

EVENTS OF THE WEEK

EC approves CR's regional support map for 2022-2027

The European Commission (EC) has approved the Czech Republic's map to provide regional support between January 1, 2022 and December 31, 2027. The Union's revised instructions give more opportunities to support regions facing a transition or structural problems to join the environmental transition and digitisation. A total of 87.76% of the population of the Czech Republic lives in the regions entitled to investment support. These regions include Northwest, Northeast, Central Moravia and Moravia-Silesia that belong to the most disadvantaged areas in the EU with GDP per inhabitant lower than 75% of the EU's average. The maximum intensity of support of corporations is between 30% and 40%. For Central Bohemia, Southwest and Southeast regions, the maximum intensity of support is between 15% and 25%. The subsidies are higher for smaller and medium-sized enterprises. ■

Thein Fund buys Czech firm H-Square ICT Solutions

J&T Thein SICAV, Digital subfund, has completed the acquisition of Czech security firm H-Square ICT Solutions. Its founder, Jan Pinta, will join the Thein Group's security team. With the acquisition, the fund strengthens its competence in ICT security. H-Square will focus on technology from US security company Palo Alto Networks. It currently holds Palo Alto Networks' highest vendor certification, Diamond Innovator Partner. H-Square becomes a partner of Palo Alto Networks also in Slovakia. ■

IndustryMin: Entrepreneurs can get up to CZK 35m

The Ministry of Industry and Trade of the Czech Republic has announced a call from the Real Estate for Entrepreneurs program from locations affected by the tornado. CZK 1 to 35m can be obtained for the renovation of damaged establishments. The new call operates within OP Enterprise and Innovation for Competitiveness. The ministry has prepared CZK 500m in the program and will start accepting applications on August 16, 2021. In the previously announced Tornado Assistance program, where entrepreneurs can apply for CZK 1m, the ministry registers 173 pending applications. The collection of applications for this program began on June 30 and will end on September 30. CZK 200m is prepared for companies and entrepreneurs to compensate for damage after the storm. ■

Energy Development takes over Energy 21 with 36 PVIs

Austria's Energy Development has completed the takeover of a portfolio of photovoltaic installations (PVIs) in the Czech Republic that was owned by Chinese CEE Equity Partners. Energy Development added that the takeover applied to the Energy 21 Group that owned 36 PVIs in the Czech Republic with a total installed output of 71 MW. The portfolio will be integrated into Energy's already existing 21 MW platform in the Czech Republic. ■

Patria fund gets retail parks in Kolín and Mohelnice

The Patria Logisticko-Retailový Fond fund has purchased two retail parks with a total area of 12,000 m². They also showed resilience during the pandemic. Its assets now include the Kolín-Ovčáry Retail Park (RPKO) and the Mohelnice Retail Park (RPM). The seller was development company KPD Group. RPKO has an area of 8,950 m², and its tenants include Lidl, Teta, Pepco, Super Zoo, Deichmann, and Style. RPM was created through reconstructing a Tesco store, and its area is 2,750 m². It offers goods from Mountfield and Jysk. Patria investiční společnost is a member of the Patria Group and part of ČSOB and the global KBC Group network. ■

MD: Krušné Hory Tunnel to be built by ILF-led consortium

The Railway Administration (SŽ) and DB Netz, as a joint contracting authority, have chosen a planner for the Krušné Hory Tunnel that will be built as part of a high-speed track from Prague to Dresden. The planner will be a consortium of companies led by ILF Consulting Engineers Austria, according to the Czech Ministry of Transport (MD). The planners will start working on the documentation in the coming days. It should be done in 2024. The tunnel will be 30 km long. The feasibility study counts on using it for personal and cargo transport. It will enable to transfer up to 150 trains with goods from the River Elbe valley. ■

TOP HEADLINE NEWS

CNB raised 2W repo rate to 0.75%**MD: D1 modernization for CZK 24bn to be completed in Oct****ŠKODA AUTO increases vehicle supplies by 21%****Star Group wants to close 3 deals in Prague and area****GDP up 7.8% in Q2 2021; employment up 0.4%****Currency and Bourse**

Currency	Value	% w/w
CZK/EUR	25,42	-0,079
CZK/USD	21,45	0,093
CZK/GBP	29,90	0,134
CZK/CHF	23,68	-0,127

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

Prague bourse

Share	Value	% w/w
AVAST	↗ 173,20	0,115
ČEZ	↗ 618,50	0,404
ERSTE	↗ 852,80	0,844
Kofola	↗ 279,00	0,358
KB	↗ 826,00	0,726
Moneta	→ 88,00	0,000
O2 C.R.	↗ 263,00	0,190
PM	↗ 14 960,00	0,134
Stock	→ 80,30	0,000
CZG	→ 424,00	0,000
VIG	↗ 601,00	0,582

PX index ↗ 1232,67 0,416

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	7,8
1Q/2021	-2,4
4Q/2020	-4,8
3Q/2020	-5,0

Q/Q real

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

Source: Czech Statistical Office

ECONOMIC POLICY

CNB raised 2W repo rate to 0.75%

The Czech National Bank (CNB) board raised on August 5, 2021, the two-week repo rate by 25 basis points to 0.75%. At the same time, it decided to raise the Lombard rate by 50 basis points to 1.75%. The board left the discount rate unchanged at 0.05%. The new interest rates are effective from August 6, 2021. ■

MD: D1 modernization for CZK 24bn to be completed in Oct

The Ministry of Transport of the Czech Republic (MD) is completing the construction of the new D1 after eight years. The Minister of Transport, Karel Havlíček (for ANO), said that the construction companies would remove the last narrowing within two months and make the entire 160 km accessible to drivers after the first weekend of October 2021. As part of the D1 modernization, work is still underway on the last three sections, which are: Koberovice - Humpolec, Velký Beranov - Měřín and Devět křížů - Ostrovačice. Their total length is 33.8 km. The completely newly built highway will cost a total of CZK 24bn and is co-financed by European funds. ■

Havlíček: EDU's Unit 5 construction to start in 8 years

The construction of Unit 5 of the ČEZ Group's Dukovany nuclear power plant (EDU) will start in eight years. This statement was made by Minister of Industry and Trade Karel Havlíček (for ANO), who added that a realistic commissioning date was 2036. As ČIANEWS reported earlier, bidders from France, South Korea and the United States were included in the security review related to the EDU completion. Information gathering should finish at the end of November 2021. According to Havlíček, the state is ready to fund up to 100% of the investment related to the completion. Estimated costs total CZK 199bn. The basic premise for the state is the buyout price of energy at the level of EUR 50/MWh. ■

MD: Further ECTS will require CZK 90bn

With the Railway Administration (SŽ), other experts and regions, the Czech Ministry of Transport (MD) are preparing a Plan for Securing the Czech Railroad – Implementing ETCS by 2040. In September 2021, it will be reviewed by the government. It counts on CZK 90bn in costs. The busiest roads in the TEN-T network should have ETCS coverage by 2030. Currently, 569 km of track is covered by the system, 560 km of which are in pilot operation. Preparation is underway on other sections. The security on the route between Uničov and Olomouc is being completed, where operation under ETCS surveillance will start in 2023. The MD and the SŽ are preparing to invest over CZK 100bn in the next 20 years in rail security. In addition, the SŽ will modernise 200 rail crossings for CZK 2bn this year. ■

ÚOHS: EC approved support for self-employed

The European Commission (EC) has approved support in the form of a postponement of the deadline for submitting the statement of income and expenditure for 2020 and for the related payment of the balance of public health insurance premiums. It was reported by the Office for the Protection of Competition (ÚOHS) that the aim is to alleviate liquidity restrictions and the consequences of government measures introduced against the spread of coronavirus COVID-19. The total amount is to reach CZK 112.5m benefiting approximately 900,000 self-employed persons. ■

ÚOHS: EC approved support for passenger train transport

The European Commission (EC) has issued a positive decision on an aid measure that will allow the state to pay compensation to railway passenger carriers as a result of the pandemic in the first half of 2020. The Office for the Protection of Competition (ÚOHS) stated that the total amount of aid is CZK 800m. It will be paid both to carriers that fulfill the so-called public service obligation and to commercial carriers. ■

FS processes 2.4m applications for compensation bonus

The Financial Administration (FS) has announced that August 2, 2021 was the deadline for filing applications for a compensation bonus. Since its launch in 2020, the FS has processed more than one million applications for the spring bonus period, 834,000 applications for the autumn bonus period, and almost 577,000 applications for a new compensation bonus in 2021. The programme was designed for sole traders, associates in small, limited liability companies and persons working on an agreement to whom the FS had paid out bonuses worth almost CZK 44bn. According to the FS, the compensation bonus was one of the most effective forms of state support. It helped small entrepreneurs overcome the COVID-19 pandemic. ■

MPs approved pension increase by CZK 300 over indexation

The Chamber of Deputies has approved an increase in pensions by CZK 300 in excess of the amount stipulated by the law. At the same time, the MPs agreed to increase pensions by CZK 500 for those who were raising children. Minister of Labor and Social Affairs Jana Maláčová (ČSSD) said the Senate would still fine-tune early pensions for, among others, firefighters and rescuers. According to estimates by the Ministry of Labor and Social Affairs, pensions should increase by CZK 797 (by 5.2%) in 2022, taking into account the additional increase. The average pension should thus amount to approx. CZK 16,275 and reach approx. 43% of the average wage. ■

MIT to allocate further CZK 300m from COVID Culture

The Ministry of Industry and Trade (MIT) has together with the Ministry of Culture of the Czech Republic published the fourth call from the COVID Culture program, within which the ministries will distribute CZK 300m. The support is intended for organizers of cultural events whose income has fallen by at least 50% due to the pandemic. From August 3, 2021, artists, organizers of music festivals, operators of music clubs, technical companies that provide cultural events, orchestras, theaters, non-governmental non-profit organizations in the field of culture and circus organizers can apply for the subsidy. The maximum amount of the subsidy per applicant is CZK 5m. ■

MSp submits proposal for preventive restructuring

The Ministry of Justice (MŠP) is submitting a draft legislation implementing the Restructuring and Insolvency Directive in the part concerning preventive restructuring. This offers entrepreneurs a tool to avert impending bankruptcy and save viable business establishments. The proposal is based on the negotiation of the measures making up the restructuring plan between the business and its creditors. The preparatory phase takes place in private informal negotiations. The material is in the comments procedure. ■

MPO to distribute CZK 195m in Obchůdek program by 2025

Until October 29, 2021, regions can apply for support from the Obchůdek 2021+ program prepared by the Ministry of Industry and Trade (MPO). The total amount of CZK 195m is earmarked for this period. Operators of grocery stores and general merchandise stores in small municipalities will be able to receive financial support for the operation of up to CZK 100,000. The director of the Department of Business Environment and Business Administration of the Ministry, Pavel Vinkler, specified that the first call is announced by the Ministry now, the last one will be in 2025. The submission of applications and their evaluation takes place in the AIS MPO system. The program website will be launched soon. ■

MMR: Živel program concluded 16 contracts for CZK 24,050,200

The Živel program, which was opened by the State Investment Support Fund (SFPI), received a total of 761 grant applications on August 3, 2021 and had already paid 57 advances for demolition and project documentation for new dwellings for CZK 28.5m. Sixteen contracts have been concluded to obtain a subsidy in the amount of CZK 24,050,200. The program helps people with the restoration of housing in southern Moravia and Louny, which had been affected by devastating natural disasters. This information was provided by the Ministry of Regional Development (MMR), under which the SFPI belongs. ■

Govt approves justification for respirators

The government has approved an amended emergency measure issued by the Czech Ministry of Health regarding the protection of respiratory ways, through which the Ministry reacts to the decision of the Supreme Administrative Court. Minister of Health Adam Vojtěch (for ANO) said that the Court had not challenged the measure itself but had required a more detailed substantiation for wearing respirators. The amendment comes into effect on July 31, 2021 and follows the court-cancelled measure. The government has also approved two days of paid leave for state employees who have been or will be vaccinated. ■

Zeman confirms the right to defend oneself with weapon

President Miloš Zeman has signed a constitutional bill that amends the Charter of Fundamental Rights and Freedoms and complements it with the right to defend oneself and others with a weapon. The amendment is a reaction to European disarmament efforts. The President further signed an amendment to the act on fertilisers. He also signed a bill on special methods of voting in the election to the Chamber of Deputies of the Parliament of the Czech Republic, a bill on recovery and resolution in the financial market, and an amendment to the notarial procedures. ■

PAK prepares projects worth CZK 10bn for drawing EU funds

The Pardubice Region (PAK) has already collected 155 projects for the 2021+ programming period in the total amount of over CZK 10bn, which have the ambition to obtain support from the EU funds. Regional Governor Martin Netolický (ČSSD) said that these are projects applicable in the Integrated Territorial Investments (ITI), in the Regional Action Plan (RAP), in individual calls or in other new programs and financial instruments. They include, for example, ReactEU, the Modernization Fund or the National Recovery Plan. Projects for culture, IT and social areas were selected for ITI 21+.

PAK contracted transport services for CZK 6.75bn

The Pardubice Region (PAK) has signed contracts for the provision of bus transport services on its territory. The total value of the ten-year contract for all areas and carriers is CZK 6.75bn. The association of BusLine LK and BL14 won in the Jevíčko, Litomyšl, Lanškroun and Ústí nad Orlicí district. The Přelouč area will be served by Umbrella Coach & Buses; the Polička area by ZDAR. Arriva Východní Čechy will run in the Chrudim region, and the Holic area will be served by Car-Tour. Carriers should travel in the region from December 12, 2021.

COMPANY NEWS

ŠKODA AUTO increases vehicle supplies by 21%

In the first half of 2021, ŠKODA AUTO, increased global supplies of vehicles by 20.8% y/y to 515,300 vehicles despite the pandemic situation. The carmaker recorded an increase in Russia (+54.3%), India (+31.2%) and Western Europe (+30.9%). Revenue grew 35.2% to EUR 10.2bn. Its rate of return amounted to 9.6%. The operating profit was 327.2% higher and totalled EUR 974m. ŠKODA AUTO board member Martin Jahn said that after the launch of the ENYAQ iV model, the impulse for further growth would also be the new generation of the FABIA model and the recently facelifted KODIAQ. By 2030, ŠKODA wants to become one of the top five best-selling brands in Europe. Therefore, it will also focus on electrifying its portfolio further.

KB: Income totals CZK 14.8bn; almost 1m clients have app

In the first half of 2021, Komerční banka's (KB) income dropped 1.8% y/y to CZK 14.8bn. Net profit belonging to shareholders was 15.5% higher and totalled CZK 5.1bn. Loans to clients grew 4.7% to CZK 708.1bn, mainly due to housing loans (+8.9%). Deposits amounted to CZK 996.9bn (+11.0%). The volume of assets in mutual funds, pension insurance and life insurance was CZK 193.5bn (+4.3%). Capital adequacy totalled 23.3%, the Tier 1 capital's share of risk-weighted assets was 22.7%, and the liquidity coverage ratio amounted to 203%. The number of clients with the Mobilní banka application grew by 112,000 to 980,000. The Group served 2.24m clients. KB will participate in projects to lower CO2 emissions to reach carbon neutrality by 2026. The board of directors wants to call an extraordinary general meeting in the fourth quarter of 2021 to decide on awarding an interim dividend from profits in 2019 and 2020 retained due to the pandemic regulator restrictions.

ČS increases profit to CZK 4.6bn, sells most mortgages

At the end of the second quarter of 2021, Česká spořitelna (ČS) posted a non-audited consolidated net profit of CZK 4.6bn, up 43.4% y/y. The increase was affected by a lower formation of risk reserves and higher operating performance. Consolidated assets and liabilities totalled CZK 1.68tn, up 9.0% compared to the end of 2020. The gross volume of the ČS Group's client loans, adjusted for the influence of reverse repo operations, grew 6.4% y/y to CZK 812.5bn. Board chairman Tomáš Salomon said that the ČS results reflected the positive sentiment of households and firms in connection with the improving pandemic situation. He added that loans were driven mainly by mortgages, for which the Group recorded a record number of sales in June.

ČSOB Group ups profit by 91% to CZK 6.6bn in H1

ČSOB Group posted a net profit of CZK 6.6bn in H1 2021 (+91% y/y). Positive factors included high quality of the loan portfolio and the release of provisions. Total loans increased by 2% to more than CZK 804bn. Deposits reached CZK 1.161tn (+9%). The bank's Tier 1 capital ratio is 23.7%. The bank has focused on the development of digitalisation and innovation and the promotion of sustainable business. CEO John Hollows reported that the number of mobile banking users grew by more than 40% and the number of transactions increased by 60%. Under the state-guaranteed COVID loans, ČSOB provided CZK 14.5bn in financing to companies and entrepreneurs.

Star Group wants to close 3 deals in Prague and area

Israeli developer Star Group is going to close up to three exclusive deals in Prague and its surroundings by the end of the year. Of the amount of more than CZK 1bn allocated for 2021, the price of individual acquisitions will in all cases exceed CZK 150m. These are plots for construction on a green field, but also a redevelopment of existing buildings and premises. Currently, the company has exclusive rights to, among other things, a plot of land of more than 20 ha and some properties will be able to produce up to 6% profitability during the project preparation. Star Group is primarily focused on the middle segment and the construction and building of a portfolio of rental apartments.

ČP to open 125 specialised counters with ČEZ

ČEZ Prodej and Czech Post (ČP) have started a strategic collaboration. In České Budějovice, they opened one of the first postal counters where customers can handle their affairs related to the utilities. For instance, they can conclude a new contract on electricity and gas supplies, change it or change the name on the collection point. There will be a total of 125 specialised counters at selected post offices. In the first wave at the beginning of August, ten counters at branches in Blansko, České Budějovice, Jihlava, Tábor, Uherské Hradiště, Vsetín, Vyškov and Zlín are opening. In the first preparatory phase of the project, 22 contact points should be created at 15 selected branches in 2021 and an additional 103 at 58 outlets in 2022.

RSTS granted CZK 8.2bn in loans, posts CZK 210m profit

Raiffeisen stavební spořitelna (RSTS) granted new loans to clients in the amount of CZK 8.2bn in H1 2021, up 65% y/y. Over 43% of the total was granted for renovation and modernisation of households under REKO loans. RSTS also concluded almost 36,000 building savings contracts with a total target amount of CZK 36bn (+8%). The construction savings bank's total assets reached CZK 75.8bn (+0.6%). Net profit increased by 58% to CZK 210m. CEO Pavel Čejka added that RSTS also provides loans for cooperative housing. From March to June 2021, the company provided over a hundred loans worth almost CZK 140m.

Veolia to invest CZK 3bn in transformation and greening

In the next three years, Veolia Energie ČR will invest approximately CZK 3bn to transform and make itself more environmentally friendly, said Group director Reda Rahma. He added that these would be necessary changes needed for the future. He also said that the Group's philosophy was based on a friendlier approach to the environment. As CIANEWS reported earlier, Veolia expects 2021 income to be at the level of last year when it totalled CZK 9.33bn. Last year, the Group generated 20,115 TJ of heat energy and invested in lowering dust, nitrogen, and sulphur oxides emissions.

Pilulka and franchises take in CZK 1.8bn in revenue

Pilulka Lékárny's revenue for the first half of 2021 totalled CZK 1.2bn, up 45% y/y. The franchise network then contributed another CZK 600m to the revenue, which thus totalled CZK 1.8bn. With a 76% year-on-year increase, the Czech online channel contributed the most to the Group's revenue. Pilulka co-owner Martin Kasa said that his company was rebuilding its warehouses and increasing its capacities in Prague, Bratislava, and Bucharest. At the same time, work on opening a second central warehouse in the Czech Republic has begun to increase peak capacity to up to 100,000 despatched items per day.

Bolt secured EUR 600m from investors

Application Bolt received an investment of EUR 600m, increasing the company's value to more than EUR 4bn. The platform will use these funds to benefit a new food delivery service within 15 minutes called Bolt Market and to expand its existing services. In the coming months, it will launch the Bolt Market service in 10 European countries, including the Czech Republic. Finance was provided by investors including Sequoia, Tekne, Ghisallo, G Squared, D1 Capital and Naya. In the last year, Bolt has expanded its customer base worldwide to 75 million. In addition to car pick-up, it also provides a car-sharing service called Bolt Drive and operates shared electric scooters and e-bikes.

VCHD Cargo bought German carrier Völker Logistik

VCHD Cargo has announced the acquisition of the German freight forwarding company Völker Logistik. This is the largest investment in the company's history. This transaction will not only increase the company's competitiveness in international liner transport, but also in shorter distance transport within Germany, including last mile services. The merger will also bring synergies in the area of personnel, particularly in the position of professional drivers. VCHD Cargo entered the German market in 2019 with the establishment of its sister company VCHD Cargo GmbH.

Pale Fire Capital buys Virtual Training with ROUVY app

Investment group Pale Fire Capital is buying Czech firm Virtual Training, the company behind indoor cycling and running training app ROUVY. It is now worth tens of millions of euros. Investors and developers want to strengthen the team, support the further development of the app and cross the two-million active user community threshold in five years. The app has the most users in the US, Canada, England, Germany, Italy, France or Spain. The ROUVY team will be significantly boosted and a number of positions will be opened, not only in Vimperk and Prague. The founders plan to open a workspace for their employees also in Brno. ■

DPO completed sale of EE to ŠKODA TRANSPORTATION

On August 2, 2021, the Ostrava public transit company (DPO) completed the sale of EKOVA ELECTRIC (EE) when it transferred 100 % of the shares to buyer ŠKODA TRANSPORTATION. The preliminary purchase price will exceed CZK 320m. The settlement of the transaction was conditioned by the fulfillment of the so-called postponement conditions, in particular the reconstruction of the roof of one of the production halls, which was completed in June. ■

Group KAPRAIN to acquire rubber company Rubena Náchod

Investment group KAPRAIN has signed an agreement with Trelleborg Bohemia on the purchase of a 100% stake in the rubber company Rubena Náchod. It supplies a wide range of rubber products to the domestic and foreign markets, incl. tires and tubes for bicycles. The director of the KAPRAIN Group, Jaromír Štantejský, said that the investment in Rubena Náchod will strengthen the group's position in the chemical industry and at the same time further diversify its investment portfolio. The goal is to further develop Rubena. ■

DRFG entering photovoltaics market

DRFG ENERGY from the DRFG group is introducing to the market an offer to implement investment projects in the field of renewable sources. It will focus on the installation of photovoltaic power plants on the roofs of retail and industrial buildings as well as the supply of energy to end commercial customers. DRFG's investment director Josef Šilhánek said that clients have the opportunity to start using green energy without the need for their own investment or subsidies. The company will install the first photovoltaics at shopping centers Haná in Olomouc, Gěčko in Liberec and Paráda in Hodonín. The investor of the projects is DRFG ENERGY and the implementer is Czech Green Energy. ■

Raiffeisenbank posts CZK 1.69bn profit for H1 2021

In the first half of 2021, Raiffeisenbank posted a profit of CZK 1.69bn (up 26.1% y/y). The volume of loans provided to clients dropped 0.6% to CZK 251bn. There was a decrease in the number of project loans provided to companies. Received deposits grew 28.3% to CZK 411bn. The bank's total assets amounted to CZK 513bn (up 24.0%), and capital adequacy was 26.28%. CEO Igor Vida said that in acquiring new clients from the segment of small and medium-sized companies, the bank recorded a 17% year-on-year increase. More than 25% of requests from corporate clients to draw credit lines were submitted digitally via internet banking. In 2021, the bank plans to process 40% of all requests for drawing loans digitally. ■

Panattoni to build CZK 1.5bn logistics park in Slovakia

BHS Real Estate Fund, in collaboration with the builder of industrial real estate, Panattoni, will build a new logistics park near Bratislava. The Panattoni Park Bratislava North project reacts to the pandemic-caused high demand for warehouse premises that would have great traffic connections in Slovakia, Austria, the Czech Republic, and Hungary. The logistics site will be built on 330,000 m² and at the connection to the D2 motorway. The investment will exceed CZK 1.5bn. In the first stage, two modern halls with a host of sustainable elements with 12,000 m² and 6,000 m², will be built. Both halls will want to gain the BREEAM New Construction high certification. ■

AŽD to secure track in Serbia with EUR 11.5m subcontract

AŽD Praha has succeeded with its bid to supply control-command signalling systems for the Subotica-Horgoš route in Serbia. The project's main contractor is a consortium of companies consisting of Karin komerc MD Doo Veternik and RZD International. AŽD will be acting as a sub-contractor. The value of AŽD's supply is EUR 11.5m. The implementation will take 11 months. Within the modernisation, AŽD will be implementing the fully electronic ESA 44 station interlocking system in four train stations. In addition, the company will secure the entire track with a Level 1 ETCS system. Apart from Serbia, the company is currently working on projects in Montenegro, Bosnia and Herzegovina, and Croatia. ■

Letiště Praha posts CZK 687m operating loss

The Letiště Praha Group posted an operating loss of CZK 687m for 2020. The COVID-19 pandemic had a negative effect on the results. The Group used the restricted operation to perform needed reconstructions and modernise the airport infrastructure. It continued making the entire airport more sustainable and digital. Letiště Praha's gross operating loss totalled CZK 459m. A total of 3.7m passengers were handled (down 80% y/y). Czech Airlines Handling (CSAH) posted a gross operating loss of CZK 126m, and Czech Airlines Technics (CSAT)'s was CZK 102m. ■

MACROECONOMIC DATA AND POLLS

GDP up 7.8% in Q2 2021; employment up 0.4%

According to a preliminary estimate, gross domestic product (GDP) adjusted for price influences and seasonally grew 7.8% y/y and 0.6% q/q in the second quarter of 2021. This information was provided by the Czech Statistical Office (ČSÚ), which added that the year-on-year growth was mainly affected by foreign demand and expenditures towards the formation of gross capital. Final household consumption expenditures also increased. Employment grew 0.4% y/y and 0.8% q/q. ■

Analysts: Preliminary GDP result for Q2 is disappointing

The preliminary result of the Czech GDP for Q2 cannot be called anything else but disappointing. The 0.6% growth significantly lagged behind the market expectations. In reaction to statistical data, this statement was made by ČSOB analyst Petr Dufek. He added that the Czech economy grew 7.8% y/y, but only due to a very low comparative base of the first pandemic wave when GDP dropped almost 11%. Raiffeisenbank analyst David Vagenknecht expects the economy to continue in its quarter-on-quarter growth and approximation to pre-pandemic values, which, according to his forecast, it should reach at the beginning of 2022. He expects real GDP to grow 3.7% on average in 2021. Komerční banka economist Martin Gürtler added that ongoing problems in industrial production related to shortages of production inputs remained the most significant risks for economic growth. ■

IHS Markit: PMI slowed to 62 points

In July the Purchasing Managers' Index (PMI) for the Czech Republic weakened month-on-month to 62.0 points from 62.7. IHS Markit informed that the PMI nevertheless showed the second largest improvement in operating conditions in the manufacturing sector since the start of data collection in June 2001. The result was supported by continued strong growth in production and new orders. The rate of input price inflation accelerated to the highest rate in the history of measurement. Higher supplier prices were commonly associated with a serious shortage of materials, which led to a record extension of delivery times. Concerns about capacity pressures and lack of supply suppressed companies' optimism about production in 2022. ■

Unadjusted retail revenues up 7.2% in June

Retail revenues adjusted for calendar effects grew by 7.1% y/y in real terms in June 2021, and by 7.2% excluding adjustments. The data were published by the Czech Statistical Office. Month-on-month, seasonally adjusted revenues excluding motor vehicles increased by 0.6% in real terms, with fuel sales up by 3.7%, food sales up by 0.4% and non-food sales up by 0.1%. Seasonally adjusted revenues from the sale and repair of motor vehicles fell by 2.1% month-on-month. They were 15.7% higher year-on-year on an adjusted basis and 15.7% higher on an unadjusted basis. ■

Analysts: to grow 6%, easing leads to recovery

Retail sales will grow at a rate of five to six per cent in the coming months, ČSOB's economist Petr Dufek commented on data from the Czech Statistical Office. Komerční banka's analyst Michal Brožka said that the easing of restrictions had led to a recovery in retail sales. All main product groups of stores recorded an increase in sales. Only car sales are lagging behind. UniCredit Bank economist Jiří Pour added that retail sales show strong household demand. This was fuelled by a willingness to realise unrealised demand. He expects solid sales growth in the coming months, albeit slower. Household consumption will remain the driver of the economy. ■

CBRE: Industrial market in CR up 29%

Industrial space take-up in the Czech Republic reached 390,000 m² in Q2 2021, a quarter-on-quarter increase of 29%. Total leasing activity decreased by 39%. Net demand was mainly driven by distribution companies (34%), closely followed by the logistics sector (31%) and manufacturing companies

(27%). Development investment company CBRE reported that the largest new transaction was the 33,300 m² expansion of P3 Lovosice, which was acquired by tenant FM Česká. Rents were increased to EUR 5.30/m²/month, with further increases expected by the end of the year. 113,300 m² has been delivered to the market in 12 halls in 8 regions, of which 89% is already occupied. Nearly 690,000 m² is under construction, 77% of which is pre-let. ■

Unemployment rate increases to 2.9%

In June 2021, the adjusted general unemployment rate for the age category of 15 to 64 years grew 0.1 pp y/y to 2.9%. The unemployment rate was 2.4% for men and 3.6% for women. The employment rate dropped to 73.7% (-0.4 pp), according to figures published by the Czech Statistical Office. The economic activity rate was 75.9% (-0.4 pp). According to data published by Eurostat, the general unemployment rate of people aged between 15 and 74 years in the Czech Republic was at 2.8% in June. ■

Unemployment rate in Q2 up 0.6 pp to 3.1%

In the second quarter of 2021, total employment was 41,300 persons lower y/y. According to the International Labor Organization methodology, the number of the unemployed grew 32,300 and the number of the economically inactive, including children of up to 15 years of age, increased 7,800. In the secondary segment of the industry and the construction sector, employment dropped 27,500 to 1.93m. On the other hand, the number of persons working in the construction sector grew 21,400, and there were 39,800 more persons working in the section of information and communication activities. The general unemployment rate in the age group of 15 to 64 years grew 0.6 pp y/y to 3.1% in the second quarter, according to figures published by the Czech Statistical Office. ■

FinMin: Jan-Jul budget deficit totaled CZK 279.4bn

At the end of July 2021, the state budget ended with a deficit of CZK 279.4bn. After adjusting for EU revenues and financial mechanisms, as well as expenditures on these projects, the deficit amounted to CZK 281.3bn. The Ministry of Finance of the Czech Republic informed about it, stating that the year-on-year deterioration of CZK 74.3bn is mainly due to anti-epidemic measures limiting economic activity, tax changes and state support aimed at helping the affected sectors of the economy, social and health systems. ■

ČNB: GDP growth rate to reach 3.6%

The inflation forecast at the one-year horizon is 2.2%. Under the three-year outlook, economists expect the value to be 0.1 pp lower. This follows from the July analysis of the Czech National Bank (ČNB). The annual GDP growth rate is expected to reach 3.6% and is expected to accelerate to 4.5% in 2022. Analysts predict that as early as in Q2 2021, the economy could grow again. Foreign demand, especially from Germany, remains favorable and domestic demand is also growing. This is evident not only from leading indicators that exceed expectations, but also from inflation. EU funds should also have a positive impact. ■

HK ČR: Industry to grow 8.2%, GDP 3.5% in 2021

Czech GDP will grow by 3.5% in 2021 and 4.6% in 2022. Despite the shortage of chips and other raw materials, the industry will be strong this year and will increase its output by 8.2% y/y and 4.8% in 2022. This is according to the forecast of the Czech Chamber of Commerce (HK ČR), based on the model of Česká spořitelna. Household consumption will remain cautious and the contribution of foreign trade to economic growth will be negligible. Unemployment will remain low in 2022. The risks to the forecast are mainly downward. These are mainly epidemic developments and input shortages. The structural change in the economy (digitalisation), which was accelerated by the coronavirus crisis, can be seen as both an opportunity and a risk in the short term. ■

CRIF: Only 3,893 people started doing business in CR in July

In July 2021, 3,893 people started a business in the Czech Republic, 1,000 fewer than in June. On the other hand, 5,327 entrepreneurs discontinued their activities, 475 more than the previous month. On the other hand, the number of people who completely stopped their business fell significantly. In July, there were 1,234, half as many as in June. According to an analysis by CRIF and data from the informationofirmach.cz portal, July was the weakest July in terms of new entrepreneurs in five years and the weakest month since the beginning of the year. In the first seven months, 62,270 businesses were discontinued in the Czech Republic, up 14% year-on-year. 21,068 trades were closed, 2,618 fewer than last year. On the other hand, almost 15 thousand more trades were established than closed. As a result,

there were almost 3 000 more businesses in the Czech Republic than in the same period last year and almost 4 000 more than in the year before the pandemic. ■

CRIF: Declared company bankruptcies down 29 to 51

In July 2021, the number of bankruptcies declared by commercial companies in the Czech Republic dropped by 29 in month-on-month terms to 51. The number of bankruptcies of individuals-entrepreneurs totalled 425 (down 161), and there were 1,046 personal bankruptcies (down 450). In terms of companies, it was the lowest number since the beginning of the year. Among entrepreneurs, it was the lowest number since 2019, according to figures provided by CRIF - Czech Credit Bureau. At the same time, 92 petitions for company bankruptcy were filed, up by ten. The number of petitions for an entrepreneur's bankruptcy dropped by 56 to 487. A total of 1,119 petitions for personal bankruptcy were filed (down by 340). ■

SDA: Car registrations increase to 131,210 by July

Between January and July 2021, the number of new car registrations in the Czech Republic grew from year-earlier 114,799 to 131,210 cars (up 14.3%). In addition, 10,776 commercial vehicles (2020: 8,701), 716 buses (801), 5,123 trucks (3,802) and 15,087 motorcycles (13,879) were registered in the country, according to statistics published by the Car Importers Association (SDA). The most frequently registered car brand was SKODA, with 46,272 cars, followed by Hyundai (11,997) and Volkswagen (11,910). In addition, there were 164 new, fully electric cars registered in July, which affected the year-on-year increase for the first seven months of the year (from 1,374 to 1,426). ■

PwC: M&As in CR to grow

The volume of mergers and acquisitions in the world in 2021 is breaking records and surpassing even pre-crisis periods. According to statistics, the Czech market is still lagging behind. According to the DealWatch database, the Czech market saw 73 corporate mergers or acquisitions with a value of over USD 1m in H1 2021. During the same period last year, 125 deals were completed. This is according to PwC's analysis, adding that there is in fact a deferred demand effect, where companies ready for sale last year did not go on the market. This was mainly because last year's price would have reflected concerns about coronavirus. All of these deferred deals are now coming to market and will not show up in the statistics until H2 2021. ■

C&W: Commercial property investment up to EUR 678 million

Commercial property investment in the Czech Republic reached EUR 678m in H1 2021, up by a fifth year-on-year. Half went into office buildings, a fifth into logistics properties. There have been 11 retail property transactions so far, with more in the pipeline. Cushman & Wakefield (C&W) reported that investments could reach EUR 1.5bn by the end of the year. Mall footfall in May 2021 was 31% higher year-on-year, with sales up 55%. In June, footfall was 6% higher, with sales up 18%. Footfall has not yet reached pre-crisis levels, but sales were 4% higher in May than in May 2019 and 2% higher in June. Supermarket and hypermarket sales were significantly higher than pre-crisis levels throughout H1 2021. After the reopening, sales in the electronics, health and beauty products segment grew the most in May, as well as clothing and footwear. ■

SP ČR: 72 % of cos. plan to invest into R&D

In 2021, 72 % of companies plan to invest in research and development (R&D). This follows from a survey by the Confederation of Industry and Transport of the Czech Republic (SP ČR), stating that R&D helps companies to develop innovative products and thus increase their competitiveness, even in demanding markets. According to the Czech Statistical Office, before the outbreak of the coronavirus crisis in 2019, a record CZK 112bn went to R&D, with companies contributing CZK 65bn. Almost 90 % of companies have a higher or at least the same budget prepared for R&D this year as in 2020. SP ČR therefore requires the government to support R&D more from the state budget. ■

D&B: Number of VAT payers drops to 520,580

In 2021, the number of VAT payers in the Czech Republic dropped by 1,732 to 520,580. According to an analysis by Dun & Bradstreet (D&B), it is the first decrease in the last five years due to a more significant drop in the number of payers among sole traders. VAT is paid by 54% of joint-stock companies, 48% of limited liability companies and 11% of sole traders. The highest number of them does business in wholesale, catering, building construction and cargo transport by road. Analyst Petra Štěpánová said that more than 2.9m entities did business in the Czech Republic, with 18% of them being VAT payers. ■