

Significant import exposure and non-transparent pricing on the construction wood market

22 December 2021, Budapest – The Hungarian Competition Authority (GVH) launched an accelerated sector inquiry on 19 October in order to explore the processes on the domestic market of wooden construction materials. In light of the findings of the inquiry, the GVH formulated four proposals to the competent legislative body and to the Government. The draft report summarising the results of the inquiry is available on the website of the GVH; industry players have eight days to submit their comments on the draft report.

The second accelerated sector inquiry of the GVH covered all levels of the value chain of wooden construction materials. The GVH investigated the market behaviour of forestry farms, wood processing plants, procurement undertakings, which play a significant role on the market of construction materials, construction material retailers, and contractors. During the inquiry, the GVH held hearings with the various market players on the market processes and reconciled the different professional standpoints. In addition, the Authority, in cooperation with the National Food Chain Safety Office (NÉBIH), conducted coordinated on-site unannounced inspections across the country, and contacted several undertakings to request the submission of data. The inquiry has not revealed any market practices that would necessitate the initiation of a competition supervision proceeding; however, several market problems were discovered, which may have an adverse effect on competition. In order to remedy these problems, the GVH formulated the following four recommendations in its draft report.

1: One of the findings of the inquiry was that consumers are vulnerable; in many cases, they are unable to compare the prices of certain traders as the prices of wooden construction materials are not transparent and hard to obtain. The lack of price transparency is supported by the significant deviation between the prices of certain retailers, meaning that the same product is available at different construction material retailers at significantly different prices. Therefore, the GVH proposes a regulation to ensure that it is mandatory for undertakings active in the retail of wooden construction materials to publish their prices both on their websites and at their physical points of sale.

2: It may reduce Hungary's dependence on imports if the innovative Hungarian research investigating products and technological solutions, such as construction elements manufactured from soft deciduous tree species, suitable for replacing certain wooden construction materials were successful, the products developed as part of such research were placed on the market, and so a large portion of imports could be replaced by products manufactured from Hungarian tree species. Therefore, the GVH recommends the further state incentives for the research and innovations currently underway concerning wooden products to replace pine.

3: Based on the findings of the accelerated sector inquiry, the GVH recommends that the Government developed tighter cooperation (primarily based on electronic data reporting) with the states that export significant quantities of wood industry products to Hungary in order to ensure the more complete monitoring of the cross-border movement of wooden products.

4: The GVH was faced with the fact that certain wooden construction material distributors are using outdated, non-digital inventory recording and administrative systems. The GVH recommends that the competent legislative body mandates the use of an electronic administrative system for undertakings engaged in the distribution of such products. For the deployment, development and procurement of the required electronic administrative systems, a targeted state aid system could also be proposed.

The price increase on the market of wooden construction materials affects a wide range of households and undertakings; furthermore, it has a negative effect on inflation. Therefore, the implementation of the above recommendations could alleviate the situation currently present on the construction wood market.

The GVH notified the government commissioner responsible for the coordination of construction sector measures separately of its draft report.

The draft report of the sector inquiry is available here:

https://www.gvh.hu/dontesek/agazati_vizsgalatok_piacelemzesek/agazati_vizsgalatok/jelentes-tervezet-a-fa-epitoanyagok-magyarorszagi-piacan-lefolyatatott-gyorsított-agazati-vizsgalatrol

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