

The GVH pays maximum attention to price increases in the construction industry

21 June 2021, Budapest – The Hungarian Competition Authority (GVH) has established a special investigation team to reveal the causes of the drastic increase in raw material prices in the construction industry, which will prioritise the analysis of informal complaints and market signals on suspected cartel activities.

The price increase experienced in the construction sector could be caused by a variety of factors. Interrupted international supply chains, trade policy measures, customs, foreign exposure, capacity shortages, and the supply difficulties caused by the global pandemic, among others, could all result in increases in the raw material prices of the construction industry. In a market economy, in addition to all the above-mentioned factors, prices are shaped by the interaction of supply and demand.

Based on its preliminary investigations conducted during the past year, the GVH has revealed that foreign exposure is high in the case of certain construction industry raw materials and products, which can be traced as far back as the privatisation of the sector. In addition to this exposure, oligopolistic markets have also emerged in Hungary with respect to specific raw materials, where manufacturers (sellers) are only present in low numbers and thus possess significant market power, making it possible for them to set their prices higher than what would be typical under perfect competition. The GVH also [launched a comprehensive competition supervision proceeding against the three most important players in the domestic cement market due to an alleged infringement of the prohibition of abuse of dominant position](#) in October 2020, which is currently still underway. Based on the analysis of the investigation team, the time has come for the development of a national strategy in relation to the extraction and utilisation of certain important raw materials produced via mining.

The GVH can use the tools made available by the law in force to take action against extremely high prices if a market player is able to apply excessively high prices (e.g. ones that are unfairly higher than the cost of production) even in the short term, independently of its competitors. It also falls within the sphere of competence of the Authority if independent market players active in the same sector coordinate their market behaviour and create a cartel to increase their prices above the levels that would be possible under the conditions of fair competition, thus harming consumers. Restrictive market practices are generally implemented in secret; therefore, the GVH primarily obtains information on them from market signals (informant, cartel chat, formal and informal complaints) or undertakings that choose to cooperate with the Authority within the framework of a leniency programme.

‘We have established a specialised investigation team to address any issues affecting the construction sector, which is going to process formal and informal complaints received regarding cartel activities. No-one should be surprised if new competition supervision proceedings will be initiated if they become necessary! The anonymity of those who submit formal or informal complaints is guaranteed by law and the various forms of cooperation with the GVH can significantly reduce the severity of any sanctions imposed’ highlighted Csaba Balázs RIGÓ, President of the Hungarian Competition Authority.

Price increases in the construction industry are causing significant concern in other countries and the European Commission as well. The Polish competition authority [launched a market analysis in April 2021](#) due to increases in construction industry prices, as part of which it is also going to investigate the price changes pertaining to cement and limestone. As for the European Commission, it has [compiled the 2020 list of critically important raw materials](#) and proposed an action plan in connection with this issue.

GVH Press Office