

EVENTS OF THE WEEK

Penta certified aircraft and sold Aero Vodochody

The successful certification of the L-39NG aircraft in September 2020 became the impetus for the exit of Penta Investments from AERO Vodochody AEROSPACE. The development and preparation of the aircraft's production required more than CZK 3bn. Penta's partner Marek Dospiva stated that the investment group wants to dedicate energy to the key companies in the portfolio. As previously reported by ČIANEWS, the Hungarian company HSC Aerojet Zrt became the owner of AERO. The majority is held by the Hungarian businessman Kristóf Szalay-Bobrovniczky. A minority stake is held by the company OMNIPOL. The owners will control the aircraft manufacturer through Vodochody Holdings HU. ■

MF: CR supports joint solution of energy prices growth

At the ECOFIN Council meeting in Luxembourg, EU finance ministers discuss changes to insurance regulation and energy price rises. The Czech Republic supported France's proposal for a joint approach to this problem. The document calls, among other things, for reducing the EU's dependence on energy imports and for greater efforts to achieve energy self-sufficiency by investing in the diversification of local energy sources. It also calls for greater regulation of the market in emission allowances in order to reduce the volatility of energy prices and ensure the predictability of the price of allowances. This was announced by the Ministry of Finance (MF). ■

VAT Act amendment solves e-shops and shipping of goods

An amendment to the Value Added Tax Act comes into force on October 1, 2021. It focuses in particular on new rules in the area of e-commerce and the introduction of the One Stop Shop system. The main changes include the taxation of shipments of goods between the EU Member States, the abolition of tax exemptions for imports of goods with an intrinsic value not exceeding EUR 22 from a third country, and the extension of the special one-stop shop scheme. This was announced by the Financial Administration. ■

ČSOB-led banks to provide CZK 7bn to Prague Airport

Representatives of Václav Havel Airport Prague have concluded a long-term credit framework of CZK 7bn with a consortium of banks. The financing will be provided by a group formed by ČSOB on the basis of the tender results. Besides it, the members are Všeobecná úvěrová banka and Raiffeisenbank. The aim is to strengthen the financial stability of the airport in view of the impact of the pandemic on the economy. In order to remain competitive, it is necessary to continue to digitise. The airport wants to follow sustainable business principles for projects, which is also in line with the banks' approaches. Jiří Pos, Chairman of the Board of Directors of Prague Airport, added that a gradual drawdown of the loan is possible until 2024. ■

Nano Energies prepares expansion to Croatia and Hungary

Czech energy company Nano Energies has established DES Holding, which will cover the growth and opening of branches in the CEE region. It will provide energy flexibility services. In the first wave of expansion, it will open offices in Hungary and Croatia. The Slovak branch has been operational since 2020. In 2022, it plans to open two more branches in the Eastern Europe region. DES Holding will offer a smart management and aggregation service for electrical flexibility. Smart solutions can save customers up to 10% of costs. The target group is industrial enterprises, office complexes, or district heating plants and other facilities that store cold, heat, or other types of energy. ■

TOP HEADLINE NEWS

Modernization of D1 motorway has been completed**Gov't approved OP TAK with CZK 81.5bn****CNB set J-SVI reserves for 5 banks under CRD directive****ČEZ: Gigafactory could be completed in 2025****SŽ intends to invest CZK 8.7bn in vehicle renewal****Skanska to build 800 flats in Modřanský cukrovar****IHS Markit: PMI at 58 points, production, orders grow****Currency and Bourse**

Currency	Value	% w/w
CZK/EUR	25,41	-0,039
CZK/USD	21,98	-0,227
CZK/GBP	29,88	-0,100
CZK/CHF	23,72	0,042

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

Prague bourse

Share	Value	% w/w
AVAST	↗ 168.25	0.446
ČEZ	↘ 772.00	-1.554
ERSTE	↗ 1003.00	1.236
Kofola	↘ 317.00	-0.631
KB	↗ 893.50	0.504
Moneta	↗ 89.40	0.727
O2 C.R.	↗ 263.00	0.190
PM	→ 15 780.00	0.000
Stock	↗ 111.40	0.539
CZG	↘ 554.00	-5.054
VIG	↘ 649.50	-0.693

PX index	↗ 1366.28	0.097
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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

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

Q/Q real

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

Source: Czech Statistical Office

ECONOMIC POLICY

Modernization of D1 motorway has been completed

After eight years, the last narrowing on the D1 motorway between Mirošovice and Kývalka disappeared. At full capacity, more than ten construction companies rebuilt 160 kilometers of highway from scratch. The modernization began in May 2013 and lasted a total of nine construction seasons. As part of the modernization, the motorway was widened by 0.75 meters on each side. The total construction costs of 20 sections are CZK 21.8bn excluding VAT (CZK 26.3bn including VAT). One kilometer of the new D1 cost CZK 136m without VAT. In 17 sections of D1 modernization, the European Union participated with 80% from the Transport Operational Program. ■

Gov't approved OP TAK with CZK 81.5bn

The government approved the programming document of the Operational Program Technology and Applications for Competitiveness (OP TAK) for the period 2021-2027. The Ministry of Industry and Trade of the Czech Republic informed about it, stating that the aim of the OP TAK is to increase the added value and productivity of small and medium-sized enterprises in particular, as well as the development of new innovative companies or facilitation of the transition to a sustainable and digital economy. A total of CZK 81.5bn is prepared for individual activities. Companies from all over the Czech Republic will be able to apply for support from the program, with the exception of projects implemented in the capital city of Prague. ■

Gov't OK'd OP JAK with almost CZK 65bn

On October 4, 2021, the government of the ANO movement and ČSSD approved the Jan Amos Komenský Operational Program (OP JAK). Minister of Education, Youth and Sports Robert Plaga (for ANO) stated that, thanks to this, almost CZK 65bn will go from European funds in the period from 2021 to 2027 to support education and top research. ■

Gov't approved OP ŽP worth CZK 61bn

The Government approved the draft program document of the Operational Program Environment (OP ŽP) 2021-2027. The Ministry of the Environment of the Czech Republic has announced that approximately CZK 61bn from European funds will go to cities and municipalities to improve the environment in the coming years. ■

Gov't OK'd OP Employment plus; will offer EUR 1.5bn

The government has approved the Operational Program Employment Plus, thanks to which the Czech Republic can obtain a total of 1.459 billion euros from European funds in the period from 2021 to 2027. Minister of Labor and Social Affairs Jana Maláčová (ČSSD) stated that the funds, together with 427 million euros from the national budget, will be used primarily to improve the chances on the labor market for people who are disadvantaged for some reason. These are mainly the disabled, the long-term unemployed or young people after school. In addition, support will also be given to children's groups to help equalize the position of women and men in the labor market. Among the priorities is also the development of digital competencies of employees. ■

CNB set J-SVI reserves for 5 banks under CRD directive

The Czech National Bank (CNB) will now limit the risks associated with the systemic importance of financial institutions by setting a capital buffer for other systemically important institutions (J-SVI). It will replace the capital buffer for systemic risk (CRR) that has been applied so far. The CNB sets the J-SVI buffer for five institutions in the range of 0.5-2.5% of their total risk exposure. The change is based on the transposition of CRD V into Czech law. Based on data as of Q1 2021, the CNB has set the J-SVI rate at 2.5% for ČSOB, 2% for Česká spořitelna and Komerční banka, 1.5% for Unicredit Bank and 0.5% for Raiffeisenbank as of October 1, 2021. All of them have a lower rate compared to KSR. ■

MMR prepares PPP project for CZK 3bn

The Ministry for Regional Development of the Czech Republic (MMR) is preparing the first model project for the construction of affordable rental housing in partnership with the private sector, the so-called PPP project. The pilot project envisages the construction of 1,380 flats for defined target groups for approximately CZK 3bn. The MMR has already identified land owned by the state or its subordinate organisations in Prague. The MMR wants to offer the PPP project as suitable for cooperation with the National Development Fund established under the National Development Bank, whose contributors are banks. Minister Klára Dostálová (ANO) said that in a model example of a concession contract concluded for 27 years, the rent for a 2-

bedroom apartment is roughly CZK 8,200. ■

MMR to allocate CZK 2.1bn for municipal development

The Ministry for Regional Development of the Czech Republic (MMR) has announced a call for municipalities in the Regional Development Support program, in which they can apply for a subsidy for the renewal of local roads, sports infrastructure or, for example, the reconstruction of public buildings. The ministry has over CZK 2.1bn ready in the program. Applications can be sent until December 17, 2021. ■

MPO and CzechInvest to support start-ups with CZK 1bn

The Ministry of Industry and Trade (MPO) signed a contract with the CzechInvest agency for the Technology Incubation project. CZK 1bn has been allocated from the Country for the Future programme. It will support 250 innovative technology start-ups in seven key areas over five years. These include artificial intelligence, creative industries, space technology, sustainability and eco-innovation and nuclear physics. Start-ups can receive up to CZK 5m to purchase services. Technology incubation will take place in thematic business incubators, called BICs (Business Incubation Centres), under the auspices of the state. The MIT further informed that in 2021, CZK 38bn will be invested in science, research and innovation. ■

Government to discuss investment incentives, SFDI budget

On October 11, 2021, the government led by Prime Minister Andrej Babiš (ANO) will discuss proposals to approve investment incentives for Avicentra and GSP-High Tech Saws. The government should also talk about the 2022 budget and the medium-term outlook for the 2023 and 2024 State Fund for Transport Infrastructure (SFDI) budgets. ■

MŽP allocates CZK 750m for water lines and sewage water

The Ministry of the Environment of the Czech Republic (MŽP) announces calls for sewage water treatment using WWTPs and for the construction of drinking water sources in small municipalities. The allocation amounts to CZK 750m. Of this, CZK 450m will enable new drinking water sources and intakes to be built or the capacity of existing ones to be renewed or increased. Municipalities can receive a subsidy of up to CZK 2.1m. More expensive projects will be financed from the Operational Programme Environment, which will be launched at the turn of the year. CZK 300m will be allocated for domestic wastewater treatment plants. Applications for both calls will start on November 1, 2021. Over 1,000 applications for CZK 1.4bn have been received in previous calls. ■

CZK 700m earmarked for social and affordable housing

The Construction for Municipalities program, which reports an increase in new applications after the pandemic, has the most approved projects in the Central Bohemia Region. It provided 16 subsidies and four loans. Almost CZK 150m was released for subsidies and CZK 55m for loans. In total, almost CZK 700m will go to new social and affordable flats. This was reported by the Ministry for Regional Development of the Czech Republic. ■

MZe plans to increase RDP subsidy by at least CZK 500m

The Czech Ministry of Agriculture (MZe) wants to increase the subsidy in the 12th round of the Rural Development Program (RDP) by at least CZK 500m. The proposal will be discussed by the RDP Monitoring Committee, composed of representatives of ministries, NGOs and the European Commission. The aid is intended to support cattle farming and thus increase the competitiveness of livestock production. Minister of Agriculture Miroslav Toman (ČSSD) explained the contributions would be intended for the construction and reconstruction of stables, breeding facilities, warehouses and the acquisition of technology. The increase in the subsidy was approved by the Meeting of the Management of the Minister of Agriculture. In June and July 2021, farmers and food producers were able to apply for contributions in excess of CZK 5bn from the first part of the 12th RDP round. ■

A. Babiš called for regulation of permit trading

At the EU summit with the Western Balkans, Prime Minister Andrej Babiš (ANO) said that the European Commission must immediately address the MiFID directive, which regulates emissions trading. Ahead of the summit, he wrote a letter to the president of the EC and the president of the European Council, saying that a discussion on energy, allowances, and gas shortages was needed. ■

MMR to support infrastructure in tourism with CZK 200m

The Ministry for Regional Development (MMR) has announced a call for development of basic and accompanying infrastructure in tourism. CZK 200m is available for applicants. The amount of the subsidy is up to 50 %,

but not more than CZK 10m of the project's eligible costs. Minister Klára Dostálová (ANO) said that tourism is one of the most affected sectors due to the pandemic and thanks to the subsidies, the potential and competitiveness of the regions will be further increased and the movement of visitors in destinations will be facilitated. Applications can be submitted until December 17, 2021. ■

European Parliament is calling for measures to halt rise in energy prices in EU

The European Parliament is calling for measures to halt the rise in energy prices in the EU. In response to MEPs' demands, EU Energy Commissioner Kadri Simson said the European Commission would present a proposal to reform the gas market by the end of this year. ■

COMPANY NEWS

ČEZ: Gigafactory could be completed in 2025

ČEZ is negotiating the project of a factory for the production of batteries for electric cars with car companies including ŠKODA AUTO/Volkswagen and also with battery producers. Roman Gazdík, a spokesman for the energy group, told ČIANEWS, adding that the negotiations are at an advanced stage. The energy producer and supplier would like to conclude them by the end of the year. The factory, which it plans to build in Pruněřov, could be completed in 2025 and run at full capacity by 2027. The amount of investment will depend on the final capacity. In the case of 40 GWh per year, it will be more than EUR 2bn. ČEZ intends to make a final decision on lithium mining at Cínovec in 2023, after all the necessary surveys and studies have been completed. Production could start in 2025. ■

SŽ intends to invest CZK 8.7bn in vehicle renewal

The Railway Administration (SŽ) plans to invest CZK 8.7 bn in the renewal of special vehicles for diagnostics, maintenance, and repairs of the railway infrastructure by 2030. A new addition to its fleet is the MVŽSv2 measuring car for railway superstructure for continuous diagnostics on national railways for speeds up to 200 km/h. The price of the car is CZK 303m. In addition, SŽ purchased a measuring crane EM100 for CZK 267m for the diagnostics of railway superstructure on regional railways for speeds up to 100 km/h. The supplier is NDCon LOGIC together with subcontractors from the Czech Republic, Austria, and the USA. ■

ŘSD modernises last D1 section for CZK 21.8bn

The Road and Motorway Directorate of the Czech Republic (ŘSD) has put into operation the last modernised section of the D1 motorway. The construction between Mirošovice (EXIT 21) and Kývalka (EXIT 182) started in May 2013. The current cost is CZK 21.8bn. General Manager Radek Mátl said that the motorway has been widened by 0.75 m on each side. A complete reconstruction of 160 km of D1 in both directions was carried out. A number of innovative procedures or technologies were used in the modernisation project. ■

Skanska to build 800 flats in Modřanský cukrovar

Skanska is preparing the construction of new city district Modřanský cukrovar in Prague. The first phase of a total of seven will begin in the spring of 2022. The sale of almost 800 flats began on October 4, 2021. The project is located on a brownfield and the construction of the buildings will be about 20% recycled concrete. The apartments will be connected to green energy sources and two water mains will offer the choice between drinking and recycled water. It will be possible to monitor the system of gray water with an application. 30 % of underground parking spaces will be electric car charger ready. The other six shared charging stations will be publicly available. The Modřanský cukrovar aspires to the BREEAM certification level. The architectural design comes from the workshop of the Chybík + Kristof studio. Skanska Realty general manager Petr Michálek said that Skanska's goal is to reduce its carbon footprint to zero by 2045, and Modřanský cukrovar is the first big step. ■

SŽ to renovate part of Prague-Kladno route for CZK 4bn

The Railway Administration (SŽ) has announced a tender for the provider of construction work for the section from Kladno to Kladno-Ostrovce within modernising the rail track from the centre of Prague. The construction project should start in 2022. It will include the section's complete reconstruction and electrification and the construction of a dual track. Approximately 5.3 km of track will be modernised as well as the dispatching building. The completion is planned for 2024, and the maximum costs are CZK 4.02bn. The stage will also include constructing a P+R carpark near the Kladno station with a capacity of almost 300 bays. The completion of all

stages of the Prague-Kladno project is planned for 2029. ■

ČEZ and Komerční banka to jointly build FVE

ČEZ Group and Komerční banka have announced a strategic partnership for sustainability. They will work together to reduce their own climate footprint and the emissions of their customers. Komerční banka itself wants to become carbon neutral by 2026. In addition, ČEZ plans to reduce the use of coal to a minimum by 2030 and replace it with low-emission and renewable sources for electricity generation. The first step in the cooperation is an innovative model for installing rooftop photovoltaic power plants at customers' sites. ČEZ Prodej (residential installation) will provide the bank's clients with the benefit of one free solar panel. ČEZ ESCO, in cooperation with Komerční banka, will then enable municipalities, companies, and other larger consumers to acquire photovoltaics without initial investment costs. ■

EMMA Capital buys Marina Trogir in Croatia

Investment group EMMA Capital has bought Marina Trogir in Croatia. This information was confirmed to ČIANEWS by PR manager Pavel Zuna who added that the company did not want to comment on the price and that the sum of EUR 30m stated in the media was rounded up. He also said the transaction should be settled towards the end of 2021. He further noted that investments in marinas (Marina Nautic in Novigrad and Marina Trogir) resulted from the group's activities in Croatia, where it gained experience, contacts and good partners. According to him, it is also an indication of a new direction in the company's investment strategy, which has moved both sector-wise (from financial towards user services) and territory-wise (from countries of the former Soviet Union and Asia towards the European Union). ■

KBA: ŠKODA registrations in Germany reach 9,536 in Sept

The number of new ŠKODA passenger car registrations in Germany in September 2021 reached 9,536, corresponding to an overall market share of 4.8%. Year-on-year, ŠKODA registrations fell by 47.5% in September. So far for 2021, registrations are down 8.7% to 116,729. The market share is 5.8%. The German Federal Motor Transport Authority (KBA) reported, adding that ŠKODA is the second most imported brand with 4.8%, with Hyundai remaining first with 5.3%. ■

Pavel Tykač raises his stake in MMB

Entrepreneur and investor Pavel Tykač has increased his stake in Moneta Money Bank (MMB). Through the Cypriot company Manecomte Limited, he owned 5.19% of the shares as of 24 September 2021. The stake of his original company Belviport Trading, through which he held shares in the bank, has fallen to zero. This is according to a regulatory report to the Czech National Bank. ■

Fenix Group to build plant in Slovakia; complete TFT wifi

Fenix Group sees double-digit year-on-year growth in virtually all 70 markets in 2021. Cyril Svozil, managing director, told ČIANEWS. The company is also actively seeking partners for a possible acquisition in Russia. Fenix Group achieved a turnover of CZK 1.60bn and a pre-tax profit of CZK 175.17m in 2020. The plan for 2021 assumes a turnover of CZK 1.75bn and a profit of CZK 183.80m. In 2020, the Group, among other things, launched new AES production and reorganized AERS into an R&D base and SAS supplier. Cooperation on the introduction of 5G networks was initiated. The completion of the development of TFT wifi is planned for 2022. In 2021, Fenix plans to start the construction of a plant in Slovakia or to complete the Salvagnini investment and launch a new line. ■

Toyota: New Aygo X will be produced at Kolín plant

Toyota Motor Manufacturing's Kolín plant will produce the new Aygo X crossover. Toyota Motor Europe has confirmed that the model will be unveiled in early November 2021. The car has been designed at Toyota Motor Europe's development centre and is aimed at European customers. It is based on the TNGA GA-B chassis platform, which was first used on the new Yaris and later also on the new Yaris Cross. ■

SUDOP GROUP acquired Actinet Informační systémy

Group SUDOP announced the acquisition of Actinet Informační systémy. The transaction involves the transfer of a 100% shareholding. Actinet is a supplier of comprehensive solutions in the field of cybersecurity. Since the acquisition, SUDOP has been promising, in addition to expanding its portfolio of IT services, the mutual development of the business in which it plans to invest. The subsidiary SUDOP Consulting and Information Technology (CIT) focused on the IT segment currently consists of a group of seven companies. Their revenues in 2021 are expected to approach CZK

1bn. ■

Quinta-Analytica created subsidiary in USA

Quinta-Analytica (QA), which offers commercial services to pharmaceutical companies, has established a US subsidiary, Conscio Pharmaceuticals (CP). QA's sales director Jiří Raška said that initially CP will provide services to the parent company, soon to be followed by an offer from third parties to complete the basic service portfolio. QA general manager Roman Grunt added that CP will be large enough to absorb other projects of any size. It is based in Shelton, Connecticut. The investment is the result of increased demand for QA services. ■

BOHEMIA SEKT expects increase in sales

BOHEMIA SEKT expects year-on-year growth in sales results by 20 % in 2021. Director Ondřej Beránek told ČIANEWS that the year 2020 was extremely successful with the sale of almost 30 million bottles. Trial operation of a new press shop in Mikulov, which the company has been building for three years and which is currently the largest investment in history, is currently underway. In connection with the pandemic, the company switched to a completely electronic accounting document approval process and flow. A digital archive of accounting documents was also created, which until then had been stored only in paper form. Analyses of existing processes and identification of others that have not yet been fully digitized continue. The goal is to fully switch to being a paperless company. ■

Nation 1 offers up to EUR 1.5m for startups

The start-up accelerator and the investment fund Nation 1 are launching another acceleration round, Batch 2022. Initial agile startups with global ambitions can apply. Based on the presentation before the jury, they can get an initial investment of EUR 80 to 200 thousand and the full support of experienced mentors throughout the three-month course of the round. The acquired know-how in the field of marketing, finance, PR and leadership can be used by the startup as support blocks for the sustainability of its project and then apply for an investment of 1.5 million euros in the narrowest selection of participants. Applications can be submitted until January 6, 2022. ■

ORLEN Unipetrol investing CZK 700m into another furnace

ORLEN Unipetrol will increase the yield of the basic production unit of its petrochemical segment - the ethylene unit, which, in addition to producing a number of different chemical products, serves primarily as the primary source of hydrocarbons for the subsequent production of polyethylene and polypropylene. The new, eleventh furnace of the ethylene unit worth more than CZK 700m is to be put into operation during 2022. It will be built by Technip Energies. Tomasz Wiatrak, the general manager of ORLEN Unipetrol, added that by 2030 the group wants to increase its total petrochemical production from 0.9 to 1.4 million tons per year. ■

Bosch opens Building Technologies warehouse in CTPark Bor

After several months of ramp-up, Bosch officially opened its eighth branch in the Czech Republic on October 5, 2021. The industrial premises of the CTPark in Bor, covering an area of almost 16,000 m², will now house the logistics warehouse of the Bosch Building Technologies division. It was originally located in the Netherlands. The space itself is a so-called cross-dock (double-headed warehouse) and offers the possibility of expansion. Bosch Building Technologies head Michal Jäger said that the building meets, among other things, the requirements for environmentally friendly operation. The division's two other warehouses, which focus on building security, energy efficiency, and building automation systems, are located in the US and Singapore. ■

DAKO-CZ to supply Siemens parts for London Underground

DAKO-CZ is dealing with rising input prices, but thanks to investments in streamlining production, it has so far held prices for customers without a significant impact on margins, board of directors chairman Lukáš Andryšek told ČIANEWS. In 2021, the company expects a favourable economic result and targets an increase in sales, which were record last year. Among the most significant investments of the last period was the expansion of the assembly hall, coupled with a complete new logistics solution at the site. Further funding went into a new service centre or into development and construction. DAKO-CZ is preparing to supply brake components for the Siemens trains that will run on the London Underground Piccadilly line. ■

Gebrüder Weiss expands Jeneč warehouse to 21,700 m²

Gebrüder Weiss has completed work to expand the transshipment

warehouse at its headquarters in Jeneč near Prague by 3,700 to 21,700 m². Gebrüder Weiss Czech Republic managing director Harald Prohaska said the branch expansion and investment of several million euros will help strengthen its position in the Czech market. He said that the occupation of the premises fits in with the onset of the pre-Christmas season. He added that the company is also building charging stations for electric vehicles in Jenč and the roof is being designed with a view to installing solar power plants later. Sales and marketing director Jan Kodada added that the expansion of the warehouse area and the increase in the total number of ramps by 24 will increase the speed of shipment clearance. ■

Galytix wins financing for growth in CR and Switzerland

Galytix, which provides data and predictive analytics on private companies for insurance professionals, will boost its growth ambitions in Europe with the completion of a fundraising. The company plans to expand its operations in Switzerland, the Czech Republic, and eventually Luxembourg. ■

MACROECONOMIC DATA AND POLLS

IHS Markit: PMI at 58 points, production, orders grow

The Purchasing Managers' Index (PMI) for the Czech Republic fell to 58 from 61 in September 2021 m/m. This was reported by IHS Markit, adding that the September data signalled a strong improvement in operating conditions across the Czech manufacturing sector. Overall growth was supported by a significant increase in production volumes and new orders, although the pace of growth slowed. Business confidence subsequently fell to a ten-month low on fears of a future decline in demand due to material shortages in the supply chain. Sustained growth in new orders and higher production requirements again led to the need to increase employment. Recruitment has relieved some of the pressure on capacity and work in progress has increased at the slowest pace in six months. ■

MF: State debt falls to CZK 2,333.9bn

As of September 30, 2021, the state debt fell by CZK 82bn q/q to CZK 2,333.9bn. At the end of 2020, the state debt amounted to 36.0% of GDP (CZK 2,049.7bn). The Ministry of Finance of the Czech Republic (MF) informed that the growth of the state debt in the first months of 2021 was due to increased issuance activity of the MF, which decided to pre-finance the coverage of this year's state debt repayments and partly the state budget crisis deficit, even before the expected start of the cycle of base interest rate increases by the Czech National Bank. ■

MF: Budget gap grows to CZK 326.3bn

The state budget ended with a deficit of CZK 326.3bn at the end of September 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 325.0bn. The Ministry of Finance of the Czech Republic (MF) informed that the anti-epidemic measures applied mainly in 1Q 2021 had a negative impact on the tax revenues of the state budget. Moreover, their decline is exacerbated by the reduction in taxation of labour, capital, or property, as well as by the change in the budget allocation of taxes in favour of territorial budgets. Together with the state support aimed at helping the affected sectors of the economy, social, and health systems, these are the main reasons for the year-on-year drop in the budget's performance by CZK 73.6bn. ■

Industry down 1.4%; order value up due to higher prices

According to the Czech Statistical Office, industrial production dropped 1.4% y/y and 3.2% m/m in real numbers in August 2021. Revenue from industrial activities in current prices was 5.4% higher y/y. The value of new orders grew 3.5%. According to department director Radek Matějka, the reason was not the volume itself but increased prices. It was most noticeable in the segments related to metal processing. The average number of employees in the sector dropped 0.2%, and their average gross monthly nominal wage was 6.9% higher. According to Eurostat data, the industry grew 8.3% in the EU27 and 6.8% in the Czech Republic. ■

Analysts: Industry's problem is not orders, but finalisation

The main cause of the weaker August result of industrial production was a drop in automobile production, with impacts of plant-wide holidays and non-scheduled shutdowns because of a shortage of needed components. In reaction to statisticians' data, this statement was made by Czech Banking Association chief economist Jakub Šeidler, adding that exceptional energy shutdowns also affected the sector. ČSOB analyst Petr Dufek said that the industry still had many orders in stock but was frequently facing the problem

of finalising them. Komerční banka economist Michal Brožka expects a volatile development in industrial production in the coming months and only slow growth on average. His year-long estimate for industrial production is still +10.8%. ■

Trade balance ends in CZK 28.1bn deficit

According to preliminary data, the trade balance of external trade with goods in current prices ended in a deficit of CZK 28.1bn in August 2021, which was CZK 35.6bn worse y/y. The total balance was unfavourably affected mainly by a CZK 10.4bn decrease in trade surplus with motor vehicles. This information was provided by the Czech Statistical Office. Exports grew 8.2% y/y to CZK 277.5bn, and imports increased 22.7% to CZK 305.5bn. The balance of external trade with EU countries ended in a surplus of CZK 36.8bn (down CZK 3.5bn). Between January and August 2021, the surplus totalled CZK 44.8bn, which was CZK 22.1bn worse y/y. Since the beginning of the year, exports have grown 20.0%, and imports are 21.7% higher. ■

Government institutions show gap of CZK 57.4bn

The general government balance reached a deficit of CZK 57.4bn in 2Q 2021, representing 3.8% of GDP. The balance improved by CZK 38.5bn y/y. The Czech Statistical Office informed about it. The economy of central government institutions ended in a deficit of CZK 99.6bn. Local governments managed a surplus of CZK 33.4bn, an increase of CZK 19.0bn. Social security funds increased by CZK 7.9bn and posted an asset balance of CZK 8.9bn. General government revenue and expenditure reached 43.2% and 46.9% of GDP respectively. The debt ratio increased by 3.2 pp to 42.7% of GDP. ■

General government debt to GDP grows by 7.7 pp to 37.7%

The general government balance ended up with a deficit of CZK 318.0bn for 2020, which in relative terms corresponds to 5.6% of GDP. Compared to the first notifications, the deficit has decreased by CZK 29.9bn. The sector's debt level reached 37.7% of GDP at the end of 2020, with a year-on-year increase of 7.7 pp. The Czech Statistical Office reported that the fiscal data used to assess the fulfilment of the Maastricht convergence criteria were sent to the European Commission as part of the second notifications in 2021. ■

ČNB: Stress tests prove resilience of banks and insurers

In September 2021, the Czech National Bank (ČNB) completed supervisory stress tests of banks and insurance companies using the methodology of the European Banking Authority (EBA). The results showed that both sectors are ready to withstand deteriorating economic conditions. A total of 15 domestic banks, representing around 90% of the assets of the Czech banking sector, and 20 domestic insurance companies (99.6% of the market) were selected for the test. The capital ratio of banks would fall to 18% in the adverse scenario, well above the regulatory minimum of 8%. The solvency ratio of insurance companies would be 173% in the event of the application of shocks to both market and insurance risks, relatively well above the regulatory minimum of 100%. ■

Contributions to GSFT grow by CZK 708m due to deposits

In 2021, banks, credit unions, building societies, and selected securities traders paid regular contributions of CZK 5.62bn to the Financial Market Guarantee System (GSFT). This is an increase of CZK 707.8m year-on-year. A total of CZK 4.33bn went to the Crisis Resolution Fund and CZK 1.28bn to the Deposit Insurance Fund. The increase in contributions is mainly due to an increase in the volume of deposits on which the amount of contributions is calculated. Another parameter influencing the amount of contributions is the riskiness of a given financial institution. In total, GSFT now manages CZK 58.2bn. The preliminary amount of the contribution to be paid by financial institutions to the Crisis Resolution Fund in 2022 is estimated at CZK 5. ■

Construction production up 1.2% in August

According to the Czech Statistical Office, production in the construction sector grew 1.2% y/y and 0.1% m/m in real numbers in August 2021. Building authorities issued 8,184 building permits, up 7.6% y/y. The approximate value of these construction projects totalled CZK 40.8bn (up 31.4%). The construction of 4,503 flats started (up 40.2%), while 2,179 flats were completed (down 27.6%). The average number of employees in the sector dropped 1.1%. Their average gross monthly nominal wage was 7.8% higher. According to Eurostat data, construction production in the EU27 was 3.8% higher in July 2021. ■

ÚP: Unemployment fell to 3.5% in September

The Labour Office (ÚP) registered a total of 262,142 job seekers as of

September 30, 2021, down by 5,747 month-on-month. Year-on-year, the number fell by 14,873. The share of unemployed persons was 3.5%, 0.3 pp less than a year ago and 0.1 pp less than in August 2021. According to Eurostat (August 2021), the unemployment rate was the lowest in the whole EU at 3%. The EU average was 6.7%. Labour Office's general director Viktor Najmon said that the labour market has recovered. Holidays are over, companies are hiring new employees and employers have started production, although they are facing shortages of materials and components. There has also been a recovery in foreign employment, with commuters in border areas starting work again. ■

Analysts: Construction hampered by expensive materials

The main constraints on construction output growth are likely to continue to be high prices of construction materials and a shortage of workers, said Martin Gürtler, an economist at Komerční banka, in reaction to data of the Czech Statistical Office. The chief economist of BH Securities, Štěpán Křeček, stated that there are currently enough projects with building permits issued, which is a shift for the better compared to previous years. However, the problems are gradually shifting from the building authorities to the builders, who are unable to implement all the permitted constructions and are significantly increasing their prices. The partner of the Moore Czech Republic advisory group, Petr Kymlička, pointed out that some contracting authorities are postponing the implementation of projects with the expectation that the situation on the market of material inputs will normalize. ■

SDA: Passenger car registrations up to 161,824

Total passenger car registrations in the Czech Republic for 9M 2021 increased by 9.11% y/y to 161,824 cars. Of these, ŠKODA accounted for the largest market share (34.65%). It was followed by Hyundai (9.27%) and Volkswagen (8.80%). Registrations of alternatively powered cars strengthened to 20,754 from 11,369. Imports of used passenger cars increased 19.6% to 136,877 cars. LUV registrations rose by 20.10% to 14,332 cars. The truck segment reached 6,223 vehicles (+23.99%). Bus registrations fell by 18.12% to 791. The motorcycle group showed a growth of 4.50% to 18,913 machines, the Association of Automobile Importers (SDA) reported. ■

D&B: New firm registrations up 11% in Q1-3 2021

Between the first and third quarter of 2021, 22,251 new firms were registered in the Czech Republic, up 11% y/y and one firm more than in 2019. This information was provided by Dun & Bradstreet (D&B), adding that the number of companies in the Czech Republic totalled 530,708. Of this number, there were 26,946 joint-stock companies and 503,762 limited-liability companies. Since the end of 2020, the total entrepreneurial base has increased by 12,134 firms. However, analyst Petra Štěpánová said that some cleansing was still going on, with a relatively high number of companies ceasing to exist compared to the number of newly registered entities. She added that even though entrepreneurs founded more firms than in 2020, the pace slowed in recent months. ■

AČSS: Housing loans to reach CZK 100bn

The volume of housing loans for the whole of 2021 will reach CZK 100bn. The secretary of the Association of Czech Building Societies (AČSS) Jiří Šedivý specified that 4Q 2021 will be affected by growing inflationary pressures, which will support faster growth in interest rates. This will also be reflected in a slowdown in demand for building society loans. On the other hand, according to him, the increase in rates will gradually have a positive effect on the growth of interest in building savings. According to the Czech National Bank, building societies provided housing loans in the amount of CZK 72.28bn by the end of August, which is 75% more year-on-year. ■

MZ: Vaccination complete for 65.9% of 16+ population

As of October 6, 2021, 5,951,344 persons older than 16 in the Czech Republic received at least one dose of vaccine against Covid-19, which represents 67.0% of this population. Vaccination was completed for 5,849,487 persons (65.9%). Full vaccination totalled 30.0% for the youngest monitored age category (12–15 years), 50.2% for people aged between 16 and 29, and 80.8% for the oldest category (80+), according to figures published by the Czech Ministry of Health (MZ). ■

MZ: Number of Covid-19 patients in hospital up at 299

As of October 7, 2021, the number of confirmed Covid-19 cases in the Czech Republic grew by 1,047 and totalled 1,697,064. The number of hospitalised infected persons increased from 291 to 299. There were 52 confirmed cases over the past seven days per 100,000 inhabitants. The total number of the deceased rose from 30,490 to 30,493. This information was published by the Czech Ministry of Health (MZ). ■