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## **Mini-presentation**

**SPPI for Postal Activities under Universal Service Obligation  
In Hungary**

**Hungarian Central Statistical Office**

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The views expressed in this paper are those of the author alone and do not necessarily represent the position of HCSO or any other organization with whom the author may be affiliated.

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## 1. INTRODUCTION

The overall objective of this paper is to contribute to the conceptual development of price statistics in the division “Postal and courier activities” with adequate reflexion of real economic developments. The main purpose of calculation of a harmonized price index is to determine the service production of this industry not only at current prices, but also at constant prices. The availability of an appropriate SPPI allows to produce real gross value added (GDP) as well as an index of services production (ISP) for this division.

The postal industry is one of the major infrastructure areas of the economy. Due to the liberalization of this sector, a special attention must be paid to handle new regulations to ensure appropriate macroeconomic data for users.

Postal activities under universal service obligation incorporate the activities of postal services operating under an „universal service obligation” (USO) by one or more designated universal service providers. The activities include use of the universal service infrastructure, including retail locations, sorting and processing facilities, and carrier routes to pickup and deliver the mail. Also included are other activities necessary to support the universal service obligation. Services are provided for business clients as well as for households.

As main challenges concerning price statistics in this area could be considered the valuation of the weighting structure, in particular issues on how to identify business and other clients, or domestic vs. non-domestic market.

In Hungarian Central Statistical Office (HCSO) the observation of SPPIs regarding Postal activities under universal service obligation is carried out by the experts of the *Services and Foreign Trade Statistics Department* staff. The related price indices are published at the division level – as parts of the total SPPI of the Postal and courier activities.

### ***Description of the industry (53.1 ISIC 4 / 53.1 NACE 2)***

The different services of postal activities under universal service obligation could be summarized as operations related to printed papers (newspaper, periodicals, advertising items, etc.), the collection of documents, letters, small packets and delivery to the required destination, the counter services and other postal services (e.g. mailbox rental services). The time between collection and delivery is one of the most important differences in quality among the variety of services.

This industry is typically dominated by postal services and the rest has been invoiced by courier services other than national post activities. However, the core definition of postal services and courier services are quite the same, except the fact that postal services are rendered under USO, and traditionally provided by state-owned, vertically integrated and public regulated operator. The universal service obligation is determined by the European Commission as the obligation for postal operators to ensure to every citizen at least one delivery and collection of mail five days a week, at affordable prices throughout the territory. To ensure that these rules for postal operators (USO) are met and to ensure that the sharing of activities are properly respected, in member states regulation authorities have been established.

The postal market is for historic reasons usually dominated by a single producer. However, as a result of liberalization, as well as the growth of the quality and speed of electronic communication, the competition can be observed. The new entrants into this industry typically focus on the profitable low-cost markets. As the most competitive areas seems to be activities of the express carriers like fast delivery of documents and small packages or international mail. Despite legislation to allow competition and

liberalization of the market, full competition on all postal services is unlikely because of the nature of the activity.

In the European postal market approximately 95% of letter mail was fully opened to competition in 2011 following the guidelines of the Third Postal Directive. This process continues in 2013, with a significant number of countries including Hungary also liberalising their respective postal markets since a later deadline for the postal market opening was granted to these countries<sup>1</sup>.

Because of the monopoly of postal incumbents, most of national statistics institutes, as well as Hungary, have confidentiality regulations concerning publishing data and methodological details at the class level.

Both the businesses and households are National Post companies' clients, although enterprises (including government) are the largest clients (more than quarter to in value). Similarly, courier and local messenger firms also focus their activity on companies. However, there is some observable difference between the services they offer. On the one hand, national post services have very specific characteristics determined by regulation. On the other hand, couriers can offer 'tailor-made' services according to the market conditions, signing contracts with their clients. Companies are offering logistic, storage and freight transport services to their customers. In addition, freight transport by road firms are competing directly with couriers, because they offer courier services as well. This issue may imply classification problems.

It should be noted, that National Post companies beside the main activity may offer also secondary activities, first off all courier services and services related to financial and insurance activities.

Among others, globalisation is also affecting enterprises operated in this industry. Companies are establishing alliances with companies abroad, in order to improve the international delivery of the mail and to maximize the profit at the world-level.

## **2. MARKET CONDITIONS AND CONSTRAINTS**

As previously mentioned, this industry is dominated by one enterprise, Hungarian National Post Office. Due to the confidentiality rules, SPPIs for postal services (USO) are not published separately. Both B-B and B-All indices are disseminated at the division-level as an average price development of postal and courier services. Nevertheless SPPIs for "Other postal and courier activities" (5320) are available at the website of HCSO. Compilation of an industry-based SPPI requires further development.

The main macroeconomic statistics according to the annual structural indicators class are shown in the Table 1.

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<sup>1</sup> A later deadline for the postal market opening was granted to the Czech Republic, Cyprus, Greece, Latvia, Lithuania, Luxembourg, Hungary, Malta, Poland, and Romania. Source: IPC Regulatory Database

Table 1

**Annual structural indicators by NACE Rev. 2  
Enterprises classified in national economic division H 53**

(2010. year)

NACE REV. 2	Number of employees		Turnover		Value-added at factor cost	
	capita	%	(Million HUF)	%	(Million HUF)	%
<b>H Transportation and storage</b>	219 821	<b>100,0</b>	3 640 121	<b>100</b>	998 240	<b>100</b>
<b>53== Postal and courier activities</b>	39 254	<b>17,9</b>	240 968	<b>6,6</b>	139 153	<b>13,9</b>
<b>531= Postal activities (USO)</b>	34 909	<b>15,9</b>	191 932	<b>5,3</b>	126 210	<b>12,6</b>
<b>532= Other postal and courier activities</b>	4 345	<b>2,0</b>	49 036	<b>1,3</b>	12 943	<b>1,3</b>

Source: website of the HCSO

### 3. STANDARD CLASSIFICATION STRUCTURE AND DETAILS

Hungary, as a member of the European Union (EU), for producer price observation system concerning industrial products and services, applies harmonized national versions of the following main economic classification systems:

- **NACE Rev 2 / TEÁOR'08** (the statistical classification of economic activities in the European Communities / in Hungary).
- **CPA'08 / TESZOR'08** (the European/ Hungarian Classification of Products by Activity).

***The structure of the above mentioned classifications is the following:***

CPA 2008 is fully harmonized with NACE Rev.2. Namely, from the 6 digits (XXXX.YY) the first four are the same as those for the NACE Rev. 2.

Within the short-term statistics, the hierarchical structure of the CPA is appropriate to coordinate the computation steps of the higher level indicators. This coordination ensures to create details more homogenous from the lowest level of CPA.

### 4. EVALUATION OF STANDARD VS. DEFINITION AND MARKET CONDITIONS

Hungarian national versions of the classification systems NACE Rev 2 and CPA 2008 are fully harmonized with the European classification systems.

## 5. DEFINICION OF THE SERVICE

According to the European classifications (NACE Rev.2, CPA 2008), activities related to the Postal services (USO) are concentrated in section “H” Transportation and storage services<sup>2</sup> under division “53”, which includes two classes.

### *Industry Classification*

**53** Postal and courier activities

**53.10** Postal activities under universal service obligation;

**53.20** Other postal and courier activities.

### Comparison of Industry Classifications

	ANZSIC	ISIC 4.0	NACE Rev2	NAICS 2007
<b>general</b>	<b>711:</b> Postal and Courier services	Division: <b>53</b> Postal and Courier activities	Division <b>53:</b> Postal and Courier activities	<b>492</b> Couriers and Messengers
<b>detail:</b>	<b>7111</b> Postal services  <b>7112</b> Courier services	Class: <b>5310</b> Postal activities  Class: <b>5320</b> Courier activities	Class: <b>53.10</b> Postal activities under universal service obligation  Class: <b>53.20</b> Other postal and courier activities	<b>492110</b> Couriers and Express Delivery Services <b>492210</b> Local Messengers and Local Delivery

Concerning the structure of the population of postal enterprises (USO), in Hungary one company dominates the market. However, this company also dominates the total output of postal and courier services.

### *Product Classification*

The central product classification CPC (Rev. 2) is the main product classification system applicable to this industry.

The CPA 2008 (Statistical Classification of Products by Activity in the European Economic Community) includes 5 subcategories with a direct link to the NACE industry

<sup>2</sup> H TRANSPORTATION AND STORAGE, NACE Rev.2

49 Land transport and transport via pipelines

50 Water transport

51 Air transport

52 Warehousing and support activities for transportation

53 Postal and courier activities

classification (the coding rules for the first four digit are the same as those for the NACE Rev. 2).

- 53.10.11 Postal services under universal service obligation related to newspapers and periodicals
- 53.10.12 Postal services under universal service obligation related to letters
- 53.10.13 Postal services under universal service obligation related to parcels
- 53.10.14 Post office counter services
- 53.10.19 Other postal services under universal service obligation

### Comparison of Product Classifications

	ANZSPC	CPC ver 2	CPA 2008
<b>general</b>		Division: <b>68</b> Postal and courier services	Division: <b>53</b> Postal and courier services
<b>detail:</b>	<b>6801</b> Postal services  <b>6802</b> Courier services  This item does not include: - messenger delivery services	<u><b>6811</b></u> Postal services  <u><b>6812</b></u> Courier services  <u><b>6813</b></u> Local delivery services	<b>53.10</b> Postal services under universal service obligation 53.10.11-53.10.14, 53.10.19  <b>53.20.</b> Other postal and courier activities

Due to the liberalization of this industry and improvement of technologies used, the structure and content of services provided may rapidly change accommodating to the partners needs. Beside primary activity secondary activities are common, or bundled services are also provided for clients. For this reason it may difficult to divide specific activities into classes to determine the primary activity. On the other hand companies classified to the other industries offer postal services, focusing on cost-efficient courier services especially on services called “express delivery industry” (more information see in the revised sector paper, 2010, <http://www.voorburggroup.org/Documents/2010%20Vienna/Papers/2010%20-%2017.pdf> ).

It should be noted, that Hungarian National Post company beside USO services also offers secondary activities, first off all courier services and services related to financial and insurance activities.

According to the annual structural business statistics (SBS), concerning number of population, in Hungary this industry is dominated by micro-level companies (with less than 5 employees), which share is nearly to 90%. However, the turnover share of companies with more than 20 employees is close to 90% at the division-level and it is practically 100% at the class-level (postal services under USO).

## 5.1. Size of the industry

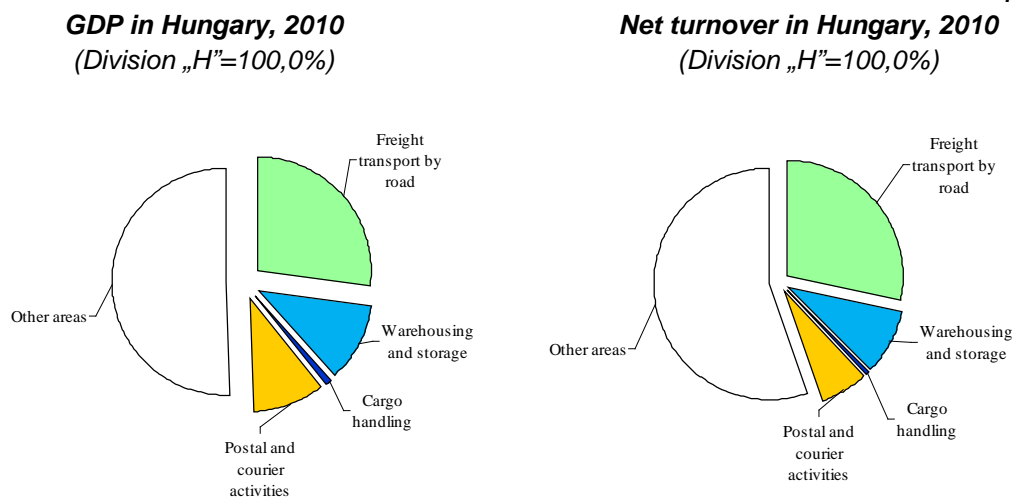
In Hungary – at the level of the national economy – Transport and storage industry including post and courier activities accounts for 6,1% of the gross value added and 5,3% of the gross output, while the share of the number of enterprises operating here is only 4,3% in 2010.

Within the whole service sector (G-S) nearly 10% and within the market service sector (G-N, R-S) about 13% of the GDP is covered by the section “H”.

Concerning postal and courier industry, the proportion of GDP is slightly higher than half of one percent, and it is double the gross output of activities related to the whole national economy. The share of number of enterprises engaged in this division does not reach 0,2%, which means the dominance of large firms.

Out of the areas under transportation and storage<sup>3</sup> HCSO publishes the price indices of four selected groups of services – freight transport by road (4941), warehousing and storage (5210), cargo handling (5224) and postal and courier activities (53) – at present.

Figure 1



The largest share is represented by the performances of freight transport by road within the section, with about one third of both gross value added and net sales in 2010, as well as a more than 50% share in the number of active enterprises. The field of postal and courier activities is more concentrated, a much smaller number of enterprises is paralleled by higher values of performance indicators. The share of the number of enterprises performing postal and courier activities is 4%, while their share of gross value added exceeds 13% and of turnover 6%.

## 5.2. Special conditions and restrictions

### Scope of the Survey

Postal and courier services in Hungary regarding turnover data as well as other basic macroeconomic data are fully covered.

To calculate high quality volume indicators for this industry, the ideally required components are consistent output (turnover) data and producer price indices (SPPI's)

<sup>3</sup> The following divisions fall under section H in NACE Rev.2: 49 – land transport and transport via pipelines, 50 – water transport, 51 – air transport, 52 – warehousing and support activities for transportation, 53 – postal and courier activities.



at the same level and frequency according to the same classification system. To meet this needs, a feasible price observation system is under development, taking into account the structure of the total yearly turnover (business to all, B-All<sup>4</sup>).

### ***Turnover structure***

The turnover structure could be describe as follows (with limited coverage and quality):

- **Main activity + secondary activities** – based on data of enterprises with more than 19 employees;
- **Domestic + non-domestic/export** (by residency) – based on data of enterprises performing dual accounting;
- **B-B** (business to business: total industrial turnover except households) + **B-C** (business to consumer) – based on data of enterprises with more than 19 employees;
- **data from survey + administrative data** (e.g. for enterprises with less than 5 employees) + **imputation of data** (concerning missing data).

### ***Prices***

#### ***Industry-based vs. product-based SPPI (deflator) data***

Many data suppliers classified to the division 53 “Postal and courier services” have relevant turnover share regarding secondary activities as well. For example Hungarian Post Office beside primary postal activities (USO) provides courier, and monetary intermediation services. On the other hand several companies classified mainly to the freight transport areas or warehousing and support activities for transportation, may have relevant share of the turnover with the secondary courier activity.

For calculation of an industry-based volume index is proposed to use the industry-based SPPIs. For this reason, the estimation of a good quality weighting structure seems to be necessary. However, for national accounts purposes could be more appropriate the product-based SPPIs.

#### ***Business to business vs. business to all SPPI***

According to the European STS Regulation for SPPIs B-B indices were required, however for deflation of the total output, B-All indices are needed. Hungary produces primary B-B indices, however, has developed B-All indices as well – following the mixed approach (weighted average of B-B and B-C indices).

Among others, for producing of B-All SPPIs, it is important to estimate the turnover split according to the business services vs. household consumption. It should be noted that the household share of postal services is fairly small and in most of countries not representative of the overall activity. Nevertheless the business customers dominate the demand for postal services – particularly for courier activities – the demand from households in Hungary is significant (about one-quarters of the total sales). Regarding postal and courier services, B-B also B-C proportion of the total turnover is received directly from the National Post Office and from larger courier operators.

## **5.3. Record keeping practice**

In Hungary, like in most of countries data collection is based on a statistical survey. In principle the supply of data is compulsory. Price data are collected quarterly, within the frame of short term statistics (STS).

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<sup>4</sup> B-All: business to All; B-B: business to business; B-C: business to consumer

The data collection media is questionnaire by electronic data collection. The main source of information is national Business Register. Reporting units are legal units considered as enterprises. The observed sample is revised in each year.

### **Sample design**

Activities of postal services (USO) are dominated by the Hungarian Post Office (99,9% of the total turnover). Regarding other postal and courier activities typically a few large companies dominate this industry, but the turnover share of smaller companies is also relevant below (20 persons employed it is about 30%).

Beside Hungarian Post Office a separate sample is selected for observation of other postal and courier activities. Firstly enterprises classified to this class are selected, then companies classified elsewhere, when they account relevant share of the turnover with the secondary activity "Other postal and courier activities". Enterprises are asked to provide prices for primary and for relevant secondary activities, which allows computation both industry- and product-based SPPs. For this sector Hungary uses "cut-off" sampling selection method, where a census of units is taken above a size threshold (cut-off line is the turnover size) with random sampling for smaller companies being completed.

In Hungary- according to the current European regulation – B-B prices are collected directly from the National Post Office and other courier service providers. The B-All indices are computed as weighted average of B-B and B-C indices. In the frame of SPPI observation on prices, Hungary also collect turnover/revenue on an annual basis to ensure necessary weights for index calculation.

The general questionnaires have been created in close cooperation with the Hungarian National Post Office. On the other hand, a "personified" questionnaire has been agreed by telephone or personal interviews with every company. To ensure the appropriate quality of reported data, follow-up calls are made (e.g. handle new products, new clients...).

On the Hungarian questionnaire for SPPI regarding postal services (USO) both B-B and B-C prices, while for other postal and courier services basically "B-B" prices are collected. Once a year the 4- and 6-digit level product-based turnover data of the enterprises are also received. The prices are an average for the reference period. In principle taxes are excluded; discounts, rebates, surcharges are taken into account. At the end of each quarter pre-printed questionnaires are sent to the reporting units. The deadline for replies is the 8<sup>th</sup> day after the reference period. Missing responses are requested by telephone contacts and by e-mail.

## **6. PRICING UNIT OF MEASURE**

The price of provided service depends on transaction partners, geography (i.e. origin and destination of service); time of the delivery; type of the item(s) being delivered; the size of the delivery (in number, weight, and/or volume), additional criteria (such as insurance or registered/special delivery).

Postal and courier services may include domestic as well as international component. It is worth noting, that export (residency principle) of courier industry and international component (territorial principle) of the service means two different approaches of the methodology.

It should however be mentioned that extremely large number of transaction take place in this industry, while the item allocation is comparatively small. Major service providers due to high concentration levels account for the bulk of transactions.

In Hungary as the pricing unit of measure one mail (letter, package, other) is considered. The quarterly unit price concerning postal services USO is collected for the selected price representative items as follows:

Table 1

Classification Name of the service	Code CPA/group	Unit of measure
Domestic letter up to 30 grams (non-priority)	5310.12/XXX1	FT/mail
Domestic letter 30-50 grams (non-priority)	5310.12/XXX2	FT/mail
Service for registered mail	5310.12/XXX3	FT/mail
Service for returned receipt for letter	5310.12/XXX4	FT/mail
Foreign letter up to 2 kg (non-priority)	5310.12/XXX5	FT/mail
Direct mail up to 30 grams	5310.12/XXX6	FT/mail
Direct mail 31-50 grams	5310.12/XXX7	FT/mail
Direct mail 51-500 grams	5310.12/XXX8	FT/mail
Official documents, other	5310.12/XXX9	FT/mail
Domestic standard package	5310.13/XXX1	FT/mail
Service for returned receipt for package	5310.13/XXX2	FT/mail

## 7. DISCUSSION OF PRICING METHODS

Prices are collected for a detailed set of price specifications of products, for which the prices refers to a level of detail, where there are no further varieties of the products.

The main pricing methods used in Hungary – concerning postal services (USO) is “unit value”. Data are received directly from service providers based on the real contracts.

Concerning other postal and courier services “contract pricing” and “direct used of prices of repeated services” is also used.

The companies prefer to give average prices (per kg from a country to another, from a country to another continent, or an average price per parcel).

- Postal contract prices with big and representative customers: prices for some types of letters or types of parcels from A to B, within a period set (day +1, day +2);
- Average prices (per kg, per letter, per parcel in any weight given, 5-10 kg) within a period set, from a point A to a part of the world B (European countries, US, Asia, North Africa...);

***The most common methods used for an SPPI on post and courier services are discussed below.***

### ***Unit value method***

The units have to be defined clearly for each product or service. The units should be as homogenous as possible, e.g. letters classified by size, parcels classified by narrow weight and/or dimension categories. To ensure the homogeneity of the units, in their definition details on speed of delivery and destination must also be included. In defining the unit, detailed information about quantity of sold units has to be available which is a general restriction on the degree of homogeneity that can be achieved.

If the services are homogeneous and can be quality adjusted if any changes occur, then the unit value method is an optimum choice. A drawback is that information about the quantity of products sold is often not available at a detailed level required to ensure the homogeneity of the underlying services. In such cases care must be taken to ensure that the range of services grouped together at the lowest level that quantity data is available is relatively homogenous, otherwise the unit value method should not be used (e.g. if the lowest level of quantity data available is 'all letters' then this is too heterogeneous to consider using the unit value method).

### ***Contract pricing***

Each firm in the sample chooses some of their clients (representative clients) and prices the same services (representative services) provided to the same clients on an ongoing basis. This method

Contract pricing is the ideal method, due to the fact that it measures the price of real services. One of the disadvantages is that it is difficult to apply to the full range of services provided by the industry, in particular when enterprises produce unique services.

### ***Direct use of prices of repeated services***

List prices for common services are often available, in particular for postal services. However it is important to establish the relative market share of services sold at the list price when establishing the index weighting structure to ensure they are not over represented in the index.

Concerning direct use of prices of repeated services, transaction prices reflect the relatively abundant on-line information. List prices can only be used if it is known that a sufficient quantity of services is actually sold at the list price.

### ***Use CPI as proxies***

This method could be usable for services provided to final consumers (B-C) because it does not require any additional collection work involved for calculation of B-C index. Some of European countries, including Hungary, use the monthly CPI or HICP as proxies for coverage of B-C indices. The use of CPI/HICP data may need additional transformation to be combined with SPP, because of the aim of prices: input on one hand, output on the other hand, difference in periodicity (monthly for CPI, quarterly for SPPI), different methodology (taxes e.g. VAT is included in the CPI, but not in the SPPI), weighting structure and pricing method used – taking into account discounts offered for businesses.

Steps for using CPI as proxies for B2C indices could be the following: firstly exclude VAT and other taxes from CPI; secondly calculate a quarterly CPI as the un-weighted arithmetical or geometrical man of the relevant tree monthly CPIs (with the same base period). The revision of the weighting pattern is also recommended.

In Hungary the quarterly B2C index is calculated by the CPI team re-processing related monthly CPI indices to an un-weighted average (the B-B index as well as B-All index is compiled by the SPPI team).

### **Services producer price indices (SPPIs) in Hungary**

Hungary primarily produces product-based SPPIs, which reflect the average price development of sold services produced/performed by domestic enterprises. The indices are calculated using classifications NACE Rev. 2 and CPA 2008. Industry-based SPPIs are actually under development.

#### **Weighting and aggregation**

Hungary employs two sources of turnover data for weighting. For aggregation of company-level and higher-level sub-indices of “big” companies Hungary uses “product-based” turnover data one year prior to the actual year collected by the SPPI survey. For industry-based SPPI, turnover data from two years prior is obtained at the 4-digit and higher levels from the Structure Business Statistics (SBS) survey. Weights are updated annually.

Lower level (CPA 6-digit) indices for the National Post Office are first calculated as a weighted arithmetical average, for other companies mainly as un-weighted geometrical means. Next, the company’s class level (CPA 4-digit) aggregates are computed as a weighted arithmetical average, followed by sub-indices for “big” (weighted) and “smaller” (un-weighted) companies, which are aggregated using the turnover share of the industry SBS data.

To obtain the weights for calculation of B-All index as weighted average of B-B and B-C indices, the special part of the structured business statistics survey (SBS, Annex VIII. has been expanded (beside total turnover the turnover of sales to consumers is also collected).

Figure 2

**SPPIs (B-B) for transportation and storage services in Hungary, 2007-2012 (2006=100)**

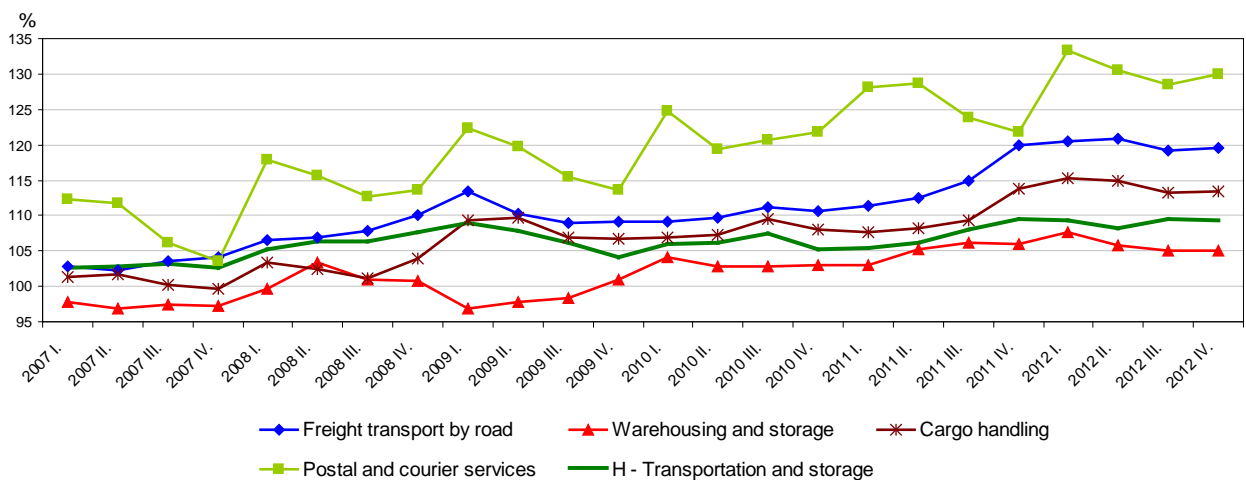
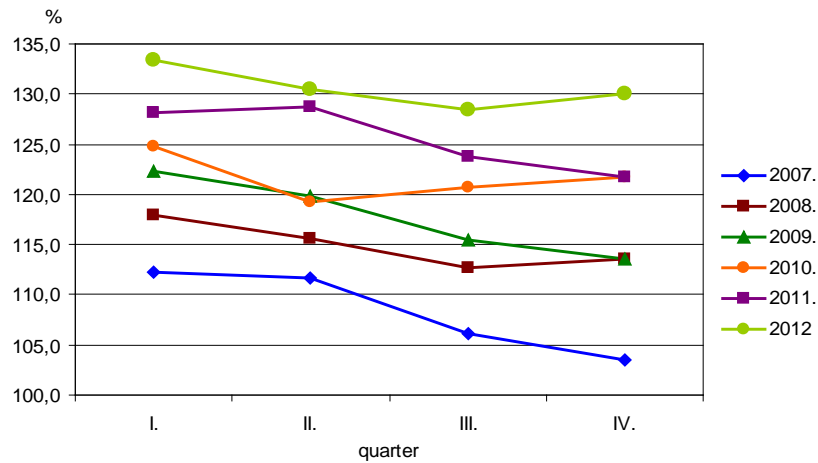


Figure 3

**SPPIs (B-B) for Postal and courier activities in Hungary, 2007-2012 (2006=100)**



Compilation of an B2All aggregated index as weighted average of the B2B and B2C indices for required level – applying the relevant turnover share as weights – could be calculate in the following way:

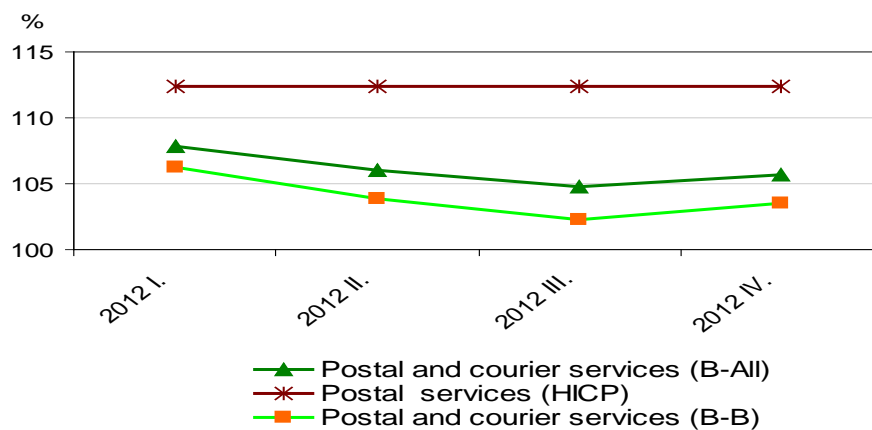
Assuming that  $I_{B-All}$ ,  $I_{B-B}$ , and  $I_{B-C}$  are the relevant indices,  $w_{B-All}$ ,  $w_{B-B}$  and  $w_{B-C}$  are the weights, the formula could be expressed as follows:

$$I_{B-All} = w_{B-B} \cdot I_{B-B} + w_{B-C} \cdot I_{B-C} \text{ where } 1 = w_{B-All} = w_{B-B} + w_{B-C}$$

Actually Hungary sends to EUROSTAT and publishes both B-B and B-All indices

Figure 4

**Price indices for postal and courier services in Hungary 2012 (2011=100)**



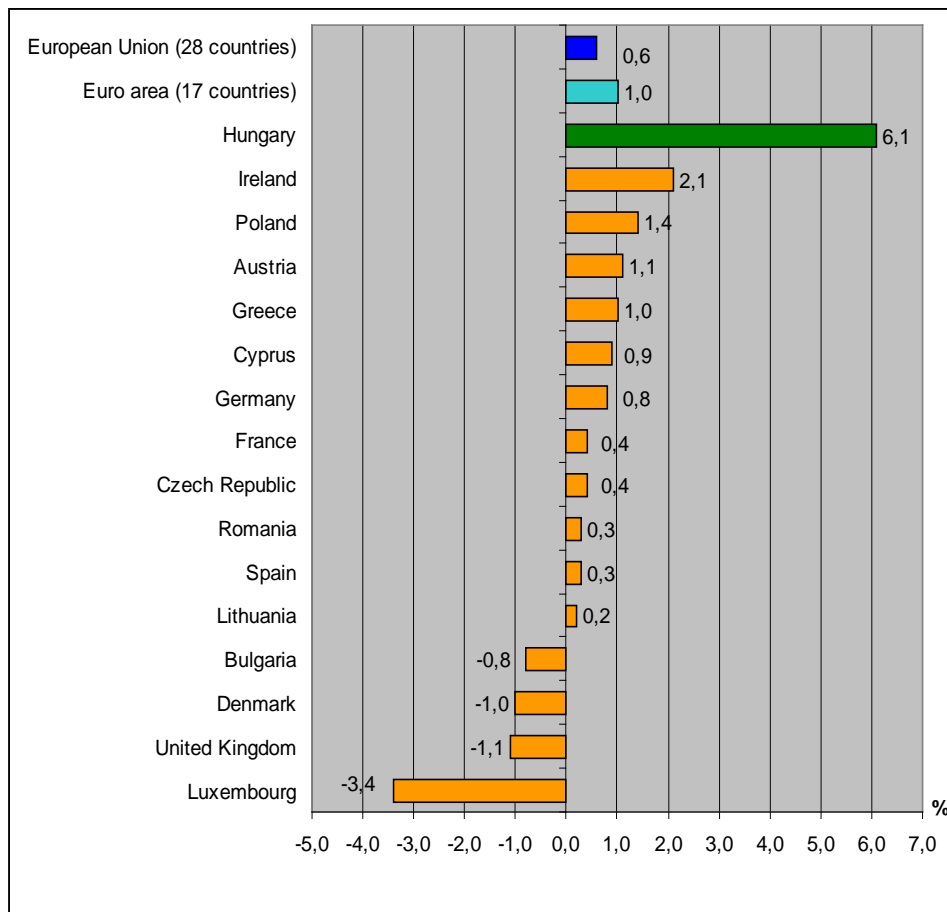
Compared to the averages of the previous year 2011, the yearly price increase of HICP for postal services was by 6 percentage points higher than the rise of the SPPI (B-All) for postal and courier services. On the other hand, the SPPI B-B grew at the lowest rate.

The *indices compared to the several base periods* are calculated with chain linking method, using indices compared to previous quarter (that are described above). In order to compute long time series annually re-weighted price indices (chain indices) are linked together without any adjustment.

**Outlook in the European Union**

Figure 5

**Yearly SPPIs for Postal and courier activities (B-All) in the European Union  
2012 (2011=100)**



Source: EUROSTAT (data are mainly estimated by Eurostat)

The Hungarian yearly SPPI (B-All) for postal and courier services compared to the previously year (6,1%) is with more than 5 percentage points higher than the European average.

**8. QUALITY ADJUSTMENT AND METHODOLOGY**

In Hungary, generally the recommendations of international organizations and methodological guidelines are followed. Concerning the quality adjustment methods the main used practices are the overlapping method, applying prices of previous periods, imputation of averages of similar categories or higher level aggregates as well as comparable adjustment – taking into account the nature of the service and the relationship between statistical office and data suppliers.

Further possibility to ensure appropriate quality of reported prices can be to compare product-level average price of an enterprise with the average price at the national level.

## 9. EVALUATION OF COMPARABILITY REGARDING TURNOVER/OUTPUT MEASURES

For estimation of the real productions of services as well as of the GDP at constant prices – as the most appropriate deflators — the producer price indices (SPPIs) are recommended.

### ***Industry-based vs. product-based SPPI (deflator) data***

In Hungary the methodology for producing a product-based SPPI for this industry including experimental calculations is under development.

### ***Business to business vs. business to all SPPI***

In Hungary, as mentioned above, the SPPI (B-ALL) is computed as a weighted average of SPPI (B-B) and HICP.

The HIPS under category “Postal services (08.1.0)” includes services as follows: payments for the delivery of letters, postcards and parcels, private mail and parcel delivery. Includes: all purchases of new postage stamps, pre-franked postcards and aerogrammes. Excludes: purchase of used or cancelled postage stamps (09.3.1); financial services of post offices (12.6.2).

In general, **the most important differences between producer prices (SPPIs) and consumer prices (CPI/HICPs)** could be expressed as follows:

#### ***Classification used***

- SPI – NACE / CPA
- HICP– COICOP/HICP

#### ***Coverage***

- SPPI – Business to business (B-B), Business to All (B-All)
- HICP– business to final consumer (B2C)

#### ***Valuation***

- SPPI – at basic prices
- HICP – at purchases prices (includes VAT, ...)

#### ***Methodology***

- (data collection, index calculation, ...)

### ***The other main challenges in developing of the SPPI (B-ALL)***

As the National post Office determines the total postal (USO) industry, **confidentiality rules** prohibit publishing the index for postal services (USO). In Hungary the overall index for postal and courier services (53) and index for other postal and courier services (5320) are published. In European countries the postal SPPI is generally used only by National accounts and confidential reporting to Eurostat for inclusion in EU-aggregates. It makes difficult the international comparison of SPPIs.

Regarding **export** (non-domestic) and international services, Hungary follows the residency approach. Actually non-domestic part of the SPPI index is under development. However, because of the international agreements between National Post Offices (USO), the adjective solution of this question is one of the main challenges for data suppliers.



## 10. SUMMARY

Hungarian SPPI observation system includes both postal activities under universal service obligation (USO) and other postal and courier services. Data are collected from 2007 by quarterly questionnaires. The general formula with a standard product list was developed by close contribution of the National Post Office. For other postal and courier service operators it has been identified an individual reduced questionnaire, taking into account specifications of services provided. From the Hungarian Post Office B-B and B-C prices as well as turnover data are received, while concerning other postal and courier companies B-B indices are the most common. For postal services (USO) unit value is the standard pricing method, and for other postal and courier activities Hungary also applies contract pricing and direct use of prices of repeated services.

Actually both indices for businesses (B-B) and B-All are computed and transmitted to Eurostat by the SPPI staff. The share of businesses is approximately about 75%, and the yearly SPPI is significantly lower, than the separately compiled CPI (consumer price index) by the CPI staff. To obtain the weights for calculation of B-All index as weighted average of B2B and B2C indices, the special part of the structured business statistics survey (SBS, Annex VIII) has been expanded (beside total turnover the turnover of sales to consumers is also collected).

Actually "53" and "5320" indices are published on HCSO website. Because of the confidentiality reasons the separately index "5310" for postal services (USO) is not available for users.

**Methodology:**

- Methodology of short-term business statistics interpretation and guidelines, European Communities, 2006
- Handbook on price and volume measures in national accounts, European Communities, 2001
- Methodological Guide for Developing Producer Price Indices For Services, OECD-Eurostat, 2005

**Voorburg papers**

- Revised Sector Paper on Courier activities Ildikó Holocsy and Denis Gac, Vienna, 2010;  
<http://www.voorburggroup.org/Documents/2010%20Vienna/Papers/2010%20-%2017.pdf>

**National and studies international studies**

- Hungarian Central Statistical Office, 2013, Szolgáltatások, 2008-2012 (Services, 2008-2012), available at (Hungarian only):  
[http://www.ksh.hu/docs/hun/xftp/idoszaki/pdf/szolgaltatasok\\_2008\\_2012.pdf](http://www.ksh.hu/docs/hun/xftp/idoszaki/pdf/szolgaltatasok_2008_2012.pdf)
- Hungarian Central Statistical Office, 2012, A szolgáltatási kibocsátási árak alakulása 2011-ben. (The development of Service Producer Prices, 2011.), available at (Hungarian only): <http://www.ksh.hu/docs/hun/xftp/idoszaki/pdf/szolgkiboar11.pdf>

**International studies**

- Ulrich Eidman, 2010. A comparison of methods used to compile PEEIs in short-term business statistics, Statistics in Focus 52/2010, Eurostat;
- Isabelle Rémond-Tiedrez, 2008. Service producer price indices (SPPIs): a new European economic Indicator, Statistics in Focus 103/2008, Eurostat;

## NACE Rev. 2 - Structure and explanatory notes

### H TRANSPORTATION AND STORAGE [Detail](#)

- + 49 Land transport and transport via pipelines [Detail](#)
- + 50 Water transport [Detail](#)
- + 51 Air transport [Detail](#)
- + 52 Warehousing and support activities for transportation [Detail](#)
- + 53 Postal and courier activities [Detail](#)

### H TRANSPORTATION AND STORAGE [Detail](#)

- 53 Postal and courier activities [Detail](#)
  - + 53.1 Postal activities under universal service obligation [Detail](#)
  - + 53.2 Other postal and courier activities [Detail](#)

**Code:** 53.10

**Description:** Postal activities under universal service obligation

**Reference to ISIC Rev. 4:** 5310

**This item includes:** This class includes the activities of postal services operating under a universal service obligation by one or more designated universal service providers. The activities include use of the universal service infrastructure, including retail locations, sorting and processing facilities, and carrier routes to pickup and deliver the mail. The delivery can include letter-post, i.e. letters, postcards, printed papers (newspaper, periodicals, advertising items, etc.), small packets, goods or documents. Also included are other services necessary to support the universal service obligation.

This class includes:

- pickup, sorting, transport and delivery (domestic or international) of letter-post and (mail-type) parcels and packages by postal services operating under a universal service obligation. One or more modes of transport may be involved and the activity may be carried out with either self-owned (private) transport or via public transport.
- collection of letter-mail and parcels from public letter-boxes or from post offices

This class excludes:

- postal giro, postal savings activities and money order activities, see 64.19

**Code:** 53.20

**Description:** Other postal and courier activities

**Reference to ISIC Rev. 4:** 5320

This class includes:

- pickup, sorting, transport and delivery (domestic or international) of letter-post and (mail-type) parcels and packages by firms operating outside the scope of a universal service obligation. One or more modes of transport may be involved and the activity may be carried out with either self-owned (private) transport or via public transport.

This class also includes:

- home delivery services

This class excludes:

- transport of freight, see (according to mode of transport) 49.20, 49.41, 50.20, 50.40, 51.21, 51.22

## CPA 2008 - Structure and explanatory notes

### H TRANSPORTATION AND STORAGE SERVICES

#### - 53 Postal and courier services

##### - 53.1 Postal services under universal service obligation

##### - 53.10 Postal services under universal service obligation

##### - 53.10.1 Postal services under universal service obligation [Detail](#)

53.10.11 Postal services under universal service obligation related to newspapers and periodicals [Detail](#)

53.10.12 Postal services under universal service obligation related to letters [Detail](#)

53.10.13 Postal services under universal service obligation related to parcels [Detail](#)

53.10.14 Post office counter services [Detail](#)

53.10.19 Other postal services under universal service obligation

**Code:** 53.10.1

**Description:** Postal services under universal service obligation

**This item excludes:** This category excludes:

- services provided by private courier services, see 53.20.1

- financial intermediation services provided by post office saving banks and postal giro, see 64.19

#### 53.2 Other postal and courier services

##### - 53.20 Other postal and courier services

##### - 53.20.1 Other postal and courier services

53.20.11 Multi-modal courier services [Detail](#)

53.20.12 Food home delivery services

53.20.19 Other postal and courier services n.e.c. [Detail](#)

#### COICOP/HICP Classification

##### - 08 Communication

##### - 08.1 Postal services

08.1.0 Postal services [Detail](#)

**Code:** 08.1.0

**Description:** Postal services

**Explanatory notes:** (Services)

– payments for the delivery of letters, postcards and parcels,

– private mail and parcel delivery.

Includes: all purchases of new postage stamps, pre-franked postcards and aerogrammes.

Excludes: purchase of used or cancelled postage stamps (09.3.1); financial services of post offices (12.6.2).