

## EVENTS OF THE WEEK

**CNB raised 2W repo rate by 1.25 p.p.**

The Czech National Bank's (CNB) Bank Board increased the two-week repo rate (2T repo rate) by 125 basis points to 2.75% at its session on November 4, 2021. At the same time, it decided to raise the discount rate to 1.75% and the Lombard rate to 3.75%. The new interest rates are effective from November 5, 2021. ■

**MPO & ERÚ propose lowering advance payments in DPI mode**

The Ministry of Industry and Trade (MPO) and the Energy Regulatory Office (ERÚ) have proposed the lowering of advance payments in the supplier of last resort (DPI) mode by 50% from the set advance payment for November and by 40% for December. This statement was made by Minister of Industry and Trade Karel Havlíček (ANO), who added that they would be at the level of 100% in the months after. This step is made to motivate customers to change from the DPI model to the standard mode as soon as possible. ■

**Penta, Sekyra and Kaprain purchased VŠCHT properties**

Penta Real Estate, Kaprain Group and Sekyra Group bought land from the University of Chemistry and Technology in Prague (VŠCHT) in the western part of Vítězné náměstí in Prague 6. For an amount just exceeding CZK 1bn, they acquired 20,122 m<sup>2</sup>. That is, the majority of the area of the so-called 4th quadrant of Vítězné náměstí between Evropská and Jugoslávských partyzánů streets. The ICT will use the funds obtained to build a new university building with modern teaching facilities. A consortium of developers wants to build offices and shops on the land, and will also use part of the space for apartments. ■

**Nordic Telecom completed merger of 7 providers**

On November 1, 2021, Nordic Telecom completed the merger of another seven fixed Internet providers. For the operator, this is the fourth major merger. As part of the last integration, more than 26,000 customers will receive access to Nordic Telecom Group services. From an organizational point of view, the companies Alcom Systems, Leháro.NET (Biteo), CMS Internet, Fifejdy.cz, Fortech, Omega Tech and Tišice.Net merged into Nordic Telecom Regional. In the last four years, the group has invested hundreds of millions of CZK a year in frequency licenses and infrastructure. ■

**123kurýr brand enters Czech market; opens 14 branches**

Slovak company 123Kurier enters the Czech logistics market under the 123kurýr brand. In the first phase, it offers mainly B2B and B2C services. The establishment of a Czech subsidiary is the first step towards the creation of a multinational parcel transport network. Currently, it has opened its first hub branches in Prague, Plzeň, Olomouc, České Budějovice, Hradec Králové, Ostrava and Brno. In the near future, management plans further expansion so that by the end of 2021 the Czech network will include 14 core branches. It bases its services on good IT equipment, including a customer application. ■

**Passerinvest to build 23,000 m<sup>2</sup> office space in Prague 11**

Passerinvest group has started the construction of the Rožtyly Plaza office building in Prague 11. The building with a total area of 23,000 m<sup>2</sup> was designed by Aulík Fišer architectural studio. In addition to offices on seven floors, the building will also offer 1,500 m<sup>2</sup> of retail space on the ground floor. A supermarket or a public canteen is planned for the future. It will also include an underground garage with 330 parking spaces for tenants and another 100 P+R parking spaces. Lenka Preslová, head of Passerinvest's commercial department, added that the building will meet the criteria of sustainable urbanism and hold the relevant certificates. ■

## TOP HEADLINE NEWS

**Regulation counts on CZK 433bn in health-insurance income****MF to ask EU to increase limit for paying VAT to CZK 2m****MZ proposes not to honour ATG tests at 1,000+ events****ŠKODA AUTO supplied 2.9 % fewer vehicles in 1-3Q****innogy sells TelNet Holding to Telco Pro Services****GDP grows by 2.8% y/y, employment grows by 0.6%**

## Currency and Bourse

Currency	Value	% w/w
CZK/EUR	25,48	-0,275
CZK/USD	22,02	-0,182
CZK/GBP	29,86	-0,837
CZK/CHF	24,14	-0,124

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

## Prague bourse

Share	Value	% w/w
AVAST	↘ 167,05	-1,107
ČEZ	↗ 750,00	0,800
ERSTE	↘ 989,80	-1,334
Kofola	↗ 326,00	0,307
KB	↗ 920,00	3,478
Moneta	↗ 88,55	0,621
O2 C.R.	↗ 258,00	0,194
PM	↗ 15 780,00	0,507
Stock	↘ 111,60	-1,075
CZG	↘ 534,00	-0,375
VIG	↗ 659,50	1,137

PX index	↗ 1358,48	0,342
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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

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

## Q/Q real

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

Source: Czech Statistical Office

## ECONOMIC POLICY

### Regulation counts on CZK 433bn in health-insurance income

The reimbursement regulation for 2022 counts on an almost 9% year-on-year increase in reimbursement amounts across all health care segments. After deducting costs related to COVID-19, almost CZK 37bn more goes to medical care. This information was provided by the Ministry of Health within the publication of the 2022 reimbursement regulation in the Collection of Laws. As a result, the expected income of the entire system of public health insurance in 2022 is CZK 433.2bn. Costs of medical services, except for COVID-19 expenses, are estimated at CZK 411bn. After adding COVID-19 costs, total costs increase to CZK 426bn. ■

### MF to ask EU to increase limit for paying VAT to CZK 2m

The Czech Ministry of Finance (MF) has submitted a proposal to the government to authorise Finance Minister Alena Schillerová (ANO) to submit a request to the European Union (EU) to increase the turnover limit for VAT exemption. If the request is approved, it will be possible to increase the limit from today's CZK 1m to CZK 2m. In particular, the Ministry wants to strive for an exception to improve the current exemption limit for a limited period until December 31, 2024. From that day on, it will be followed by an approved directive that counts on the limit at CZK 2m. The intention is to lower administration and make entrepreneurial activities easier. ■

### HK ČR supports higher limit for mandatory VAT payment

The Czech Chamber of Commerce and Industry (HK ČR) supports the proposal of the Ministry of Finance (MF) to increase the limit for mandatory payment of VAT to CZK 2m. Therefore, it considers it the right step to ask the EU for a notification that would allow the increase. The mandate to submit the request should be discussed by the government on 5 November 2021. The Chamber's president, Vladimír Dlouhý, said that raising the threshold to twice as much would reduce the administrative burden of doing business for sole traders and small entrepreneurs. MF estimates that the increase in the threshold could reduce the number of taxpayers by about 105,000. HK ČR proposes to raise the qualifying threshold for the so-called flat-rate tax to CZK 2m as well. The Chamber recommends making it more attractive for people to enter into agreements to perform work by increasing the threshold from CZK 10,000 to CZK 15,000 per month or reduce the social insurance paid by the employer by 2 pp. ■

### MZ proposes not to honour ATG tests at 1,000+ events

The Ministry of Health (MZ) will propose to the government that from November 22, 2021 antigen (ATG) tests for COVID-19 will not be recognised at mass events of over 1,000 people. Chief Public Health Officer Pavla Svrčinová added that ATG tests will be allowed at events of up to 1,000 people. MZ also held discussions with ski area operators about the upcoming season. Skiers will have to show proof of infection-free status at the ticket offices from December 1. Wearing a respirator will be required on the lifts. Queues only if spacing is not observed. ■

### Government to discuss SŽ's debt elimination, SFŽP budget

On November 5, 2021, the government of Prime Minister Andrej Babiš (ANO) will discuss a proposal to discharge the debt of state-owned Railway Administration (SŽ) in relation to the state budget of the Czech Republic. In addition, the ministers will also review a draft budget for the State Environmental Fund (SFŽP) of the Czech Republic for 2022 and its medium-term outlook for 2023 and 2024. ■

### MPO pays out CZK 929,505,033 from OP EIC in October

In October 2021, the Czech Ministry of Industry and Trade (MPO) paid 256 applications for a payment that included 2,345 items. The Ministry added that in that period, a total of CZK 929,505,033 was sent to entrepreneurs' accounts from the Operational Programme Enterprise and Innovations for Competitiveness (OP EIC). ■

### Babiš: Nuclear energy will help achieve carbon neutrality

The only means by which the Czech Republic can achieve zero CO2 emissions are nuclear energy and natural gas. This was stated by Prime Minister Andrej Babiš (ANO) in his speech at the international climate summit COP 26 in Glasgow, Scotland; he stated that nuclear energy in particular is a clean, reliable and inexpensive source of electricity and should be recognized by EU member states and the European Commission. According to him, a green agreement can bring huge social, economic and geopolitical costs. He added that it was necessary to set a realistic strategy for the implementation of the Green Agreement, to calculate its costs, assess its impact, set individual targets and give EU member states

maximum flexibility. ■

### ECOFIN Council approves recovery plans for EUR 32.2bn

EU finance ministers in the ECOFIN Council approve the national recovery plans of Estonia, Finland, and Romania, totalling EUR 32.2bn. So far, plans of 19 Member States worth EUR 413.2bn have been approved. The Czech Republic will receive EUR 7.1bn from the EU. At the end of September 2021, it received an advance of EUR 915m. Finance Minister Alena Schillerová (ANO) said that the amount corresponding to roughly CZK 23.7bn will be distributed to the ministries according to the investments made. This includes CZK 1.2bn for the digitalisation of building procedures. ■

### MF defended CZK 5.2bn in international investment arbitration

In arbitration proceedings, the Czech Republic claimed an alleged damage in excess of CZK 5.2bn against Pawlowski AG. The Czech Ministry of Finance (MF) stated that the arbitral tribunal unanimously rejected all the main points of the company's lawsuit for the alleged frustration of the development project. In particular, according to the reasoning of the Tribunal, Pawlowski AG could not legitimately expect its agricultural and forest land in Prague-Benice to be converted into building land. In 2021, it is the second arbitration victory of the Czech Republic. In April, the state also won an international arbitration against Dutch Fynerdale Holdings B.V. and thus defended the claim over CZK 2.4bn. ■

### Babiš: EU cannot prevent climate change alone

The EU alone cannot prevent climate change; the main problem is that China, as the largest polluter, is not present. This statement was made by Prime Minister Andrej Babiš (ANO) at the COP26 UN Climate Change Conference in Glasgow, adding that China essentially announced that not only it would lower emissions but also increase them until 2030. The PM further stated that the Czech Republic over-fulfilled its commitments when in 2020, it achieved a 40% decrease in CO2 emissions compared to 1990. According to him, the problem is that Europe only accounts for 9% of global emissions, whereas China for 25% and the United States for 13%. ■

### 10 regions join MPO's programme Obchůdek

Ten regions have joined the subsidy programme of the Ministry of Industry and Trade of the Czech Republic (MPO), which will help rural shops, namely the South Moravian, Hradec Králové, Liberec, Olomouc, Vysočina, Zlín, Plzeň, Moravian-Silesian, Pardubice and Ústí nad Labem regions. In the first call of the Obchůdek 2021+ programme, regions can apply for support until October 29, 2021. Silvana Jirotková, Deputy Minister of Industry and Trade, said that the MPO is planning to announce further calls until 2025. Pavel Vinkler, Director of the Department of Business Environment and Commercial Entrepreneurship, said that the application submission and evaluation are carried out in the MPO's AIS system. ■

### A. Babiš will discuss climate at UN conference

Prime Minister Andrej Babiš (ANO) will attend the UN International Climate Conference in Glasgow, Scotland, on November 1 and 2, 2021. The Prime Minister will discuss commitments and measures to mitigate the effects of climate change with other leaders. This conference is expected to increase national commitments to combat climate change and to make a clear declaration of intent to achieve carbon neutrality, as well as mobilise the financial resources to achieve this goal. ■

### MPO: Cooperation on digitization is key

Public-private cooperation on digital and green transformation projects is key. However, tools are needed to help this cooperation. This was stated by Deputy Minister of Industry and Trade Petr Očko at a meeting of the informal group of countries called Digital9+ in Luxembourg, stating that the activities of the Digital Europe program, such as European digital innovation hubs, are particularly important. The next Digital9+ meeting will take place at the beginning of 2022 in Prague. The Czech Republic is involved in cooperation through the Confederation of Industry and Transport of the Czech Republic. ■

### DoToho! helped 124 cos.; starting 2nd round

By the end of the 2021 summer holidays the DoToho! program to help companies affected by Covid had helped 124 entrepreneurs. Targeted help with business recovery in the form of free professional advice from leading domestic entrepreneurs and experts is requested by other companies. Companies with a turnover of CZK 3 to 300m can apply for the second round of the program, which starts on November 1, 2021. The program was initiated by the Prague Business Center Opero and the Prague Innovation Institute. It is free for companies thanks to the support of the Capital City of

Prague, the Prague Smart Accelerator project funded by EU funds and selected companies such as Google, Pražská energetika, Česká spořitelna, ABRA Software, Havel & Partners or Arbol Capital. ■

### Babiš to attend V4-Korea summit Budapest

On November 4, 2021, Prime Minister Andrej Babiš (ANO) will attend the V4 Prime Minister's Summit with the President of the Republic of Korea, Mun Che-in, in Budapest. He also has bilateral talks with the South Korean leader. The summit is held under the Hungarian Presidency of the V4. The main topics of discussion will include cooperation between the V4 countries and Korea in the field of trade, technology, science and research or energy, but also global issues such as post-Covid cooperation, the fight against climate change and other geopolitical challenges. ■

### New coalition agrees on insurance payment valorisation

The parties of the emerging ODS, TOP 09, KDU-ČSL, Pirates and STAN government coalition agree on regular indexation of payments for state insurance. This will be part of the programme declaration, as well as the possibility of additional supplementary insurance for medical care, which people currently pay for themselves. This was stated by the deputy chairman of TOP 09, Vlastimil Válek, on Czech Television's discussion show Otázky Václava Moravce. ■

### P. Fiala: State must agree with suppliers of last instance

ODS chairman Petr Fiala rejected blanket measures to help people affected by the rise in energy prices and the closure of suppliers. He said that the only option was for the state to reach an agreement with suppliers of last instance to set a maximum percentage by which advances could be increased. Mr. Fiala said in CNN Prima News broadcasting that the state should provide a loan or guarantee to those in need. ■

### HK ČR: More companies get compensations from COVID

As of September 30, 2021, businesses have submitted 8,196 claims to the COVID Uncovered Costs Program for partial reimbursement of losses caused by pandemic restrictions and bans on their activities. The volume of approved aid exceeded CZK 7bn. In the COVID 2021 programme, companies sent 14 598 applications for CZK 6.6bn. The government introduced the programmes at the request of the Chamber of Commerce of the Czech Republic (HK ČR) and 127 business entities. Together with the Confederation of Industry and Transport and the Confederation of Employers' and Business Associations, the organisations warned the government that the existing support was administratively burdensome. In addition, one tenth of companies were falling through the net of aid. ■

## COMPANY NEWS

### ŠKODA AUTO's operating profit grows to EUR 900m

ŠKODA AUTO reported sales of EUR 13.33bn in the first nine months of 2021 (2020: EUR 12.04bn). Sales volume remained almost unchanged at 596,000 vehicles. Operating profit rose from EUR 469m to EUR 900m. The Volkswagen Group reported that demand was strong, especially for the Kamiq, Karoq, and Eniaq iV. ■

### KB ups profit by 40.7% to CZK 8.6bn in 9M 2021

Net profit attributable to Komerční banka's (KB) shareholders for 9M 2021 reached CZK 8.6bn, up 40.7% y/y. The total volume of loans granted by KB Group increased by 4.7% y/y to CZK 724.8bn, mainly due to the growth in housing loans. Total customer deposits increased by 12.1% to CZK 1,043.1bn. The volume of client assets in mutual funds, pension savings and life insurance rose by 6.1% to CZK 199.5bn. The number of KB clients with the Mobile Bank app surpassed the one million mark. The entire KB Group served 2,237,000 clients. Chairman and CEO Jan Juchelka said that the bank has surpassed the turning point in revenue development after last year's big drop caused by the pandemic. ■

### ŠKODA AUTO supplied 2.9 % fewer vehicles in 1-3Q

For 1-3Q 2021, ŠKODA AUTO reported worldwide deliveries to customers in the volume of 700,700 vehicles. This represents a y/y decrease of 2.9%. The carmaker informed about this in the presentation of economic results, stating that a significant reduction in production due to a lack of chips will significantly burden 4Q 2021. The company is responding with increased cost discipline and an extensive program to increase efficiency. The carmaker expects to produce about 250,000 fewer cars by the end of 2021 due to lack of parts. At the same time, it assumes that the situation with the supply of semiconductors will stabilize again from 4Q 2021 and in 2H 2022 it will gradually relax. ■

### PPF posts EUR 208m profit in H1 after last year's loss

In the first half of 2021, PPF Group N.V. posted a net profit of EUR 208m compared to a EUR 384m loss in the same period of last year. This information was provided by PPF based on results according to the IFRS, adding that it overcame the pandemic's negative effect on its business in 2020. The Group's total assets in H1 amounted to EUR 40.3bn, increasing by EUR 39.7bn compared to the end of 2020. The PPF Group's registered capital of shareholders totalled EUR 8.6bn as of June 30, 2021 (EUR 7.9bn as of December 31, 2020). ■

### innogy sells TelNet Holding to Telco Pro Services

The innogy Česká republika (innogy) has sold 100% in TelNet Holding to Telco Pro Services. The group has thus finished its activities in regionally active companies Magnalink, CERBEROS and HELIOS MB that provided IT services in high-speed internet, digital TV, camera systems and internet telephony (VoIP). innogy board member Josef Benda said that with this acquisition, Telco Pro Services, a member of the ČEZ Group, wanted to expand its presence to new locations and counted on further expanding the fibre-optics infrastructure. ■

### Česká spořitelna increases profit to CZK 10.8bn

As of September 30, 2021, Česká spořitelna (ČS) posted a non-audited consolidated net profit according to the IFRS in the amount of CZK 10.8bn. In year-on-year terms, it was 36.3% higher, which was affected by a lower creation of risk adjustments. Operating profit totalled CZK 16.2bn (up 3.8%). Net interest income was CZK 22.3bn (up 2.1%), and net income from fees and commissions amounted to CZK 6.9bn (up 13.7%). As of September 30, 2021, the consolidated assets and liabilities totalled CZK 1.78tn (up 16.1%). The gross volume of the group's client loans, adjusted for the influence of reverse repo operations, grew 7.0% to CZK 833.6bn. The number of clients totalled 4.5m, of whom 1.8m used digital banking. Board member Ivan Vondra said that the development of client loans continued to be driven by private mortgage loans (up 14.3%). Corporate loans, especially in the segment of small and medium-sized enterprises, grew as well. ■

### AAA AUTO sold 8,853 vehicles in October; 30-year high

The AAA AUTO network, operated by AURES Holdings, sold a total of 8,853 vehicles in the Czech Republic, Slovakia and Poland in October 2021. This is its strongest monthly result in almost 30 years. In 10M 2021, AAA AUTO sold 3,500 more cars than in the whole of 2020. CEO Karolína Topolová said that for six months the group sold an average of 8,600 cars per month across all brands. The closure of dealerships due to the pandemic has brought growth in online trading of used cars while creating demand for second-hand cars in the market. Reasons for this include the chip crisis and fears over the rapid rise of electric mobility. In the autumn, ŠKODA models are among the most sought-after cars, accounting for 28% of the total number of cars sold in the AAA AUTO network in the Czech Republic. ■

### Globus plans two new hypermarkets by 2023

Globus ČR plans to open two new hypermarkets in Central Bohemia by 2023. Within Prague, the retail chain will start operating in one of the existing shopping centres. Investments will also be made in renovations. Hypermarkets in Prague Čakovice and České Budějovice are being converted into stores of a more modern European format. Globus opened its first hypermarket in the Czech Republic on 4 November 1996. There are now 15 in the Czech Republic. Each includes a bakery, a pastry shop, a butcher's shop and a kitchen with a restaurant. Currently, customers can find 130 thousand items of goods. Globus produces more than 800 of its own food products marked with the Honest Globus logo. In 2018, it also launched the iGlobus.cz e-shop and launched the My Globus mobile app. ■

### ŽĎAS to replace carbon technologies, preps PVPP

Increases in commodity and allowance prices are reflected in ŽĎAS's economic results with losses in the tens of millions of CZK. CEO Pavel Cesnek told ČIANEWS that because the company has a thermal power plant, the expensive allowances cause increased costs for heating the company and also a higher cost of their own electricity production. As the Metallurgy division falls under the EU ETS, the more expensive allowances are reflected in increased production costs. The company expects to gasify the heating plant, which burns mainly coal, in the next few years. It will gradually replace carbon-based technologies in its production processes and is preparing to install PV power plants including storage. It expects further investments in energy savings and the use of secondary sources. ■

### mBank with 715,500 clients in CR at the end of September

At the end of the third quarter of 2021, mBank served 715,500 clients in the Czech Republic. The Polish group added that their number was 697,000 in

the same period of last year. The volume of loans to retail clients amounted to PLN 6.65bn, while deposits totalled PLN 11.37bn. The number of clients in Slovakia was 307,200 (2020: 298,300). The volume of retail loans totalled PLN 2.94bn, and deposits amounted to PLN 4.67bn. ■

### Raiffeisenbank increases Q1-3 profit to CZK 2.9bn

In the three quarters of 2021, Raiffeisenbank posted a net profit of CZK 2.89bn, up 69.5% y/y. The volume of provided loans totalled CZK 259bn (up 1.5%). The volume of received deposits was CZK 419bn (up 29.2%). Total assets increased 24.1% to CZK 525bn. General director Igor Vida said that there was still a high interest in mortgage loans. The demand for corporate loans revived in Q3. Business transactions with Prague Airport and Vítkovice Cylinders were closed. He pointed out that the bank had introduced BankID. Raiffeisen stavební spořitelna was fully integrated into the Group, and the takeover of ING's retail clients was completed. The bank is now concentrating on its merger with Equa bank. ■

### LIBERTY Ostrava reflects more expensive energy in prices

The current situation is causing LIBERTY Ostrava a high increase in energy costs, as it uses electricity and gas a lot regarding the current maximum production at the foundry. This information was provided to ČIANEWS by spokeswoman Barbora Černá Dvořáková who added that the company with a comprehensive foundry cycle also used other types of energy, such as steam, blown air, compressed air and heat. The foundry does not have fixed energy prices, as it prefers maximum contract flexibility and transparent market prices. LIBERTY Ostrava buys energies from TAMEH Czech, with many supplies contracted for one year. Some electricity and gas are purchased on the market. The foundry is reflecting the increased costs in its product prices. The foundry would be helped by compensations of indirect expenses for 2021 at the maximum level. It would also welcome a temporary decrease in the payment for renewable energy sources and an investigation of the possibility of transferring EUAs to auctions that could decrease their price. ■

### WEDO to spend hundreds of millions of CZK on technologies

WEDO plans to invest hundreds of millions of korunas in technologies, according to general director Daniel Mareš. He added that the consignment carrier deployed a new application for e-shops and was working on a customer application. This year's most significant investment, worth CZK 0.5bn, is creating a transshipment hub in Ostředek on the D1 motorway. In one year of its activities on the market, WEDO has transported almost 10m consignments. The number of pick-up points has increased to 1,200, and the company has also launched 100 pick-up boxes. The company was created based on taking over the then courier service InTime and the Uložěnka network of pick-up points. Over the past year, it has increased its turnover by 40%. Mareš added that WEDO would continue strengthening its pick-up network and look at acquisitions abroad. ■

### Domoplan to build resorts & flats in Croatia and Serbia

Brno-based Domoplan is expanding abroad and is preparing to build holiday resorts in sea destinations on the Croatian islands of Hvar and Pag. At the same time, it is planning to realise residential projects in Belgrade, Serbia. Domoplan is also growing in the Czech Republic. It has recently started constructing its so far largest project worth CZK 2.2bn in Brandýs nad Labem-Stará Boleslav. The Na Mariánské cestě residence will offer 321 flats of various sizes. The completion of the first phase is planned for the second half of 2024. Currently, Domoplan has five large projects under construction all over the country that will offer over 700 flat units worth more than CZK 4bn in total. ■

### FutureLife purchased Nij Group's Dutch clinics

With the support of its shareholders, including Hartenberg Holding, FutureLife acquired Nij Group, a private infertility treatment provider in the Netherlands. The Nij Group consists of a total of three assisted reproduction clinics, the independent online pharmacy Serpha, the Legropharma drug wholesaler and the Nij Science educational institution for reproductive medicine professionals. In 2021, Nij Group expects sales of over EUR 20m euros and more than 6,500 treatment cycles. The FutureLife Group expects sales of more than EUR 180m. ■

### Domoplan to build 321 flats in Brandýs for CZK 2.2bn

In Brandýs nad Labem - Stará Boleslav Domoplan will build a residential complex for more than CZK 2.2bn. The Na Mariánské cestě project will offer 321 apartments inspired by Scandinavia. There will be small units and family apartments. The project will also include a kindergarten, saunas, a sports field, a workout zone, grill points and a community garden. The first stage will start at the beginning of 2022. Its completion is planned for 3Q 2024. The second stage will start next autumn and is expected to be completed in

1Q 2025. ■

### Panattoni building 300,000 m2 of logistics halls in 3Q

Panattoni had 300,000 m2 of production and logistics halls under construction in the Czech Republic in 3Q 2021. The most important project is a robotic distribution center for Amazon. A four-storey building with a storage area of almost 190,000 m2 is being created on a brownfield near Kojetín in the Písecký region. Among other things, the construction of an area of 27,880 m2 in Panattoni Park Cheb for Tchibo and 13,500 m2 in Zdice in the Beroun region for Doosan Bobvat is underway. Panattoni director Pavel Sovička said that the company is seeing high demand for real estate throughout the supply chain also in the next twelve months. ■

### PKN ORLEN raises revenues in Czech Republic by 9%

ORLEN Group reported LIFO EBITDA of PLN 4.3bn for 3Q 2021, up by PLN 2.3bn y/y. Net profit reached PLN 2.9bn (PLN +2.3bn). The main source of performance continues to be sales on foreign markets, which account for approximately 60% of sales. In the Czech Republic, sales increased by 9% thanks to the annual improvement in the operating parameters of the PE3 unit and higher product availability. In 3Q, the Group implemented key development projects with an investment cost of PLN 2.5bn. The completion of the acquisition processes of LOTOS Group and PGNiG continues. ■

## MACROECONOMIC DATA AND POLLS

### GDP grows by 2.8% y/y, employment grows by 0.6%

Gross domestic product in 3Q 2021 was estimated by the Czech Statistical Office to have increased by 2.8% y/y. Growth was driven exclusively by domestic demand, especially household final consumption expenditure and gross capital formation. Government final consumption expenditure also rose. In contrast, exports of goods declined. Growth in gross value added (GVA) was most strongly influenced by developments in the trade, transport, accommodation, and food services industry group. Employment was 0.6% higher y/y. ■

### Analysts: GDP growth slowed down by automotive

The recovery of the domestic economy is slower as a result of problems in the industry. GDP growth in 2021 will not exceed 3%, as it seemed in the middle of the year. Jakub Seidler, the chief economist of the Czech Banking Association, said this in response to the Czech Statistical Office data, adding that it will be a success if the domestic economy grows by at least 2.5%. Martin Gürtler, an economist at Komerční banka, added that GDP was limited by problems in the automotive industry. These are linked to a global shortage of materials and inputs for production. Supply continues to be constrained by pandemic-related obstacles. This negative impact is likely to persist for much of 4Q. ČSOB analyst Petr Dufek expects that the economy could accelerate next year once transportation routes become clearer, extreme commodity prices correct, and automakers have something to produce from again. ■

### IHS Markit: PMI fell to 55.1 points

The Purchasing Managers' Index (PMI) for the Czech Republic weakened month-on-month to 55.1 from 58 points in October 2021. IHS Markit informed that the index has lost seven points since its peak in June. Higher values were hindered by a new decline in production volumes and new orders. The main brake on the manufacturing sector was supply-side problems. Delayed deliveries of inputs and lack of essential materials from suppliers thwarted production plans and customer demand. ■

### FinMin: Budget balance reached CZK -335.0bn at end-Oct

At the end of October 2021, the state budget ended with a deficit of CZK 335.0bn. After adjusting for EU revenues and financial mechanisms, as well as expenditures on these projects, the deficit amounted to CZK 334.4bn. The Ministry of Finance of the Czech Republic informed that the limited economic activity at the beginning of the year, deepened by a reduction in taxation on labor, capital or property and a change in the budget allocation of taxes, has a negative impact on the collection of state budget tax revenues. Together with the support of the state affected by the economy, the health care system and households, these are the main causes of the year-on-year decline in the state budget by CZK 61.0bn in the first 10 months of the year. ■

### ČNB: Banks approve loans for CZK 41.4bn in COVID III

As of September 30, 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 corporations. 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 10 399 applications. The banks have approved 6,426 applications worth CZK 41.39bn so far. The total number of applications submitted under the COVID EGAP programme reached 169. The number of approved applications amounting to CZK 17.0bn was 122. ■

### Analysts predict increase in ČNB rates by at least 0.50 pp

The Czech National Bank (ČNB) is likely to continue the rapid pace of interest rate increases. This was stated by Komerční banka economist Martin Gürtler, who said that on November 4, 2021, he expects the repo rate to increase by another 0.50 pp. However, according to him, the risks are skewed in the direction of an even higher rise. Raiffeisenbank analyst David Vagenknecht predicts rate growth of 0.50 to 0.75 pp. At the same time, as part of the new forecast, the ČNB expects an increase in the inflation estimate and a reduction in expected GDP growth. Platební instituce CEO Roger Adam Šoukal said that the rise in interest rates is putting pressure on the koruna to strengthen, which is for the time being offset by an increase in Covid cases and political uncertainty. According to him, it is possible to expect a negative impact on Czech exporters. ■

### EBRD cut outlook for CR and Slovakia

The European Bank for Reconstruction and Development (EBRD) has revised its forecast for Czech GDP growth in 2021 by -0.6 pp to 3.4%. In addition, the forecast for 2022 improved by 0.8 pp to 4.6% in November compared to June. Regarding economic developments in Slovakia, the EBRD forecasts growth of 4.0% in 2021 and 5.0% in 2022. Compared to the summer forecast, the outlook for 2021 has deteriorated by 0.5 pp. The forecast for 2022 remained unchanged. ■

### CRIF: 54,206 people have started doing business YTD

In October 2021, 4,486 people started a business in the Czech Republic, 2,000 fewer than in September. 5,546 entrepreneurs discontinued their business and 1,499 permanently ended it. The number of discontinued trades fell by 1,658 month-on-month, and the number of terminated trades by 1,230. This stems from an analysis by CRIF - Czech Credit Bureau. In the first ten months of 2021, 54,206 people started a business, up 1,000 y/y on 2017 or 2018. The highest number of newly established trades per number of closed ones is in Prague and the Central Bohemia Region. ■

### CRIF: Entrepreneurs owe CZK 116.4bn; 4.8% in default

At the end of August 2021, 143,000 natural entities-entrepreneurs, i.e., approximately 13% of all active entrepreneurs, had a loan with a bank or other financial institution in the Czech Republic. The total volume of their debt amounted to CZK 116.4bn. A total of 6,934 entrepreneurs were unable to pay their loans off properly; the total debt in default was CZK 2bn. On average, 4.8% of entrepreneurs were not paying off their loans, according to figures from the Client Information Banking and Non-banking Registers of Czech Non-Banking Credit Bureau (CNCB) and Czech Banking Credit Bureau (CBCB). They were published by CRIF – Czech Credit Bureau, the organiser of both registers. ■

### SDA: Car registrations increase to 174,494

Between January and October 2021, the number of new car registrations in the Czech Republic grew 5.66% y/y to 174,494. A total of 15,789 light utility vehicles (2020: 13,676), 831 buses (1,049), 6,897 trucks (5,696) and 20,093 motorcycles (19,073) were registered in the country, according to statistics published by the Car Importers Association (SDA). The most registered car brand was ŠKODA with 59,834 vehicles, followed by Hyundai with 16,419 and Volkswagen with 15,043. There was also an increase in the registrations of electric cars (up 25.6%) and plug-in hybrids (up 17.9%). The number of imported used cars continues to exceed the number of newly registered cars. ■

### Unemployment drops to 2.7%, employment at 74.8%

In September 2021, the seasonally adjusted general unemployment rate of people between 15 and 64 years dropped 0.2 pp y/y to 2.7%, according to figures from the Czech Statistical Office. The employment rate totalled 74.8% (up 0.6 pp). The rate of economic activity grew 0.4 pp to 76.8%. Labour Market Statistics and Equal Opportunities department director Dalibor Holý said that the number of job seekers was the highest in March 2021. Since then, unemployment has been dropping. According to him, there is a mirrored increase in the number of the employed that was close to pre-Covid values in September. According to Eurostat, the general unemployment rate of people in the Czech Republic aged between 15 and 74

was 2.6% in September 2021. ■

### Unemployment rate down 0.2 pp to 2.8% in Q3

In the third quarter of 2021, total employment increased by 23,900 persons year on year. According to the International Labour Organization methodology, the number of the unemployed dropped 8,300, and the number of economically non-active, including children up to 15 years of age, was 12,000 lower. In the secondary sector of industry and construction, employment dropped 16,000 to 1.93m. On the other hand, the number of persons employed in the construction sector was 16,700 higher. In the third quarter, the general unemployment rate for the age group of 15 to 64-year-olds dropped 0.2 pp to 2.8%, according to figures from the Czech Statistical Office. ■

### Grafton: Production increases wages only in expert posts

Even though there is a shortage of hundreds of thousands of workers and craftsmen in production companies, their hiring wages have not increased over the past year, according to a survey conducted by HR agency Grafton Recruitment. Director Martin Malo said that wages had risen practically only for expert positions, especially in Central Bohemia, South Moravia, and Moravia-Silesia. A production worker in Prague (up to CZK 35,000) earns the highest wage. The lowest wages are in Moravia-Silesia, where 12 positions make less than CZK 30,000 per month. In 2021, the highest shortage is of electricians, welders, locksmiths, cutters, designers, experienced operators, and technologists in production. An outflow of foreign workers enhanced the long-term shortage of these employees. ■

### Fincentrum: Mortgage market may exceed CZK 400bn in 2021

Results of the Czech mortgage-loan market for 2021 will attack or even exceed CZK 400bn. This prediction was made by Fincentrum & Swiss Life Select analyst Jiří Sýkora, adding that until September 2021, banks had provided mortgage loans worth CZK 323.4bn. This was almost 90% more than in the same period of 2020. He added that everything seemed to be hinting at the Czech National Bank's bank council again increasing basic interest rates at its November meeting, namely by 0.5 to 0.75 pp. According to him, it can therefore be expected that mortgage rates of some banks will exceed 5%. The average interest rate for a mortgage loan approved in September was 2.43%. ■

### Shoptet: Third of e-shops to hire staff before Christmas

Up to one-third of Czech online shops plan to hire temporary staff in the pre-Christmas period. Merchants feel a shortage of staff the most in product despatching, according to a survey conducted by Shoptet. They also need to deal with the threat of delayed goods supplies or a shortage of materials. These shortages mainly apply to supplies of electronic products and are affected by a lack of chips. Packaging materials are also in short supply, and the price of transportation is increasing. ■

### ČAP: Premium billing increased to CZK 110.8bn at end-3Q

Total premium billing according to the methodology of the Czech Insurance Association (ČAP) reached CZK 110.84bn at the end of 3Q 2021. It increased by 4.7 % y/y, in 2020 it was by 3.6 %. Premium billing in life insurance increased by 2.7 % to CZK 36.19bn. Active contracts decreased by 2.3 % to 4.93m. Premium billing in non-life insurance increased by 5.7 % to CZK 74.65bn. ■

### ČNB: Banking sector's balance sheet total is CZK 9tn

The balance sheet total of the Czech banking sector reached CZK 9.0tn at the end of September 2021. This is based on statistics from the Czech National Bank (ČNB). The dominant item on the asset side of the balance sheet are loans granted to residents. Their volume amounted to CZK 6.45tn. The volume of deposits of residents, which is the most significant item of the banking sector's liabilities, amounted to CZK 5.78tn. The value of loans granted to resident households in the Czech Republic increased by CZK 19bn m/m and reached CZK 1.99tn. ■

### MZ: Vaccination completed for 67.0% of 16+ population

As of November 1, 2021, 6,079,757 persons over 16 in the Czech Republic received at least one COVID-19 vaccine. This represents 68.5% of this population. Of this number, vaccination was completed for 5,947,600 persons (67.0%). Completed vaccination totalled 32.2% for the youngest monitored age category (12-15), 52.0% for people aged between 16 and 29, and 82.0% for those over 80, according to data published by the Czech Ministry of Health (MZ). ■