

## EVENTS OF THE WEEK

**VW & CR to build thousands of e-car charging points**

On October 11, 2021, Volkswagen Group (VW) board of directors' chairman Herbert Diess and Deputy PM, Minister of Industry and Trade and Minister of Transport Karel Havlíček (ANO) signed an agreement on a joint intention to build several thousand charging points for electric cars on main roads and at railway stations in the Czech Republic by 2025. This information was provided by ŠKODA AUTO, adding that the construction of the charging infrastructure should significantly accelerate the transition to electromobility and decarbonisation of the country. Furthermore, VW has postponed the decision to build a Gigafactory to produce car batteries, which the Czech Republic is also interested in hosting, to mid-2022. ■

**MPO: Bohemia Energy has ended its activities**

Bohemia Energy and other companies from group Bohemia Energy entity announced the termination of their activities. Customers from the ranks of both consumers and companies will be supplied with gas or electricity by suppliers of last resort (DPI). Deputy Prime Minister and Minister of Industry and Trade Karel Havlíček (for ANO) said that this was a failure of a commercial entity due to speculation and Europe-wide rising energy prices. The government will catch up on compensation for all households and companies on the basis of energy checks and a reduction in VAT. The Energy Regulatory Office together with the Ministry of Industry and Trade of the Czech Republic (MPO) are now negotiating with the DPI. They have already declared that they are ready to take over consumers, but this is the largest supplier to date which has ceased operations in the Czech Republic. ■

**ŠKODA AUTO continues to cancel shifts in week 42**

ŠKODA AUTO is planning production interruptions at almost all of its plants for the 42nd week of 2021. Union representatives said that the exception is part of the production in Kvasiny, namely the KV A and B welding plants, the KV paint shop and the KV ML1 assembly plant, where production will be in limited mode from the night shift on Tuesday until the morning shift on Thursday. Work will also continue on reducing work in progress, rework and maintenance. A mandatory company asset inventory is scheduled for Friday on all three shifts. During the 41st week, production was at a standstill at all car production facilities in Mladá Boleslav and Kvasiny. ■

**EC published tools for lowering energy price hike impact**

The European Commission (EC) has published a list of tools that EU member states can use to address the immediate effects of rising energy prices. Short-term national measures include exceptional household income support, state aid to businesses and targeted tax cuts. Priority should be given to targeted measures that can quickly mitigate the effects of rising prices on vulnerable consumers and small businesses. These provisions should be easily modified in the spring of 2022, when the situation is expected to stabilize. The EC will also support investment in renewable energy and energy efficiency and assess the current shape of the electricity market. ■

**ARETE buys industrial site in Plzeň for EUR 20m**

Investment and real estate group ARETE has completed a key acquisition, a production and warehousing site in the Plzeň-Borská pole industrial zone. The investment will total almost EUR 20m. The group said as much on Twitter, adding that Park Plzeň would provide ARETE with 18,202 m<sup>2</sup> of premium premises after all development phases were completed. ■

## TOP HEADLINE NEWS

**MF ČR counting on legal consolidation plan****Government passes CZK 130.5bn budget for SFDI****M. Toman approves direct payment rates for 2021****ŠKODA AUTO to use staff from other operations****Rohlik to invest EUR 400m in distribution automation****SŽ to renovate freight train line in Děčín for CZK 1.14bn****IMF: GDP growth in CR to reach 3.8%; in Slovakia 4.4%****Currency and Bourse**

Currency	Value	% w/w
CZK/EUR	25,39	0,079
CZK/USD	21,88	-0,274
CZK/GBP	30,00	0,400
CZK/CHF	23,75	0,379

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

**Prague bourse**

Share	Value	% w/w
AVAST	↗ 167,75	0,358
ČEZ	↘ 773,00	-0,906
ERSTE	↗ 996,20	0,381
Kofola	↘ 317,00	-0,315
KB	↘ 884,00	-1,471
Moneta	↘ 89,80	-0,223
O2 C.R.	↘ 260,00	-0,769
PM	↗ 15 820,00	1,138
Stock	→ 112,40	0,000
CZG	→ 540,00	0,000
VIG	↗ 652,00	0,613

PX index	↘ 1362,26	-0,248
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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

### MF ČR counting on legal consolidation plan

The Ministry of Finance of the Czech Republic envisages a statutory consolidation plan, thanks to which the structural balance will gradually decrease by 0.5 pp of GDP per year. The Ministry of Finance stated this in response to the report of the Office of the National Budget Council (ÚNRR) on the pace of fiscal consolidation. According to ČIANEWS, the Czech budget consolidation plan is one of the worst in the EU, according to ÚNRR. The Ministry of Finance warned that the actual pace of consolidation will depend on the decision of the future government. The Czech public finances are now and will continue to be below the threshold set by the European Stability and Growth Pact (debt below 60 % of GDP). ■

### Government passes CZK 130.5bn budget for SFDI

On October 11, 2021, the ANO-ČSSD government passed the 2022 State Fund for Transport Infrastructure (SFDI) budget of CZK 130.5bn. Deputy PM Karel Havlíček (for ANO) added it was a year-on-year increase by CZK 3bn. The largest part of the money will go towards road transport (CZK 62bn), followed by railroads (CZK 55bn). As part of discussing investment incentives, the government turned down support for AVICENTRA and GSP-High Tech Saws. Havlíček said that the companies had not met the condition of investing into a higher added value. According to Havlíček, the government did not deal with the results of the election to the Chamber of Deputies. ■

### M. Toman approves direct payment rates for 2021

Agriculture Minister Miroslav Toman (ČSSD) has approved a single payment per agricultural area (SAPS) of 70% for 2021. It will amount to CZK 3331.68/ha. In addition, the rate of payment for farmers following climate and environment-friendly practices (greening) is set at CZK 1833.32/ha. The Ministry of Agriculture has also maintained the higher payment rate for young farmers, which is CZK 1665.84/ha (50% of the SAPS rate). Sensitive commodities will be supported with more than CZK 3bn. The reduction in unit rates was due, among other things, to the transfer of 0.8% of funds from direct payments to payments under the Rural Development Programme. The information was published by the State Agricultural Intervention Fund. ■

### EC adjusts basis for reference and discount rates

The European Commission (EC) has adjusted the base rate for calculating the reference and discount rates in the Czech Republic. The Office for the Protection of Competition has informed that the new base rate will be 1.28% as of November 1, 2021. The reference and discount rates are used as a substitute for the market rate to calculate the grant equivalent of aid, in particular where aid is paid in several instalments, and to calculate the part of the aid resulting from interest subsidy schemes. They are also used to check compliance with the de minimis rule and the block exemption rules. ■

### MŽP: New Green Savings accepts applications for CZK 39bn

The Ministry of the Environment (MŽP) began accepting for the new programme period of New Green to Savings on October 12, 2021. In the first calls, CZK 11bn from the National Renewal Plan will be available for energy-efficient renovation and construction of houses and now also for their adaptation to a changing climate. By 2030, the ministry is also counting on the involvement of other sources, mainly revenues from the sale of emission allowances or money from the Modernisation Fund. In total, the programme will have at least CZK 39bn available in the next decade. ■

### Government to discuss investment incentives for 3 firms

Prime Minister Andrej Babiš's (ANO) government will consider a proposal to approve investment incentives for Fibertex Nonwovens, Frujo and Kornfeil on October 18, 2021. Also on the agenda is a change in the definition of a family business in the Czech Republic in 2021 and the Czech Republic's entry into the Three Seas Initiative Investment Fund. ■

### MF: Flat tax for 2022 will be CZK 5994 per month

The flat tax for 2022 will be CZK 5994 per month. The amount includes the minimum health insurance premium of CZK 2627, the minimum social insurance premium increased by 15% of CZK 3267 and income tax of CZK 100. This was announced by the Ministry of Finance (MF) when it published an updated calculator, which allows sole traders and small entrepreneurs to calculate whether the flat tax will be worthwhile for them. ■

### Babiš calls tripartite after talks with ŠKODA AUTO

Based on talks with ŠKODA AUTO about the situation in the automotive industry, Prime Minister Andrej Babiš (ANO) has called for a meeting of the

Council of Economic and Social Agreement of the Czech Republic. It will take place on October 18, 2021. The reason is the shortage of chips because of the pandemic and restricted production in companies, which affects employees and suppliers. The PM added that support was being prepared. ■

### MMR to support reconstruction after tornado with CZK 1.3bn

the reconstruction of municipal and regional property after natural disasters. CZK 1.3bn is available to repair the damage caused by the tornado in 2021. The call is focused on the South Moravian Region. Municipalities will receive up to 90% subsidy and the region up to 60% subsidy. The grant title from the sub-program Restoration of Municipal and County Property after Natural Disasters in 2021 is open from October 1, 2021 until April 29, 2022. Municipalities and counties affected by natural disasters in 2020 and for which states of emergency have not been declared may also submit applications until November 30, 2021. ■

### SFŽP to divide CZK 150m on ecosystems and biodiversity

On October 11, 2021, the State Environmental Fund (SFŽP) started receiving applications for the second round of the Call-1 Rago, which focuses on supporting innovative processes, implementing the results of science-research projects, and using best-practice examples from abroad. A total of 19 project suggestions advanced to the second round. They can be supported with CZK 5.2m to CZK 26m for activities whose objectives are to strengthen the resilience of ecosystems and protect biodiversity. In addition, more than CZK 150m from the Environment, Ecosystems and Climate Change programme has been prepared for applicants. ■

### MPO: CR & France prepare nuclear alliance of EU countries

The Czech Republic, France, and other European Union member states are preparing a joint procedure that should result in more accessible and cheaper construction of nuclear sources. The inclusion of nuclear energy and gas among sustainable activities within the joint classification system, the so-called taxonomy, to support investments in sustainable growth should be part of a common procedure of the Czech Republic and France. This information was provided by the Czech Ministry of Industry and Trade (MPO). The declaration was also joined by Finland, Hungary, Poland, and Slovakia. ■

### MŽP approved first CZK 71m from Modernisation Fund

Environment Minister Richard Brabec (ANO) approved the first projects from the Modernisation Fund. A total of 12 applicants can start building photovoltaic power plants. The amount of the subsidies provided amounts to CZK 71m. The Ministry of the Environment (MEP) informed that the first distributed money can be followed by other projects by the fund. A total of CZK 18.3bn is available in the current calls. ■

### ERÚ investigates terminating fixations and contracts

The Energy Regulatory Office (ERÚ) is investigating energy suppliers Bohemia Energy and Europe Easy Energy for suspicious termination of price fixing and early termination of contracts in response to customer complaints. Lumius, on the other hand, is unexpectedly terminating gas supply contracts mainly for large customers. If the proceedings confirm that the traders acted in breach of their contracts or engaged in any other illegal conduct, ERÚ will file criminal charges against the companies' executives. ■

### A. Babiš: ERO should cap prices for Bohemia Energy clients

Prime Minister Andrej Babiš (ANO) appealed to the Energy Regulatory Office (ERO) to cap the prices of energy suppliers to which Bohemia Energy customers are transferring. On October 13, 2021, it announced the end of its business. According to A. Babiš, the ERO should consider how to prevent suppliers from abusing the situation. He also called on the energy suppliers themselves not to resort to unfair practices. He added that the Ministry of Industry and Trade of the Czech Republic will submit to the government a proposal to compensate for high energy prices for 4.3 million households. Once approved, the renewable energy fee would be waived. The amount would reach almost CZK 1,500. ■

### NRR: Czech budget consolidation plan among worst in EU

The planned scope of Czech fiscal consolidation appears to be insufficiently ambitious. This follows from a study by the National Budget Council (NRR), with the Czech Republic always proving to be the worst or the second worst of all member states within the EU. In terms of the structure of consolidation, the Czech Republic stands out mainly in the area of taxes, which have fallen the most among all EU countries. ■

### GSFT paid CZK 39.39m in compensation to ČSÚD's clients

The Financial Market Guarantee System (GSFT) has paid CZK 39.39m to 20

clients of Československá úvěrní družstvo v likvidaci (ČSÚD) two months after the start of the payment of deposit refunds. So far, they have received refunds in the amount of CZK 10.33m. Five clients have not collected CZK 33.33m in compensations. GSFT will pay 100% of their deposits to the beneficiaries, up to a maximum of CZK 2.55m per depositor (equivalent to EUR 100,000). The average amount of compensation per client is more than CZK 2m. In all cases, these are fixed-term deposits. ■

### SP CR: The government should launch Antivirus B

To help employees and companies that have to limit production due to lack of input materials and parts, the government should activate the Antivirus B program. The Confederation of Industry of the Czech Republic (SP ČR) informed that the automotive or paper industry in particular have had problems with the shortage of raw materials and supplies in recent weeks. According to the SP ČR, the SP ČR has an analysis of the legal and economic scope of the possible launch of the Antivirus B program. ■

### SP ČR wants kurzarbeit for the automotive industry

The Confederation of Industry (SP ČR) recommends launching the programme to deal with the short-term unemployment of long-term employees in the automotive industry. SP ČR vice-president Jan Rafaj said that he would submit expert documentation at a tripartite meeting. But, according to him, the support is not against the long-term shortage of labour, which has to be resolved differently. ■

### Ostrava budgets new concert hall costs of CZK 2.6bn

The city of Ostrava is currently budgeting the cost of the new concert hall project and the related reconstruction of the Ostrava House of Culture at CZK 2.6bn. The amount already takes into account the technical refinement of the project, the increase in the scope of connections according to the requirements of the network administrators, the extension of the scope of orchard landscaping and surrounding paved areas and the cost of the organ beyond the original specification. It also takes into account the short-term turbulent change in the price of construction works. Mayor Tomáš Macura (ANO) added that the city is securing multi-source financing for the project. According to him, the possibility of funding from Pillar III of the Fair Transformation Fund has also been opened up. ■

## COMPANY NEWS

### ŠKODA AUTO to use staff from other operations

ŠKODA AUTO has prepared a reduced service standard from November 1, 2021, which will trigger a reduction of staff onboarding and make maximum use of the natural turnover of core and agency staff. The turnover needs will also be used to transfer agency staff to core status. The information was provided by trade union KOVO MB. Company Board chairman Jaroslav Povšík said that the automaker can solve the possible overflow of employees by transfers between plants or even between the Mladá Boleslav, Kvasiny and Vrchlabí plants. Furthermore, the overhanging personnel will be assigned to the so-called overhang centres. ■

### Rohlik to invest EUR 400m in distribution automation

The Rohlik Group will install an automated storage and retrieval system (ASRS) in its distribution centres to increase the efficiency of order picking and capacity utilisation. In the first phase, it will invest around EUR 45m in automation and will spend up to EUR 400m on additional distribution centres between 2022 and 2025. The group will launch the first automated solution at Knuspr.de in Munich, specifically the AutoStore system. It will use Shuttle-System in its warehouses in the Czech Republic and Austria. This will be followed by a gradual roll-out of the systems in existing and new European markets. ■

### SŽ to renovate freight train line in Děčín for CZK 1.14bn

The Railway Administration (SŽ) has started the reconstruction of the line between the stations Děčín East and Děčín-Prostřední Žleb, which is part of the Trans-European Transport Network (TEN-T) freight corridor. The estimated investment costs amount to CZK 1.14bn. The contractors are STRABAG Rail, DT Mostárna and STRABAG AG. The electrified section with a length of 1.4 km will undergo a complete renovation. In addition to the tunnel, it also includes a bridge over the Elbe. Trains will return to the line in November 2022, with the entire construction to be completed in mid-2023. The financing is provided by the State Fund for Transport Infrastructure. ■

### Škoda to supply locomotive drives to Tanzania for CZK 580m

Škoda Transportation Group has signed a contract with Hyundai Rotem for more than CZK 580m+. Under the contract, the company will supply 17 sets

of complete electric equipment for new locomotives for a railway line in Tanzania. The delivery includes, among others, main and auxiliary drives, battery chargers, traction motors, gearboxes and wheelsets. The locomotives will be assembled at Hyundai Rotem's Changwon plant in South Korea. They will be put into service on 550km of new electric line operated by local railways TRC between Dar es Sallam and Makutupora. They will run at speeds of up to 160km/h in challenging weather conditions. ■

### KB proposed to pay CZK 23.86 per share from earnings

Komerční banka (KB) proposes to the general meeting profit distribution of CZK 4.53bn for 2019 and 2020. Retained earnings per share total CZK 23.86 before tax. The proposal can be voted on from October 18 until November 2, 2021. The bank has CZK 81.66bn in retained earnings from previous years. ■

### Smartlook grew 90 % in the USA; to create parent co. there

Smartlook, which focuses on analyzing the behavior of users of websites and mobile applications, has grown by 90 % in the United States over the past year. By the end of the year, it wants to achieve a 100% y/y increase in its monthly subscription. It will use the investment it received in 2020, among other things, to build a parent company in the USA in 2022. The aim is to strengthen its position in the local market and increase the share of income from the current 30 to 50 %. In the next investment round, it wants to get tens of millions of USD from American investors. The company monitors and records more than 62,000 websites and over 2,000 mobile applications. CEO Petr Janošik said that in absolute terms, they will reach almost EUR 5m in ARR (annual turnover from regular revenues) at the end of 2021. ■

### BSC + W.UP merge in Finshape, focus on bank digitalisation

Czech Banking Software Company (BSC) has completed its merger with Hungarian firm W.UP to form a new group, Finshape, which will enable traditional banks to accelerate their digital transformation in a post-pandemic economy. Finshape is backed by investment fund PortfoLion Capital Partners. The fund will provide the new entity with capital for development and further expansion. From the start, Finshape will cater to more than 100 clients on four continents, incl. Raiffeisen, BNP Paribas, Erste, Société Générale and Alfa-Bank. Its digital banking solution will be used by 35 million users. ■

### EUROWAG goes public, will get EUR 200m from IPO

EUROWAG - W.A.G. payment solutions is going public on the London Stock Exchange on October 2021. The offer price has been set at 150 pence per ordinary share in the IPO. On this basis, the company's market capitalisation at the start of conditional trading on the main market of the London Stock Exchange is expected to be ca. GBP 1.03bn. EUROWAG expects to raise gross proceeds of around EUR 200m in the offering of 113 million shares. The company's CEO and founder Martin Vohánek said the IPO will help accelerate the growth plans of EUROWAG - W.A.G. Payment Solutions, whose vision is to access the benefits of digitalisation for all independent commercial road transport companies. ■

### Benu predicts 30% rise in turnover

Pharmacy chain Benu has reported a turnover growth of more than 60% in 2020, dispatching a total of 1.9 million orders. E-commerce director Michal Macourek told ČIANEWS that the company plans 30% y/y increase in 2021. They also plan to use temporary workers during the Christmas season. In 2022, the company will open new pharmacies, which, among other things, will be used for personal collections for e-commerce orders. Benu will continue to speed up logistics and invest in the website. ■

### Smarty's turnover up 38%, will open 40+ new stores

Smarty, which includes, among others, the smarty.cz electronics e-shop, reported a turnover of CZK 1.9bn for 9M 2021. Chief Commercial Officer Rudolf Konečný expects the group to achieve a turnover of CZK 1.25bn in Q4, which would take it over the planned CZK 3bn mark for 2021. The group has bought and stocked a sufficient number of processors and graphics cards in advance. It will thus be able to cover all the computer production it plans for this year. The plan is to achieve a turnover of CZK 5 billion by 2023. This will be helped by the opening of more than 40 new stores under the smarty.cz and JRC brands. ■

### ŠKODA AUTO takes over global MQB-A0 platform development

ŠKODA AUTO has taken over responsibility for the development of Volkswagen Group's existing global MQB-A0 platform. Using the platform, the ŠKODA and Volkswagen Group brands will develop entry-level models for countries such as India, Russia, Africa as well as ASEAN and Latin America.

ŠKODA AUTO's board chairman Thomas Schäferis convinced that the platform will enable the Group to win new customers and strengthen its position in the entry-level segments. ■

### Accolade, Panattoni expand Park Hořovice for Saint-Gobain

Accolade and Panattoni have jointly expanded Panattoni Park D5 Hořovice for Saint-Gobain. The car glass manufacturer has increased its lease here by an additional 7,500 m2 from the existing 10,000 m2. The value of the new building, which aspires to BREEAM sustainability certification at the Excellent level, is almost EUR 7.5m. At the same time, Saint-Gobain has extended the lease on its current premises by a further five years to accommodate the expansion of its activities. ■

### JHV-Engineering predicts 30% growth, upgrades MAINWARE

JHV-Engineering expects a 30% y/y increase in its economic result in 2021, Jan Vaclavovic, head of the commercial department, told CIANEWS. The main factor influencing the company's economics now is the extension of deadlines. This is both from customers and mainly from suppliers. As part of digitalization, the company has focused, for example, on completing the development of the software superstructure of its intelligent MAINWARE system, which enables remote support directly at the customer's installation site without the need for the physical presence of specialists. This allows the company to save several weeks of its presence at the final installation site, which may be on the other side of the world. ■

### WIA buys LEMO Cloud, changes to WIA.cloud

Telecom operator WIA has acquired a 100% stake in LEMO Cloud. It is thus entering the market of cloud-service providers. WIA's CEO Filip Malina said the acquisition will allow the operator to expand its offering with virtual servers, especially for customers who already use WIA's data services for the corporate sector. He specified that clients will get a combination of connectivity and cloud, which is suitable for sensitive projects. The operator will also be rebranded to WIA.cloud. F. Malina added for CIANEWS that the pandemic has forced companies to completely change the way they operate in terms of IT/TELCO. Therefore, he believes that WIA is coming to the market at the right time with its own cloud. ■

### SentinelOne invests CZK 1bn+ in CR over 3 years

SentinelOne, an autonomous cybersecurity company, has launched a new office and innovation centre in Prague. The facility will eventually house 300 highly skilled employees. The total investment in the Czech Republic will exceed CZK 1bn over the next three years. Prague will also serve as the engineering headquarters for Europe. The company will recruit employees at all levels of expertise and across all disciplines. ■

### Karlovy Vary Region makes contract with GW Train Regio

The Karlovy Vary Region has concluded a contract with GW Train Regio to continue operating mass rail transport on two regional tracks. The new ten-year contract is worth CZK 760.40m, including VAT. The basic price will be CZK 111.50 per kilometre, increased only by inflation compared to the current price of CZK 108.50 per kilometre, according to the Hlídač státu register. ■

### MND to invest in 54.6 MWh of wind sources in Ukraine

After almost one year of preparations and talks, MND, by acquiring a 50% share in LLC ORIV WIND FARM, has started new construction of renewable sources of energy, namely a wind farm with an output of 54.6 MWh in the Lviv Oblast in the cadastral area of Oriv. The planned annual production of the WF ORIV is 150 GWh. All preparations and permits have been finalised and financing secured, and the project realisation has begun. The construction of the wind farm should be done by the end of 2022. ■

### TATRA to supply more bogies for AČR military tankers

On October 7, 2021, representatives of TATRA TRUCKS and state-owned enterprise VOP CZ signed a contract to supply 18 Tatra Force vehicles for new mobile fuel tankers for the needs of the Armed Forces of the Czech Republic (AČR). The order follows a similar contract of last year. The supplies will take place in 2022 and 2023. The vehicles will be fitted with Tatra cabins with the possibility of additionally armour-plating and installing a multi-spectral mobile camouflage set. ■

### Linde Gas starts making special gases in Prague-Kyje

Linde Gas has commenced production at its modernised plant in Prague-Kyje. The total investment amounts to EUR 9.7m. The capacity of the new filling plant will be 65,000 cylinders per year (previously it was 9,000 cylinders). The filling plant will mix process gases for special applications and calibration gases. Linde Gas' marketing head Zbyněk Brada has

confirmed to ČIANEWS that special gases are typically used in science and research. The plant will create 24 new jobs. ■

### CTP expects to expand portfolio to 7.7 mln m2 by yearend

Developer CTP expects to expand its portfolio to more than 7.7 million m2 by the end of 2021 through continued construction and acquisition activity, the company said in a portfolio update prepared by Cushman & Wakefield. Following the Q3 valuation, the company expects accelerated revenue compression towards the end of 2021. ■

### eMan starts investment fund, targets fintech and digital

Czech IT firm eMan is setting up its own fund. The company will invest units of up to tens of millions of euros. The company will invest up to ten thousand CZK in projects in the fields of fintech, digitalization of services, industry or transport. The company plans to invest in about two to three interesting startups per year. The fund will be created in cooperation with Starteepo. For the supported projects, the fund will be open to both majority and minority financial participation, with the possibility of an exit at the end of the cooperation and eventual integration into the eMan portfolio. ■

### eD group acquired 50% stake in Best Brands Company

Czech investment group eD group acquired a 50% stake in Best Brands Company, which operates the proordinaci.cz online store. This portal is a supplier of dental care products. The combination of Best Brands Company and eD group will make it possible to offer dental customers a comprehensive range of Dr. Mayer products. ■

## MACROECONOMIC DATA AND POLLS

### IMF: GDP growth in CR to reach 3.8%; in Slovakia 4.4%

Czech GDP will grow by 3.8% in 2021 and 4.5% in 2022. This is based on the estimates of the International Monetary Fund (IMF). Consumer price growth in the country will reach 2.7% this year. Next year it will be 2.3%. The unemployment rate will be 3.4% in 2021, falling to 3.2% the following year. The Slovak economy is forecast to grow by 4.4% this year. Inflation will be 2.4% in 2022 (2022: +3.0%). The unemployment rate will be 6.8%. It will fall to 6.1% in 2022. ■

### Year-on-year inflation at 4.9% in September, EU's at 3.4%

Compared to August, consumer prices grew 0.2% in September 2021. The development was affected mainly by higher prices in the segment of housing. In year-on-year terms, prices increased 4.9%, which was 0.8 pp more than in August, according to the information provided by the Czech Statistical Office. Overall goods prices grew 4.4%, while service prices increased 5.7%. Imputed rent was 10.3% higher. The overall index of consumer prices without imputed rent was 104.2%. According to Eurostat estimates, the year-on-year change in the Harmonised Index of Consumer Prices in the EU27 was 3.4% in September (3.0% in August). In Slovakia, prices grew 5.1% in September. ■

### Analysts: Inflation accelerates, ČNB to increase rates

By the end of 2021, inflation may get close to 6% and will probably surpass it. This is an expectation of Czech Banking Association chief economist Jakub Seidler who added that it would depend on the speed and intensity of price increases by the largest energy suppliers. Komerční banka economist Michal Brožka stated that the reviving household consumption, tightening labour market and restricted offer in some areas affected by delayed supplies for production still favoured increasing consumer prices. UniCredit Bank Czech Republic and Slovakia economist Jiří Pour said that the Czech National Bank (ČNB) would have to respond to the dramatically accelerating inflation by a significant increase in interest rates. In November, he expects the basic rate to increase by 50 basis points. ■

### ČNB: Inflation reflects growing consumer demand after lockdowns

Inflation above the Czech National Bank's (ČNB) forecast is due, among other things, to the unexpectedly sharp acceleration of core inflation and the markedly faster rise in food prices. However, growth in regulated prices and fuel prices was also slightly higher than forecast. In response to data from the Czech Statistical Office, the central bank stated that the acceleration of inflation is a reflection of the rise in consumer demand after the easing of anti-epidemic measures. According to the central bank, the dynamics of regulated prices remains relatively subdued so far, but with the sharp rise in prices of electricity and natural gas on commodity exchanges, growth can be expected to intensify in this price range in the coming months as well. ■

## CNB: Tight labour market, wage hikes push inflation up

According to the Czech National Bank (CNB), rather than tightening monetary policy, we can currently talk about easing its current looseness. CNB governor Jiří Rusnok stated at the bank board meeting on September 30, 2021 that economic performance and other macroeconomic indicators are returning to pre-pandemic times. It is therefore, in his view, a rational consideration that interest rate settings should also approach pre-pandemic levels relatively quickly in order for the central bank to live up to its mandate to nurture price and financial stability. In 2022, according to central bankers, the labour market situation has the potential to be a strong inflationary factor. J. Rusnok mentioned that the tightness in the labour market was compounded by relatively generous wage increases in some parts of the public sector. ■

## CRIF: No. of corporate bankruptcies up

Totally 162 bankruptcies of commercial companies, 1,459 bankruptcies of individuals and 3,600 personal bankruptcies were declared in the Czech Republic in Q3 2021. Compared to the same period in 2020, there is a slight increase in corporate bankruptcies. A decrease can be observed for bankruptcies of natural persons and personal bankruptcies. At the same time, 264 company bankruptcy petitions, 1505 individual entrepreneurs' bankruptcy petitions and 3658 personal bankruptcy petitions were filed. While the number of insolvency petitions for companies increased compared to last year, the number of petitions in the other two categories decreased. This stems from the data from CRIF - Czech Credit Bureau. ■

## CRIF: 74,466 trade licences suspended, most since 2017

In the third quarter of 2021, 15,958 persons started doing business in the Czech Republic, down 1,886 y/y. Activities were terminated by 6,320 entrepreneurs (-3,698) and suspended by 17,859 (-4,208), according to an analysis conducted by CRIF - Czech Credit Bureau. A total of 48,185 trade licences were issued since the beginning of this year, down 161. A total of 28,063 persons terminated their trade (-2,344) and 74,466 suspended it (+4,000). Analyst Věra Kameníčková said that the number of suspended trade licences was the highest since 2017. Some of the reasons are an ongoing uncertainty regarding economic development, a shortage of some intermediate products and materials on the market and increasing prices of energy and other inputs. ■

## CRIF: Corporate savings exceed debt by record CZK 120bn

The volume of deposits of non-financial corporations with Czech banks at the end of August 2021 was CZK 1.28 trillion, that is, 5 % more than at the beginning of the year. The amount of their loans has increased to CZK 1.16 trillion since the beginning of the year (+ 3%). Businesses had saved CZK 120bn more than their debt, which is the highest difference in the history of the Czech Republic. This follows from the calculations of CRIF - Czech Credit Bureau, which it performed on the basis of data from the Czech National Bank. The savings of self-employed persons increased by 11 % to CZK 185bn, while the volume of their debts stagnated at CZK 47bn. The volume of savings of Czech households increased by 6 % and exceeded the threshold of CZK 3 trillion. Their debt was CZK 1.93 trillion. ■

## CEEC: Construction cos. expect market to grow 1.5 %

Construction companies expect the construction market to grow by 1.5 % in 2021. In 2022, they expect an increase of 1.4 %. This follows from the analysis of CEEC Research. Businesses now have 95% capacity utilization. In 4Q, they expect a load rate of 94 %. The revenues of construction companies will grow by 2.4 %. Larger sales growth will be recorded in civil engineering. Businesses have, on average, contracts for 10 months in advance. For 41 % of respondents, this is the same length of time as last year. ■

## BC Index: Mortgage rates up to 2.57% in September

Average mortgage rates rose 0.15p m/m to 2.57% in September 2021, according to the Broker Consulting Index (BC Index) of mortgage lending. Broker Consulting's chief analyst Martin Novák says that in the next few days, we can count on a 0.4-0.7p.p. increase in rates for all mortgage lenders. Experts estimate that for a five-year fixation, rates could approach 4% at the end of 2021. In that case, a slowdown or a complete halt in the mortgage market can be expected. ■

## Unadjusted retail revenues up 5.1% in August

Retail revenues excluding motor vehicles, adjusted for calendar effects, rose 4.1% y/y in August 2021, and 5.1% excluding adjustments. They increased by 0.3% m/m, according to the Czech Statistical Office. Online and mail order stores continued to maintain high y/y sales growth (20.6%). All product

types of specialised non-food stores also showed an increase, most notably computer and communication equipment (+14.6%). Adjusted revenues from motor vehicle sales and repairs showed a decrease of 3.6%. Unadjusted revenues fell by 0.2%. ■

## Analysts: People shop more in e-shops due to price hikes

High price increases are motivating more and more people to shop online, where prices can be easily compared. BHS' chief economist Štěpán Křeček commented on retail statistical data that e-shops offer a much wider range of products than is common in brick-and-mortar stores. UniCredit Bank Czech Republic and Slovakia's economist Jiří Pour added that retail sales point to continued relatively strong household demand, which may have been fuelled by a willingness to spend some of the savings accumulated during the pandemic. Komerční banka's economist Michal Brožka expects retail sales to grow slowly in the coming months given the September drop in consumer confidence and accelerated consumer price growth. For the full year, he expects a rate of close to 3% excluding car sales. ■

## Outlets thrive, Fashion Arena welcomes 12% more visitors

Czechs are spending more on fashion products in outlet centres than in the past. Znojmo's Freeport Fashion Outlet now has a comparable footfall to 2020 even without Austrian customers. The same trend is confirmed by Štěrbobohská Fashion Arena Prague Outlet (FAPO), whose footfall is up 12% year-on-year. The impact of coronavirus restrictions or rising inflation has further strengthened the price sensitivity of domestic customers. FAPO's director Lenka Čapková said clothing brands were moving unsold collections to outlet centres because of the pandemic. These include brands such as GAP and Pietro Filipi Collection. ■

## C&W: Online food sales revenues grew at rate of 106 %

Revenues from online food sales in the Czech Republic have grown at an average rate of 106 % per year over the past three years. There was also a significant increase elsewhere in Europe, by an average of 37.3 %. Data from 24 European countries were analyzed by Cushman & Wakefield (C&W). Partner and head of the investment team in the Czech Republic Michal Soták said that the trend of online food shopping began before the pandemic, which then accelerated it. By 2025, C&W expects the share of online grocery sales to double in the Czech Republic. Currently, its share in total food sales in the Czech Republic is 4.2 %, in Europe 4.4 %. ■

## Export prices up 8.6%, import prices up 9.4%

In August 2021, exports prices grew 8.6% y/y, and import prices were 9.4% higher, according to the Czech Statistical Office. Terms of trade dropped to 99.3% (July: 99.8%). A 16.0% increase in the prices of semi-finished products had a decisive impact on exports. In terms of imports, an 80.0% increase in the prices of mineral fuels had a fundamental effect. In month-on-month terms, export prices dropped 0.3%, and import prices were 0.3% higher. Terms of trade dropped to 99.4% (July: 100.7%). ■

## CNB: Balance of payments passive at CZK 37.8bn

The current account liability of the balance of payments reached CZK 37.8bn in August 2021. In the balance of primary income on the liabilities side, dividends from direct investment amount to CZK 18.9bn. The balance of goods and services was passive at CZK 11.8bn. Primary and secondary income includes an asset balance of transfers from the EU budget to the Czech Republic of CZK 1.5bn. This was reported by the Czech National Bank (CNB). ■

## CNB: Financial asset growth slowed to 2% in Q21

The total value of financial assets in the Czech economy grew by 2.0% in Q2 2021, the Czech National Bank (CNB) reported, adding that the q/q pace slowed noticeably. The higher year-on-year growth (6.1% vs. 4.8% in Q1) has to be seen in the context of a lower comparative base in 2020, when measures against the spread of the coronavirus took full effect. The value of assets of non-financial corporations and financial institutions increased by 4.2% and 0.3% q/q, respectively. The assets of general government and households strengthened by 3.4% and 2.1% respectively. ■

## BC Index: Equity funds wrote off 3.9%; commodity funds up

Equity funds posted the biggest month-on-month drop in September 2021, according to the Broker Consulting Mutual Fund Index. They wrote off 3.91% as a result of the panic associated with Chinese firm Evergrande. Bond and money market funds also posted declines, to -1.24% and -0.63% respectively. In contrast, real estate funds fared well, gaining 0.11%. Commodity funds ended September with the best result, gaining 3.89% compared to August's setback. ■