

EVENTS OF THE WEEK

MMR: ČR fulfils n+3 rule; receivers get over CZK 440bn

The Czech operational programmes have fulfilled the n+3 rule for 2021. In practice, this means that all funds will remain in the Czech Republic and will not have to be returned to the European budget. The Ministry for Regional Development of the Czech Republic (MMR) announced that more than CZK 440bn had been paid to Czech beneficiaries by the end of July 2021, which corresponds to 67% of the total amount available to the Czech Republic in this programming period. The MMR expects that these figures will now gradually increase as the end of the programming period gets closer. ■

Vojtěch: We do not count on closed services and shops

Not even the riskiest scenario of the Covid-19 development counts on closing services and shops, Adam Vojtěch (for ANO) said on CNN Prima News. However, he does not expect the situation to be serious. He added that we would see after the blanket tests of schoolchildren in three waves at the beginning of September. ■

Metrostav to reconstruct Industrial Palace for CZK 2.6bn

The consortium led by Metrostav will reconstruct the Industrial Palace at the Prague Exhibition Grounds. On August 30, 2021, the City Council confirmed the selection of the bid. The construction works, worth CZK 2.6bn, should start in 2021 and are expected to last until 2024. The building will acquire the parameters of modern buildings with the use of contemporary technologies. For example, heat pumps with 70 deep wells with an average depth of 140 m will be used for heating. The palace will also be equipped with modern air conditioning and shading technology. ■

ČMZRB turns into National Development Bank

The Czech-Moravian Guarantee and Development Bank (ČMZRB) continues, in line with its new strategy, as the National Development Bank (NDB). The bank will continue to support small and medium-sized enterprises, but will expand its portfolio to include financing of Czech infrastructure. Minister of Industry and Trade Karel Havlíček (ANO) said that the NRB, together with the National Development Fund (NDF), will participate in a project to purchase 20 train sets, 180 cars in total, for Czech Railways. The state will invest up to CZK 800bn in transport to build a high-speed railway line and another CZK 130bn to secure the railways. In addition, the NRB will also help finance projects in the energy and healthcare sectors. ■

CBRE: Fund Trigea acquires two retail parks in Moravia

The Czech real estate fund Trigea has bought the Haná Olomouc Shopping Park and the Ostrava Shopping Park from an international fund. The transaction was brokered by CBRE, which has been managing both parks since 2013 and has extended most of the leases in recent months. The company achieved 100% occupancy. Haná Olomouc Shopping Park has a leasable area of 19,200 m² and Retail Park Ostrava 10,300 m². Vítězslav Doležal, a director in CBRE's investment department, said that the grocery chain Lidl plans to open a store in Haná Olomouc in 2Q 2022. Tomáš Trčka, CEO of Trigea real estate fund, informed that they want to generate a return of around 6% for investors in 2021. ■

ŠKODA AUTO makes 100,000 iVs; expands range

ŠKODA AUTO has produced 100,000 iVs as of August 30, 2021. The label to vehicles equipped with partial or full electric drive. The company currently produces three iV models: the SUPERB iV and OCTAVIA iV plug-in hybrids and the all-electric ENYAQ iV. It plans to expand its range with at least three more fully electric models by 2030. ŠKODA AUTO will aim to achieve a 50 to 70% share of pure electric models in the brand's European sales. Battery production of the MEB platform will start in Mladá Boleslav at the beginning of 2022. The carmaker has adopted a new strategy for further development this decade. It sets targets in the areas of sustainable development, sales in new regions and drive electrification. All these steps are expected to reduce fleet CO₂ emissions by more than 50% by 2030. ■

TOP HEADLINE NEWS

NRR: State's finances are not in balance with budget**MF proposes budget for 2022 with CZK 376.6bn deficit****ČD plans to invest CZK 100bn in modern trains****Soulmates and Purple invest in Tesla Medical****GDP grows by 8.2% y/y in 2Q21**

Currency and Bourse

Currency	Value	% w/w
CZK/EUR	25,38	-0,118
CZK/USD	21,43	-0,280
CZK/GBP	29,54	-0,169
CZK/CHF	23,40	-0,128

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

Prague bourse

Share	Value	% w/w
AVAST	↘ 175,50	-0,171
ČEZ	↘ 682,00	-0,220
ERSTE	↗ 878,00	0,342
Kofola	↗ 322,00	3,106
KB	→ 832,00	0,000
Moneta	↗ 89,00	0,056
O2 C.R.	→ 262,00	0,000
PM	↗ 15 700,00	0,637
Stock	↘ 115,40	-0,173
CZG	↗ 471,00	0,212
VIG	↗ 631,00	0,951

PX index ↗ 1291,06 0,063

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	8,2
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

NRR: State's finances are not in balance with budget

The National Budget Council (NRR) warns that the Czech public finances are in a significant structural imbalance. It is not predominantly caused by the stabilisation measures taken in the context of the COVID-19 epidemic, but by permanent changes in tax and expenditure policy settings. The structural balance in 2022 is expected to reach -5.6% of GDP, equivalent to CZK 360bn. According to the NRR, this is an imbalance that will not be resolved by economic growth. Significant adjustments will have to be made on both the revenue and expenditure side. At the end of August 2021, the state budget showed a deficit of CZK 298bn. Month-on-month, it has deepened by CZK 21bn (excluding transactions with the EU). The pension system will come under significant pressure after 2030 due to demographic change. ■

MF proposes budget for 2022 with CZK 376.6bn deficit

The Ministry of Finance (MF) has submitted to the government a draft law on the state budget for 2022. The projected deficit is to be CZK 376.6bn, i.e. CZK 123.4bn lower year-on-year. The better economic result will be achieved due to an increase in revenues by CZK 157.7bn, especially tax revenues (CZK 65.2bn), higher insurance premium collections (CZK 21.3bn) and higher EU revenues (CZK 60.9bn). The volume of planned investments will also increase to CZK 218bn. Expenditure on health care will increase by CZK 13.9bn. Finance Minister Alena Schillerová (ANO) informed that the Ministry of Defence will receive CZK 7.3bn more. 200 employees will leave the Ministry of Finance and 187 employees related to the census project will leave the Czech Statistical Office. The approved proposal foresees a further annual increase in spending on science and research by CZK 800m to CZK 48.5bn. ■

MF: MPO's budget will exceed CZK 59bn, SFDI to get more

The Ministry of Industry and Trade (MIT) will have a budget of CZK 59.2bn in 2022 (+7.6bn y/y). The increase will be mainly financed by European funds from the National Recovery Plan. Finance Minister Alena Schillerová (for ANO) and Minister of Industry and Trade and Minister of Transport Karel Havlíček (for ANO) agreed on this. According to A. Schillerová, the Ministry of Transport will receive CZK 3bn more for the State Fund for Transport Infrastructure (SFDI). This is mainly for the construction of roads and motorways and the security of railway lines. Thanks to these increases, the investments of the state budget 2022 will rise to a record CZK 218bn. ■

MZV budget foresees higher spending on IT, EU Presidency

Minister of Foreign Affairs Jakub Kulháněk (ČSSD) discussed with Minister of Finance Alena Schillerová (ANO) the budget of the Ministry of Foreign Affairs (MZV) for 2022. The proposal foresees CZK 8.912bn, which is an increase of CZK 0.5bn year-on-year. One of the MFA's plans is to strengthen its IT infrastructure and modernise its means of communication. Another priority is the opening of an embassy in Qatar. The meeting also discussed the increase in the budget for the Czech EU Presidency, which was approved by the government. The MFA will be strengthened by 10 more people who will work directly in Brussels at the Permanent Representation. ■

MMR: IROP supported city projects with CZK 17.6bn

Approximately CZK 34.5bn is planned for the period 2021-2027 to support integrated instruments, which are another part of the subsidy opportunities of the Integrated Regional Operational Programme (IROP). A new feature is the transfer of cities from the category of Integrated Territorial Development Plans (ITDPs) to Integrated Territorial Investments (ITIs). Currently, the Czech Republic has CZK 20bn available for urban areas in integrated instruments. CZK 17.6bn has already been distributed among 930 projects (ITI CZK 13.5 billion, IPDP CZK 4.1bn). The Ministry for Regional Development (MMR) further informed that the major projects that have benefited from EU funds include the railway interchange terminal in Židlochovice, the restoration of the Winternitz Mills in Pardubice and the SMARTmuseum in Hradec Králové. ■

MF implements DAC Directive 7 in draft amendments to laws

The Ministry of Finance (MF) is submitting a package of amendments to laws to strengthen international cooperation in combating tax evasion to an inter-ministerial comment procedure. The proposal implements an amendment to the Administrative Tax Cooperation Directive (DAC Directive 7). A key part of the proposal is to extend the existing framework for the international automatic exchange of information to the digital economy. Thanks to this, the tax administrator will, among other things, regularly obtain information about the sellers of digital platforms who earn income on them. The new rules are to take effect on January 1, 2023, and the provisions on joint tax control on January 1, 2024. ■

A. Schillerová wants to reduce debt by CZK 120bn

Finance Minister Alena Schillerová (ANO) plans to bring the budget back into the black in 2028, saying that the debt will not exceed 50% in 2024 thanks to stronger consolidation efforts and the structural deficit will decline at an increased rate of up to 0.8% of GDP from 2023 onwards. She added that in this case, even according to the Budget Council, which recommends a consolidation effort of 0.65% of GDP, the Czech Republic will comfortably avoid a collision with the debt brake in the following years. The minister wants to reduce the debt by CZK 120bn by the end of September 2021. ■

MPO: Government will support start-ups also in AI

The government of the Czech Republic has approved support for the development of start-ups in areas where the market cannot cope on its own. For example, where young companies will have to cope with sectoral regulation. Petr Očko, Deputy Minister of the Ministry of Industry and Trade (MPO), cited artificial intelligence (AI) as an example of such sectoral regulation in the EU. This support will thus build on the existing efforts of the MPO and the CzechInvest agency and will start the implementation of the National Recovery Plan of the Czech Republic. Deputy Prime Minister and Minister of Industry and Trade Karel Havlíček (ANO) added that this is one of the objectives of the Innovation Strategy of the Czech Republic 2019-2030. ■

EGAP insures agriculture exports for CZK 587m

Export Guarantee and Insurance Corporation (EGAP) has supported the export of agricultural machinery and agrarian products in the amount of CZK 587m since the beginning of 2021. In the year 2019, EGAP insured agriculture exports in the amount of CZK 510m for the whole year. Although the interim statistics this year count 16 countries, the most distant of which is New Zealand, the majority of exports go to traditional trading partners. Half of the supported agriculture exports go to Russia and Ukraine. Interest from these countries is confirmed by BEDNAR FMT, which insured exports worth CZK 244m with EGAP in 2021 alone. ■

Testing in social facilities, check at airports

The government approved on August 30, 2021, the extraordinary measures by the Ministry of Health (MZ). Employees in social services that provide care in residential facilities, as well as clients and users of these services, will have to be regularly tested for the presence of the SARS-CoV-2 coronavirus every seven days from September 1. Testing will not apply to vaccinated people, people who have had the disease in the last 180 days or who show a valid PCR test result. In addition, Czech public international airports will carry out random checks on passengers arriving in the Czech Republic. They will focus on the possession of valid documents required in accordance with current anti-epidemic measures to enter the country. ■

MŽP to provide municipalities in parks with CZK 200m

The Ministry of the Environment of the Czech Republic (MŽP) will distribute CZK 200m to municipalities in national parks that are facing a surge in tourism related to restrictions due to the coronavirus. It will launch subsidy assistance from the National Environment Programme from October 15, 2021. It will focus on infrastructure development, improving facilities and amenities for tourists and local residents, co-financing major projects supported by other European programmes, and, now, project preparation for upcoming projects. Environment Minister Richard Brabec (ANO) said that the amount has doubled compared to 2020. ■

MMR: Lex Vouchers and refund deferral ends August 31

The grace period for which refunds of payments made for a previously cancelled trip have been deferred will expire as of August 31, 2021. This was announced by the Ministry for Regional Development (MMR), which added that travel agencies' clients can still arrange a replacement vacation/tour until this date. If they do not do so, they will receive all payments made by the travel agency that issued the voucher under the Lex Voucher Act back by September 15, 2021 at the latest. ■

NRR: MF's economic prediction is realistic

At its meeting on August 30, 2021, the Committee on Budgetary Forecasts assessed the August macroeconomic forecast of the Ministry of Finance of the Czech Republic (MF) for 2021 and 2022 as realistic in terms of the likelihood of its fulfilment. This was announced by the Office of the National Budget Council (NRR). The predicted growth in investment was most often cited as optimistic. There were also discussions about the labour market, where there was a shift in wage and employment expectations towards more favourable expectations compared to the previous MF forecast. The Committee also took the same view as in the case of the macroeconomic forecast on the MF's fiscal forecast of tax revenues in August 2021. ■

President Zeman requests savings in the draft budget

President Miloš Zeman has expressed his criticism regarding the draft 2022 budget. After a meeting with Finance Minister Alena Schillerová (for ANO), he branded the draft budget as insufficiently economical and investment-directed. Therefore, he proposed specific savings and investments. Presidential spokesman Jiří Ovčáček added the president had pointed out that without adequate amendments, he would consider vetoing the draft budget for 2022. ■

ČSSD: Salaries in public segment should increase by CZK 3,000

Salary tariffs of all employees in the public sector should be increased by a lump sum of CZK 3,000 from January 1, 2022. The Minister of Labor and Social Affairs Jana Maláčová (ČSSD) and Deputy Prime Minister Jan Hamáček (ČSSD) and the Chairman of the Czech-Moravian Confederation of Trade Unions Josef Středula agreed on this proposal. They also agreed on a proposal to increase the minimum wage from the same date to CZK 18,000. ■

Babiš talked economic cooperation with F.W. Steinmeier

Prime Minister Andrej Babiš (ANO) and German President Frank-Walter Steinmeier discussed the current developments in Afghanistan, the strategic dialogue between the Czech Republic and Germany, the development of the covid-19 pandemic, green transformation and economic cooperation between the two countries at the Hrzán Palace on August 27, 2021. The Czech Republic's upcoming EU presidency was also an important topic. This was announced by the Government Office. The German President is concluding his visit to the Czech Republic in Ústí nad Labem by visiting an exhibition on Czech-German coexistence. ■

M. Zeman signs higher pensions, compensation for Vrbětice

President Miloš Zeman signed on August 29, 2021, amendments to Act No.155/1995 Coll., on Pension Insurance, and Act No.582/1991 Coll., on the Organisation and Implementation of Social Security. Pensions will thus increase additionally by CZK 300 above the statutory indexation from January. As of 2023, one parent will receive an allowance of CZK 500 per child raised. Among the eight signed norms is also a law on one-off compensation for subjects affected by the extraordinary event at the Vlachovice-Vrbětice ammunition depot site. According to the law, municipalities, citizens and the Zlín Region will be able to receive up to CZK 700m in compensation for the explosions. The law on the electronicisation of the health care system was also signed. ■

Prague council approves CZK 400m for development of sport

Prague City Councillors approved a proposal to announce the Programme of Support for Sport and Physical Education in the Capital City of Prague. The estimated volume of funds allocated from the metropolitan budget is set at just under CZK 400m. The aim of the programme is to improve conditions for the development of sport and physical education. Vít Šimral (Pirates), the councillor for sport, said that the basic criterion for distributing the grants remains the size of the youth sports base. He added that a condition for sports event organisers to receive a grant is that they should match prize money and participation awards for men and women. ■

COMPANY NEWS

ČD plans to invest CZK 100bn in modern trains

Czech Railways (ČD) plans to invest a total of CZK 100bn in the next decade in the purchase of trains for international and domestic long-distance transport. The carrier is currently negotiating a cooperation with the National Development Bank (NDB) with the aim of purchasing 20 trains for approximately CZK 13bn. I. Bednárik added that together they should establish a joint stock company ČD Finance. The financing structure of the project will include the National Development Fund and Czech or European banks. The investment aims to reduce the emission footprint. A total of 180 cars comprising 20 nine-car trainsets with a seating capacity of 555 seats and a top operating speed of up to 230 km/h are being produced by a consortium of Škoda Transportation and Siemens Mobility. ČD expects to deploy them gradually in 2024 and 2026 on routes from Prague to Hamburg, Budapest and Vienna. ■

Soulmates and Purple invest in Tesla Medical

Soulmates Ventures, together with Purple Ventures, is investing tens of millions of CZK in the project Tesla Medical. After the current investment round, the value of the startup exceeded CZK 1bn. The total investment

since the beginning of the project has exceeded CZK 100m. Soulmates and Purple thus join existing investors Venture Capital Partners and Xenocles. Tesla Medical has been involved in neurohacking or neuromodulation of the brain since 2014. It is working to develop a technology platform for non-invasive treatment of chronic diseases such as incontinence. ■

KKCG's Aricoma acquires Swedish ICT firm Stratiteq

KKCG's Aricoma Group has acquired 100% of Swedish technology and consulting company Stratiteq as of August 30, 2021. The acquisition strengthens its position in the Scandinavian markets and expands its competence in strategy consulting and business solutions based on extracting value from data. The acquisition of Stratiteq, with offices in Malmö and Stockholm, will add more than 100 new employees to the Aricoma Group. KKCG's investment director Michal Tománek added that the acquisition will enrich Aricoma's capabilities in the digital transformation sphere. ■

CPI expands portfolio, value up to EUR 11.2bn

CPI Property Group (CPI) has increased its portfolio value by 9% y/y to EUR 11.2bn in H1 2021. It completed EUR 580m of acquisitions and benefited from a EUR 317m increase in the fair value of residential property, land and office assets. The Group's real estate and real estate assets increased by EUR 170m. The Group's total assets increased by 7% to EUR 12.6bn. Net rental income reached EUR 175m (+7%). Consolidated EBITDA amounted to EUR 172m (+5%). The occupancy rate was 92.6%. As a result of the pandemic, CPIG recorded a decline in the hotel segment, where the loss amounted to EUR 4 million. Since the end of April/May 2021, the CPIG has seen an increase in demand for hotel accommodation. ■

DRFG's profit grows by three quarters

The DRFG Group's profits rose by almost three-quarters year-on-year in 2020. The combined EBITDA of DRFG and DRFG Telco exceeded CZK 478m. The Group has embarked on development projects mainly in the residential and logistics sectors. DRFG manages real estate worth CZK 10bn in the Czech Republic and Poland. In the last 12 months, it has completed development projects with a market value of CZK 3bn. It intends to enter the real estate market in other EU countries as well. It currently has projects in the pipeline with a market value of more than CZK 1bn. Under the DRFG ENERGY banner, the group is launching a pilot project with technology partners for photovoltaic power plants on selected CREIF properties. DRFG Telco has invested in telecommunications infrastructure, operating in five European countries. Last year, over 80% of its revenues were generated abroad. ■

Premiot Group to spend CZK 250m on mining upgrade

Premiot Group and its subsidiary Premiot Mining & Resources (PMR) are investing in mining and processing of mineral resources in the Czech Republic and Slovakia. PMR's CEO Petr Welsler said that the estimated amount of expenditure, mainly in the construction and modernisation of operations, amounts to CZK 250m. The shale mines that PMR is currently revitalising have recoverable reserves of fissile shale in the millions of cubic metres, which represents a production life of hundreds of years. In parallel, PMR plans to develop the production of shale sands, additives for asphalt and cement mixes or lightweight concrete. Crushed aggregate production of approximately 200 kt per year is sold out until 2022. PMR is also joining the Mining Union with the aim of contributing to the empowerment and development of the mining industry in the country. ■

AAA AUTO sells 17,250 cars in summer

The network AAA AUTO reached its all-time sales record of 17,250 vehicles in July and August 2021. That's 19% more than in the year 2019, with the Czech and Polish markets seeing the biggest increase in demand. AURES Holdings CEO Karolína Topolová noted that carmakers are unable to produce due to a lack of parts and customers are moving into the pre-owned vehicle segment. Demand is huge across Europe. The composition of popularity of brands within the Visegrad Four has not changed. Approximately 23% of all cars sold are ŠKODAs. It holds the lead in the Czech Republic and Slovakia, where demand is roughly one-third. ■

Aid Bank's clients pay CZK 9.18bn with virtual cards

Air Bank and Zonky, members of the PPF Group, recorded CZK 9.18bn in payments by digitised payment cards in 1H 2021. When asked by ČIANEWS, media representative Roman Macháček said this, adding that in 1H2020 the amount was CZK 5.32bn. In 2021, clients make an average of 15 transactions per month via Apple Pay for an average amount of CZK 470. In the case of Google Pay, it is 13 transactions with an average amount of approximately CZK 450. According to data from the end of July 2021, 65% of Air Bank's customers with a digitised payment card have paired the My Air

mobile app. The iOS operating system is used by 37% of clients using the My Air mobile app. Of these, 63% have a digitised card. Among Android operating system users, 27% have a digitised card. ■

IMMOFINANZ portfolio value in CR reached EUR 572.7m

IMMOFINANZ's properties in the Czech Republic represented 11.2% of the company's total portfolio at the end of H1 2021. Specifically, 21 buildings with a book value of EUR 572.7m. The portfolio consists mainly of seven office buildings and 13 retail properties. In H1 2021, the occupancy rate of the Czech portfolio remained stable at 96.1%. Rental income increased by 1.5% to EUR 14.9m. This represents approximately 10.3% of the Group's rental income. ■

DPP reconstructs metro station for CZK 1.29bn

The Prague Public Transport Company (DPP) has started the revitalisation of the Jiřího z Poděbrad metro station at an estimated cost of CZK 1.29bn. As part of the project, Společnost Jiřího z Poděbrad, consisting of Strabag and AŽD Praha will build a new exit from the station in the form of lifts from the platform to the street level in Vinohradská Street and replace the existing escalators with new ones. The station and its vestibule will also get more efficient lighting, wiring and air conditioning. The work will be carried out with full metro operation most of the time, with only localised disruption. While the escalators are being replaced, the station will be closed from January to October 2023. DPP expects the work to be completed and the lifts to be operational by the end of February 2024. ■

C-Energy to spend CZK 300m on heat system conversion

C-Energy Planá has completed the interconnection of the backbone hot water system in Tábor with the hot water system in Planá nad Lužnicí and Sezimovo Ústí. The project foresees the conversion of all primary steam heat distribution systems in Tábor to hot-water systems between 2021 and 2023, which will reduce heat losses by up to 17%. For 2021, the price paid for 1 GJ of heat by customers of the municipal company BYTES Tábor has dropped from CZK 713 in 2020 to CZK 673.30. C-Energy's investment in the total conversion of the heat distribution system in Tábor will exceed CZK 300m by 2023. ■

ČD buys four Taurus with ETCS from Austrian WLC

Czech Railways (ČD) has purchased four 1216 Taurus multi-system locomotives from the Austrian company WLC. They are equipped with the ETCS signalling system. They have a maximum speed of 230 km/h and are approved for operation in the Czech Republic, Austria, Germany, and Hungary. Two locomotives can also be operated in Slovakia. Ivan Bednárik, Chairman of the Board of Directors and CEO of ČD, said that they will be used in the transport of EuroCity and InterCity trains. Thanks to their interoperability and speed, the railway company plans to deploy them also in operation with modern trainsets. ČD will thus operate a total of 43 modern electric locomotives, six Taurus 1216 series, 17 Vectron locomotives, and 20 380 series locomotives. In the future, these will be supplemented by up to 90 new locomotives for speeds of up to 200 km/h and up to 50 locomotives for a maximum speed of 230 km/h. ■

JRD Group posts sales of CZK 2.14bn, plans to expand

JRD Group, which includes the JRD Development, JRD Plazma, JRD Energo, JRD Property and JRD Invest divisions, achieved total sales of CZK 2.14bn in 2020. Of these, JRD Development had results of CZK 1.61bn. Group owner and founder Jan Řežáb said that JRD Development has projects with about 2,200 apartments in the pipeline that meet the parameters of sustainable construction. With other companies associated in the group, he would like to expand not only within the Czech Republic. JRD Development entered the commercial real estate segment in 2021. J. Řežáb added that the plans also include the recreational property market. In addition, JRD Plazma installed a new reactor for plasma gasification of waste in the science and technology park in Dubá in June 2021. ■

PPF banka earmarks CZK 5.5bn for COVID loans

PPF banka has allocated CZK 5.5bn for loans under the COVID III and COVID Plus programmes. PPF Group also reported in its 2020 annual report that CETIN invested CZK 4.4bn in telecommunications infrastructure in the Czech Republic. The Group's total assets amounted to CZK 1.04bn. PPF paid CZK 6.9bn in taxes and levies to the state budget. Czech companies in the Group contributed CZK 555m to non-profit and CSR activities and support for culture, education, sports, healthcare and local communities. As CIANEWS reported, PPF posted a full-year loss of EUR 291m for 2020 for the first time in its history. The financial performance was mostly affected by the negative result of Home Credit, whose operations were significantly affected by the pandemic. ■

KOFING preps TATRA METALURGIE greening project

KOFING, as the general contractor for the TATRA METALURGIE foundry greening project in Kopřivnice, has currently applied for a building permit. At the same time, design work is underway. The majority of the construction work is planned for 2022, in particular the reconstruction of the existing part of the foundry's production facilities, modifications to the buildings and the supply of new moulding, melting, exhaust and filtration technology. The connection of the new technologies is aimed at reducing particulate emissions. As CIANEWS has already reported, the total value of the contract is CZK 744.52m. ■

P3 to build new hall for Andreas Schmid in P3 Prague D6

Industrial developer P3 Logistic Parks will build a new hall for logistics company Andreas Schmid at P3 Prague D6 near Stochov in Central Bohemia. Part of the building will be available for rent. German company Andreas Schmid Logistik has been sharing the space in the hall with the manufacturing company Müller Technik. The logistics company will lease 6,500 sqm of the new hall in the vicinity. It will be completed in spring 2022 and will aspire to BREEAM Excellent certification. Andreas Schmid Logistik plans to serve two retail and e-commerce customers from the new hall. P3 is currently offering additional custom-tailored projects at P3 Plzeň Myslinka, P3 Lovosice and P3 Ostrava Central. ■

Kofola raises revenues to CZK 1.8bn

Kofola Group reported sales of CZK 1.8bn in 2Q 2021 (+22.9% y/y). EBITDA amounted to CZK 378.8m (+64.6%). Based on the development so far, the Group estimates the final result for 2021 to be between CZK 1.08bn and CZK 1.15bn. The company launched, among others, a new line of Targa Florio lemonades, Semtex Focus energy drink, and Rajec Bio. Kofola offered two new variants with reduced sugar content. In the period under review, the Group started cooperation with the Slovenian company Fructal and also bottled the Croatian brand of spring water Studena in bottles made of 100% recycled rPET material. ■

MACROECONOMIC DATA AND POLLS

GDP grows by 8.2% y/y in 2Q21

Gross domestic product in the Czech Republic, adjusted for price effects and seasonality, grew by 8.2% y/y in 2Q 2021, according to a revised estimate by the Czech Statistical Office, which showed that it was 1.0% higher than in 1Q. The positive quarter-on-quarter development was mainly supported by growth in final household consumption and gross fixed capital formation. Gross value added was 0.7% higher q/q and 8.4% higher y/y. The year-on-year growth of GVA was mostly influenced by developments in industry (contribution of 5.2 pp, growth of 19.9%). Gross fixed capital formation increased by 4.2% q/q and 1.5% y/y. There was more investment in housing, purchase of transport equipment, and other machinery and equipment. In terms of price developments, the annual headline GDP deflator reached 4.3%. ■

IHS Markit: PMI fell to 61 points, orders + production up

The Purchasing Managers' Index (PMI) for the Czech Republic weakened to 61 from 62 in August 2021 month-on-month. This was reported by IHS Markit, adding that the PMI still showed one of the largest improvements in operating conditions in the manufacturing sector since data collection began in June 2001. Stronger inflows of new orders contributed to the result. However, the expansion of production has been hampered by capacity constraints and a shortage of material supplies. Input prices are again rising sharply. Work in progress has increased at an unprecedented rate. Even so, confidence in the outlook for production during 2022 reached its highest level since June 2018. ■

CNB: Inflation forecast remains above 2%

The three-year inflation forecast remains just above the Czech National Bank's (ČNB) target of 2%. In view of recent economic developments, analysts expect higher price growth on an annual basis, even though the GDP growth rate estimate for 2021 has been lowered. This stems from the ČNB's August survey, adding that the economic growth outlook for 2022 has, on the contrary, been raised. Furthermore, analysts believe that economic conditions call for tighter monetary policy tightening and therefore interest rates should rise faster. In addition to the appreciation of the koruna from mid-June to mid-July 2021, the change in the exchange rate forecast also reflects expectations of tighter monetary policy settings by the central bank. A tight labour market and public sector wage increases will lead to faster nominal wage growth this year and the next. ■

MF: State budget deficit reached CZK 298.1bn in August

The state budget ended with a deficit of CZK 298.1bn as of the end of August 2021. After adjusting for the revenues from the EU and financial mechanisms, as well as the expenditure on these projects, the deficit amounted to CZK 302.1bn. Compared to July, the deficit deepened by CZK 18.7bn. This was reported by the Ministry of Finance (MF). Revenues slowed down to 1.8% (+ CZK 16.7bn), which was mostly due to the collection of social security contributions (+ 11.3%). The growth rate of expenditure of 7.3% (CZK +84.5bn) was still driven by current expenditure (+8.9%, CZK +94.7bn). Capital expenditure fell by 10.8% y/y (CZK -10.2bn). ■

Unemployment down to 2.8% in July

The adjusted general unemployment rate in July 2021 in the 15-64 age group fell by 0.2pp y/y to 2.8%. The employment rate rose by 0.2 pp to 74.4%, according to data released by the Czech Statistical Office. The economic activity rate reached 76.5% (+0.1 pp). Dalibor Holý, Director of the Department of Labour Market Statistics and Vacancies, stated that the employment of women in particular is developing favourably, but the number of hours worked by entrepreneurs is still lower than in the period before the coronavirus crisis. According to Eurostat, the general unemployment rate for 15-74-year-olds in the Czech Republic was 2.8% in July 2021. ■

Předvůběh: CZ: 71% of firms plan to raise wages

Employers plan to increase salaries by an average of 8% in 2022, according to a survey by the HR agency Předvůběh.CZ. 71% of the respondents confirmed the increase in wages, while another 18% have not yet made a decision on wage policy for next year. Less than a third (29%) of companies will not increase wages for all, but only for selected professions, mostly technical and business. In addition to wage increases, companies are also counting on further support for recruiting new employees and increasing the attractiveness for current ones. In total, 62% will strengthen employee benefits, 31% will offer more part-time jobs and 7% will increase recruitment allowances. ■

BDO: Pandemic helps accelerate digitisation for firms

Family businesses and accommodation and food services faced the worst effects of the pandemic. Companies in the energy industry, telecommunications and IT counted the lowest losses. It results from the latest BDO survey. The most common problems were low employee job satisfaction or the lack of digital tools for business and remote working. More than a third of the companies said that the coronavirus crisis helped them to speed up the digitalisation process, while a quarter adjusted their company processes. Stanislav Klíka, Director of Risk Advisory at BDO, said that companies in the Czech Republic are allowing employees to work from home for a certain number of days or are making more use of video conferencing for meetings. ■

D&B: Number of firms with virtual seat grows to 120,000

In the Czech Republic, 120,000 companies do business from a virtual address. This is according to an analysis by Dun & Bradstreet (D&B), adding that three years ago 96,000 companies used virtual headquarters. Prague offers the most of them (more than 80% of virtual offices), followed by Brno. The record holder is Prague's Rybná Street, where almost 7,000 companies do business on paper. Analyst Petra Štěpánová said that virtual addresses are widely used by start-ups and companies that do not need a physical office for their activities, which brings cost savings. On the other hand, companies with a virtual address may pose an increased risk in business dealings. ■

Raiffeisenbank: Pandemic affected 65% of entrepreneurs

The pandemic has affected 65% of entrepreneurs and tradespeople in some way. 23% had to change the orientation of their business. 12% had to or will have to close their business. The survey conducted by NMS Market Research for Raiffeisenbank also shows that 49% of entrepreneurs do not expect to make a profit. A loss is expected by 24% of them. 27% of respondents predict a profit. Of these, 72% most often want to save it as a reserve. 45% of the respondents were entitled to a subsidy. However, only half of them were able to find their way around the issue. ■

EY: Passenger car prices to continue to grow

Average prices of passenger cars will continue to increase. This was stated by Petr Knap, EY's leading partner for the automotive sector in the CEE and SEE region. This is due to the growing supply of fully electric vehicles, which are significantly more expensive compared to traditional vehicles. However, the current unfavourable situation regarding the shortage of chips and the rising prices of other inputs also play a role, according to him. As previously

reported by ČIANEWS based on EY data, passenger car prices increased by 2.3% on average during 2Q 2021 in both base and top variants. The largest growth in average prices (+5%) was registered in the SUV segment. ■

AOP: In-person sales exceed CZK 8bn; moving online

The sales volume of personal sales in the Czech Republic in 2020 reached CZK 8.1bn, up 7.4% y/y. The Association of Personal Selling (AOP) reported that the Czech market is one of the largest in the EU in this segment, ranking 7th in terms of volume. More than 428,000 people, 80% of them women, earn at least part of their income through direct sales. According to the current AOP survey, 17% of respondents use direct selling as their main source of income. Around two thirds of sales in Europe come from wellness, cosmetics, and body care. AOP secretary general Lenka Mrázová said the sales network has moved much more online, including over the phone. ■

BCI: Average consumer credit rate exceeds 6.4%

The average interest rate on consumer loans reached 6.44% in July 2021, up 0.77pc month-on-month, according to the Broker Consulting Index (BCI). The Czech National Bank (CNB) has already raised the base rate twice in a short period of time. Expectations are that the central bank will continue to adjust the rate in the coming months. The repo rate is estimated to double, i.e. to 1.5%, which may have an impact on consumer loans. In the case of mortgage loans, the rate increase will be in the order of tenths of a percentage point. ■

ČNB: Banking sector balance sheet total reached CZK 9,050bn

The balance sheet total of the Czech banking sector reached CZK 9,050bn at the end of July 2021. Loans to residents are the dominant item on the asset side of the balance sheet. Their volume amounted to CZK 6,465bn. The volume of deposits of residents, which constitutes the most significant item of the banking sector's liabilities, amounted to CZK 5,961bn. This was reported by the Czech National Bank (ČNB). ■

ČNB: Rate on corporate loans grows to 1.49%

The interest rate on new loans to non-financial corporations (excluding overdrafts, revolving loans, and credit cards) increased to 1.49% on average in July 2021. The rate for loans with a balance of CZK 7.5m rose to 3.55%. For loans of CZK 7.5-30m, the interest rate increased to 2.48% and for loans over CZK 30m, it increased to 1.34%. The rate on overdrafts, revolving loans, and credit card loans rose to 2.61%. Of these, overdrafts rose to 2.77%, according to data from the Czech National Bank (ČNB). ■

ČNB: Loans from financial institutions reached CZK 325bn

The total balance sheet total of asset finance intermediaries as of June 30, 2021, amounted to CZK 420.8bn. On an annual basis, the balance sheet total decreased by CZK 1.9bn, a decrease of 0.5%. This is based on data from the Czech National Bank (ČNB). The largest item of assets is loans granted in the total amount of CZK 325bn. Of these, CZK 318.6bn was granted to resident entities. The largest part of loans to residents was loans to non-financial corporations worth CZK 255.2bn. Their amount increased by CZK 4.4bn y/y. The second-largest group of loans to residents consisted of loans to households in the amount of CZK 59.9bn. ■

Natural 95 and oil cheaper in week 34, diesel and LPG costlier

The average consumer price of Natural 95 petrol in the 34th week of 2021 in the Czech Republic decreased to CZK 33.79 / l compared to the 33rd week from CZK 33.80 / l. Diesel rose to 31.64 CZK / l from 31.63 CZK / l. The price of LPG increased to CZK 15.09 / l from CZK 14.98 / l. According to a survey by the Czech Statistical Office, the price of gas oil fell to CZK 12,617 from CZK 12,660 / 1000 litres. ■

MZ: Vaccination completed in 63.6% of population 16+

As of August 31, 2021, a total of 5,824,715 people older than 16 years were administered at least one dose of the vaccine against COVID-19. This represents 65.6% of this population. Vaccination was completed in 5,649,002 people (63.6%). In the youngest monitored age category (12 to 15 years) the complete vaccination coverage reached 20.9% and in the category 16 to 29 years 45.5%. It was 80.1% in the oldest age category (80+). This is evidenced by data from the Ministry of Health of the Czech Republic (MZ). ■

MZ: Number of hospitalized with COVID-19 remains at 53

The number of confirmed cases related to the disease COVID-19 increased by 261 and reached 1,679,738 as of September 2, 2021. The number of hospital admissions remained at 53. There were 13 confirmed cases per 100,000 inhabitants in the last seven days. The total number of deaths was 30,404. The information was provided by the Ministry of Health of the Czech Republic (MZ) at its website. ■