The Hungarian Competition Authority once again quantifies the benefits of its activities

The Gazdasági Versenyhivatal (the Hungarian Competition Authority, GVH) has published, for the fourth time, an economic analysis evaluating the financial benefits that consumers have obtained as a result of the protection of competition. According to this analysis, thanks to the activity of the GVH between 2013 and 2018, consumers saved more than six times than the cost of operating the GVH.

The calculation is based on the price constraining effect of competition: the interventions of the GVH forbidding anticompetitive conducts and preventing concentrations harmful to competition result in financial benefits for consumers as they are saved from the additional expenditure that they would otherwise face in the absence of such intervention. This can be illustrated by the following example: if consumer prices increase due to the collusion of certain undertakings, the elimination of this cartel will result in a price reduction of at least 10% for consumers, according to the internationally accepted methodology. The methodology, which has previously been reviewed by independent experts of The Institute of Economics of the Hungarian Academy of Sciences, follows the practices of developed countries’ competition authorities, and also relies on the OECD guide for assessing the impact of competition authorities' activities.

The above-mentioned sum is based on a conservative, prudent estimation. The estimation is based on the premise that, without the intervention of the GVH, the prices would be higher only for a period of two years and only by 5-10 per cent in the case of products and services which are affected by restrictive conducts and mergers which lead to a significant reduction of competition. Nevertheless, international researches show that prices in a market encumbered with cartels can increase by up to 8-44%.

It should be noted that the analysis does not cover other activities of the GVH; therefore, it does not include estimations on gains achieved from, among others, proceedings relating to consumer protection or the deterrent effect of proceedings. Consequently, the actual consumer savings are likely to be significantly greater, or possibly even several times higher than what has been estimated.

The full analysis can be found on the GVH’s website.

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