

EVENTS OF THE WEEK

ČNB raises 2W repo rate by 0.75 pp to 1.50%

At its meeting on September 30, 2021, the Czech National Bank's (ČNB) Bank Board increased the two-week repo rate by 75 basis points to 1.50%. At the same time, it decided to raise the Lombard rate to 2.50% and the discount rate to 0.50%. The new interest rates are effective from October 1, 2021. ■

Gov't approved draft budget despite ČSSD opposition

Despite the negative position of ČSSD, the government of Prime Minister Andrej Babiš (ANO) approved the draft state budget for 2022. Minister of Finance Alena Schillerová (for ANO) stated that a deficit of CZK 376.6bn was planned. Capital expenditures are expected to reach CZK 218.7bn in 2022 (+ CZK 31.2bn y/y). ČSSD chairman Jan Hamáček said that the budgeted increase in the salaries of state employees by only CZK 1,400 will not even cover inflation. As part of the next process, ČSSD will therefore seek to increase their salaries by CZK 3,000. ■

EC paid EUR 915m in preliminary funding to CR

The European Commission (EC) paid the Czech Republic an advance payment of EUR 915m from the Recovery and Resilience Facility on September 28, 2021. This corresponds to 13% of its total financial allocation under the Facility. The pre-financing will help to kick-start the implementation of key investment and reform measures outlined in the Czech Republic's post-pandemic recovery and resilience plan. In total, the Czech Republic is to receive EUR 7bn from the Recovery and Resilience Facility. Further payments will be approved by the EC on the basis of the investments and reforms outlined in the Czech plan. ■

ÚOHS: EC approved extension of Antivirus program

The European Commission (EC) has approved changes to the Antivirus program, the duration of which has been extended until the end of 2021. The total budget was increased to CZK 27.5bn for schemes A and B and to CZK 22bn for scheme A Plus. The information was provided by the Office for the Protection of Competition (ÚOHS). ■

HSC Aerojet becomes owner of AERO Vodochody

HSC Aerojet Zrt. became 100% owner of AERO Vodochody AEROSPACE on the basis of an agreement signed in July 2021. The sale also includes Vodochody Airport. Viktor Sotona, the current CEO of ERA Pardubice, became the new President and CEO of Aero as of September 30, 2021. Hungarian businessman Kristóf Szalay-Bobrovniczky holds a majority stake in HSC Aerojet Zrt. OMNIPOL holds a minority stake. The latter also informed that the owners will control the aircraft manufacturer through Vodochody Holdings HU. ■

CTP secured EUR 1bn as part of green bond issue

Developer CTP has completed another issue of green bonds and received EUR 1bn under its EUR 8bn EMTN program. The issue included a five-year tranche of EUR 500m and a ten-year tranche of a further EUR 500m. The total demand for the issue was about 3.5 billion euros. The annual coupon of the five-year tranche was fixed at 0.625 %, while the annual coupon of the ten-year tranche was 1.50 %. ■

TOP HEADLINE NEWS

Zeman signed ban on Russia and China in nuclear tender**MZe to support farmers with CZK 5bn from national sources****ČNB: Banks permit loans for CZK 40.3bn in COVID III****MZV: CEI enters Serbia's Beohemija chemical plant****Prazdroj investing CZK 1bn in production, exports stable****ČNB permits RSJ as shareholder in Pollow pojišťovna****Business and consumer sentiment drops in September**

Currency and Bourse

Currency	Value	% w/w
CZK/EUR	25,50	0,157
CZK/USD	22,02	0,817
CZK/GBP	29,63	0,607
CZK/CHF	23,54	0,170

Exchange market rates from previous trading day as of 5 p.m.

Prague bourse

Share	Value	% w/w
AVAST	↘ 166,40	-1,022
ČEZ	↗ 712,50	1,333
ERSTE	↗ 961,40	0,146
Kofola	↘ 319,00	-0,313
KB	↗ 886,50	0,790
Moneta	↘ 88,25	-0,227
O2 C.R.	↗ 263,00	0,190
PM	↗ 15 900,00	0,377
Stock	↗ 110,40	0,543
CZG	↗ 592,00	10,135
VIG	↘ 625,50	-0,879

PX index ↗ 1324,88 0,298

source: BCP Praha

CR'S RATING

Long-term rating

Moody's	Aa3
S&P	AA-
Fitch	AA-

Short-term outlook

Moody's	P-1
S&P	A-1
Fitch	F1+

Source: Moody's, Standard&Poor's, Fitch

GDP

Y/Y real

	%
2Q/2021	8,1
1Q/2021	-2,4
4Q/2020	-4,8
3Q/2020	-5,0

Q/Q real

	%
2Q/2021	1,0
1Q/2021	-0,3
4Q/2020	0,6
3Q/2020	6,9

Source: Czech Statistical Office

ECONOMIC POLICY

Zeman signed ban on Russia and China in nuclear tender

On September 27, 2021, President Miloš Zeman signed eight laws. One of them is the standard on the transition of the Czech Republic to low-carbon energy, which includes a ban on Russian and Chinese companies from participating in the tender for the completion of the nuclear power plant in Dukovany. Other signed drafts are the Act on Medicinal Products, the Energy Act, the Act on POZE, the Act on Electronic Communications, the Act on Road Traffic, the amendment on public health insurance and the amendment of certain acts in the field of invasive non-native species. ■

MZe to support farmers with CZK 5bn from national sources

National subsidies to agriculture and food industry are expected to reach CZK 5bn in 2022. The Ministry of Agriculture (MZe) informed that the finances will contribute e.g. to better conditions in animal husbandry, to the planting of orchards, support for food banks, processing of agricultural products and increasing competitiveness. National agricultural subsidies have increased by more than CZK 1.5bn since 2017. ■

ČNB: Banks permit loans for CZK 40.3bn in COVID III

As of September 15, 2021, banks in the Czech Republic have approved 3150 applications for loans worth CZK 14.20bn under the state guarantee programme COVID II for non-financial enterprises. This is based on data from the Czech National Bank (ČNB). Within the COVID PRAHA programme, there were 303 applications for a total value of CZK 1.56bn. Those interested in support from the COVID III programme sent 10 098 applications. Banks have approved 6166 applications worth CZK 40.33bn so far. The total number of applications submitted under the COVID EGAP programme reached 169. 122 applications were approved for CZK 16.97bn. ■

SMO negotiated with PM Babiš CZK 1bn for sports facilities

Representatives of the Presidium of the Union of Towns and Municipalities of the Czech Republic (SMO) received on September 28, 2021, a promise of CZK 1bn from Prime Minister Andrej Babiš (ANO) and an accelerated call for subsidies for the construction of sports facilities for towns and municipalities. The funding will cover the cancelled call Sports Infrastructure - Investments over CZK 10m. The National Sports Agency cancelled it in August 2021 without a replacement and dozens of municipalities with already prepared construction projects applied for it. The Ministry of Regional Development will announce a subsidy from the Support for Regional Development programme, as it did last year, with no upper limit on the number of inhabitants of the municipality. ■

Babiš and Orbán to discuss industrial cooperation

On September 29, 2021, Prime Minister Andrej Babiš (ANO) will meet his Hungarian counterpart, Viktor Orbán. Their main topics will be economic and industrial cooperation, defence, migration, and the pandemic's impacts. Together with Deputy PM Karel Havlíček (for ANO), Hungarian Minister of Foreign Affairs and Trade Péter Szijjárt and Minister for Innovations and Technologies László Palkovics, they will visit AERO Vodochody AEROSPACE, the designer and manufacturer of military and civilian aircraft. ■

J. Hamáček: M. Zeman has no strong objections to budget

Jan Hamáček does not feel that Miloš Zeman has any strong reservations about the government-approved state budget for 2022, the ČSSD chairman said after meeting with the president on September 29, 2021. The party's ambition is to return to the issue of salary increases in the state sector during the budget debate in the Chamber of Deputies. While the current proposal foresees a CZK 1,400 increase, ČSSD is pushing for CZK 3,000. ■

MPO plans energy cheques for 800,000 households

The Czech Ministry of Industry and Trade (MPO) will prepare energy cheques compensating for the rising energy prices to low-income households during autumn 2021. The families concerned could get them by the end of the year and apply them from 2022. This information was provided by Vice Prime Minister Karel Havlíček (for ANO) on Czech Television's debate, Otázky Václava Moravce. He said about 800,000 households could be entitled to this support, which corresponds to about 3.2m inhabitants. He added that the state budget expenditures on the vouchers, which are expected to cover at least 50% of the expected energy hike (CZK 1,500 to CZK 2,000), will be lower billions of korunas. ■

CR: Fit for 55 must not disadvantage industrial countries

The Fit for 55 package, which is the EU's plan for ecological transformation

with the aim of achieving climate neutrality by 2050, must be socially acceptable and must not disadvantage industrialized countries, according to the Czech Republic's position at the EU Council meeting. The Ministry of Industry and Trade of the Czech Republic said this, adding that it considers some of the proposals in the package to be difficult to implement in this respect. Especially those concerning the car industry. The European Commission also presented an emergency instrument, which is being prepared to prevent the emergence of obstacles on the internal market in the event of crises such as the pandemic. The Czech Republic supported the work of the EU Internal Market Enforcement Group, known as SMET. ■

EC adjusted basis for reference and discount rates to 1.03%

The European Commission (EC) has adjusted the base rate for calculating the reference and discount rates in the Czech Republic. The new base rate is 1.03% as of October 1, 2021, the Office for the Protection of Competition (ÚOHS) announced. The reference and discount rates are used as a substitute for the market rate to calculate the grant equivalent of aid, in particular where aid is paid in several instalments, and to calculate the part of the aid resulting from interest subsidy schemes. They are also used to check compliance with the de minimis rule and the block exemption rules. ■

V4 finance ministers sign declaration of cooperation

The V4 countries will jointly promote interests in the EU, including a return to responsible fiscal policy after the covid crisis and intensified cooperation in the tax and customs area and in the fight against money laundering. They will also work together to promote nuclear energy and natural gas as sustainable resources and a rational approach to the Fit for 55 climate package. This results from an agreement on deepening cooperation in the economic and financial spheres, signed by representatives of the V4 finance ministries in Budapest on September 30. Finance Minister Alena Schillerová (ANO) said she supports the removal of unsystematic exemptions for excise duties. She also said that adequate compensation mechanisms should be adopted to minimise the social impact of the package. ■

Including Prague-Dresden line in TEN-T a priority

At a meeting with representatives of the European Commission (EC) in Prague, the delegations of the Czech Republic and Saxony presented common priorities in the area of accelerating interstate travel by rail. Ministers of transport Karel Havlíček (for ANO) and Martin Dulig said including the inclusion of the high-speed line from Prague via Ústí nad Labem to Dresden in the trans-European railway network (TEN-T) is the most important. The topic was also the financing of plans. The EC plans to create a specific layer for key projects of strategic interest with the required completion date of 2040, which could be co-financed from the forthcoming European instruments. ■

ÚOHS confirms fine for MV for buying weapons in NPWP

The Office for the Protection of Competition (ÚOHS) chairman Petr Mlsna has turned down the appeal of the Czech Ministry of the Interior (MV). Instead, it has confirmed the fine of CZK 800,000 for breaching the act on public procurement due to the purchase of rifles and assault rifles for the Czech Police. Within the investigated purchases, the contracting authority used a negotiated procedure without publication (NPWP), i.e. without a tender, without having met any conditions to use this type of tender procedure. Overall, it purchased 1,873 sets of weapons this way. ■

HK ČR leads business mission to Azerbaijan and Armenia

Czech companies led by the Chamber of Commerce of the Czech Republic (HK ČR) accompany Foreign Minister Jakub Kulháněk (ČSSD) to Azerbaijan and Armenia. The delegation includes a total of 13 companies from the engineering, financial services, healthcare, energy and food sectors. The event will take place from September 29 to October 1, 2021. The companies are led by HK ČR vice-president Radek Jakubský. ■

SP CR: Business missions and euro to help export development

Entrepreneurs would welcome a number of changes in the future with respect to state support of exports. Greater emphasis on business missions or, e.g., the adoption of the euro would help the development of exports, according to the results of a survey published by the Confederation of Industry of the Czech Republic (SP CR) on September 24, 2021. On the contrary, the coronavirus crisis did not force companies to make significant innovations in external trade. ■

PAK: Partners want to know status of National Recovery Plan

Territorial partners expressed concern about the current state of implementation of the National Recovery Plan and called on the Ministry of

Industry and Trade of the Czech Republic to present its current state. The meeting took place under the leadership of the Pardubice Region (PAK). Governor Martin Netolický (ČSSD) said that all territorial partners are ready to actively participate in the implementation process so that funds are spent as efficiently as possible. He added that he has a problem with, for example, the equipment of newly emerging building offices being financed from this plan, which is to serve primarily to revive the economy after the coronavirus pandemic. ■

COMPANY NEWS

MZV: CEI enters Serbia's Beohemija chemical plant

Central European Industries (CEI) has entered Serbian company Beohemija, a manufacturer of detergents and household chemical products. The Czech Ministry of Foreign Affairs (MZV) said that the agreement was signed on September 16, 2021. According to the Serbian Chamber of Commerce representatives, the capital entry is an opportunity to strengthen Beohemija's position to the level of transnational companies. Industrial holding CEI is active in energy, engineering and recycling and includes 15 firms with a turnover exceeding EUR 200m. Its registered seat is in Ostrava, and it employs over 2,000 people. ■

Prazdroj investing CZK 1bn in production, exports stable

Despite the effects of the coronavirus crisis, Plzeňský Prazdroj continues to invest CZK 1bn in production. Spokesman Zdeněk Kovář stated for ČIANEWS that this year the brewery completed a new brewery in Nošovice, is expanding storage facilities in Pilsen and increasing brewing capacity in Popovice. In 2020, Prazdroj invested over CZK 500m in supporting pubs and restaurants. These included free exchanges of used beer, investments in outdoor seating or deferral of payments. In 2020, Plzeňský Prazdroj sold 6.69m hl of beer in the Czech Republic and over 4.5 m hl abroad. Of this, exports amounted to 1.82m hl and licensed production of Velkopopovický Kozel 2.7m hl. Slovakia, Germany and Poland remain the strongest trading territories. The current exports for 2021 are at a similar level as last year. Restrictions on gastronomy have affected the results on the domestic market. Abroad, bottled beer tends to dominate, so Covid did not have such an effect on exports. ■

ČNB permits RSJ as shareholder in Pollov pojišťovna

The Czech National Bank (ČNB) has granted RSJ Investments investment company prior approval for the acquisition of a qualified holding that reaches or exceeds 50% of the share capital or voting rights of the insurer Pollov pojišťovna. In doing so, it approved RSJ Investment Group as a new shareholder. As previously reported by ČIANEWS, the RSJ Group acquired a 78.6% stake from shareholders from Pale Fire Capital and Partners Financial Services. The remaining shares remain with the founders of Pollov pojišťovna. ■

Pale Fire Capital invests hundreds of m into Mubi.pl

Pale Fire Capital (PFC) is investing in Polish online insurance comparator Mubi.pl. It is acquiring a 22.4% stake in the online platform. PFC partner Dušan Šenkypł said that the investment is worth hundreds of millions of euros. The investment will bring further opportunities for the development of Mubi.pl in the fast-growing market of online customer services. Mubi.pl's ambition is to become the market leader in Poland. At the same time, PFC is also pursuing other opportunities in Western Europe. ■

Uptown sells minority share in MEDEXO – MODESK to Vosmík

UPTOWN, which focuses on investing in small companies, has sold a minority share in the MEDEXO – MODESK Group to Jaroslav Vosmík. He was appointed CEO of the group, a manufacturer and distributor high-end medical office and home office furniture in the Czech Republic, Slovakia and Poland. Vosmík has been executive director for development at Střída Sport for six years. ■

Proinco to transform poultry farm into industrial area

Company Proinco, a member of the Industrial & Capital Holding (ICH) group, will rebuild the brownfield along the former poultry farm on the outskirts of Liberec into a production area focused on the semiconductor industry and microchip production facilities. This was confirmed for ČIANEWS by Miroslav Ivan, a member of the board of directors of ICH, who said that Liberec will thus become one of the European leaders in this segment, through the company UCT Fluid Delivery Solution. The investment in the Agrotechnology Proinco Park project will reach approximately CZK 700m. Several hundred people should get a job here. The investor will also build a public road including sidewalks and bike paths. As part of the already

started project, the construction of three production halls is planned, the first and the smallest should be built by the beginning of November. ■

Pale Fire Capital to issue bonds with yield of 5.75 pa

On October 12, 2021, the Pale Fire Capital Investment Group will offer other investors securities in the form of bonds. Partner Jan Barta said that the bonds will be valued at a fixed interest income of 5.75% pa with a maturity in 2026, and will be publicly traded on the Prague Stock Exchange. The aim is to strengthen the business of the current and future company portfolio. The mandate to place medium-term senior bonds was obtained by J&T Banka, which included them in its offer to investors. Martin Kopecký from J&T specified that the bonds have a nominal value of CZK 10,000. ■

Škoda Transportation to service ČD electrical trains

At its plant in Šumperk, Škoda Transportation will provide periodic renewals of the RegioPanter and InterPanter electrical units for Czech Railways (ČD). The duration of the contract is five years. This involves regular maintenance for 41 units. The value of the contract is almost CZK 1 billion. The president of Škoda Transportation, Petr Brzezina, stated that the group provides service not only for its products, but also has experience with products from other manufacturers. It currently provides full service of the metro in Prague, trams in Tampere and is preparing for a full service of electrical units for the South Moravian Region. ■

AI preparing reorganization; offering creditors 50 % of claims

Arca Investments (AI), in cooperation with the Interim Credit Committee and its economic and legal advisers, PwC and Badokh, has prepared a summary of the terms of its reorganization. It will ensure at least 50% satisfaction of creditors within three to five years. Chief restructuring officer Peter Janiga said that the alternative is bankruptcy, which would mean hundreds of millions of euros less satisfaction for creditors over five to ten years. The value of assets in the case of reorganization ranges from 7.5 to 11.4 billion euros, or 4 billion euros in bankruptcy. The vast majority of AI's assets will be transferred to a newly established company based in the Czech Republic. It will be managed by new management under the supervision of creditors. The creditors will discuss the terms of the meeting at their meeting on October 5, 2021. Based on it, they will decide whether to support the intention to reorganize the company, which will then prepare a reorganization plan. ■

Philip Morris shows growth in revenues to CZK 8.89bn

Philip Morris ČR reported sales excluding excise duty and VAT of CZK 8.89bn for 1H 2021. The year-on-year growth of 3.7% was mainly due to higher sales of HEETS tobacco refills and IQOS devices. Operating profit decreased by 4% to CZK 2.09bn, mainly due to lower volumes in the smoking tobacco portfolio, mainly due to lower sales in the border region. Sales in the Czech Republic decreased by 14% to 3.5 billion equivalent units. The company made the announcement in its consolidated half-year report, adding that despite the continuation of COVID-19 and the measures taken by governments throughout the pandemic, business performance remained stable. ■

ArcelorMittal manufactures JÄKL at line for CZK 42m

ArcelorMittal Tubular Products Karviná has completed the start-up of a new welding line for CZK 42m. It is expanding the range of JÄKL steel profiles, especially with products of smaller dimensions. In 2020, the company owner invested CZK 200m in production. René Fabik, general manager of the Karviná-based plant, said that JÄKL profiles account for approximately 70% of total production. They are exported all over Europe. The company's annual turnover is approximately CZK 2bn. ■

KB accelerates 39% of SEPA and 29% of foreign payments

Komerční banka (KB) has processed almost 887,000 SEPA payments in the accelerated mode since May 2020 and more than 67,000 foreign payments since November 2020. KB will ensure that the funds are credited to the recipient's account on the same business day when the client placed the order. Payment Methods Manager Monika Truchliková said that the bank has accelerated the cash flow for clients for 39% of SEPA payments and 29% of foreign payments. ■

Wedo CZ opens new depot in Ejovice

The carrier Wedo CZ is moving its existing depot in Plzeň to new and larger premises in Ejovice. The depot with an area of almost 1600 m² is located near the D5 motorway. The maximum capacity is planned for 8,000 shipments per day. Automated loading and unloading will be enabled by modern handling technology, 40 courier doors, and three unloading ramps.

Wedo CZ CEO Daniel Mareš added that they want to expand and technically improve all their depots by 2023. The company intends to develop all its distribution channels, expand its network of dispatch boxes and build new logistics depots. It expects to distribute up to 100,000 parcels a day at peak times. ■

HalfPrice opens first Czech shop in Galerie Harfa, Prague

HalfPrice, a new retail chain of branded clothing, footwear, and accessories, has entered the Czech Republic. The chain builds on the off-price concept. The first store opened on September 30, 2021, in Prague in the Galerie Harfa mall. HalfPrice belongs to the CCC group and, in addition to the Czech Republic, it also operates in Poland, Austria, Hungary and will appear in Croatia at the end of the year. Malwina Winter, vice-president of purchasing, said that the collection of brands in the network is constantly expanding. ■

CZG ups H1 profit to CZK 587.9m thanks to Colt deal

CZG - Česká zbrojovka Group SE (CZG) reported a 54.0% year-on-year increase in net profit to CZK 587.9m for H1 2021. Revenues grew by 40.6% to CZK 4.7bn. The US contributed 62.5%, Europe (excluding the Czech Republic) 10.7%. The number of firearms sold increased by 33.3% to 304,322. Short firearms represented 60.1%, long guns 39.9%. CZG chairman Jan Drahotka said the results also reflect for the first time the performance of the Colt group since the acquisition was completed. Demand for CZG's products continues to be high and exceeds production capacity. For the full year 2021, the company expects revenues of up to CZK 10.64bn and EBITDA in the range of CZK 1.99bn to CZK 2.19bn. ■

Krajská zdravotní builds CZK 784m emergency in Děčín

Regional hospital operator Krajská zdravotní has started the construction of the Emergency Pavilion in the hospital in Děčín for CZK 784.41 million. The building will house operating theatres, central sterilization and intensive care units. The contractor of the works is the association of VW Wachal and Zlínstav. The investment project will be partly financed from the 98th IROP call (CZK 150m), from the financial investment support of the Ústí nad Labem Region and from an investment loan from Komerční banka. Work is scheduled to be completed by December 15, 2023. ■

PPF Financial Holdings lent clients EUR 12.03bn in 1H21

As at June 30, 2021, PPF Financial Holdings reported a consolidated net loss in accordance with IFRS of EUR 133m. Year-on-year, this represents a 74% reduction in the negative result. Total loans to customers reached EUR 12.03bn. Consolidated assets at the end of 1H reached EUR 24.11bn. As ČIANEWS has already informed, on June 1, 2021, the company moved its registered office from the Netherlands to the Czech Republic and was registered in the Czech Commercial Register. ■

ČPZP's costs of treating heart diseases exceed CZK 2bn

Česká průmyslová zdravotní pojišťovna (ČPZP) spent CZK 2.01bn on heart treatments of 76,133 insured persons in 2020, up almost CZK 103m y/y. Compared to 2018, the increase totals CZK 214m. It contributed CZK 26m (2019: CZK 40m) towards improving clients' physical condition. The decrease is caused by Covid-19. A slight increase has been registered now. ■

OSTROJ made electric motor housing for Siemens

Opava-based OSTROJ produced an electric motor box weighing 18.7 tons and 4.65 m long for more than CZK 1.5m as part of the first so-called qualification contract for the Berlin branch of Siemens. The delivery included assembly, surface treatment, and transport. OSTROJ also participated in proposing changes to the production documentation in order to optimize the product. In 2020, the company was audited by Siemens and was approved as a potential supplier to its energy machinery and equipment division. OSTROJ CEO Aleš Martinek said that a qualification project followed only after the audit, the completion of which is a prerequisite for further demands from Siemens. ■

InnoCrystal opens 500 m2 of new laboratories

The private innovation centre InnoCrystal in the science and technology park and industrial zone near the village of Zlatníky-Hodkovice on the southern outskirts of Prague has converted part of its premises into modern biological laboratories due to the high demands on the quality of research and production. Companies will develop e.g. vaccines against infectious diseases or genetically bred plants for medical purposes. There are now over 30 companies with more than 100 employees within InnoCrystal. Most of them are in the biotechnology sector. The centre's founder, Petr Kotal, said that the new project provides 500 m2 of new laboratory space. ■

Albert to increase wages of operational staff by 4%

Albert Česká republika will increase the wages of operational employees in more than 300 stores across the Czech Republic from January 1, 2022. Renáta Burianová, President of the Union of Employees of Trade, Logistics and Services, informed that the average increase will be 4%, with a guarantee of at least 2% for each operational employee of the stores. In 4Q 2021, Albert will also pay an extraordinary bonus of CZK 3,000 to employees. Senior vice president of operations and logistics Michal Pavelka said that the investment in wages will represent a cost of hundreds of millions of CZK. ■

VZLÚ participates in three ESA projects; expands its team

The Aeronautical Research and Testing Institute (VZLÚ) has been involved in three new European Space Agency (ESA) projects concerning satellites and their operation in orbit. In the CS-ACS program, VZLÚ has become the main researcher in the development of a new solution for managing the orientation of small satellites. It will also be involved in the CCD project, which will include the design of a system and design concept for a new satellite separator. As a subcontractor, it will participate in the Slavia mission, which was recently announced by the Brno company SAB Aerospace. VZLÚ will develop a satellite platform that will include, among other things, a communication module, an on-board computer, and data storage. New projects require the expansion of the Space Division team, which is why VZLÚ is announcing several tenders. ■

MACROECONOMIC DATA AND POLLS

Business and consumer sentiment drops in September

The overall indicator of confidence in the economy, expressed through an index basis, dropped month-on-month in September 2021 for the third consecutive time. The decrease totalled 2.4 points to 96.2. The business confidence dropped 1.8 points to 95.3, while the consumer sentiment decreased by 5.3 points to 100.7, according to data published by the Czech Statistical Office. In year-on-year terms, the overall and business indicators and the consumer confidence indicator were higher. Compared to August 2021, the mood dropped 4.6 points to 92.5 in industry and 4.8 points to 111.6 in the construction sector. In the segment of commerce, the sentiment improved by 1.2 points to 103.6, while it grew 1.1 points to 95.3 in selected segments of services. ■

Analysts: Rising rates will be quickly reflected in interest on corporate loans

The rise in interest rates will be most quickly reflected in corporate loan interest rates. This was stated by the chief economist of the Czech Banking Association, Jakub Seidler, in response to the increase in the interest rate by 0.75 percentage points by the Czech National Bank (ČNB). He added that the rise in interest rates alone would slow down inflation very slowly. Raiffeisenbank analyst Vít Hradil stated that the strong step will also serve as a signal to the Czech public, which is very concerned about rising prices and is starting to get used to its accelerated pace. Komerční banka economist Martin Gürtler added that the risks of higher inflation also apply next year. It is still unclear how long the current restrictions on the supply of different types of materials will persist, even with the coming wave of coronavirus coming. Lukáš Kovanda said that this is the most significant tightening of the Czech Republic's monetary policy in the entire period since the beginning of June 1997. According to him, it is likely that mortgages will become more expensive. ■

ACEA: Commercial vehicle registrations up in CR, SR

Between January and August 2021, the number of new commercial vehicle registrations in the Czech Republic grew 24.5% y/y to 18,938. In August alone, it was 2,323 vehicles (+21.8%). In Slovakia, the registrations totalled 7,487 vehicles (+35.4%) in the given period and segment and 884 (+12.9%) in August, according to statistics published by the European Automobile Manufacturers' Association (ACEA). In the entire EU market, EFTA and the UK, registrations totalled 1.61m (+26.9%) from January to August and 149,121 (-3.6%) in August alone. ■

Analysts: Firms' mood worse due to shortage of input

In terms of entrepreneurs, the decrease in confidence has continued mainly in industry, where problems with supplies of semiconductors have intensified and have caused further production shutdowns. In reaction to data published by the Czech Statistical Office, this statement was made by Czech Banking Association chief economist Jakub Seidler, adding that it also appeared from the data from the survey among firms that there was

a trend of bulk price increases. Komerční banka economist Michal Brožka said that the September development of confidence in the industry and data about a sharp decrease in automobile production in August indicated a weak performance of industrial production in the third quarter of 2021. Moore Czech Republic consulting group partner Petr Kymlička stated that the business confidence in industry was to a certain degree affected by the ongoing shortage of labour. However, according to him, the uncertainty is only slightly increased by concerns of possible government measures reacting to the expected autumn wave of the Covid-19 pandemic. ■

LI: Govt raised bureaucratic burden on firms

The bureaucratic burden on small businesses has increased by 49 hours year-on-year to 272 hours in 2021. This stems from the Bureaucracy Index published by the Liberal Institute (LI). Pavel Peterka, chief economist at the Roklen financial group and LI analyst, said the government's failure to manage the pandemic, which was reflected in a series of chaotic regulations, had proved problematic. The aggravation is mainly due to the administration's handling of mandatory employee testing in companies. In the Slovak Republic, the bureaucratic burden increased by 8 to 225 hours. ■

Profit of non-financial corporations reaches 46.4%

The profit rate of non-financial corporations reached 46.4% in 2Q2021, 0.6 bp lower than in 1Q21 but 3.0 bp higher than a year ago. This is based on data from the Czech Statistical Office, adding that total wage costs rose by 9.7% y/y. The investment rate rose by 0.1 pp to 26.6% y/y, down 3.3 pp y/y. The aggregate of real household cash and non-cash income per capita increased by 3.9% q/q and by 6.4% y/y. Real consumption increased by 4.8% q/q and by 8.6% y/y. The average monthly income from employment reached CZK 38,890 and the savings rate was 21.3%. The household investment rate increased by 0.2 pp y/y to 9.5%. At the same time, the GDP estimate was revised upwards by 1.0% q/q and 8.1% y/y. ■

Unemployment reaches 3%; economic activity at 77.1%

The seasonally adjusted general unemployment rate for 15-64 year-olds rose by 0.2 pp y/y to 3.0% in August 2021, according to the Czech Statistical Office. The employment rate reached 74.8% (+0.7 pp). The economic activity rate increased by 0.9 pp to 77.1%. Dalibor Holý, Director of the Department of Labour Market Statistics and Equal Opportunities, stated that August was already a completely standard period without the impact of covid-19. The number of hours worked was roughly in line with the years before the pandemic and economic activity has increased since the spring. According to Eurostat, the general unemployment rate for 15-74 year olds in the Czech Republic was 2.9% in May 2021. ■

AMSP: 70% of firms seek employees with help of friends

Almost 70% of smaller companies find new employees through friends and referrals. This was revealed in a survey conducted by IPSOS for the Association of Small and Medium-sized Enterprises and Tradesmen of the Czech Republic (AMSP). The biggest problem of entrepreneurs is still the lack of employees and difficulties with their deployment. Many employers have also changed the composition of the benefits offered in order to motivate them. These include the new possibility of working from home, which, however, poses a cyber risk for many companies. During the pandemic, 14% of companies addressed cybersecurity issues when working from home. ■

ČLFA members provide financing for CZK 13.3bn

In 1H 2021, member companies of the Czech Leasing and Finance Association (ČLFA) provided CZK 13.3bn to companies and entrepreneurs to finance machinery or equipment. This is an increase of 6.4% y/y. In total, ČLFA members financed 7,147 machines or equipment, an increase of 9.4%. According to ČLFA board member Josef Vajsejt, the data confirmed that the sector is recovering from the effects of the pandemic. Government support programmes have also played a positive role, he said. He added that many companies need to invest in making production more efficient and reducing their carbon footprint. Therefore, it is necessary for the government to further support companies. ■

CBA: Loans to households total CZK 2tn

The total volume of loans to households reached almost CZK 2tn at the end of July 2021. Of this, housing loans totalled CZK 1.519tn and consumer loans CZK 272bn. 83% of people in the Czech Republic have experience with credit and 43% of respondents are currently repaying a loan. Most often, Czechs borrow for cars and motorcycles (36%) or consumer electronics (29%). The index of risky borrowing in the Czech Republic reached 11% this year. This is according to a survey of the Czech Banking Association (CBA) prepared by the research agency IPSOS. More than a quarter of the population took out a loan in 2020. ■

CR up to 33rd place in IMD e-competitiveness chart

The Czech Republic ranked 33rd in the digital competitiveness ranking of the Swiss International Institute for Management Development (IMD). For the second time in a row, the country managed to move up two places in the ranking. This was reported by the Consumer Forum (SF). SF's board of directors' chairman Kryštof Kruliš said that among the sub-criteria, the Czech Republic's strengths include the prevalence of robots, in which it is ranked 16th. Globally, the country ranks 17th in the indicator of the involvement of robots in education and science and research. The United States has the most competitive economy, followed by Hong Kong and Sweden. Slovakia ranks 47th. ■

CEEC: Construction firms have 9% of jobs unfilled

Rising unemployment in the wake of the coronavirus crisis has not brought new employees to the construction sector. Companies have an average of 9% of jobs unfilled in the long term. This is according to an analysis by CEEC Research. A quarter of companies (26%) stated that the number of vacant positions at their company has increased, by an average of 25%. A total of 4% of companies have reduced the number of unfilled positions, by an average of 16%. For 50% of respondents, blue-collar positions are the most unfilled. They are followed by professional positions (38%). Construction firms find it least difficult to recruit managers (2%). ■

ČNB: Average rate of corporate loans grows to 2.09%

The average interest rate on new loans to non-financial corporations (excluding overdrafts, revolving loans, and credit cards) rose to 2.09% in August 2021. The rate on loans up to CZK 7.5m (to 3.65%), loans from CZK 7.5m to CZK 30m (to 2.69%), and loans above CZK 30m (+0.58p to 1.92%) rose. The interest rate on overdrafts, revolving loans, and credit card loans increased to an average of 2.77%, and on overdrafts to 2.95%, the Czech National Bank (ČNB) announced. ■

ČNB: Annual growth rate of M3 fell to 9.4%

The annual growth rate of M3 in August 2021 fell by 0.4 pp month on month to 9.4%. The Czech National Bank (ČNB) reported that, due to financial transactions, the M3 monetary aggregate increased by CZK 18.2bn month on month (by CZK 487.1bn year on year) to CZK 5679.1bn. The annual growth rate of loans to the private sector, which is the most important counterpart of M3, rose from 4.9% in July to 5.2% in August. ■

Colliers: 8 industrial spaces vacant in Prague vicinity

In Prague and its surroundings, there are currently eight vacant industrial spaces available for immediate occupancy. Throughout the Czech Republic, industrial and logistics facilities remain free for moving into in 36 parks. In Prague, the vacancy rate fell to 1.4% in 2Q 2021. Colliers International, which was commissioned by the development company Prologis to find a tenant for the industrial premises in Rudná near Prague, informed about it. Sportisimo, which uses 24,000 m2 in two buildings, will move to Ostrava in July 2022. ■

MPO: Electricity production from RES reached 12.7%

In 2020, gross electricity production from renewable sources (RES) accounted for 12.7% of total electricity production in the Czech Republic. The share of RES in final energy consumption in 2019 exceeded 16%. The total energy from RES in 2020 was 214.51 million GJ. The largest share was made up of biomass for households (40.18%), biomass outside households (25.54%) and biogas (11.57%). This was reported by the Ministry of Industry and Trade of the Czech Republic (MPO). ■

MZ: Number of hospitalized with COVID-19 increased to 237

The number of confirmed cases in connection with the COVID-19 disease increased by 732 in the Czech Republic on September 29, 2021, and reached 1,691,489. The number of hospitalized patients increased from 201 to 237. The number of confirmed cases per 100,000 inhabitants in the last seven days reached 33. The total number of deaths reached 30,459. The information was provided by the Ministry of Health of the Czech Republic (MZ). ■

MZ: Vaccination completed in 65.5% of 16+ population

As of September 29, 2021, 5,930,129 people aged 16+ in the Czech Republic have been vaccinated with at least one dose of the COVID-19 vaccine. This represents 66.8% of this population. Of these, 5 815 006 people have completed vaccination (65.5% of those aged 16 years and over). In the youngest age group surveyed (12 to 15 years), the vaccination completion rate was 28.4% and in the 16 to 29 age group it was 49.4%. In the oldest group (80+), it was 80.7%. This stems from the data from the Ministry of Health (MZ). ■