

EVENTS OF THE WEEK

MMR: CR could get up to trillion CZK from EU by 2027

The Czech Republic could receive up to one trillion crowns from EU cohesion policy funds by 2027, most of which could be spent on regional development, the Czech Ministry for Regional Development (MMR) said on December 16, when it sent to Brussels a document for drawing EU financial support in the period 2021-2027. Minister Klára Dostálová (ANO) said that the draft Partnership Agreement describes the rules for the next programming period. Deputy Minister Zdeněk Semorád added that the Integrated Regional Operational Programme was one of the three that negotiated an increase from the ReactEU special instrument and added that the Ministry of Regional Development will also apply for a second tranche. ■

Central Group buys land for more than CZK 2.5bn in Prague

The residential builder Central Group acquired the ownership of more than 100,000 m² of new land worth over CZK 2.5bn in Prague in 2021. The main major acquisition was the purchase of brownfields in Prague 3 in Jarov and at Stromovka Park in Prague 6 - Bubeneč. The investor bought the land in a total of four locations in Prague. In addition to Jarov and Bubeneč, also in Hloubětín and in Vysočany in Prague 9. In the coming years, it will build over 2,000 new apartments. ■

PSP will not discuss draft state budget

The Chamber of Deputies of the Czech Republic has refused to put the discussion of the draft state budget for 2022 on the agenda for the session beginning on December 14, 2021. Finance Minister Alena Schillerová (ANO) has described the incoming government's intention not to discuss the budget and instead to declare a budgetary provisionality as irresponsible stubbornness, which means uncertainty, threatening covid aid or investments. Finance minister-designate Zbyněk Stanjura (ODS) has previously said that the provisionality would last no longer than until the end of March 2022. ■

Senate passes crisis caregiver & isolation benefits

The Senate has passed the proposal of crisis caregiver allowance submitted by the Czech Ministry of Labour and Social Affairs (MPSV). Parents can draw it retroactively from the beginning of November 2021. It will total 80% of the daily assessment base, at least CZK 400 per day. It will also apply to people working on agreements who participate in sickness insurance. It can also be drawn by grandparents. Furthermore, the Senators have passed an MPSV's proposal to pay out an extraordinary allowance, the so-called isolation benefit. People in quarantine or isolation because of infectious disease will get up to CZK 370 per day as wage compensation retroactively as of November 30. ■

Emma Capital: Premier Energy acquires two firms

Premier Energy, a subsidiary of Emma Capital Group, is buying a 51% stake in Romanian electricity trader Alive Capital. The agreement is signed and the transaction is expected to be completed in January/February 2022. The second company to be acquired will be Ecoenergie, which operates wind power plants. The contract should be signed by Christmas. This transaction involves a 100% stake. The spokesman Pavel Zuna told ČIANEWS, adding that in Premier Energy they have gas distribution, electricity and now they are adding investment in green energy. ■

108 AGENCY acquires BNP Paribas Real Estate APM CR

Czech real estate consultancy 108 AGENCY has won the acquisition tender and became the owner of 100% of shares in BNP Paribas Real Estate APM CR, the domestic subsidiary of the global BNP Paribas Real Estate group. 108 AGENCY thus becomes the exclusive alliance partner of BNP Paribas Real Estate for the Czech Republic. The full integration of the business will be completed in 1H 2022. The transaction allows BNP Paribas Real Estate to continue its strategic repositioning of its geographic presence in the main European markets and to transfer its presence in smaller countries to local partners. ■

TOP HEADLINE NEWS

MMR: CR draws CZK 22bn from ReactEU, to get CZK 8bn more**Zeman will appoint new gov't members on Dec 17****ŠKODA AUTO to relaunch production on January 10****PPF Real Estate enters Polish market****Disruption of supply chains is holding back GDP growth**

Currency and Bourse

Currency	Value	% w/w
CZK/EUR	25,28	0,040
CZK/USD	22,30	-0,628
CZK/GBP	29,80	0,201
CZK/CHF	24,17	-0,372

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

Prague bourse

Share	Value	% w/w
AVAST	↘ 180,95	-0,774
ČEZ	↗ 809,00	0,742
ERSTE	↗ 990,20	1,091
Kofola	↗ 309,00	0,324
KB	↘ 895,50	-0,949
Moneta	↘ 93,60	-0,267
O2 C.R.	↘ 264,00	-0,379
PM	↗ 15 880,00	0,504
CZG	↘ 502,00	-0,398
VIG	↗ 633,00	1,106

PX index	↗ 1398,01	0,149
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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

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

Q/Q real

	%
3Q/2021	1,5
2Q/2021	1,0
1Q/2021	-0,3
4Q/2020	0,6

Source: Czech Statistical Office

ECONOMIC POLICY

CR draws CZK 22bn from ReactEU, to get CZK 8bn more

Within the ReactEU initiative, the European Commission has approved almost CZK 22bn for the Czech Republic. This information was provided by the Ministry of Regional Development of the Czech Republic (MMR), adding that financial assistance headed to the healthcare sector and the integrated rescue system and to projects of low-energy social infrastructure. By the end of the year, the Czech Republic will receive an additional CZK 8bn. The extraordinary funding from ReactEU mostly goes to the first line of the fight against the epidemic. Hospitals can modernise their equipment, and rescuers, firefighters and police officers can purchase protective equipment or newer information technologies with it. ■

Zeman will appoint new gov't members on Dec 17

On December 17, 2021, the President of the Republic Miloš Zeman will appoint members of the new government of the Czech Republic at the chateau in Láň. After a meeting with M. Zeman, the proposed Prime Minister Petr Fiala (ODS) stated that the government would be appointed as proposed, including the candidate for Foreign Minister Jan Lipavský (Pirates). The government should ask the Chamber of Deputies of the Parliament of the Czech Republic on January 12, 2022. ■

EC adjusted reference and discount rate base to 2.49 %

The European Commission (EC) has adjusted the base rate for calculating the reference and discount rates in the Czech Republic. The new rate from January 1, 2022 is 2.49 %. The Office for the Protection of Competition (ÚOHS) informed about it. Reference and discount rates are used as a substitute for the market rate to calculate the grant equivalent of aid, in particular where the subsidy is paid in several installments, and to calculate the part of the aid resulting from interest subsidy schemes. It also serves to check compliance with the de minimis rule and the block exemption rules. ■

Senate supported nuclear energy in decarbonisation strategy

Senators agreed to include nuclear energy in the decarbonisation strategy. The Senate thus supported the government's position ahead of the European Council meeting on December 16, 2021. The Senate also identified gas as a transitional energy source. Minister of Health Adam Vojtěch (for ANO), representing Prime Minister Andrej Babiš (ANO), said that the state would continue to emphasize the role of nuclear energy and gas in the energy mix. He recalled that the Czech Republic had succeeded in having the European Commission examine the emissions trading system and consider further regulatory measures. ■

NRB will receive EUR 50m from CEB

The National Development Bank (NRB) has signed an agreement with the Council of Europe Development Bank (CEB) to draw a program loan of EUR 50m. It thus secured a sufficient amount of resources to finance infrastructure projects aimed mainly at improving living conditions in urban and rural areas and the environment as a whole. The funds are intended both for the public sector and for entrepreneurs or mixed entities, such as public transport operators, etc. ■

ERÚ anticipates approval of POZE schemes in 1Q 2022

On September 29, 2021, the Energy Regulatory Office (ERÚ) issued Price Decision No. 6/2021, which stipulates support for supported energy sources (POZE). The price decision was issued in accordance with the then applicable law on POZE (not in accordance with the subsequent amendment), so it currently contains two aids that cannot be used, and alternative support schemes have not yet been notified by the European Commission. The price decision includes, among other things, the amount of the green bonus for electricity from RES in the process of joint combustion of biomass and various energy sources or the amount of the green bonus for heat in the amount of CZK 56/GJ. The ERÚ expects to close the process of approving most support schemes according to the amendment to the POZE Act in the coming weeks, or in 1Q 2022. ■

KIF will distribute CZK 232m in subsidies to municipalities

The Regional Investment Fund (KIF) will announce a grant call for 2022 on December 17, 2021. The aim is to help municipalities and cities in the South Bohemian Region (JHC) finance their major investment projects, especially in education, sports, social care, basic infrastructure, and culture. Deputy Governor for Finance Tomáš Hajdušek (ODS) added that CZK 200m was spent from the fund in the first round of the call, and therefore its funds were increased by CZK 32m. Subsidies can be applied for from January 19 to February 12, 2022. The regional council will decide on the allocation of

subsidies on March 24, 2022. ■

ČNB: Five institutions still keep 0.5-2.5% O-SiIs reserve

The Czech National Bank (ČNB) has changed its approach to limit risks related to the systemic importance of institutions. As of October 1, 2021, it newly limits these risks with a reserve of other systemically important institutions (O-SiIs) instead of a capital reserve to cover a systemic risk. The O-SiIs reserve has to be maintained by five institutions in the amount of 0.5% to 2.5%. Their list for 2022 will remain the same as for 2021. ■

ÚS repealed one provision of pandemic act

The plenum of the Constitutional Court (ÚS) granted the proposal of a group of senators to repeal the provisions of section 9(4), second sentence of the pandemic act, as it found them to be in conflict with the constitutional order. According to the Constitutional Court, the reduction of damages by repayable financial assistance, which by its nature increases the assets of its beneficiary only temporarily, because it is necessary to return it, does not fulfill the function of compensation, but only bridging. Due to a conflict with the protection of property rights, the Constitutional Court therefore repealed the provisions of the law in the words "repayable financial assistance". ■

MZV: GAC approves presidency programme

At the General Affairs Council (GAC) meeting, EU member states have supported the 18-month programme of the upcoming presidency trio, France, the Czech Republic, and Sweden. The programme provides a framework for collaboration between the presidency countries and an overview of the agendas of the Council of the EU until mid-2023. The content priorities also focus on resolving the pandemic's adverse effects. For this purpose, the trio will strive for progress in the fulfilment of the Recovery and Resilience Facility, primarily through investing in the green and digital transformation. This information was provided by the Czech Ministry of Foreign Affairs (MZV). ■

Válek against mandatory blanket vaccination

Designated Minister of Health Vlastimil Válek (TOP 09) does not consider mandatory blanket vaccination the right direction. Instead, he would like to be inspired by the Portuguese approach. After meeting President Miloš Zeman, he also said he considered it of utmost importance to strengthen PCR capacities as a key testing method. He added that a working group was now preparing a change in the methodology with regard to antibodies. He is also in favour of a quick third vaccine dose. ■

CR is asking EU for extraordinary support for pig farmers

The Czech Republic in Brussels has called for the introduction of special support for pig farmers. The Ministry of Agriculture of the Czech Republic (MZe) informed about it, adding that another 15 member states had joined the request. Over the last two years, agricultural producer prices for pork have fallen by 30% in the Czech Republic. Due to rising energy and feed prices, farmers produce pork below production costs. The covid-19 pandemic and problems with meat exports due to the African swine fever, especially to Asia, also contributed to the long-term bad situation. ■

SZIF to pay out CZK 28m to Natura 2000 applicants

The State Agricultural Intervention Fund (SAIF) is starting to issue decisions on the Natura 2000 compensation payment. 762 applicants have applied for the subsidy, for which more than CZK 28m has been set aside. The support helps to cover additional costs and income foregone in connection with the protection of species diversity on grasslands in the areas of national parks or zone I of protected landscape areas. SAIF is also issuing payment decisions for temporary assisted areas with natural restrictions. Interested parties sent a total of 283 applications. SAIF will allocate CZK 3.8m among to them. ■

NKÚ: State reserves of some foodstuffs below limit

State reserves of some basic foodstuffs are below the limit, which could reduce the Czech Republic's preparedness for a possible crisis. In addition, there was enough oil only due to the economic slowdown. This follows from an investigation by the Supreme Audit Office (SAO), which examined the management of the State Material Reserves Administration (SSHR) with state property and money from 2016 to 2021. The inspectors also dealt with public procurement, property management and concluding contracts. ■

SP ČR: Reducing emissions must not harm Czech companies

The targets under the EU's greenhouse gas reduction strategy must be commensurate with the real potential of each Member State. However, the European Commission set them at a flat rate with one rate for all. This was stated by Daniel Beneš, Vice-President of the Confederation of Industry (SP

ČR). The EU proposes that by 2030 the emissions produced in its territory will decrease by 55% compared to 1990. The Confederation warns that the proposed regulation must not endanger the competitiveness of Czech companies. According to Daniel Beneš, the Czech Republic should continue to choose its own energy mix, including nuclear energy and the use of natural gas. ■

ČTÚ reviewed postal services; launched a public consultation

The Czech Telecommunication Office (ČTÚ) has completed a review of postal services. At the same time, it launched a public consultation on the intention for the period from January 1, 2023 to December 31, 2024 not to impose an obligation to provide a basic service for the delivery of a postal package up to 10 kg nationally. The Office intends to continue to impose an obligation to provide other basic services contained in the postal license. After settling the comments from the public consultation, the Office will launch a tender for a new postal license holder. It expects the outcome of the proceedings to be known by the end of June 2022. ■

Over CZK 5bn for forest restoration in Vysočina Region

Between 2019 and 2021, the Vysočina Region administered both its own and state subsidy titles used to support forests affected by the bark beetle. During that time, applicants sent in requests worth CZK 5.16bn. This information was provided by Deputy Governor Lukáš Vlček (STAN), who added that, among other things, the money was used to cover 7,320.75 ha of cleared forest. Thanks to the subsidies, foresters built 1,434.88 km of fences protecting the new cover from the game. Despite the provided subsidies, it still applies that the bark-beetle calamity in the Vysočina Region will still take several years to liquidate. Forest restoration will continue for at least ten to 20 years. ■

Moravia-Silesia allocates over CZK 2bn to public transit

In its draft budget for 2022, the Moravian-Silesian Region has allocated CZK 1.07bn to regular bus transportation and CZK 1.19bn to rail transportation. The state contributes over CZK 331m towards rail transportation. As of December 12, 2021, the timetable will change in the region. Deputy Governor Radek Podstawa (ANO) said that Czech Railways would replace the old trains operating between Ostrava and Frenštát pod Radhoštěm with five new modern push-pull train units equipped with Wi-Fi, air-conditioning, barrier-free access and spaces to transport prams, bicycles and skis. ■

Prague signs Industrial Palace renovation with Metrostav

The City of Prague has signed a contract with the winner of the tender to reconstruct the Industrial Palace. The public tender was won by the consortium Metrostav-DIZ-AVERS-SYNER led by Metrostav. The CZK 2.6bn contract should be completed within three years. The construction site should be handed over in January 2022. Deputy Mayor Pavel Vyhnanek said that the reconstruction included modern ventilation, shading and smart technologies. ■

COMPANY NEWS

ŠKODA AUTO to relaunch production on January 10

ŠKODA AUTO will start production in 2022 with the morning shift on January 10. However, some of the plants that have to provide bodywork for production (welding and painting shops) will start up with the night shift on January 10, while some press shops will also be put into operation earlier. This was announced by the Kovo MB union. Assembly before Christmas will end on December 22 or 23. Employees in production and associated facilities will therefore have an extended holiday. ■

PPF Real Estate enters Polish market

PPF Real Estate Holding is entering the Polish market with the acquisition of the New City office building in Warsaw. The seller of the New City office complex was a fund from international company Hines' portfolio. The New City office building meets Class A parameters. It offers 45,000 m2 of lettable space on 11 floors. Poland is the second new market in which PPF Real Estate has started operating this year, after the US. In addition to the Czech Republic, PPF Real Estate Holding also owns properties in the Netherlands, Romania, the UK, Germany and Russia. Both parties to the New City transaction in Warsaw have agreed not to disclose its financial terms. ■

EGAP insures export of aircraft L-39NG to Vietnam

Export insurance company EGAP has insured bank guarantees for the delivery of 12 new L-39NG aircraft from Aero Vodochody to Vietnam. The contracting parties to the contract worth billions of CZK are the Vietnamese Ministry of Defence and Omnipol, a strategic partner in the development of

the aircraft and co-owner of the Czech aircraft manufacturer. The training and light combat aircraft, whose development was co-financed by the Czech Export Bank, is a new generation of the L-39 Albatros. The total volume of EGAP-supported exports currently exceeds CZK 1bn. ■

Generali Real Estate bought two buildings in Prague

Under the auspices of Generali Real Estate, which is managed by Generali Investments CEE, Generali Real Estate has completed the acquisition of two office buildings in Prague's Pankrác from CPI Property Group. The buildings have been home to the Generali Group's headquarters for Central and Eastern Europe since 2008 and have been adapted to a hybrid working model in the last two years. In line with the highest ESG standards, the property will undergo extensive refurbishment to minimize its carbon footprint by reducing energy consumption and increasing the use of renewable energy sources and smart technologies. ■

PLzeňský Prazdroj will expand warehouses, sales fall

In 2022, Plzeňský Prazdroj plans to expand its storage facilities in Plzeň and increase brewing capacity in Velké Popovice. For the first nine months of 2021, domestic sales were down 8% y/y. Compared to 2019, they were down 12%. The company told ČIANEWS that the reason for this is the limited operation of restaurants and pubs from January to May. Neither summer nor sales of packaged beers in stores could compensate for the losses. The company expects that 4Q 2021 will not be better due to pubs being restricted again. ■

UBM sells Astrid Offices to group Portiva

UBM Development Czechia has sold the Astrid Offices office building in Prague's Holešovice district to investment group Portiva. The building was completed and approved in May 2021 and received LEED Gold certification. The property, with 4,300 m2 of office space and 440 m2 of retail space on the ground floor, is now fully let. Tenants include Budějovický Budvar, Algon, EAG and SKF. Since December, the building has also become the headquarters of UBM, which moved here from its offices in Libeň. ■

MMB grows in new mortgages by 83 % to CZK 47.1bn

From January to the end of November 2021, MONETA Money Bank (MMB) arranged 18,030 mortgages with a volume of CZK 47.1bn. The bank said that the growth in demand was also helped by the digitisation of the arranging process. The online platform Refinanso accounts for 20% of the bank's total production. MONETA Group's Executive Director of Product and Marketing Andrew Gerber added that the realistic target is to gain a 7% share of the mortgage market. ■

ZDR acquires retail park in Robousy and BILLA in Jičín

The fund of qualified investors ZDR Investments SICAV has expanded its portfolio by a retail park in Robousy with a total of 1,800 m2 of leasable area. The main tenants are JYSK and HECHT. The project was built by affiliated development group Traxial. Another addition to the fund is a BILLA grocery store in Husova Street in Jičín. It has 2,000 m2. ZDR purchased it from private investors. ■

E.ON to increase price of electricity by 17% and gas by 16%

From January 2022, E.ON Czech Republic will increase standard prices for customers for electricity by 17% and for gas by 16% on average. The wholesale price of electricity on exchanges has more than tripled in the last year. Spokeswoman Martina Slavíková told ČIANEWS that the company last increased gas prices for customers on standard products in November 2018. Households with higher consumption, which use electricity for lights and also for water heating will pay about CZK 300 per month more. Price increases do not apply to clients who have fixed price products. E.ON has about eight times more interest in photovoltaics compared to last year. ■

CREDITAS to sell Alzheimer centers to Penta Hospitals CZ

Investment group CREDITAS is selling Alzheimercentrum to Penta Hospitals CZ, which is part of the Penta investment group. The network of twelve Alzheimer centers, which provides social services, health and nursing care to clients suffering from Alzheimer's disease and other types of dementia, should be integrated into ALZHEIMER HOME belonging to Penta Hospitals CZ in the course of 2022. Jiří Hrouda, a member of the Board of Directors and CEO of the CREDITAS Group, said that the group now wants to focus primarily on key portfolio sectors, such as financial services, energy and real estate. The transaction has yet to be approved by the Antimonopoly Office. Both parties have agreed not to comment on its amount. ■

P3 in CR posts 45% year-on-year increase in leased area

In the past 12 months, P3 has leased 430,000 m2, which represents a 45%

increase on the year. The developer, owner and administrator of industrial real estate concluded 1.4 contracts per week on average. The largest transaction was the extension of the contract with FM Česká at P3 Lovosice and the expansion of the leased area to 60,000 m². New deals made up approximately one-quarter of all concluded contracts. P3 also continues to build parks. There will be a new hall (7,500 m²) at P3 Prague D11 and a new hall (16,500 m²) at P3 Prague D6. The Vítkovice brownfield is preparing to build a hall with an area of 28,500 m² and two smaller ones, at 1,500 m² and 2,200 m². P3 has prepared an additional 250,000 m² for tailored construction at P3 Ostrava Central, P3 Plzeň Myslinka and P3 Lovosice. All the newly built halls have a certification at BREEAM Very Good or higher level. ■

ČEZ ESCO completes CAPEXUS takeover

ČEZ ESCO has completed the acquisition of CAPEXUS, which deals with the design, planning, and implementation of modern and energy-efficient office space, as well as the revitalization of older buildings with commercial use. ČEZ Group announced that in the context of the pressure for decarbonisation and energy-efficient operation of commercial buildings, the real estate market is expected to see strong demand for modern and functional revitalisations. The cooperation with CAPEXUS will enable ČEZ to reach new customers in the real estate market, especially office investors and tenants themselves. The merger of the two companies has already been approved by the Office for the Protection of Competition. ■

Value of Accolade portfolio exceeded EUR 1bn

In 3Q 2021, the Accolade Industrial Fund reached a portfolio value of over EUR 1bn. In total, more than 2,000 qualified investors invest with the fund. The appreciation for 3Q was 7.36 % in the CZK class and 7.86 % in the EUR class. Accolade informed that the fund's results reflected the rising price of industrial real estate during 2021. As of September 30, the Accolade Industrial Fund's portfolio consists of 1,166,787 m² of leasable area. ■

KKCG sells halls in Poland to Jet Industrial Lease

Jet Industrial Lease has purchased production logistics buildings in Poland from Vestinlog, a member of the KKCG Group. The investment regards five separate fully leased sites to Kongsberg Automotive, Benteler, Sanden Manufacturing and Auto Acoustics. The total area of the facilities that offer over 54,000 m² of leasable space is more than 174,000 m². The transaction also includes a takeover of expansion at one location, increasing the total area to almost 61,000 m². The transaction documentation was signed on December 3, 2021. The owner is SPV Jet Industrial Property Poland SE. ■

RSBC sold Slovenian winery Grič to Fidurock owners

After five years, the RSBC Group has decided to end its first Slovenian investment and sell the Zlati Grič winery to the owners of Fidurock. This was confirmed to ČIANEWS by spokeswoman Jana Zbortková. RSBC had a number of offers as part of the planned divestment and eventually chose to sell to long-standing business partners. The value of the transaction is not public. However, the purchase price was based on the winery's valuation, which was in higher units of millions of euros. ■

Fio banka sells bonds for CZK 135m on first trading day

Fio banka registers interest in the first tranche of the CZK 600m bond issue. During the first day of trading, it sold CZK 135m worth of bonds. The annual fixed yield is 5%. The bonds can be invested in online from CZK 10 000. Bonds can be purchased via internet banking, e-Broker investment application, at any Fio banka branch or by phone. The bond issue is publicly traded on the Czech stock exchange RM-SYSTÉM. Therefore, it will continue to be available to retail investors, bank clients and other exchange participants. ■

Creative Dock to buy Spark Works for CZK 70m

The Creative Dock Group has purchased Switzerland's Spark Works, which focuses on launching new products and services on the market. The value of the transaction is CZK 70m. The company will be part of the Creative Dock Group. Spark Works is one of the leading Swiss innovation companies with offices in Zurich and London. It helps manage innovations at UBS, SwissRe and Roche. It also collaborates very closely with the Zurich Institute of Technology. Therefore, the Group expects the acquisition to access talent and collaboration on interesting projects. It is now working on another acquisition of a firm active in Germany and plans another one for next year. Creative Dock is most interested in large European markets, such as Italy, Spain and France. ■

ZDR buys Albert hypermarket in Opava

Qualified investors fund ZDR Investments SICAV has purchased the Albert

hypermarket in Opava. The building has 6,000 m² of leasable area. The tenant is the international Ahold Group. Together with the tenant, the new owner plans to modernise the entire building in the following years. Currently, the group of ZDR real estate funds has 49 real estate items in their portfolio with a total leasable area of 168,000 m². ■

Polička brewery to build new keg hall

The Burgher Brewery in Polička expects production at around 80 % of 2020 levels in 2021. The opening hours of restaurant facilities have a negative effect. This was announced to ČIANEWS by the chairman of the board of directors, Karel Witz, who said that at the end of November 2021, the brewery was about 10,000 hl short of 2020 production levels. As part of its investment activities, the company started the approval of the second construction of a two-phase anaerobic and aerobic wastewater treatment plant. In 2022, for about CZK 1m without VAT, it will build a covered metal hall (20 x 10 meters) for KEG barrels. At the same time, it wants to build a replacement for the original gatehouse in the brewery and sanitary facilities. In addition to its premises, it is also building a Brewery Museum and will also continue pumping tests on two new drinking water wells in the complex. ■

ŘSD opens motorway near Panenský Týnec for CZK 685m

On December 16, 2021, the Directorate of Roads and Motorways of the Czech Republic (ŘSD) opened the D7 motorway near Panenský Týnec for CZK 685m excluding VAT. As part of the construction, the former two-lane road I/7 was upgraded to the four-lane D7 motorway. The construction is co-financed by the European Regional Development Fund. The length of the section is 3.5 km. The contractors are Vodořehospořádkové stavby, Doprastav and Doprastav CZ. The General Director of ŘSD Radek Mátl stated that at the beginning of 2022 they want to start building the D7 motorway on the Chlumčany bypass. In 2023, it is planned to start another three sections between Slaný and Panenský Týnec. ŘSD currently implements 153.5 km of motorways and 63.8 km of 1st class roads. A total of 46.5 km of motorways and 22.7 km of 1st class roads will be put into operation in 2021. ■

MACROECONOMIC DATA AND POLLS

Disruption of supply chains is holding back GDP growth

In 3Q 2021, no restrictive measures were in place, which encouraged the services and trade sectors in particular. Persistent problems in global supply chains hampered domestic industry, which also had a negative effect on the resulting foreign trade balance. Gross domestic product in 3Q grew by 3.1% y/y and by 1.5% q/q. The Czech Statistical Office informed about it. Chairman Marek Rojíček said that foreign demand had severely hampered economic growth. While imports continued to strengthen y/y, the shortage of components (especially in the automotive industry) was behind the sharp decline in exports. Consumer prices increased by 4.1% y/y, the most since the end of 2008. Annual growth in total employment reached 0.6%. The average gross monthly wage was CZK 37,499 (+ 5.7%). ■

ČSOB: GDP will accelerate in 2022, inflation will be high

In 2022, the Czech economy will return to the level it was at before the arrival of the COVID-19 pandemic, according to the outlook of the ČSOB Group, with annual GDP growth expected to accelerate further to 4.2%, compared to this year's estimated rate of 2.8%. ČSOB analyst Petr Dufek expects the highest inflation in 13 years next year. It should reach 6%, unemployment 3.4%, the ČNB repo rate should remain at this year's 3.5%, while real wages should fall to 0.5% from 2.3% and the exchange rate against the euro should be CZK 24.8. ■

HK ČR predicts economic growth of 4.3 %

According to the Chamber's economic forecast, the Czech Republic's GDP will grow by 4.3% in 2022. However, according to Vladimír Dlouhý, President of the Chamber of Commerce of the Czech Republic (HK ČR), in an inflationary environment, which has eluded the Czech economy for years, fragile economic growth will depend on a predictable monetary policy of the Czech National Bank and a sensible budget policy of the government. At the same time, the HK ČR forecasts inflation of 5.6%, industrial growth of 4.8%, and a 7.0% increase in nominal average gross wages. ■

Fitch confirms CR's rating at AA-

Fitch has confirmed the Czech Republic's long-term credit rating at AA- with a stable outlook. The agency has reduced its estimate of the Czech government sector's deficit to 4.1% of GDP from 5%. It also expects that the future cabinet of Petr Fiala (ODS) will submit a new state budget with a lower deficit. In addition, Fitch estimates that the income tax reform for

individuals approved at the beginning of 2021 will cost up to CZK 99bn (1.5 pp of average GDP) in revenues in 2021 and 2022. ■

Analysts: Inflation would be over 7% w/o lower energy VAT

Inflation continues to move away from its tolerance zone, and therefore additional changes to the monetary policy may come. In reaction to data published by the statisticians, this statement was made by BH Securities chief economist Štěpán Křeček who added that the central bank would not increase interest rates at such a high rate as until now. Trinity Bank chief economist Lukáš Kovanda pointed out that if VAT for electricity and gas had not been lowered, inflation would have exceeded 7%. UniCredit Bank Czech Republic and Slovakia economist Patrik Rožumberský said that as of January, regardless of the VAT tariff for electricity and gas, he expected inflation to keep above 3% for the entire 2022. ■

Inflation grows to 6% y/y; up 0.2% on the month

In November 2021, consumer prices in the Czech Republic increased 6.0% y/y (0.2% m/m), which was 0.2 pp more than in October. The increase in prices has accelerated for the fifth consecutive time, according to data published by the Czech Statistical Office. Prices in the transport section (a rise of 13.5%) had the biggest influence on the increased price level. Prices of goods on aggregate grew 5.0%, while prices of services were 7.5% higher. The inflation rate expressed by an increment to the average index of consumer prices over the past 12 months against the average of the previous period was 3.5%. According to Eurostat data, the Harmonised Index of Consumer Prices in the EU27 changed 4.4% in October, 0.8 pp more than in September. ■

Analysts: Production inflation is pushing up ČNB rates

Inflationary pressures from the manufacturing sector remain strong, which foreshadows further growth in consumer inflation and a further increase in interest rates by the Czech National Bank (ČNB). In response to statistics, the chief economist of the Czech Banking Association, Jakub Seidler, said that he expected rates to rise by 0.75 percentage points. ČSOB analyst Petr Dufek stated that production inflation stems from high commodity prices on the market, which are subsequently increasingly reflected in the prices at which producers resell their products. Raiffeisenbank analyst David Vagenknecht pointed out that even if industrial producer prices slowed down m/m in December, the annual growth would reach over 14%. ■

NKÚ: State budget most affected by pandemic

Although the first half of 2021 brought an economic recovery, year-on-year GDP growth did not reach the EU average. The Supreme Audit Office (NKÚ) stated that the growth in the price level was higher than the EU average in all sectors except housing and communication services. Fiscal imbalances have affected both sides of the budget. While government revenues increased by less than 2% year on year in H1, expenditures showed an increase of more than 9%. The state's economy ended in a deficit of CZK 265bn, which is the worst half-year result in the history of the independent Czech Republic. The decline in income taxes had a major impact on budget revenues. Although VAT revenues were higher by almost CZK 5bn y/y in H1, they were met only at 46% of the approved budget, which was also reduced by CZK 11.4bn by the law amendment. Expenditures increased by almost CZK 83bn y/y. This growth was mainly due to the Covid-19 epidemic, an increase in the state's payment for state insured persons, transfers to the regions, social benefits and an increase in mandatory expenditures, the share of which increased to almost 70%. Expenditures related to the epidemic also significantly affected the economy, while expenditures without financial support in the fight against the epidemic grew by 2.6% y/y, while in the previous period, the increase was 11.7%. ■

State invests CZK 300bn in 10 years in R&D

Between 2011 and 2020, CZK 153bn was spent on research and development (R&D) from the state budget through purposeful support of individual projects. Apart from that, research organisations received CZK 147bn for long-term conceptual development via institutional support, according to the information provided by the Czech Statistical Office. In 2020 alone, the state-budget expenditures for research and development totalled a record CZK 38bn. ■

Export prices up 7.5%, import prices up 9.9%

In October 2021, export prices grew 7.5% y/y and were 12.7% higher after adjustments for the influence of the exchange rate. The 14.5% increase in the prices of semi-finished products (mainly iron, steel, metal and wooden products) had a decisive impact on the development of the entire index, according to the information provided by the Czech Statistical Office. Import prices were 9.9% higher (15.1% higher after adjustments). Terms of trade

dropped to 97.8% (98.8% in September). The lowest value of terms of trade was recorded by mineral fuels (91.3%). In month-on-month terms, export prices grew 1.5%, and import prices were 2.6% higher. Terms of trade dropped from 99.5% to 98.9%. ■

ČNB: Banking sector's profit increases to CZK 50.99bn

As of September 30, 2021, banks active in the Czech Republic posted an after-tax profit for the ordinary accounting period in the amount of CZK 50.99bn. One year earlier, it totalled CZK 38.63bn. Profit from finance and operating activities totalled CZK 132.8bn (September 2020: CZK 136.9bn). Interest income amounted to CZK 125.62bn, while income from fees and commissions totalled CZK 35.97bn, according to figures published by the Czech National Bank (ČNB). The number of banks and foreign-bank branches active in the Czech Republic dropped by three year on year to 46. Their assets increased from CZK 8.76tn to CZK 8.94tn. ■

Construction prices grow by 7.9% y/y

Agricultural producer prices increased by 0.6% m/m in November 2021. Industrial producer prices rose by 1.2%. Prices for construction work rose by 0.4% and prices for market services for businesses were unchanged. This was reported by the Czech Statistical Office. Year-on-year, prices of agricultural producers were 14.6% higher, industrial producers 13.5% higher, construction work 7.9% higher, and market services for enterprises 1.8% higher. In EU countries, according to data published by Eurostat, industrial producer prices increased by 21.7% in October 2021. They rose by 11.6% in the Czech Republic and 11.4% in Slovakia. ■

Fincentrum: Volume of mortgages might exceed CZK 420bn

In November 2021, banks arranged 11,369 mortgage loans worth more than CZK 37bn. The number of mortgages is 13% higher month-on-month and 22% higher year-on-year. The Fincentrum Hypoindex also shows that in the first 11 months of 2021, banks granted mortgages worth CZK 392.6bn. For the whole of this year, the volume of mortgages granted could go beyond CZK 420bn. The average lending rate rose by 16 basis points in November, approaching 3%. In nine months, it rose by 0.77 bp. The last time the average mortgage rate was at this level was in the summer of 2019. ■

ČBA: New mortgage rates climbed to 2.7%

In November 2021, banks and building societies provided mortgage loans exceeding CZK 46bn, which is almost CZK 6bn more than in October. Of this volume, almost CZK 36bn are new loans and over CZK 10bn are refinanced mortgages. The Hypomonitor of the Czech Banking Association (ČBA) also showed that the interest rate on newly granted mortgages rose to 2.7% m/m from 2.54%. It was about one tenth of a percentage point lower for refinanced loans. The ČBA expects rates to rise further in coming months. ■

CBRE: Commercial real estate investments in CR at EUR 2bn

Despite the pandemic's negative impact on economic activities, the European market with commercial real estate is headed towards recovery. According to a CBRE analysis, the estimated value of investments will return to pre-pandemic levels by the end of 2022. It will also be reflected on the market with commercial real estate in the Czech Republic. CBRE general director for the Czech Republic Clare Shails expects a strong start in the coming year that will also be reflected in investment activities. This will be led by the market with logistics and industrial real estate. The retail sector will also gain. In 2021, the volume of investments in commercial real estate in the Czech Republic should total almost EUR 2bn. ■

APEK: Czechs will spend CZK 77bn in e-shops

Turnover of online shops these days reaches up to CZK 1.5bn a day. In total, Czechs will spend more than CZK 77bn online before Christmas. This was reported by the Association for Electronic Commerce (APEK). 66% of respondents planned to receive most of their orders from e-shops through various types of personal collection, 9% in the e-shops' own dispensing rooms and 7% using dispatch boxes. ■

D&B: 98,181 foreign entrepreneurs own firms in CR

The number of companies in the Czech Republic is continuously growing and they are still an attractive commodity for foreign investors. This was stated by Dun & Bradstreet (D&B), which analyses business data in more than 120 countries. According to its data, entrepreneurs from various countries around the world have an ownership stake in 98,181 capital companies (joint stock companies and limited liability companies) in the Czech Republic. In total, they control CZK 965bn in the form of share capital. Most Czech companies are owned by owners from Slovakia, Ukraine, and Russia. ■