

## EVENTS OF THE WEEK

**EU finance ministers approved Czech recovery plan**

EU economy and finance ministers approved the Czech Republic's and Ireland's plans to support a recovery from the pandemic and resilience. This will allow countries to launch reforms and investments through national programs. The plans of the Czech Republic (EUR 7bn) and Ireland (EUR 989m) focus mainly on climate and digital transformation. The Council Implementing Decision is the last step to allow member states to use the instrument. Its total allocation for the entire EU is 672.5 billion euros. ■

**Green Horizon sells wind parks in Finland for CZK 7bn**

Green Horizon Renewables (GHR) has sold its portfolio of completed and upcoming wind farms in Finland to US-based BlackRock, GHR's Project Manager Robert Doucha told CIANEWS. Specifically, one 20 MW park is already operational and four others with a total capacity of 200 MW are under construction. The implementation will be completed by GHR with Winda Energy. The total value of the transaction amounts to CZK 7.1bn, including construction costs of CZK 5.6bn and a shareholder price of CZK 1.5bn. ■

**MD: Part of EU's space programme to be run from CR**

On September 3, 2021, the European Union Agency for the Space Programme (EUSPA) officially started its activities in Prague. A substantial part of the EU's space programme will be now controlled from the Czech Republic. The Czech Ministry of Transport (MD) said that the EU's space programme would also support business and innovations and the involvement of small and medium-sized enterprises in the building of the space infrastructure. Apart from the operation, security and development of the Galileo and EGNOS navigation systems, the EUSPA will also be in charge of security accreditation and the application of satellite systems in practice. Satellite navigation and Earth observation are used widely in various fields, such as natural resources management, environmental monitoring and smart cities. ■

**ČNB wants to curb inflation by increasing rates**

For 33% of companies, the main growth barrier is a shortage of material and equipment. In comparison, for 20% it is a lack of employees, according to Czech National Bank (ČNB) governor Jiří Rusnok and ČNB Bank Council member Vojtěch Benda. The unemployment rate is below 3%. Wages in the industry grew 10% y/y in June 2021. Therefore, unbearable demands for increased wages driven by rising concerns about inflation are a much higher risk for the competitiveness of Czech firms than additional costs for their funding. Both central bankers added that analyses had led the ČNB to the need to increase interest rates to keep inflation reined in gradually. ■

**ČS issued green bonds worth EUR 500m**

Česká spořitelna (CS) has offered investors senior non-preferred green bonds with a maturity of seven years in the total amount of EUR 500m. The proceeds will be used to finance projects focused on sustainability and the environment. The bonds were issued as part of Erste Group's debt programme. Demand for the issue exceeded EUR 1.3bn. Most of the investor interest came from Germany and Austria (33%). By type, investments by asset managers predominated (68%). The bonds were issued in cooperation with DZ Bank, Erste Group, HSBC, UBS Investment Bank and UniCredit. They will be traded on the Vienna Stock Exchange. ■

**MPSV: Fair Labour reveals hundreds of violations by firms**

The Fair Work event revealed hundreds of employers' misconduct. The Ministry of Labour and Social Affairs of the Czech Republic (MPSV) specified that three quarters of the 123 companies audited violated regulations, mainly by unfairly rewarding employees. In addition, employers forced their workers to work unpaid overtime or did not pay extra for weekend or night work. According to the MPSV, there were also significant problems with agency employment. Inspectors found disguised mediation in 129 persons. Another 75 people were working illegally. ■

## TOP HEADLINE NEWS

**Average pension to increase by CZK 805 from Jan****Government to discuss incentives for CVP and STV****CTP to invest EUR 300m in warehouses in Bulgaria****CRESTYL to build six office buildings at Hagibor****Industrial production up 7 % in July****Currency and Bourse**

Currency	Value	% w/w
CZK/EUR	25,40	0,000
CZK/USD	21,46	-0,047
CZK/GBP	29,69	0,404
CZK/CHF	23,39	0,299

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

**Prague bourse**

Share	Value	% w/w
AVAST	↗ 174,65	0,115
ČEZ	↘ 681,50	-0,660
ERSTE	↗ 888,00	0,090
Kofola	↘ 310,00	-3,226
KB	↘ 815,50	-1,042
Moneta	↘ 88,00	-0,284
O2 C.R.	→ 262,00	0,000
PM	↘ 15 900,00	-0,252
Stock	↗ 115,40	0,173
CZG	↘ 469,00	-1,066
VIG	↘ 622,50	-0,884

PX index	↘ 1286,16	-0,338
----------	-----------	--------

source: BCP Praha

## CR'S RATING

**Long-term rating**

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

**Short-term outlook**

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

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

## GDP

**Y/Y real**

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

**Q/Q real**

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

Source: Czech Statistical Office

## ECONOMIC POLICY

### Average pension to increase by CZK 805 from Jan

The average pension will increase by CZK 805 from January 1, 2022. The proposal of the Ministry of Labor and Social Affairs to increase pensions by CZK 300 above the statutory indexation went through the legislative process. Minister of Labor and Social Affairs Jana Maláčová (ČSSD) added that pensions had increased by an average of CZK 900 per year during her term in office. The 2022 indexation mainly reflects lower real wage growth caused by the coronavirus crisis. The statutory increase was calculated at CZK 505. Both chambers of parliament also agreed on an educational allowance of CZK 500, which will be given mainly to women to their pension for each raised child. The contribution will be allocated from the beginning of 2023. This information was published by the Ministry of Labor and Social Affairs. ■

### Government to discuss incentives for CVP and STV

On September 13, 2021, the government of Prime Minister Andrej Babiš (ANO) will discuss proposals to approve investment incentives for CVP Galvanika and STV Technology. The Cabinet will also consider a draft amendment to the budget of the State Fund for Investment Promotion for 2021. The information was published by the Office of the Government of the Czech Republic. ■

### ČNB: Banks approve CZK 38.1bn loans in COVID III

As of August 15, 2021, banks in the Czech Republic approved 3,147 applications for CZK 14.16bn worth of loans to non-financial companies within the COVID II state guarantee programme, according to figures from the Czech National Bank (ČNB). Within the COVID PRAHA programme, there were 303 applications worth CZK 1.56bn in total. Entities interested in support from the COVID III programme sent in 9,572 applications. The banks have so far approved 5,812 of them worth CZK 38.14bn in total. The number of applications submitted in the COVID EGAP programme totalled 166. A 117 of them worth CZK 16.73bn in total have been approved. ■

### NRR asks for fiscal consolidation over 0.5% of GDP/year

Budget responsibility rules have not withstood even the first more significant crisis since their adoption in 2017 and have been immediately loosened. This information was provided by the National Budget Council (NRR), adding that the manner and form of amending the act on budget responsibility restricted the future functionality of fiscal regulations in ensuring their objective, namely sustainable public finances. The NRR states that public budgets were affected by the pandemic in 2020, which contributed to the deviation of real expenditures from the approved framework. Furthermore, the loosening of the rules increased the risk of colliding with the debt rule. Therefore, the NRR considers it necessary for the pace of fiscal consolidation in the coming years to be higher than the considered 0.5% of GDP per year. ■

### A. Vojtěch: Measures can be cancelled at 75% vaccination

According to Health Minister Adam Vojtěch (ANO), the possible abolition of government measures against the spread of the coronavirus may be discussed when the overall vaccination rate reaches 75%. He told Czech Television's Otázky Václava Moravce that about 54% of people across the country have now completed their coronavirus vaccination. He expects to reach the 75% mark by the end of autumn. Subsequent lifting of the measures could involve the compulsory wearing of masks indoors and other restrictions at mass events. ■

### Maláčová refuses HK ČR's criticism of SÚIP inspections

The State Labour Inspection Office (SÚIP) has reacted to information from employees whose amount increased during the pandemic with an extraordinary inspection called Fair Work. According to Minister of Labour and Social Affairs Jana Maláčová (ČSSD), the accusation of using labour inspectors in an election campaign and the questioning of their work stemming from a statement by the Czech Chamber of Commerce (HK ČR) is unacceptable. She also considers the criticism by Brno owner and MP Pavel Juriček unsubstantiated, as his company received the results of the inspection on July 30, 2021, i.e. two days after the inspection was completed. This information was provided by the Czech Ministry of Labour and Social Affairs. ■

### IROP supported educational projects worth CZK 23.7 billion

At the beginning of September 2021, the Integrated Regional Operational Program (IROP) supported a total of 2,947 educational projects worth CZK 23.7 billion. 2174 of them have been completed. 4164 classrooms have

been modernized or built. The European subsidy in the amount of CZK 71.2 million was used, for example, by the vocational training center of the Secondary Industrial School of Mechanical and Electrical Engineering and the Higher Vocational School in Liberec, for the reconstruction of the school and the acquisition of robotic devices or an injection molding machine for plastics. The Ministry for Regional Development of the Czech Republic (MRD) further informed that projects can be implemented until 2023. ■

### MMR: Travel companies received CZK 1.6bn

The Ministry for Regional Development (MMR) is objecting to the claims of the Association of Travel Agencies that the state has not sufficiently supported travel agencies and travel offices. According to the ministry, this segment has received more help than many other sectors. The entities have received subsidies from the Ministry of Industry and Trade, the Ministry of Finance and the Ministry of Labour and Social Affairs in the total amount of over CZK 1.6bn, and loans and guarantees worth CZK 697m have been arranged. In addition, a special Lex voucher law was adopted for travel agencies right at the beginning of the pandemic. ■

### Hamáček: ČSSD wants to increase salaries, not import labor

According to the chairman of the ČSSD, Jan Hamáček, Prime Minister Andrej Babiš (ANO) plans to bring around 300,000 foreign workers from Ukraine and other countries to the Czech Republic. That is why he also wants to take over the agenda of the Ministry of Labour and Social Affairs of the Czech Republic after the elections for the ANO movement, which is now preventing this under the leadership of the ČSSD. J. Hamáček also said that if the minimum wage in Germany is to be 12 euros per hour, it would be fair for companies in the Czech Republic to pay people at least half of this amount. However, according to him, A. Babiš prefers the import of cheap labor for his production companies to the growth of wages for Czech employees. ■

### MPO closes deal on energy savings with Signify

The Ministry of Industry and Trade of the Czech Republic (MPO) has concluded a voluntary agreement on energy savings with Signify. The company operates in the lighting sector and offers products under the Philips and InterAct brands, among others. Tomasz Waszkiewicz, Signify's CEO for the Czech Republic, said that a complete switch to LED lighting in only three areas related to public budgets, i.e. road and street lighting, healthcare, and education, will help the country achieve annual electricity savings of CZK 1.861bn. ■

### A. Babiš visited PLK

On 6 September 2021, the President of the Pilsen Region (PLK), Ilona Mauritzová (ODS), received Prime Minister Andrej Babiš (ANO) at the Regional Office. They mainly discussed the region's investments in healthcare and transport. PLK is preparing, among other things, the construction of a new pavilion of the Klatovy Hospital or the construction of a new medical complex in Planá near Mariánské Lázně. The region also plans to finance projects from Eurofunds. The topic was also the acceleration of the modernization of the Prague - Munich railway line. ■

### Senate supports amendment for distrainer jurisdiction

The Senate has supported the further discussion of an amendment to the act on court distrainers and enforcement activities. It should introduce a regional jurisdiction of distrainers. Thus, the creditor will not be able to choose the distrainer; it will be determined by the court. Furthermore, executions should be merged according to the principle of one debtor – one distrainer. According to the upper chamber of the Parliament, the Senate proposal should be reviewed by the Committee on Legal and Constitutional Affairs. ■

### SZÚ: CZK 90 from HERA grant to boost lab infrastructure

The State Institute of Public Health was successful in its application for CZK 90m from the European HERA (Health Emergency Preparedness and Response) grant. The grant will enable laboratories to strengthen their surveillance system for SARS-CoV-2, as well as for other agents posing a threat to public health. It will also increase the sequencing capacity in the Czech Republic. The money can also support instrumentation and systems for sample management and archiving or data analysis. The aim is to automate and digitise as many steps as possible. The Ministry of Health is co-financing 10% of the project, which is expected to be completed by September 30, 2022. ■

### ŘSD to build D55 Staré Město section for CZK 1.95bn

The Road and Motorway Directorate (ŘSD) is starting the construction of the D55 motorway in the section Staré Město - Moravský Písek. CEO Radek Mátl said that the new 8.8 km long section of the motorway will replace the

completely insufficient capacity Class II road no. 427. The contract price is CZK 1.95bn excluding VAT. The section is expected to open in 2024. ■

### Pirates/STAN: Government must get ready for next wave

Pirates and the STAN movement are appealing to the government to begin preparations for a possible next wave of the coronavirus pandemic. In recent months, the parties have submitted proposals to the government to protect the population, motivate people to get vaccinated and ensure the safe operation of schools and shops. Pirates chairman Ivan Bartoš said the proposals included increasing the reimbursement for GPs to visit patients at home to facilitate treatment or vaccination of the elderly. The Pirates also wanted vaccinations in pharmacies, of which there are 3,000 in the Czech Republic. STAN chairman Vít Rakušan added that the government should set conditions for retailers in advance and ensure sufficient compensation. ■

### HK ČR to recommend to govt to cut levies to average

The Chamber of Commerce (HK ČR) will recommend to the government that emerges from the October elections to reduce employers' insurance premiums to the average in Europe. The association justified this on the grounds that they have one of the highest labour burdens in the EU and the OECD. This is mainly due to high social security contributions. They are the second highest after France. Above-average levies prevent companies from developing faster. ■

### PAK: Regions to get CZK 4bn for road repairs from SFDI

The 2022 budget of the State Fund for Transport Infrastructure (SFDI) counts on CZK 4bn for regions to reconstruct second- and third-class roads. Within the Transport Conference, this statement was made by Pardubice Region (PAK) governor Martin Netolický (ČSSD). For the Pardubice Region alone, CZK 226m is allotted. He added that with this money, regions could make progress in many projects without complete funding coverage. The Transport Conference was attended by representatives of the Railway Administration, the Road and Motorway Directorate, the SFDI, the Chamber of Commerce, and other experts. ■

## COMPANY NEWS

### CTP to invest EUR 300m in warehouses in Bulgaria

Developer CTP has completed two strategic acquisitions in Bulgaria as part of its expansion plan in the country, investing a total of EUR 300m. In August, it acquired an 11,500 m<sup>2</sup> industrial property in Plovdiv from German auto parts supplier Willie Elbe. Then, at the end of August, it bought a new 31,200 m<sup>2</sup> warehouse space together with a 4,000 m<sup>2</sup> office building near Sofia. In 2020, CTP acquired a 14,461 m<sup>2</sup> warehouse near Sofia International Airport, which it leased to logistics company DSV. The construction of another 15,000 m<sup>2</sup> warehouse will start in October. Currently, CTP has a total of 470,000 m<sup>2</sup> of leasable area in Bulgaria and the possibility to build another 225,000 m<sup>2</sup>. ■

### CRESTYL to build six office buildings at Hagibor

Developer CRESTYL plans to build six office buildings at Prague's Hagibor near the Želivského metro station. The first stage includes two administrative buildings with 31,000 m<sup>2</sup> of leasable area. Of this space, the media house Czech News Center will occupy almost 9,000 m<sup>2</sup> after moving its seat there. The construction of the first stage, with the participation of EP Real Estate, will start in 2021. Its completion is planned for the end of 2023. Within the Hagibor project, five residential houses will also be built. Two of them are almost finished, while the construction of the third one will start this year. They will all be connected by a square and a boulevard with stores and restaurants. Total project costs will exceed CZK 9bn. ■

### PFFL wants to raise CZK 1bn to build retirement homes

The Property Fund for Living (PFFL) wants to build at least 20 new homes for the elderly with a total capacity of 3,000 beds within eight years. Martin Fojtík, the fund's advisor, said that PFFL has prepared a concept for the whole Czech Republic. It is a unified construction that will ensure economic operation. One bed costs between CZK 1.2 and 1.5m depending on the size, standard, and price of the land. The fund aims to raise at least CZK 1bn over the next four years. The investment horizon for investors is at least three years and the total investment will exceed CZK 3bn. The minimum deposit amount is CZK 1m. The expected net return is 5.0 % pa. The founders of PFFL are developers Robert Sekera (RS Group) and Milan Kušta (K2 invest). ■

### Accolade to invest EUR 20m in industrial hall in Valencia

Accolade, near Valencia, Spain, is investing EUR 20m in land on which to

build a 30,000 m<sup>2</sup> industrial hall. This is the third project in Spain, following investments in Valencia and Vitoria, where the cost is approximately EUR 50m. Accolade CEO Milan Kratina said there is zero vacancy of industrial halls in Valencia, which the company sees as an opportunity for further growth. He added that Accolade wants to offer the local market sustainable industrial real estate to companies looking for flexible space and innovative facilities. ■

### Unipetrol spends CZK 9bn on ecology, aims neutrality

ORLEN Unipetrol Group's costs for environmental protection and support in 2020 reached CZK 2bn. The company is continuously modernising production, reducing the volume of emitted waste substances and optimising energy consumption. The decrease in air emissions was also due to the commissioning of new energy facilities and the reconstruction of existing ones. Together with its parent company, the Group aims to achieve emission neutrality by 2050. Over the past five years, ORLEN Unipetrol has spent nearly CZK 9bn on investment and operating costs in the environmental area. ■

### Škoda Transportation, ŽOS to supply 20 Panter to ZSSK

Železničná spoločnosť Slovensko (ZSSK) has signed a contract with a consortium of Škoda Transportation and ŽOS Trnava for the purchase of new electrical units. It should acquire nine new four-waggon Panter and has an option for up to 11 more. The value of the contract, including the option, is almost EUR 170m. The first nine units will be supplied by the end of 2023. They will be deployed in the Košice and Prešov regions. They should be co-funded from the EU funds. Currently, 20 low-floor Panter operate in Slovakia. An additional five will be commissioned by the end of 2021. ZSSK will thus have up to 45 units of this type available. ■

### Getberg to build 115 rowhouses and 35 flats near Kamenice

The Getberg real estate group will build the Forest Views residential housing project in Babice near Kamenice in Central Bohemia for more than CZK 1bn. A total of 115 rowhouses, 35 flats and commercial premises will be created. The houses will be available from 3 to 5+kk. Their construction will begin in 2021 and that of flats in 2023. Advance sales will begin in September 2021. Prices start at CZK 7m. ■

### JRD to acquire lots, will enter recreational properties

In addition to the preparation of housing projects in Prague 4, 5, 7, 9, 12 and 15, JRD Development focuses on large-scale acquisitions of building plots and larger territorial units. The owner and founder of JRD, Jan Řežáb, also stated that the group is going to enter other areas of development, such as recreational real estate. Gradually, it would like to become one of the three largest developers with a turnover of CZK 3bn. In the seven years of its operation, JRD Property acquired 3.2 million m<sup>2</sup> and sold 1.3 million m<sup>2</sup> of land. It is now developing 755,000 m<sup>2</sup>. JRD Invest, a new division of the JRD Group, is dedicated to the acquisition and management of income-oriented real estate in cooperation with private and institutional investors. Its portfolio consists mainly of real estate intended for rental housing and partly also of office and retail space. The division's goal is to manage a real estate portfolio with a market value of CZK 5bn by 2030. ■

### BILLA ČR to enter online market, D. T. Bator is CEO

On September 1, 2021, Dariusz Tomasz Bator became CEO of BILLA ČR after managing BILLA in Slovakia. The previous CEO, Jaroslav Szczypka, has transferred to the REWE Group in Vienna. The retail chain will enter the online food market in 2022. It will offer up to 15,000 articles to customers and the possibility of home delivery or pick-up in one of its more than 240 stores. It also wants to continue expanding self-service check-out, installing electronic price tags, and introducing BILLA Scan&Go. In addition, it plans to expand small-format stores in towns with up to 3,000 inhabitants and partner models such as BILLA stop&shop at Shell filling stations. In sustainability, it has committed to carbon neutrality by the end of 2040. ■

### MV: Police received first 200 ŠKODA SCALA vehicles

By the end of 2024, the Ministry of the Interior of the Czech Republic (MV) will purchase a total of 1,400 ŠKODA SCALA cars. The fleet of police specials will thus be 95% replaced. Currently, the Police of the Czech Republic has taken over 200 of these cars. By the end of September 2021, another 357 police SCALAs will have them. They are equipped with a 1.5 TSI gasoline engine with an output of 110 kW in combination with a seven-speed DSG automatic transmission. The price of one vehicle is CZK 695,000. The Ministry of the Interior began replacing the police vehicle fleet in 2019. To date, the police have received 1,799 passenger cars with police equipment in a special color design (860 ŠKODA OCTAVIA, 401 Hyundai IONIQ, 38 ŠKODA SUPERB, 500 ŠKODA KODIAQ AMBITION). ■



### SAZKA Group increases H1 net profit to EUR 177.1m

In the first half of 2021, the SAZKA Group increased its gross revenue from received bets by 94% y/y to EUR 1.27bn. Its adjusted EBITDA totalled EUR 397.1m (up 97%). Its consolidated profit after tax amounted to EUR 177.1m (up 322%). In the second quarter of 2021 alone, its consolidated net profit grew 706% to EUR 141.9m. Its adjusted EBITDA increased 343% to EUR 252.7m. Gross revenue from received bets was 200% higher and totalled EUR 740.1m. CEO Robert Chvátal said that the share of online products of total revenue from bets increased to 39% in the Czech Republic. ■

### ČD lowers H1 loss to CZK 217m; ČD Cargo increases output

The Czech Railways (ČD) Group completed the first half of 2021 with a loss of CZK 217m. The result is almost CZK 1.8bn better in year-on-year terms. In personal transport, 50.3m passengers were transported, down by 9.5m. General director Ivan Bednárik said that his company planned to invest approx. CZK 120bn in the next ten years, mainly in the procurement of modern vehicles. During the first six months of the year, the segment of cargo transport earned CZK 247m. The ČD Cargo Group transported 2.1m tonnes of goods more year on year. ČD Cargo board chairman Tomáš Tóth said that business activities in Austria, Germany, Poland, Slovakia and Hungary contributed to the achievement of a consolidated profit. In addition, ČD Cargo founded a subsidiary, ČD Cargo Adria, which should soon start utilising the potential of the transport market in Croatia and Serbia. ■

### Natland submits turnaround plan for KARA

Natland Investment Group, as the largest secured creditor authorised by the court, has completed the preparation of a reorganisation plan for KARA. It will now be presented to the creditors. The restructuring should result in the company's continued operation. Creditors will receive almost 30% more than they would have received if KARA had gone bankrupt. In addition, the Natland Group intends to finance litigation to pursue claims against certain persons responsible for KARA's bankruptcy, so that the proceeds will go to unsecured creditors. The legal service in the preparation of the reorganisation plan was provided by Glatzová & Co. ■

### ČD Cargo increased transport to 31m tons

In H1 2021, ČD Cargo reported a pre-tax profit of CZK 253m. It thus erased the 2020 loss as a result of the pandemic and improved the result by almost CZK 300m. The Group transported a total of 31.1m tons of goods on its own licenses, i.e. 2.1m tons more year on year. Chairman of the board of directors Tomáš Tóth stated that ČD Cargo was also successful in Austria, Germany, Poland, Hungary and Slovakia in terms of sales. He added that the combination of higher transport performance and optimization enabled the group to continue investing in the modernization of trucks and locomotives. In addition, the full potential of transport to the Balkans remains a key pillar of the strategy and another goal. ■

### DPP signed contract with NHD on metro revitalisation

The Prague Public Transport Company (DPP) and Nové Holešovice Development (NHD) signed a shareholder agreement on September 7, 2021. It will enable the establishment of a joint venture between DPP and a private investor. The intention is to modernise the northern vestibule of the Nádraží Holešovice metro station. At the same time, the transformation of its surroundings into a modern urban district in coordination with the development of the entire Bubny-Zatory area. The joint venture will be a joint stock company with a share capital of CZK 10m. The shareholders will be DPP with a 25% stake and NHD with 75%. The latter belongs to the Karlín Group. The real estate group CPI Property Group will also be an investor. It will join NHD and acquire 50%. The entry must be approved by the Office for the Protection of Competition. ■

### ŠKODA AUTO with VŠB-TUO opens AIM.Lab for AI research

ŠKODA AUTO is launching the Artificial Intelligence in Manufacturing Laboratory (AIM.Lab) in cooperation with the Technical University of Ostrava (VŠB-TUO). It focuses on three main areas: data analysis, applications of machine learning and artificial intelligence, and optimisation issues in industrial practice. The automaker and the university are developing further collaborative projects in the AIM.Lab to support practice-oriented learning. The plan also includes networking with other industry partners and collaborating with institutions such as the Czechitas initiative, which strengthens women's IT education. ■

### LAPP commences construction of new hall

LAPP Czech Republic has started the first stage of the completion of its premises in Otrokovice. The new production hall will be used mainly for the production of cable assembly. The construction should take approximately one year. Upon completion, the current production capacity is to be

expanded threefold. In connection with this, the company plans to hire another 350 workers within five years. The total built-up area after completion of both phases should be 8,000 m<sup>2</sup>. ■

### SŽ calls architectural competition for VRT terminal

The Railway Administration (SŽ) has announced the second architectural competition for a high-speed railway terminal. The Roudnice nad Labem junction will be part of the new Prague - Ústí nad Labem - Dresden railway connection. The winning architectural and urban design should be presented at the beginning of 2022. The competition also includes the elaboration of an urban ideological design. It will offer a wide range of options for dealing with a wider area. SŽ assumes the implementation of almost 60 km of the VRT Podřipsko section in the years 2027 to 2030. ■

## MACROECONOMIC DATA AND POLLS

### Industrial production up 7 % in July

In July 2021, industrial production increased by 2.1 % m/m in real terms. It increased by 7.0 % y/y. The data was published by the Czech Statistical Office. Revenues from industrial activity at current prices were higher by 12.1 %. The value of new orders in the monitored industries showed an increase of 18.9 %. The average registered number of employees in industry decreased by 0.6 %. The average gross monthly nominal wage of these workers increased by 5.3 %. According to data published by Eurostat, in June 2021 industry in the EU27 strengthened by 10.5 %, Czech industry by 11.1 %. ■

### Analysts: Industrial production could grow by 10.8 pct

In July 2021, industrial production in the Czech Republic increased by 2.1% month-on-month. Komerční banka analyst Michal Brožka said that for the whole of 2021, industrial production could increase by 10.8%. Missing subcontracting to production is evident in the production of motor vehicles, which fell by 0.8% year on year in July. ČSOB analyst Petr Dufek added that weaker numbers can be expected in the automotive industry already in August and September, when its results will be reflected in longer outages and interrupted shifts. Overall, industry has to deal with rapidly rising input prices. Raiffeisenbank analyst Vít Hradil stated that year-on-year sales increased (+ 12.1%), with a greater extent from the Czech Republic (+ 14.5%) than from abroad (+ 10.4%). Similarly, the overall growth of new orders (+ 18.9% year on year) was driven more by those from the Czech Republic (+ 20.2%) than from abroad (+ 18.3%). ■

### Construction output up 0.5 % in July

In July 2021, construction output grew by 0.5 % y/y in real terms. It decreased by 2.6 % m/m. The building authorities issued 7,635 building permits, up 2.9 % y/y. The approximate value of these constructions reached CZK 87.9bn (+ 128.9 %). The Czech Statistical Office informed about it. The number of started dwellings increased by 30.2 % to 3,548. A total of 2,993 (+ 11.8 %) were completed. The average registered number of employees in the branch decreased by 1.3 %. Their average gross monthly nominal wage was higher by 5.3 %. According to Eurostat data, construction output in the EU27 increased by 3.5 % in June 2021. ■

### Construction hampered by shortage of workers and materials

Building construction reports a decline of 2.2% in July, because according to BHS chief economist Štěpán Křeček, it lacks construction workers from abroad and basic materials. According to him, the surplus of money rolling from the mortgage to the real estate market raises real estate prices and worsens the availability of owner-occupied housing. Analyst Petr Dufek from ČSOB remarked on the half-percent growth in construction output that some orders for companies may become so unprofitable under current conditions that they would rather withdraw from them. Komerční banka economist František Táborský predicts growth of 4.1% in 2021. But if the problems persist, the pace could be a little slower. ■

### SDA: Car registrations increase to 147,659

Between January and August 2021, the number of new car registrations in the Czech Republic grew 12.37% y/y to 147,659. Furthermore, 12,577 light utility vehicles (2020: 10,075) were registered in the country, as were 745 buses (869), 5,616 trucks (4,267) and 17,435 motorcycles (16,508), according to statistics published by the Car Importers Association (SDA). The most frequently registered car brand was ŠKODA, with 51,151 cars, followed by Hyundai (13,562) and Volkswagen (13,163). In August, 178 fully electric cars were registered, which was also reflected in the year-on-year increase in the first eight months, namely from 1,477 to 1,604. ■

## Declared company bankruptcies up to 59

The number of corporate bankruptcies declared increased by 16% m/m to 59 in August 2021. There were also 520 bankruptcies declared by individuals (+22%) and 1,284 personal bankruptcies, up by a quarter. According to an analysis by CRIF - Czech Credit Bureau, 17 out of every 10,000 active companies in the Czech Republic were declared bankrupt in the last 12 months. In proportion to the number of companies, the highest number of bankruptcies was declared in the Karlovy Vary Region (28 bankruptcies per 10,000 companies). In August, 80 petitions for bankruptcy of companies, 511 petitions for bankruptcy of entrepreneurs and 1,253 petitions for personal insolvency were filed. ■

## CRIF: 14,547 people have started doing business

In the summer months of 2021, 14,547 people started doing business in the Czech Republic, which is 2,842 fewer year-on-year and the least since 2017. 16,093 entrepreneurs decided to suspend their trade, which represents a decrease of 2,389. Another 6,469 closed their trades. In previous years, between June and August, more than 10,000 people always ended their business activities. This follows from the analysis of CRIF - Czech Credit Bureau. Since the beginning of 2021, 41,765 trades have been established in the Czech Republic, 68,042 trades have been interrupted and 24,783 have ceased to exist. Most trades originated in Prague (8,013) and in Central Bohemia (5,413) and in the South Moravia Region (4,884). ■

## Foreign trade deficit totaled CZK 7.2bn in July

The balance of foreign trade in goods at current prices ended in July 2021 with a deficit of CZK 7.2bn, down CZK 21.3bn y/y. This follows from the data of the Czech Statistical Office. The balance was adversely affected mainly by a higher trade deficit in oil and natural gas by CZK 6.8bn, basic metals by CZK 5.2bn and chemicals and preparations by CZK 2.4bn. Year-on-year, exports increased by 4.3 % to CZK 299.8bn and imports by 12.3 % to CZK 307.1bn. From January to July 2021, the trade balance surplus reached CZK 77.6bn, which represented a year-on-year increase of CZK 18.1bn. Exports increased by 21.3 % and imports by 21.0 %. The balance with the EU27 ended in July with a surplus of CZK 44.2bn. It was CZK 5.4bn lower year-on-year. ■

## Foreign Trade will end with surplus of cca CZK 180bn

Although foreign trade ended in July 2021 with a deficit of CZK 7.2 billion, Komerční banka's (KB) forecast assumes a surplus of approximately CZK 180 billion for the whole of 2021. KB economist Jana Steckerová stated that the surplus is similar to that in 2020. Raiffeisenbank analyst David Vagenknecht added that in the long run, the pace of exports and imports is almost balanced. In the period from January to July 2021, exports were higher by 21.1% year-on-year and imports by 20.7%. The PMI index reports improving operating conditions in the industry and an increased pace of new orders. In this way, work-in-progress products accumulate, which has the potential not only to support industry but also the foreign trade balance as soon as producers have the necessary production components available. However, tight supply chains are likely to be a longer-term problem. ■

## Retail up 5.5%; e-shops up 15.3%

Unadjusted retail revenues increased by 3.1% y/y in July 2021, the Czech Statistical Office reported, adding that they grew by 5.5% after adjusting for calendar effects. The increase in sales was mostly driven by growth in sales of goods sold via the internet or mail order (+15.3%). The price deflator compared to the same period of the previous year (excluding the impact of VAT) was 103.3%. On a month-on-month basis, sales increased by 0.5% in real terms after adjustments. ■

## ÚP: Unemployment fell to 3.6 % in August

As of August 31, 2021, the Labor Office of the Czech Republic (ÚP) registered a total of 267,889 job seekers, 4,289 fewer month-on-month. Year-on-year, the number of jobseekers decreased by 11,189. The share of unemployed persons was 3.6 %, 0.2 pp less than a year ago. According to Eurostat data (for July 2021), the unemployment rate was the lowest in the entire EU, at 2.8 %. The EU average reached 6.9 %. Viktor Najmon, director general of the Labor Office, said that compared to last year, thanks to programs such as Antivirus, economic activities had resumed in the areas most affected by the pandemic. For example, in gastronomy. The expected increase in the number of unemployed therefore did not take place. ■

## Analysts: Retail to grow 3%, consumer confidence up

Retail revenues in 2021 excluding cars will grow around 3%, Raiffeisenbank analyst David Vagenknecht predicts, adding that including vehicle sales the pace could be 5.2%. According to him, the negative news regarding the development of the delta coronavirus variant does not significantly affect

consumer activity. Komerční banka's analyst Michal Brožka added that the increase in consumer confidence indicates continued growth in retail sales excluding car sales in the coming months. He expects the CNB's main interest rate to rise to 1.0% at the end of September. Czech Banking Association's chief economist Jakub Seidler added that vehicle sales will start to show more of a shortage of new cars as a result of supply chain disruptions. The dynamics is accelerating for used car registrations, which may be related to the long waiting times for new cars. ■

## Analysts: Unemployment will reach 3.9 pct this year

The share of the unemployed in the Czech Republic in August 2021 was the lowest since May 2020, when it reached 3.6%. Jana Steckerová from Economist Investment Banking of Komerční banka expects more stability in the coming months after seasonal adjustment. She does not expect a more significant decline in unemployment until 2022k. Raiffeisenbank analyst Vít Hradil assumes that this year's average unemployment rate will reach 3.9%, which in historical statistics will appear to be a relatively favorable year. For Trinity Bank chief economist Lukáš Kovanda, however, the low unemployment rate in the Czech Republic and the lowest in the EU also reflects the fact that during the pandemic the government saved employment massively and at the cost of an enormous increase in public debt, for example through the Antivirus program. ■

## Average wage up 8.2%, in health care up 43.8%

The average gross monthly nominal wage per recalculated number of employees in the national economy grew 11.3% y/y in the second quarter of 2021. It was 8.2% higher in real numbers. The median amounted to CZK 32,408. The data was published by the Czech Statistical Office. In quarter-on-quarter terms, the adjusted increase in the average wage totalled 1.2%. In the CZ-NACE-based sector classification, it dropped 1.6% y/y in the financial and insurance sector. The highest pace of increase was recorded in health and social care (43.8%), affected by the payment of extra bonuses for work during the pandemic. ■

## Analysts: Average wage for 2021 to grow 4.8%

The average wage for 2021 in the Czech Republic will grow 4.8% year on year, according to the expectations of Komerční banka analyst Jana Steckerová. In reaction to data published by the Czech Statistical Office, she added that it exceeded above market expectations in the second quarter of 2021. UniCredit Bank chief economist Pavel Sobišek said the increase was also due to one-off bonuses paid out in the healthcare sector and in social care that represented an increment in monthly wages on average by CZK 16,584. Without considering this sector, the reported increase would be 3.5 pp lower in the entire economy. Patria Finance chief economist Jan Bureš said that a low comparative base was behind the increased wages. In the second quarter of 2020, the pandemic was at its peak, and wages dropped dramatically in some sectors. ■

## BC: Equity funds up 1.93%, real estate funds up 0.11%

Equity funds yielded 1.93% in August. Real estate funds grew by 0.11%, according to the information from the Equity Fund Index published by Broker Consulting (BC). On the other hand, money-market funds dropped 0.39%. Bond funds lost 0.48 pp. The highest loss was incurred by commodity funds, namely 0.92%. BC analyst Lukáš Vokel said that almost all of them did well in terms of individual sectors, except for the energy and extraction of traditional metals and gold. He added that companies from the technological and real estate sectors and from communication services were successful in the equity market. ■

## AY: Real estate investments fell to EUR 790m

The volumes of real estate investments in the region of Central and Eastern Europe (CEE) decreased by 30 % y/y to EUR 4.2bn in 1H 2021. In the Czech Republic, there was a decrease of up to 59 % to EUR 790m. This follows from the Avison Young (AY) report. The pandemic established work from home, but even so, investments in offices accounted for 46 % of total volumes (EUR 1.95bn). Currently, residential properties intended for rent, so-called Build-to-Rent, are experiencing a great boom. Czech investment funds invested the most from the entire region and received 17 % (EUR 740m) of the total volume of investments within CEE. ■

## MZ: Number of Covid-19 patients in hospitals up at 96

As of September 9, 2021, the number of confirmed Covid-19 cases in the Czech Republic grew by 376 and totalled 1,682,054. The number of hospitalised patients grew from 94 to 96. There were 22 confirmed cases over the past seven days per 100,000 inhabitants. The total number of the deceased was 30,143, according to the information provided by the Czech Ministry of Health (MZ). ■