSTAT, in September 2019, the average variation rate of the last twelve months of the prices of telecommunications services in Portugal was 1.3 p.p. lower than the EU average, with Portugal having been ranked as the 19 country with the highest price variation. The countries in which the highest price increases occurred were Greece (+4.6%), Romania (+3.2%) and Finland (+2.6%), while Italy (-4.9%), Cyprus (-3.6) and the Netherlands (-3.3%) recorded the strongest price reductions.

In relation to the same month of the previous year, the variation of telecommunications prices in Portugal was the 26th highest (or 2nd lowest) among the 27 countries considered (Table 2).

Table 2 – Trends in telecommunications prices: Portugal vs EU

	September 2019			2018
	YoY var.	Average var. of the last 12 months	Var. of previous month	Average var. of the last 12 months
EU (%)	0.1	-0.3	0.1	-0.2
Portugal (%)	-4.0	-1.6	0.0	0.2
PT / EU deviation (p.p.)	-4.1	-1.3	-0.1	0.4
<i>Relative position (decreasing order among 27 countries)</i>	26	19	10	8

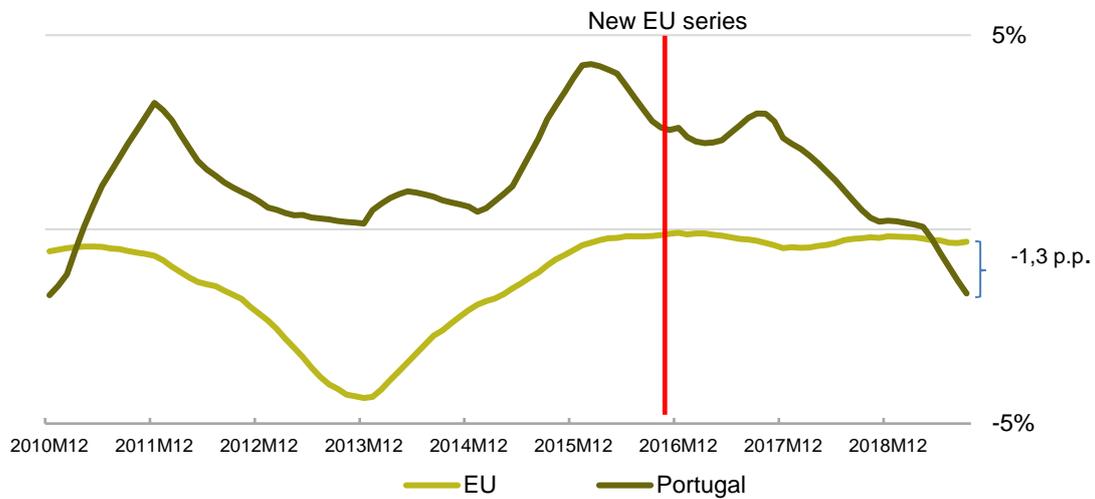
Unit: %, p.p.

Source: EUROSTAT

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

Between April 2011 and May 2019, telecommunications prices grew more in Portugal than in the EU (in terms of the average variation rate of the last twelve months). However, since June 2019, the variation of telecommunications prices in Portugal has been lower than the EU average (Figure 4).

Figure 4 – Average variation rate of the last twelve months - telecommunications prices: Portugal vs EU



Unit: %

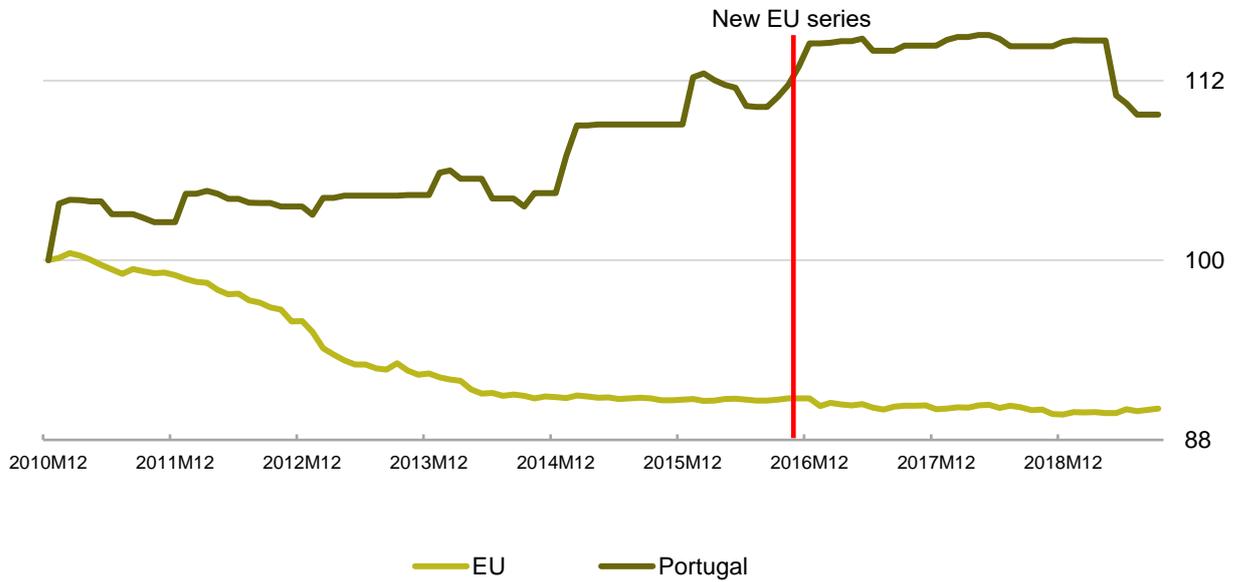
Source: ANACOM, based on EUROSTAT data

Note 1: Based on the publication, by EUROSTAT, on 25 February 2016, of data relative to January 2016, the reference year of the Harmonised Index of Consumer Prices (HICP) was changed from 2005 to 2015. There could be differences in the series due to the effect of rounding off.

Note 2: EU telecommunications prices from December 2016 differ from those published previously due to changes made by EUROSTAT. The information up to November 2016 was gathered on 16 March 2018. The information from December 2016 was gathered on 21 October 2019.

In cumulative terms since the end of 2010, the indices of telecommunications prices in Portugal and in the EU have diverged (especially from the beginning of 2012). The differential ranged between 24 and 25 p.p. since 2017, having fallen to around 20 p.p. from May 2019 due to the reasons mentioned above (Figure 5).

Figure 5 – Telecommunications price trends in Portugal and in the EU (2010M12 = Base 100)



Unit: index (2010M12 = Base 100)

Source: ANACOM, based on EUROSTAT data

Note: EU telecommunications prices from December 2016 differ from those published previously due to changes made by EUROSTAT. The information up to November 2016 was gathered on 16 March 2018. The information from December 2016 was gathered on 21 October 2019.

Note on methodology

a. Sources

- “Consumer Price Index – September 2019” (INE, 2019), available at: https://www.ine.pt/xportal/xmain?xpid=INE&xpgid=ine_destaquas&DESTAQUESdest_boui=353911783&DESTAQUESmodo=2
- “HICP - 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 available at: http://ec.europa.eu/eurostat/statistics-explained/index.php/HICP_methodology

b. Definitions

- Year-on-year variation rate: compares the level of the variable between the current month and the same month of the previous year. This variation rate, assuming a stable seasonality pattern, is not affected by fluctuations of this nature but, nevertheless, may be influenced by localised effects in one (or in both) of the months that are compared – see <http://smi.ine.pt/VariavelFisica/Detalhes?id=4263&LANG=PT>
- Average variation rate of the last twelve months: compares the level of the average price index of the last twelve months with that of the immediately preceding twelve months. Due to being a mobile average, this variation rate is less sensitive to sporadic changes in prices. The value obtained in the month of December has been used as a reference in the sphere of social dialogue, for this reason being associated to the annual inflation rate – see https://www.ine.pt/bddXplorer/htdocs/minfo.jsp?var_cd=0002390&lingua=PT

c. Notes

- The trends in telecommunications prices presented in this report are derived from the variation of the “Telephone and telefax services” sub-index of the Consumer Price Index (CPI) and Harmonised Index of Consumer Prices (HICP), which aggregates the voice, Internet and TV signal distribution services by subscription acquired in an individualised or package form. The information presented herein should be complemented with an appraisal of the features of the offers, the details of which are available in the reports on “Packages of electronic communications services”, “Fixed telephone and nomadic VoIP service”, “Mobile services”, “Internet access service” and “Subscription television service” available on ANACOM's website.
- EU telecommunications prices do not include information relative to the United Kingdom.
- EU telecommunications prices from December 2016 differ from those published previously due to changes made by EUROSTAT. The information up to November 2016 was gathered on 16 March 2018. The information from December 2016 was gathered on 21 October 2019.