

EVENTS OF THE WEEK

Government approves IROP with allocation of CZK 124bn

The Government of the Czech Republic has approved the Programme Document of the Integrated Regional Operational Programme (IROP) for the period 2021-2027. The revitalisation of public spaces in towns and villages and support for public tourism infrastructure are new elements. The Ministry for Regional Development expects the first calls to be announced in spring 2022. ■

Polish Allegro acquires Mall Group and WEDO

Polish shopping platform Allegro has agreed to acquire 100% of Mall Group and WEDO CZ from the selling shareholders PPF, EC Investments, and Rockaway Capital. Mall Group and WEDO will be acquired for a price of EUR 881m, based on a valuation of EUR 925m adjusted for debt and similar items of EUR 44m. The final price may be increased by up to EUR 50m depending on Mall Group's performance. The transaction is subject to regulatory approvals and is expected to be completed in 1H 2022. The acquired business includes assets in the Czech Republic, Slovakia, Hungary, Slovenia, Croatia, and Poland. The transaction does not involve Vivantis and MALL Pay, nor MALL.TV and Košík.cz, which were previously spun off from Mall Group. ■

Government raises minimum wage to CZK 16200

The government of Prime Minister Andrej Babiš (ANO) has approved an increase in the minimum wage by CZK 1,000 to CZK 16,200 for 2022. Labour and Social Affairs Minister Jana Maláčová (ČSSD) considers the result disappointing. She added that the Czech Republic will be CZK 400 below Poland's minimum wage. Finance Minister Alena Schillerová (ANO) described the decision as an acceptable compromise for all parties involved. The minimum wage is linked to guaranteed wages and its level, according to Schillerová, must reflect economic reality and the post-covid recovery of smaller companies. ■

MF: CR continues to cooperate with 5 EBRD countries

The Czech Republic, Hungary, Slovakia, Croatia and Georgia confirmed their common interest in continuing their cooperation within the European Bank for Reconstruction and Development (EBRD) by signing a new Constitution Agreement on November 9, 2021. This was announced by the Czech Ministry of Finance (MF), adding that the share of the Czech constituency in the total voting power of all EBRD shareholders is approximately 2.6%. In the case of the Czech Republic, the EBRD's main focus is on supporting the private sector, following the EBRD Board of Directors' decision in March to temporarily resume the bank's investments in the country in response to the economic downturn caused by the impact of the covid-19 pandemic. ■

Toyota starts manufacturing Yaris in CR

Toyota Motor Manufacturing Czech Republic (TMMCZ) has started production of the Yaris in Kolín. TMMCZ thus becomes the second European plant, together with Toyota Motor Manufacturing France, to produce the Yaris. The carmaker announced that the investment in the production of A- and B-segment vehicles on the TNGA platform has reached CZK 4.5bn and it has also enabled the company to produce hybrid electric vehicles. At the same time, the plant's production capacity will be increased. The production run of the Yaris and the new Aygo X in 2022 will be a 3-shift operation. TMMCZ President Koreatsu Aoki added that the expansion also included the hiring of 1,600 new workers. ■

1890s completes acquisition of stake in WH Holdings

1890s Holdings has completed the acquisition of 27% of WH Holdings, becoming part owner of West Ham United Football Club. As part of the deal, chairman Daniel Křetínský and his colleague Pavel Horský will become members of the board of directors of WH Holdings. 1890s Holdings is a company indirectly controlled by D. Křetínský (50% + 1 share), while Patrik Tkáč controls 44% - 1 share (through the holding company J&T Capital Partners). The remaining 6% of the company is held by managers who have long worked with D. Křetínský in the energy sector. ■

TOP HEADLINE NEWS

Andrej Babiš's government resigned; M. Zeman accepts**ČNB puts brakes on inflation, expects up to 7% in 2022****ČEZ posts CZK 6.7bn profit, cuts emissions by 12%****BIDLl will start 7 projects in 2022****MF: Economy to grow 2.5% in 2021, 4.1% next year****Currency and Bourse**

Currency	Value	% w/w
CZK/EUR	25,26	0,198
CZK/USD	22,04	0,998
CZK/GBP	29,53	0,203
CZK/CHF	23,92	0,125

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

Prague bourse

Share	Value	% w/w
AVAST	↘ 167,35	-0,388
ČEZ	↘ 733,00	-2,046
ERSTE	↗ 1044,50	2,346
Kofola	→ 328,00	0,000
KB	↘ 936,00	-0,160
Moneta	↘ 88,70	-0,902
O2 C.R.	↗ 259,50	0,193
PM	↗ 15 760,00	0,127
Stock	↘ 110,00	-0,727
CZG	↘ 536,00	-0,373
VIG	↗ 670,50	1,417

PX index ↗ 1373,99 0,020

source: BCP Praha

CR'S RATING

Long-term rating

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

Short-term outlook

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

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

GDP

Y/Y real

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

Q/Q real

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

Source: Czech Statistical Office

ECONOMIC POLICY

Andrej Babiš's government resigned; M. Zeman accepts

Andrej Babiš's (ANO) government resigned at an extraordinary session on November 11, 2021. This was done in accordance with the Constitution of the Czech Republic, after the constituent session of the newly elected Chamber of Deputies was completed on November 10. President Miloš Zeman accepted the government's resignation and entrusted it with its functions on a provisional basis until a new government is appointed. ■

ČNB puts brakes on inflation, expects up to 7% in 2022

Based on its macroeconomic forecast, the Czech National Bank's (CNB) Bank Board raised the two-week repo rate to 2.75% at its November meeting. The Board expects inflation to rise significantly further and to approach 7% in early 2022. Consistent with the forecast is a steep rise in market interest rates at the end of this year and early next year. The unwinding of the current exceptionally strong inflationary pressures from the domestic and foreign economies, together with the above-mentioned interest rate increases, will lead to inflation starting to slow down over the course of the next year. By the turn of 2022 and 2023, inflation will fall to close to the 2% target. The risk to the outlook is prolonged congestion in global production chains, coupled with a weaker exchange rate and more significant increases in energy and rents. ■

Government to limit outdoor events, OTN for ski lifts

On November 5, 2021, the government approved new emergency measures in view of the current epidemic situation. From November 22, only 1 000 people with an antigen test for COVID-19 will be recognized at mass events. Other visitors must present themselves with O-T-N. The government has also newly set a limit of 1000 people at outdoor mass events, the same as for indoor events. In addition, the O-T-N will also apply to ski lifts and cable cars from December 1, 2021. ■

Government to discuss situation on energy market with EU

The government discussed other options to help households affected by the energy price increase. The cabinet was briefed by Labour and Social Affairs Minister Jana Maláčová (ČSSD) on support through the social benefits system. It will also continue negotiations with the European Union on how to address the situation on the energy market. Prime Minister Andrej Babiš called on Industry and Trade Minister Karel Havlíček (ANO) to write a letter to the European Commission. According to A. Babiš, it is not possible for the Energy Regulatory Office to control how energy traders trade according to the directives. ■

CNB: Banks approved CZK 42.1bn loans under COVID III

As of October 15, 2021, banks in the Czech Republic have approved 3,151 applications for loans worth CZK 14.18bn under the state guarantee programme COVID II for non-financial enterprises. This is based on data from the Czech National Bank (CNB). Within the COVID PRAHA programme, there were 303 applications for a total value of CZK 1.56bn. Those interested in support from the COVID III programme sent 10 598 applications. The banks have approved 6,551 applications worth CZK 42.11bn. The total number of applications submitted under the COVID EGAP programme reached 169. The number of approved applications to the interested parties was 122, totalling CZK 17.0bn. ■

Government approves act on single-use plastic

The Government of the Czech Republic has once again approved the draft law on limiting the impact of selected plastic products. It had already been approved once, but then it had been waiting in the Chamber of Deputies of the Czech Republic for almost 10 months. The Ministry of the Environment of the Czech Republic informed that the new legislation includes several types of measures - from a complete ban on specific single-use plastic products, to a gradual reduction in the consumption of others, to mandatory contributions by producers of plastic products to the clean-up of municipalities and cities. ■

MPSV prepared support for people in DPI regime

The Ministry of Labour and Social Affairs (MPSV) has prepared a new form of support called MOP - DPI billing. This will help with the arrears of the bill if the household has difficulties to pay it from its own resources. Unlike regular emergency immediate assistance, it sets more lenient conditions, for example with regard to the applicant's savings. The ministry will also strengthen the Labour Office so that it can quickly process citizens' applications, and is also planning to take into account the jump in energy prices in housing benefits. ■

MZe to support EARTH program projects with CZK 502m

The Ministry of Agriculture (MZe) has announced the results of the 5th public competition under the Applied Research Programme for the period 2017-2025 (EARTH) with the start of project implementation in 2022. Of the 261 proposals evaluated, 43 were recommended for funding with total allocation of CZK 502m. The projects focus e.g. on the use of satellite images for optimising crop production or on methods for intensifying organic farming on arable land. Others will deal with the identification of surviving forest tree species in calamity areas. ■

Government approves growth in salaries by CZK 1,400

On November 10, the government of Prime Minister Andrej Babiš (ANO) approved a CZK 1 400 salary increase for public and state sector employees. The same increase will also apply to soldiers and members of the armed forces from January 1, 2022. Teachers and partly health workers will be exempted. In the case of teaching staff, their salary tariffs will increase by 3% from January. For health professions, the general principle applicable to civil servants will be maintained up to grade 7, while from grade 8 onwards, tariffs will increase by 6%. ■

MO: Bids for IFVs do not meet requirements

An expert committee has completed the evaluation of bids for the delivery of 210 tracked infantry fighting vehicles (IFVs), which the Ministry of Defence of the Czech Republic (MO) took over on September 1, 2021, from three potential suppliers. These are BAE Systems (Sweden) with the CV90, GDELS (Spain) with the ASCOD, and Rheinmetall Landsysteme (Germany) with the Lynx. The Commission agreed that the tenders of all three tenderers were not evaluable on the basis of the replies/supporting documents submitted, as none of them met all the requirements of the contracting authority. The shortcomings identified relate, for example, to missing or inaccurate information on the technical characteristics of the vehicles offered or incomplete information on cooperation with the Czech defence industry. Therefore, the Commission will not further assess and in particular will not evaluate the existing bids of the suppliers, of which the companies have been informed. ■

ÚS rejected senators' proposal for bailiff territoriality

The full court of the Constitutional Court rejected a proposal by a group of 25 senators to repeal part of the Enforcement Code, stating that the petitioners' request to introduce the principle of territoriality into the definition of the bailiff's competence lacks constitutional legal dimension. The Constitutional Court also stated that the system allowing the beneficiary (creditor) to choose the bailiff who will conduct the execution does not violate the right to judicial protection guaranteed by Article 36(1) of the Charter of Fundamental Rights and Freedoms. ■

MMR to support public health stations from EU funds

The Ministry for Regional Development (MMR) has announced a call for the development of the infrastructure of 14 regional sanitary stations and laboratory capacities for PCR testing. CZK 230m is allocated for them from the European Regional Development Fund. The aim is to equip all public health stations in the Czech Republic and 49 hospitals that are part of the type 2 emergency admission network with the necessary laboratory equipment. The projects are to be completed by December 31, 2023 at the latest. ■

J. Maláčová: Entire government responsible for energy crisis

According to Czech Labor and Social Affairs Minister Jana Maláčová (ČSSD), the state is responsible for the complicated energy situation. She added that the Ministry of Industry and Trade and the Energy Regulatory Office had failed to protect consumers. However, the entire government bears responsibility for dealing with the situation and must also address the problem. Maláčová positively assessed the agreement on the reduction of advances by suppliers of last resort. ■

Ecofin Council discussed rising energy prices and fiscal policy

Finance ministers discuss how to tackle rising energy prices at the Ecofin Council meeting in Brussels. The Czech Ministry of Finance reported that the Czech Republic is advocating that Member States should have the temporary possibility to apply a zero VAT rate on electricity and natural gas. The ministers also returned to the discussion on the revision of fiscal rules, which were temporarily suspended in response to the pandemic. The suspension of the application of budgetary rules was supported by the European Commission, which temporarily did not apply the rules of the Stability and Growth Pact. All EU member states, including the Czech Republic, took advantage of this. ■

NRB will help with EU's plan to revitalise buildings

The European Union aims to renovate 35 million wasteful buildings by 2030. The National Development Bank (NRB) with its ELENA programme for cities, municipalities, institutions, and businesses should contribute to this. The Bank will help to prepare the renovation of wasteful buildings and save 90% of the costs. The money saved under the EPC (Energy Performance Contracting) project will help to repay the total investment. ■

SP ČR discussed new government business priorities

The Confederation of Industry and Transport of the Czech Republic (SP ČR) presented the priority areas for economic support to the representatives of the upcoming government coalition at its Assembly. In particular, it highlighted the topics of digitalization, transport, exports, green deal and energy, labour market, research and development or education. According to the Confederation, the new cabinet should first and foremost increase the stability and attractiveness of business conditions, as well as prepare the country for the transition to a low-carbon economy and respond to demographic changes. ■

HK CR: Government has business-friendly programme

The programme of the upcoming coalition government is business-friendly. Members of the Presidium of the Czech Chamber of Commerce (HC CR) believe that some points still need to be refined and others added. For example, the new government did not take into account the foreign and domestic trade, services and tourism sectors in its programme. The issue of the construction law also remains problematic, the area of economic diplomacy, support for crafts and pension reform are unclear. The Czech Chamber of Commerce sees positively, among other things, the plan to reduce social security contributions, increase the limit for mandatory VAT registration from CZK 1m to CZK 2m and or the state's high ambitions re digitalisation. ■

COMPANY NEWS

ČEZ posts CZK 6.7bn profit, cuts emissions by 12%

ČEZ Group's net profit for 9M 2021 totalled CZK 6.7bn. Adjusted for extraordinary effects, it fell by 10% y/y to CZK 16.9bn. This was due, among other things, to the deterioration of medium-term market conditions for coal-fired power generation following the increase in EU climate targets and the recommendation of the Czech Coal Commission to end combustion by 2038. Operating profit before depreciation and amortisation (EBITDA) reached CZK 47.5bn (CZK -3.4bn). The decline was due to the sale of Romanian and Bulgarian assets. Net debt decreased by CZK 13.7bn. Sales of electricity (+9%) and gas (+18%) to end customers in the Czech Republic grew. In Q3 2021 alone, net profit reached CZK 5.1bn and EBITDA totalled CZK 15.9bn (+3.7bn). Board of directors' chairman and CEO Daniel Beneš said that the Group's CO2 emissions intensity in electricity generation fell by 12% in 9M. ČEZ has precised its full-year EBITDA outlook to CZK 59-60bn and net profit outlook adjusted for extraordinary effects to CZK 19-21bn. ■

dm posts CZK 12.39bn turnover, invests CZK 233m

The dm drogerie market chain increased its turnover by 7.87% to CZK 12.39bn for the year ending September 30, 2021. The chain invested almost CZK 150m in the expansion and modernisation of its sales network. Since August, dm online shop customers can pay with Apple Pay and Google Pay. The company invested almost CZK 10m in the renewal of technical equipment. The company has invested CZK 10 million in dm. dm ČR's investments totalled CZK 173m. The plan for the new business year 2021/2022 totals CZK 233m. Of this amount, more than CZK 208m will be spent on further expansion and modernisation. In the coming months, dm drogerie's distribution network will also be extended to Poland. Managing director Markéta Kajabová said that the chain is developing strategic measures to minimise its ecological footprint as part of its sustainability program. ■

BIDL I will start 7 projects in 2022

BIDL I development a stavby from BIDL I holding will start the implementation of seven projects with a total of 163 apartments and houses in 2022. The company expects a total of 71 completed houses and apartments and the sale of more than 70 properties in 2021. Roman Weiser, its director, told ČIANEWS. The rising prices of building materials are forcing the developer to make apartments and houses more expensive. This year, it has raised prices by 15%. He added that the price increases do not apply to contracts already concluded with future owners. R. Weiser perceived the situation regarding mortgage prices as not having a significant impact on demand at the moment. He added that the excess of demand over supply had also

increased during the COVID-19 pandemic in connection with people investing in real estate as a safe investment. ■

CEE Logistics takes over food distributor Gistrans CR

Transport company CEE Logistics has announced the acquisition of fresh food and beverage distributor Gistrans Czech Republic. With this purchase, CEE Logistics aims to strengthen its position in the field of international trucking and in the national retail market. Gistrans reported a turnover of over CZK 330m in 2020 and its fleet includes over 100 trucks. ■

EMMA Capital acquired 70% stake in Mailstep

EMMA Capital Group has acquired a 70% stake in Mailstep, a company focused on logistics in the e-commerce sector. The contracts include an agreement to retain the current management positions. Mailstep serves domestic and international customers, mainly from EU countries and the UK. The European market accounts for more than 65% of the total shipment volume. Mailstep's owner Jan Rozlivka said that the capital entry of the EMMA group will allow for greater expansion into foreign markets. In the first phase, the company plans to build distribution centres for south-western Europe (Spain) and south-eastern Europe (Romania and Greece). ■

120,000 DPI clients sign contracts with innogy

In the three weeks since the start of emergency supply, innogy has concluded 120,000 contracts with customers in the supplier of last resort (DPI) regime. Of these, 60,000 are with gas customers and another 60,000 with electricity customers. This is an unusual amount compared to normal market movements. In a normal situation on the Czech energy market, about 45,000 customers change supplier per month. innogy's retail and marketing director David Konvalina said that 90% of the customers choose the three-year Optimal product between a one-year and a three-year contract. This tariff reflects the price drop in the following years. ■

German S.V. Holding is new owner of insurer ERGO

S.V. Holding with headquarters in Dresden became the owner of ERGO pojišťovna, which until now belonged to the German group ERGO. The aim of the transaction is to expand the product range and distribution network in areas close to the border between the Czech Republic and Germany. By connecting activities, the insurance company will be able to bring clients and partners more advanced services and options. Subsidiaries of S.V. Holding, Sparkassen-Versicherung Sachsen, report roughly EUR 720m in premium billing per year and employ around 800 people. ERGO pojišťovna has premium billing worth EUR 25m per year and has around 50 employees. ■

SOLEK connects PP in Cyprus; 70 projects in pipeline

SOLEK has started operations at its first solar power plant in Athienou, Cyprus. The group is now preparing around 70 smaller projects on the island. It plans to build power plants of up to 150 MW in Cyprus within two to three years at the latest. SOLEK entered the local market four months ago. ■

Wedo sets up 100 outlets in M&K network; invests CZK 1

Logistics operator Wedo is setting up its outlets in the network of print distributor Mediaprint & Kapa (M&K). Customers will be able to have their shipments sent to up to 100 new outlets when using the carrier, bringing the number of outlets close to the 1,200 mark across the country. CEO Daniel Mareš said they will continue to look for other ways to expand the distribution network. Investments are also being made in technology and digital development. In the coming months, the company plans to develop all its distribution channels, further expand its network of outlets and boxes, build new logistics depots and modernise existing ones. In total, it plans to invest around CZK 1bn in the near future. ■

Panattoni builds Park Ostrov North

Developer Panattoni has started construction of Panattoni Park Ostrov North. Part of the first hall, which will have an area of 20,000 m2, will be occupied by Amphenol Tuchel Industrial, a manufacturer of electrical connectors, smart card readers, and cable harnesses. The planned expansion will also increase the number of employees from the current 300 to 350. The hall will produce a wide range of products - components for medical technology, agricultural and construction machinery, photovoltaic systems, battery storage, and heat pumps. Both the first building and the planned second building (with an area of over 100,000 m2) will aspire to BREEAM environmental certification. ■

APS launches investment fund for distressed assets

Czech financial group APS, which invests in distressed debt, has launched the APS CREDIT FUND with the same focus. The fund intends to raise up to

EUR 20m from investors, with a target fund size of up to EUR 50m. APS CREDIT FUND will receive its first funding in November after receiving the necessary authorisation from the Czech National Bank. The fund expects an average annual appreciation of 12%. It will focus mainly on large corporate receivables that are secured by real estate. Typical collateral may be logistics centres, hotels, office and residential buildings, land and etc. The minimum investment will be CZK 1m. ■

GLS to raise no. of self-service boxes by 50%

GLS Group currently operates more than 25,000 dispensing and delivery points across its network, including self-service boxes. CEO Pavel Včela told ČIANEWS that due to the increase in the number of shipments delivered from e-shops, they expect the number of boxes to increase by at least 50% year-on-year. The company also operates shared drop-off boxes. He added that GLS has already shipped significantly more packages before the start of the Christmas season than it did in the entire year 2020. ■

New Miton C fund invests hundreds of min web3/crypto

After four years spent in the crypto ecosystem, Miton is bringing its activities under the umbrella of a fund called Miton C. The company announced that its activities are based on a belief in the principles of web3, which give a chance to solve some of the big problems of the world today. The fund has hundreds of millions of CZK ready for new investments. Among the projects sought are mainly blockchains, L2, scaling, security or developer tools. ■

Hydrogen1 invests CZK 600m in hydrogen centre H2 Triangle

The Czech fund Hydrogen1 is planning a hydrogen research centre in North Bohemia as part of the H2 Triangle project. The investment should reach CZK 600m. The fund confirmed to ČIANEWS that it will not be a portfolio investment and that it wants to actively participate in the operation of the centre. Specifically, the fund plans to bring foreign companies that have been involved in hydrogen technology for a long time, such as Plug Power, in which it owns a stake, to the centre. ■

Solek to build solar PPs in Chile for BlackRock

Energy group Solek has signed an agreement with US investment company BlackRock to build and supply solar power plants in Chile. Solek will build the plants for BlackRock with a total installed capacity of up to 200 MW. Subsequently, it will also provide O&M services to these projects, i.e. provide management and operation services. ■

Y Soft invests in ARBO Technologies, opens Startup Studio

Y Soft Ventures, a venture capital platform under Y Soft Corporation, has announced an investment in startup ARBO Technologies. Its products combine advanced software and hardware to help ensure the safety of non-forest trees, improve their care and increase the benefits that trees offer to society as a whole. The first product on offer is Adbian, a software tool that allows the stability of trees to be analysed and interventions to be designed to prevent fatal consequences. In addition to this, Y Soft is newly launching Startup Studio. It will support start-ups not only by providing capital, but also mentoring or the opportunity to use Y Soft's technology or facilities. ■

Fio banka saw profits increase by almost 60 %

At the end of 3Q 2021, Fio banka reported a y/y increase in net profits by 59.4 % to CZK 1.57bn. The balance sheet total increased by 12.6 % to CZK 212.53bn. Deposits reached CZK 202.28bn (+ 12%). The reduction of risk costs, the growth of market interest rates and the increase in the balance sheet total played an important role in increasing the profit. The results for the third quarter are unaudited. Sales director Jan Bláha added that the bank has a stable interest in its services and an increase in the number of new clients. For the year 2021, its net profits could exceed CZK 2bn for the first time in history. ■

Vitkovice Steel back in the black, profits reached CZK 25m

Vitkovice Steel is returning to profitable management after years of losses. In 1-3Q 2021, it achieved a net profit of CZK 25m and the outlook is still positive despite the rise in energy prices. The company was helped by a revival of demand for steel products, but also by streamlining production processes. The company informed that the results will be reflected in the remuneration of employees. Dmitry Shchuk, the general manager and chairman of the board of directors, added that the EU's climate package or rising energy prices and emission allowances remain among the risks in the steel industry. ■

Siemens digitizing and aiming for carbon neutrality

Siemens Elektromotory is implementing higher control systems at the

Mohelnice plant. Director Vladimír Štěpán said that the plan is to digitize the entire process from the business phase to the dispatch of engines. The aim is to achieve control over the production process and prevent critical conditions. The plant contributes to the company's commitment to carbon neutrality by 2030. The digital transformation can help shorten production cycles and reduce energy consumption. ■

MACROECONOMIC DATA AND POLLS

MF: Economy to grow 2.5% in 2021, 4.1% next year

The anticipated 2.5% growth in economic output in 2021 is expected to be driven mostly by household consumption, higher inventories and fixed capital investment, the Ministry of Finance (MF) said, adding that the adverse effects of rising input prices and disruptions in production and supply chains are expected to persist in the remainder of 2021 and early 2022. Economic growth could reach 4.1% in 2022. The forecast for the average inflation rate was raised to 3.5% in 2021 and 6.1% in 2022. The unemployment rate is projected to average 3.0% in 2021 and fall to 2.7% in 2022. Expansionary fiscal policy is expected to lead to a deficit of 7.2% of GDP and a rise in debt to 43.3% of GDP. The overall deficit is projected to reach 4.4% of GDP in 2022, with debt rising to 46.2% of GDP. ■

CBA lowers GDP growth forecast for 2022 to 3.9%

The Czech Banking Association (CBA) has lowered its growth estimate for the domestic economy for both 2021 and 2022. The association said that due to ongoing problems in subcontracting chains and rising inflation, the domestic economy is expected to grow by 2.6% in 2021, compared to the August estimate of 3.4%. The estimate for 2022 has been revised to 3.9% from 4.5%. Inflation is expected to surpass the 5% mark in 2022. Unemployment will fall from 3.8% in 2021 to 3.4% in 2022, according to the CBA. ■

EC cut GDP growth outlook for CR to 3.0%

Czech economy's recovery has been slower than originally expected due to the disruption of supply chains. The European Commission announced this in its autumn forecast, lowering its GDP growth forecast for 2021 by 0.9 pp to 3.0%. Inflation is projected to accelerate to 4.4% in 2022 due to high energy prices, supply-side constraints and strong demand, reaching 3.3% in 2021 and 3.4% in 2022 (measured by the HICP index, which excludes imputed rents). Government debt is forecast to exceed 42.4% of GDP in 2021 and to rise further to 46.3% of GDP by 2023. ■

Analysts: Trade will again make a weak contribution to GDP

The contribution of foreign trade to GDP should remain weak in 2022. Raiffeisenbank analyst David Vagenknecht noted that net exports will be a drag on the economy. KB economist Jana Steckerová expects about half of the foreign trade surplus in 2021 compared to last year's CZK 180bn. UniCredit Bank economist Jiří Pour said that in the future, foreign trade will face a number of unknowns. The key will be whether and how quickly supply chains can be restored. ■

MF predicts deficit will drop to 4.4% of GDP

The public finance deficit will widen to 7.2% of GDP in 2021, according to a forecast by the Ministry of Finance (MF). With a public debt of 37.7% of GDP, the Czech Republic had the fourth lowest debt in the EU in 2020. This year, with an estimated debt of over 43% of GDP, the Czech Republic is likely to be among the six least indebted EU countries. MF forecasts a reduction of the deficit to 4.4% of GDP in 2022. Debt is expected to reach 46.2% of GDP. The current outlook foresees a gradual reduction of the public deficit to 3.5% of GDP in 2024. ■

Inflation accelerates to 5.8 %; rents up by 12.8 %

Consumer prices rose by 5.8% y/y in October 2021, up 0.9p from September and the most since October 2008. The data were published by the Czech Statistical Office. Prices in the housing section had the biggest impact on inflation. Imputed rents rose by 12.8%. Prices of goods and services rose by 5.4% and 6.6% respectively. The inflation rate, expressed as the increase in the average consumer price index over the last 12 months compared with the average of the previous period, was 3.2%. According to preliminary Eurostat data, the change in the Harmonised Index of Consumer Prices of the EU-27 in September was 3.6%. ■

Analysts: Inflation will slow down in 2022 at earliest

As in previous months, the main cause of the annual acceleration in inflation was attributable to housing prices. Jakub Seidler, the chief economist at the Czech Banking Association, said this in response to the statistical data,

adding that price growth could surpass 7% at the beginning of the year. Michal Brožka, an economist at Komerční banka, expects a significant slowdown in inflation only in 2H 2022 and a full-year average of 5% for 2022. Štěpán Křeček, the chief economist at BH Securities, expects the central bank to continue raising interest rates, which will slow down economic growth in the Czech Republic. ■

Industry performance down 4.0 % y/y in Sept

In September, industrial production fell by 4.0 % y/y in real terms. It was lower by 3.3 % m/m. The Czech Statistical Office informed about it, stating that the year-on-year change was mostly due to the manufacture of motor vehicles, trailers and semi-trailers (contribution -7.0 pp; a decrease of 33.5 %). Revenues from industrial activity at current prices decreased by 0.7 %. The value of new orders in the monitored industries weakened by 1.2 %. From abroad, they decreased by 3.1 %, while domestic new orders increased by 3.5 %. The ČSÚ further stated that the performance of industry in 3Q 2021, after excluding seasonal effects, decreased by 1.7 % q/q. It was 0.2 % higher y/y. ■

Analysts: Decline in industry due to automaker problems

Czech industry clearly lags behind the overall performance of the economy. Following data from the Czech Statistical Office, Jan Vejmělek, the chief economist of Komerční banka, said this. The economist of UniCredit Bank Czech Republic and Slovakia, Patrik Rožumberský, said that the deepening of the decline in production is due not only to the intensification of problems in car production, but also to the expansion of the number of declining industries, such as rubber and plastics. Raiffeisenbank analyst Vít Hradil expects industrial growth of 8.2% for the whole of 2021. ■

CRIF: Number of declared corporate bankruptcies grows

The number of corporate bankruptcies declared in the Czech Republic increased by 19 m/m to 71 in October 2021. There were 497 bankruptcies of individual entrepreneurs, 16 fewer. This is based on data from CRIF - Czech Credit Bureau. While the number of corporate bankruptcies was the second highest since the beginning of the year, the number of bankruptcies of entrepreneurs was, on the contrary, the second lowest. There were 1,209 personal bankruptcies. The number of corporate bankruptcy filings fell by 14 to 78. In the case of entrepreneurs, there were 487 (-23). Personal insolvency petitions were filed for 1236. ■

Construction output up 2.2 % in Sept

In September, construction output grew by 2.2 % y/y in real terms. Building authorities issued 7,509 building permits (+ 1.0 %). The approximate value of these construction projects reached CZK 34.0bn (+ 28.8 %). This follows from data from the Czech Statistical Office. The number of started dwellings increased by 57.3 % to 4,045 dwellings. The number of completed dwellings decreased by 10.2 % to 2,121 dwellings. In 3Q 2021, construction output was 1.3 % higher in real terms. The authorities issued 23,328 building permits (+3.9). The value of constructions increased by 69.7 % to CZK 162.7bn. According to Eurostat data, construction output in the EU27 fell by 1.0 % y/y in August 2021. ■

Analysts: Inflation and labor market limiting construction

According to ČSOB analyst Petr Dufek, the main problem in the construction industry remains the lack of qualified and auxiliary workers. In response to statistics, he said that in 2021, a record rise in construction materials prices was added to the labor market situation. The chief economist of BH Securities, Štěpán Křeček, added that due to the sharp rise in prices, orders are being revalued, which leads to their postponement. The chief economist of UniCredit Bank Czech Republic and Slovakia, Pavel Sobíšek, said that despite the still decent demand, he expects real growth of up to 3% in construction output in 2021 and 2022. ■

IE: Export to approach record CZK 4tn despite problems

Czech exports have a chance to approach the record CZK 4tn mark in 2021, according to calculations by the Export Index (IE). Raiffeisenbank's chief economist Helena Horská predicts that a few tens of millions of CZK will be missing to the mark. The sector's problems include bottlenecks in production chains, transport and logistics problems and cost increases, including energy prices. Otto Daněk, vice-chairman of the Association of Exporters, added that the prospects for a better tomorrow are not in sight. He specified that many components are permanently missing, chips remain a scarce commodity and the Czech National Bank is giving the Czech koruna an impetus to appreciate by raising rates. ■

Foreign trade balance ended with deficit of CZK 13.3bn

The balance of foreign trade in goods at current prices ended in September 2021 with a deficit of CZK 13.3bn, down CZK 47.2bn y/y. This follows from preliminary data from the Czech Statistical Office. The overall balance was adversely affected mainly by a decrease in the trade surplus in motor vehicles by CZK 20.6bn. From January to September 2021, the trade balance surplus reached CZK 31.5bn, down CZK 69.4bn. The balance with the EU27 ended in September with a surplus of CZK 55.9bn (CZK -12.1bn). ■

Export prices grow by 7.5 %, import prices grow by 8.8 %

Export prices rose by 7.5% y/y in September 2021, and by 11.6% after adjusting for exchange rate effects. The decisive influence on the development of the overall index was the 14.7% rise in prices of semi-finished goods (mainly iron, steel, metal, and wood products). This was reported by the Czech Statistical Office. Prices of imports were higher by 8.8%, after adjustment by 13.1%. Terms of trade fell to 98.8% (99.3% in August). Mineral fuels recorded the lowest terms of trade (86.1%). Month-on-month, export prices increased by 0.9% and import prices by 1.4%. The terms of trade rose from 99.4% to 99.5%. ■

MMR: CR ranks 12th in EU funds consumption

The Czech Republic ranks 12th out of 27 countries in the EU funds consumption ranking. The total disbursement was 66% of the allocation. This was announced by the Ministry for Regional Development of the Czech Republic (MMR) after the meeting of the Council for EU Funds. The largest amount of funds in relation to the total allocation of the programme was paid in the case of OP Research, Development and Education (94.3%). Kateřina Neveselá, Director of the EU Funds Management and Coordination Department, said that some programmes received additional increases from the pandemic recovery instruments. These include the Rural Development Programme (an increase of more than EUR 186m) and IROP (more than EUR 313m). ■

CEEC: Volume of opened tenders fell to CZK 88.4bn

The volume of announced construction contracts in January-September 2021 totalled CZK 88.4bn, down 29% y/y. Of these, CZK 27.9bn (32% of those announced) were later awarded. This is according to an analysis by CEEC Research, supported by Cental Group. Of the total announced contracts, CZK 4.5bn were later cancelled. There is still CZK 56.0bn (or 63%) in the system that has not yet been awarded or cancelled. In the three quarters of 2021, 5395 contracts (including subcontracts) were awarded, up 10.0% y/y. Their volume reached CZK 183.8bn (+34.1%). ■

ÚP: Unemployment down 0.1 pp to 3.4 % in Oct

As of October 31, 2021, the Labor Office of the Czech Republic (ÚP) registered a total of 251,689 job seekers, down 10,453 m/m. Year-on-year, their number decreased by 19,996. The share of unemployed persons was 3.4 %, 0.3 pp less than a year ago and 0.1 pp less than in September 2021. According to Eurostat (September 2021), the unemployment rate was the lowest in the entire EU, namely 2.5 %. The EU average reached 6.6 %. Viktor Najmon, the general manager of ÚP, said that there is also interest in seasonal workers in areas such as agriculture, horticulture, forestry, fisheries or animal and food production and trade. He added that unemployment is most likely to rise in the coming months. The situation on the labor market will depend mainly on the current epidemic situation. ■

Retail sales grow by 3.6 % in September

Calendar-adjusted retail sales in September 2021 rose by 3.4% y/y in real terms, and by 3.6% unadjusted. Seasonally adjusted, retail sales fell by 0.3% m/m, the Czech Statistical Office reported, adding that in the non-food goods segment, retail sales strengthened by 6.7% y/y. On the other hand, sales of food fell by 0.8%. The highest year-on-year sales growth was recorded in internet and mail-order sales (by 15.6%). For the full 3Q 2021, calendar-adjusted sales in retail excluding motor vehicles increased by 4.0% y/y in real terms and 3.6% y/y on an unadjusted basis. ■

MZ: No. of hospitalised with COVID-19 drops to 3,452

The number of confirmed cases related to the disease causing COVID-19 in the Czech Republic has increased by 13,502 to 1,856,555 as of November 11, 2021. The number of hospitalised persons has fallen to 3,452 from 3,518. There have been 596 confirmed cases per 100,000 population over the past seven days. The number of deaths increased from 31,259 to 31,289. The information was provided by the Ministry of Health (MZ). ■