

## EVENTS OF THE WEEK

**Czech government tightens measures against COVID-19**

At its meeting on October 20, 2021, the Czech government decided to shorten the validity of COVID-19 tests. Newly, antigen tests will be valid for 24 hours, and PCR tests will be valid for three days. Except for children up to the age of 18, tests will no longer be covered by health insurance as of November. Minister of Health Adam Vojtěch (ANO) further said that as of November, restaurant operators would have to check vaccination or testing as of November. As of October 25, respiratory protective equipment will be necessary for all interior premises. ■

**Government passes electricity & gas VAT exemption**

The government has passed an amendment to the act on VAT that will enable the exemption of electricity and gas supplies from being subject to the 21% VAT tariff for the entire year 2022, effective from January 1, 2022. The bill is now headed to the Chamber of Deputies. Finance Minister Alena Schillerová (for ANO) said added that the amendment would smoothly follow the tax waiver valid until the end of this year, with which the government reacted to the dramatic increase in commodity prices on global markets. ■

**PPF sold 30% stake in CETIN to Singapore fund GIC**

PPF Group and the global investment fund GIC have entered into an agreement under which GIC will acquire a 30% stake in CETIN Group. PPF retains a 70% majority in the CETIN Group, a provider of telecommunications infrastructure in Central and Eastern Europe. The settlement of the transaction is subject to approval by the relevant regulatory authorities. Based on the agreement, the new minority owner will acquire adequate representation on the CETIN board of directors. GIC Investment Director Ang Eng Seng believes that the digital infrastructure sector will continue to grow and CETIN will take advantage of this development. GIC is a global investment company founded in 1981 in Singapore. It is the administrator of Singapore's foreign exchange reserves. ■

**Panasonic to cease TV production in Plzeň and lay off**

Plzeň's Panasonic will cease producing television sets. This information was confirmed to ČIANEWS by KOVO trade union's regional branch for the Plzeň and Karlovy Vary Regions Ivo Kužel, who added that as of March 31, 2022, 450 employees would be laid off. In addition, the company will lay off approximately 500 agency workers, the majority of whom are foreigners, according to Kužel. The trade unions are now preparing talks with Panasonic about the possible development. ■

**Rossum gets USD 100m, research to be in Prague**

Czech start-up Rossum has obtained USD 100m for further development from investors. Miton (one of the investors) added the investment round was led by US venture capital fund General Catalyst, joined by Rossum's existing investors, British funds SeedCamp and Local Globe and Czech Miton. Rossum will use the acquired funding towards further expansion and reaching the world's number one position in automated business communication. Technologies with artificial intelligence save people up to 90% of manual work related to processing documents that flow between companies. Therefore, in the coming years, Rossum plans to hire hundreds of highly qualified people in artificial intelligence research, product development, and marketing and commerce. The plan also includes a research centre in Prague. ■

**ERÚ examining ability of energy suppliers to meet obligations**

The Energy Regulatory Office (ERÚ) requires all energy suppliers to provide proof that they have sufficient commodities in line with their obligations to consumers and businesses. The deadline for sending the required information was set at the end of next week. The first comprehensive results of the extraordinary monitoring will be available by the end of October 2021. Should serious problems be found in the entire energy market and if competition were not to work, the ERÚ may proceed with direct regulation. Such an intervention would have to be approved by, among others, the European Commission.

## TOP HEADLINE NEWS

**MMR: CR to get nearly CZK 1tn from EU funds until 2027****MF: Draft budget with CZK 377bn deficit to go to PSP ČR****Collective bargaining in ŠKODA AUTO to begin in November****Investments in MMB-offered funds total CZK 25bn****The growth of prices in industry accelerated in 3Q21**

## Currency and Bourse

Currency	Value	% w/w
CZK/EUR	25,62	0,390
CZK/USD	22,01	0,227
CZK/GBP	30,39	0,625
CZK/CHF	23,96	0,835

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

## Prague bourse

Share	Value	% w/w
AVAST	↗ 170,50	1,114
ČEZ	↘ 733,00	-0,955
ERSTE	↘ 990,00	-0,020
Kofola	↘ 316,00	-0,316
KB	↘ 859,00	-1,979
Moneta	↗ 88,20	0,340
O2 C.R.	↘ 248,50	-1,811
PM	↗ 15 800,00	0,633
Stock	↗ 113,60	0,704
CZG	↘ 534,00	-0,375
VIG	↘ 656,50	-0,381

PX index	↘ 1341,06	-0,306
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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

### MMR: CR to get nearly CZK 1tn from EU funds until 2027

The Czech Republic has negotiated almost CZK 1tn in EU funds for the 2021-2027 programming period. Over CZK 550bn under several cohesion policy funds are funds to support recovery and resilience (the National Recovery Plan), the Modernisation Fund, or community programmes. This was announced by the Ministry for Regional Development of the Czech Republic (MMR), acting as the National Coordination Authority, which hosted a meeting of representatives of the European Commission and Czech authorities responsible for the use of EU funds in the Czech Republic. ■

### MF: Draft budget with CZK 377bn deficit to go to PSP ČR

On October 20, 2021, the Czech government passed for the second time the bill on the state budget for 2022. Because of the recent parliamentary election, the draft had to be re-approved and re-submitted to the Chamber of Deputies (PSP ČR). The planned deficit for 2022 is CZK 376.6bn, down CZK 123.4bn y/y. Compared to the preliminary draft the Czech Ministry of Finance (MF) prepared in May, the planned deficit is now CZK 13.4bn lower. The volume of planned investments increased to CZK 218bn. Healthcare expenditures will grow by roughly CZK 12bn to CZK 14bn. ■

### Gov't wants to activate Antivirus to support automotive

The state will support the automotive industry and related segments. This was agreed by tripartite members. The Minister of Labor and Social Affairs Jana Maláčová (ČSSD) stated that the jobs in automotive should be protected by the Antivirus 2b program, which will also help employees of small Czech subcontractors. She added that due to the risk of distortion of competition, it is necessary to negotiate this option with the European Commission. The government could then approve the aid on October 25. Prime Minister Andrej Babiš stated that the contribution could amount to 60 % of the salary plus the insurance premium, but not more than CZK 29,000 per employee and month. ■

### Government will discuss CAP draft budget

Prime Minister Andrej Babiš's (ANO) government will discuss on October 25, 2021, the draft budget of the strategic plan of the Common Agricultural Policy (CAP) for the period 2023-2027 and the procedure for ensuring the next steps in its submission and approval by the European Commission. The agricultural subsidy programmes for 2022 are also on the agenda. ■

### SZIF issues advance SAPS decision, allocates CZK 12bn

The State Agricultural Intervention Fund (SIF) is starting to issue advance decisions on the Single Area Payment Scheme (SAPS) at a rate of 70%. The rate for 2021 is CZK 3331.68 per hectare. Applicants will receive the remainder of the funds once the decision on the top-up has been issued. The single area payment is the most widely used agricultural subsidy. In 2021, more than 30 000 farmers have applied for it and almost CZK 12bn will be distributed among them. ■

### CNB to resume sale foreign currency reserve income

The Czech National Bank (CNB) will resume selling part of the proceeds from foreign currency reserves in January 2022 after nine years. The transactions will be carried out in such a way that their impact on the exchange rate is minimal. The aim is to slow down the increase in the volume of the CNB's foreign currency reserves. The programme was launched in April 2004 and suspended in November 2012. ■

### MZe: Owners to get CZK 3.6bn in bark-beetle compensation

Forest owners will get a total of CZK 3.6bn from the Czech Ministry of Agriculture (MZe) to mitigate the impacts of the bark-beetle calamity for 2020. Of this amount, CZK 2bn will come from the state budget, and approximately CZK 1.6bn will be released from the Ministry of Agriculture's own sources. The majority of payments will get to the forest owners by the end of 2021. In the third round of compensations, owners submitted 12,522 applications, up 25% y/y. The subsidies apply to approximately 30m m3 of timber from random coniferous-tree extractions. The demands total CZK 11.5bn. So far, the Ministry has paid CZK 9.3bn to mitigate the calamity or almost CZK 13bn if the third round is included. ■

### MPO starts consultation on internet networks construction

The Ministry of Industry and Trade of the Czech Republic (MPO) launches the first round of public consultation on the upcoming call for support for the construction of high-speed Internet access networks within the National Recovery Plan (NRP), which will be co-financed from EU sources. Minister of Industry and Trade Karel Havlíček (ANO) said that the MPO is announcing

the public consultation in order to protect existing or newly planned investments of private investors from the impact of investments supported by public funds. Once the comments are closed and settled, intervention areas where public support can be directed will be proposed. The call is expected to be launched in 1Q 2022. ■

### RegionalDevMin announced three tenders

The Ministry for Regional Development of the Czech Republic (MRD) has announced three public contracts which, in the form of a competitive dialogue, will determine the suppliers of critical components of the digitalization of construction proceedings. During the tender, it will be possible to better set the parameters of demand and, together with potential suppliers, search for the most suitable solution. It will be possible to select suppliers not only on the basis of the offer price but also the quality of the services offered and the speed of delivery. The tenders will be financed from the IROP (CZK 0.96 billion) and the RRF National Recovery Plan (CZK 1.75 billion). The digitization project could become operational in mid-2023. ■

### MF will release CZK 700 million for Covid-Uncovered costs

The Minister of Finance Alena Schillerová (for ANO) signed a budgetary measure which will release CZK 700 million for the Ministry of Industry and Trade of the Czech Republic for the Covid-Uncovered Costs program. Since the beginning of 2021, entrepreneurs in the Covid crisis have been supported by a total amount of CZK 7 billion. Furthermore, CZK 300 million is directed from the budget reserve for the Ministry of Culture of the Czech Republic. The money will be earmarked for the State Fund for Cinematography for film incentives in 2021. In 2018-2020, film projects in the amount of CZK 1.13 billion were attracted. ■

### SP ČR: Entrepreneurs are discussing opportunities in Ukraine

The business mission of the Confederation of Industry and Transport of the Czech Republic (SP ČR) with fifty domestic exporters has been accompanying the Minister of Industry and Trade Karel Havlíček (for ANO) on his foreign trip to Ukraine since October 19, 2021. In Kiev, entrepreneurs will discuss opportunities in, among others, civil aviation, digitization of industry, engineering and IT, agriculture, and banking. The SP ČR organizes the mission together with the Chamber for Economic Relations with the CIS countries. K. Havlíček stated that the total turnover of trade between the Czech Republic and Ukraine increased by 40% y/y in the first seven months of 2021. As a result, the trade balance leveled up to pre-pandemic levels. ■

### P. Fiala: Deficit not to exceed CZK 300bn

The emerging government coalition SPOLU and PirStan plans to adjust the draft state budget for 2022. The deficit should not exceed CZK 300bn. ODS chairman Petr Fiala said on Czech Television's political discussion program Otázky Václava Moravce that the budget prepared by Andrej Babiš's (ANO) government with a deficit of CZK 376.6bn would not be supported by the parties of the emerging government in the Chamber of Deputies. He expects that the Czech Republic will enter next year in a provisional budget period, which is expected to last from a few weeks to two months. ■

### SPOLU+PirSTAN do not want mega-building authority

Representatives of the coalitions SPOLU (ODS, TOP 09 and KDU-ČSL) and Pirates and STAN have started work on amendments to the approved Building Act in order to prevent the creation of a new large-scale bureaucratic structure at the regional level. According to them, this could result in prolonging or crippling the building permitting process. According to ODS, the norm should, on the contrary, fulfil its original purpose, namely to speed up the permitting process. The meeting was also attended by Martin Kuba, chairman of the Association of Regions, František Lukl, chairman of the Association of Towns and Municipalities, Veronika Vrećionová, chairwoman of the Association for Rural Renewal, and Stanislav Polčák, chairman of the Association of Local Authorities. ■

### Z. Petzl: CR to lose CZK 200bn due to chip shortage

More than 250,000 passenger vehicles will not be produced in the Czech Republic this year due to the deepening chip crisis. The domestic car industry will lose around CZK 200bn in sales due to this global crisis, of which CZK 120bn will be lost by car manufacturers and CZK 80bn by suppliers. Automotive Industry Association's (AutoSAP) executive director Zdeněk Petzl said that so far this year 831,653 passenger vehicles have been produced in the Czech Republic, 2.9% more than in the same period of 2020. AutoSAP is therefore calling for the introduction of temporary employment support from the Antivirus programme, which will support the hardest hit businesses in the supply chain. ■

## COMPANY NEWS

### Collective bargaining in ŠKODA AUTO to begin in November

ŠKODA AUTO's trade union will start collective bargaining with the company's management. They will first address social costs and annual working time at the beginning of November 2021. Negotiations on wages are expected to follow in 1Q 2022. Employee representatives informed that given the pandemic and the chip shortage, it is not realistic to have high growth figures. The focus of the negotiations will be on securing employment. ■

### Investments in MMB-offered funds total CZK 25bn

The number of MONETA Money Bank (MMB) clients who invested in one of the 35 investment funds offered by the bank has grown almost 30% y/y to nearly 47,000. The volume of invested means was practically 60% higher and totalled CZK 25bn. The bank added that the highest interest was in funds focused on positive environmental and social impacts and funds that primarily invest in health and social care. Funds that invest in technological projects and companies are also at the peak of interest. Since the beginning of 2021, almost 15% of trades in investments have been done online, either via internet banking or via the Smart Banka mobile application. ■

### FIXED.zone enters PSE, money will be used for expansion

FIXED.zone has received the approval of the Czech National Bank (ČNB) for a public offering of shares on the Prague Stock Exchange (PSE). The shares of the European manufacturer of accessories for mobile devices will be available for subscription in a public offering (IPO) through a member of the stock exchange between October 19 and November 2, 2021. Subsequently, FIXED.zone shares will be traded on the START market of the BCPP. The founder of FIXED.zone, Daniel Havner, said that the company will use the funds raised to expand abroad and develop its own product offering. ■

### Russian chain MERE has opened first stores in CR

The Russian company Svetofor opened its first MERE stores in the Czech Republic at the addresses of J. E. Purkyně in Most and Čs. armády in Pířbram. In the future, it wants to have about 50 stores in the Czech Republic. MERE offers a range of food, drugstores and other goods such as toys and household goods. The company is building partnerships with local suppliers and large manufacturers. The retail chain is represented in Europe in Romania, Germany, Austria, Latvia, Poland, Lithuania, Ukraine, Spain, France and the United Kingdom. ■

### MMB lent over 50% of traders from COVID III program

MONETA Money Bank (MMB) has provided more than 50% of operating loans to traders under the COVID III programme. This was stated by Senior Manager for Small Business Petr Kabele, adding that the application process has been made easier through automation. The loans were guaranteed 90% by the National Development Bank (NDB). With the NRB-guaranteed operating loan, up to CZK 2.5m can be obtained through the automated process. MONETA offers Express Business loans with an interest rate of 3.6% p.a. In addition, the bank allows clients to defer the first principal payment for up to 3 months. Applications are normally reviewed within 15 minutes of the delivery of documents. ■

### Avast posts an 8.8% increase in Q1-3 revenue to USD 704m

In the third quarter of 2021, Avast posted a 3% increase in revenue to USD 232.7m, according to its quarterly financial results report. This year, revenue increased to USD 704m (up 8.8% organically). Adjusted EBITDA grew 0.8% to USD 127m in Q3 and 8.1% to USD 397.1m for this year. The adjusted EBITDA margin totalled 56.4%. The company said the main Consumer Direct segment had approximately the same results as expected. In other segments, growth was slighter. Avast further confirmed its outlook for 2021, counting on a 6% to 8% increase in revenue and roughly the same percentage for the adjusted EBITDA margin. ■

### Value of assets in Fio funds exceeds CZK 1bn

Czech investment company Fio investiční společnost manages assets worth more than CZK 1bn in its two funds. The milestone was reached three years after the units of the individual funds began to be offered to investors. The Fio Domestic Market Fund has assets worth CZK 250m and the Fio Global Equity Fund more than CZK 750m. Jan Bláha, Fio banka's chief commercial officer, added that the domestic market fund, which has currently achieved an appreciation of more than 30%, shows better results for the year 2021. The global fund has outperformed the MSCI World index and has appreciated by more than 20% since the beginning of the year. ■

### PRE invests over 1.5bn; introduces smart grid

Prague Energy (PRE) is investing more than CZK 1.5bn mainly in the energy network. Spokesman Petr Holubec told ČIANEWS that they have been investing this amount of money for many years. In recent years, the company has focused on the introduction of smart grid elements. It is working on remote meter readings and remote control of individual elements so that substations can be operated from the dispatcher's location. It is building a modern cable power network and is also focusing on strengthening the cable section so that small charging stations for electric vehicles can be hung on lamp posts. The company expects full-year results to be slightly above guidance. The lack of foreign tourism is reflected in lower consumption at hotels, restaurants, and the airport, for example. ■

### Moneta: Value of mortgages concluded online at CZK 10bn

Since the launch of the bank's online service Refinanso.cz, approximately 5,300 clients have arranged a mortgage for the purpose of refinancing from home, in a volume of more than CZK 10bn. Moneta Money Bank informed that the platform allows for example free online property valuation or automatic generation of loan agreements. In 1H 2022, Moneta plans to fully digitise the negotiation of new mortgages. The company will also launch a new method of customer identification by November 2021. Executive Director of Product and Marketing Andrew Gerber said that currently a quarter of mortgage loans are settled through the online mortgage refinancing platform. ■

### TEDOM acquired FREE. CZ; started supplying energy

TEDOM has acquired 100% of FREE. Czech Republic, which it has incorporated into its corporate structure under the name TEDOM energie. The new company started selling electricity and gas to households and companies in the Czech Republic immediately after its establishment. Igor Fait, owner of Jet Investment, which also owns TEDOM, commented that becoming a comprehensive supplier was the long-term strategy of the group. The group believes in the development of decentralised energy. Thanks to its know-how, it wants to be the one to bring together small producers and consumers and enable them to participate in the energy market under transparent conditions. ■

### Daikin to offer work to up to 300 employees

Daikin Plzeň is ready to offer jobs to a significant part of the workforce whose contracts will be terminated by Panasonic. Chief Operating Officer Jan Voch informed that the company have been recruiting for production and technical engineering positions for a long time. In addition, with the expansion of the production plant, there will be a need to increase the number of workers. According to estimates, they will be able to offer jobs to up to 300 core employees. ■

### Portu manages CZK 5.2bn, registers 78,000 users

Investment platform Portu has launched a mobile app and plans to offer a portfolio rebalancing service. It currently has 78,000 registered users. The online investment robo-advisory app manages CZK 5.2bn. It registers about 4,000 new clients per month. Weekly deposits total ca. CZK 110m. Deposits are made at a rate of CZK 110 per day. Portu's founder and head Radim Krejčí commented that the interest in investing increased during the pandemic. According to him, by the end of 2021 the platform could have CZK 7bn under management. It also has the potential to reach CZK 30bn under management within five years. These will be generated by around 200,000 investors with an average invested amount of CZK 150,000. ■

### DEPO Ventures invested in Lithuanian startup Oxus.AI

Investment group DEPO Ventures has backed Lithuanian startup Oxus.AI. The platform is focused on voice analysis that detects only keywords instead of full sentences. DEPO Ventures partner Michal Ciffra said that call centres receive over a billion calls globally every day and customer service is central to businesses. He added that the serviceable market totals EUR 300m. Moreover, the software can be used in any language in the world, including Czech. He has received a total of EUR 800,000 from the DEPO fund, angel investors and Norwegian grants. ■

### OKD mined 1.6 m tons of coal; exceeded plan by 10%

OKD's workers extracted almost 1.6 million tonnes of coal in 9M 2021. The company thus exceeded its business plan by more than 10%. A total of 1.99 million tonnes of coal is planned to be mined by the end of this year. Revenues for the same period reached CZK 5.5bn, which is more than the original plan for the whole year 2021. Board of directors' deputy chair Vanda Staňková said that the prices of premium coking coal have increased by up to 300% y/y. They are currently as high as USD 400 per tonne. Coal from OKD also goes to Slovakia, Poland and Austria. CEO Radim Tabášek said

that coal for 2021 is sold out and they are currently working on deals for 2022. OKD still plans to phase out active coal mining at the end of 2022. The company has strict anti-epidemic measures in place. ■

### French Atos acquires DataSentics

French company Atos has reached an agreement to acquire Czech company DataSentics, which specialises in the development of enterprise solutions and products in the field of artificial intelligence and machine learning (AI/ML). Atos will thus expand its AI/ML and computer vision portfolio with new products. It will also integrate a skilled team of approximately 100 data scientists and engineers. The transaction is expected to close in Q4 2021. ■

### CP4U builds OX.point delivery box network for CZK 0.5bn

The OX.point delivery box network will have more than 1,000 delivery points across the Czech Republic by the end of 2022, and the vision also includes international operations. The network is intended for all e-shops and carriers. CONTEG Payment4U (CP4U), the company behind the OX.point boxes, is investing over CZK 0.5bn in the project. CEO Zdeněk Vacek said that the first development phase, which is worth around CZK 150m, will be completed in the next three years. The company is investing from its own resources, and then it is counting on a bank loan. It has now arranged almost 600 jobs. The dispensers will appear at 100 MOL petrol stations. The company is in the process of negotiating with partners, including the Czech Post, Weedo and Lockers.ai. The launch of the entire network with the first e-shops and carriers is expected by the end of 2021. In parallel, CP4U is building a partner network for the online supermarket Rohlík, to which it supplies chilled boxes. ■

### Philip Morris deliveries to CR down 9.5% in Q3 21

Philip Morris International (PMI) recorded a 9.0% decline in the volume of sales of tobacco products on the Czech market in Q3 2021. This was due, among others, to price increases linked to tax increases. The EU market as a whole declined by 0.1%. Total PMI shipments to the EU market decreased by 2.7% to 49.0 billion units, with shipments in the Czech Republic down by 9.5%. For the nine months of 2021, the Czech market showed a 10.1% decline, the EU market grew by 0.7%. Deliveries to the Czech Republic fell by 12.2%, the EU grew by 0.3% to 140.6 billion units. For 9M 2021, PMI reported net revenues of USD 23.30bn (+9.7% y/y). In Q3 alone, they grew by 9.1% to USD 8.12bn. Nine-month operating profit was USD 10.02bn (+14.4%) and profit in Q3 reached USD 3.45bn (+6.5%). ■

### Fio banka plans CZK 500m+ bond issue

Fio banka plans to issue bonds in the amount of at least CZK 500m by the end of 2021. Fio banka's first-ever bond issue is intended primarily for retail investors. Interested parties will be able to buy them at any branch or online via Internetbanking or the e-Broker investment application. The issue will be publicly traded on the Czech stock exchange RM-SYSTÉM. Commercial Director Jan Bláha said that the bank has asked the Czech National Bank to approve the prospectus. It will issue the securities to raise capital to meet the regulatory minimum requirement for capital and eligible liabilities (MREL). ■

### Raiffeisen fund buys T-Mobile's data centre in Hostivař

Raiffeisen realitní fond has expanded its real estate portfolio with T-Mobile Czech Republic's data centre at DC7 in Prague-Hostivař. In addition, the centre offers PUE 1.3 energy efficiency and a TIER 3 accessibility standard. The DC7 building was constructed by the Apollon Property Group and has served its operator, T-Mobile, since 2018. The transaction was brokered by Knight Frank. Raiffeisen realitní fond's assets totalled CZK 3bn in October 2021, also in connection with this transaction. ■

### UPS opens drug-storage logistics centre in Ostrava

UPS has opened its first logistics centre in the Czech Republic focused on healthcare in Ostrava. The site with an area of 3,800 m<sup>2</sup> is equipped with modern technologies and meets the demands of good distribution practice. There are also premises with controlled temperatures for the transportation and storage of drugs and biological agents sensitive to fluctuations in temperature. The centre's services will be used by hospitals and pharmacies all over the Czech Republic, Slovakia, Poland, and Hungary. During the pandemic, UPS has delivered more than 600m Covid-19 vaccines in more than 100 countries. By the end of 2021, it wants to deliver at least 1bn vaccines. ■

### Alza.cz has opened new logistics center

Alza.cz has opened a new logistics center in GLP Park in Chrášfany. It includes a showroom specialized in large household appliances and AlzaDrive for contactless collection of goods directly from the car. The

showroom offers 20,000 products ready for immediate collection on an area of 1,200 m<sup>2</sup>. A total of 120,000 types of goods will be stored in the new complex. The center offers a warehouse area of 19,000 m<sup>2</sup>, which is increased by another 18,000 m<sup>2</sup> by the built-in mezzanine. This will allow this warehouse to hold a supply of more than 10.6 million pieces of goods and several hundred large household appliances at the peak of the Christmas season. ■

### Třinecké železářny completes CZK 650m investment

The reconstruction and repair of one of the two primary technologies of Třinec železářny was completed with the blowing of blast furnace number 6 (VP6) after 60 days. This was the largest investment of this year. The total cost of the reconstruction and repair reached CZK 650m. The last overhaul of VP6 was carried out in 1999. Since then, the furnace has produced over 22 million tonnes of pig iron. Annually, VP6 produces more than one million tonnes of pig iron, which is sent for forging to steelworks and then to the rolling mills of Třinec železářny, where specific products or semi-finished products are produced. The average daily capacity is 3,000 tonnes. ■

### CE Industries has acquired Serbian plant Beohemija

CE Industries has acquired a 100% stake in Serbian company Beohemija, which produces household chemicals. Beohemija informed about it. Its portfolio includes the brands DUEL, Spin or Scalla. ■

## MACROECONOMIC DATA AND POLLS

### The growth of prices in industry accelerated in 3Q21

Agricultural producer prices did not change quarter on quarter in 3Q 2021. Industrial producer prices (+ 3.5%) and construction work prices (estimated at + 3.2%) increased. Prices of market services for enterprises decreased by 0.3%. This is shown by data from the Czech Statistical Office. Prices of agricultural producers (+ 7.1%), industrial producers (+ 9.0%; 2Q: + 5.3%), construction work (estimated at + 6.3%) and market services for enterprises (+1.3%) increased year-on-year. ■

### Industrial prices up record 9.9 %, building prices 6.8 %

In September 2021, industrial producer prices were up by 9.9 % y/y. Data from the Czech Statistical Office show that price growth was the highest since 1993. Agricultural producer prices rose by 8.4 % y/y. Prices of construction work increased by 6.8 % and those of market services for enterprises by 1.6 %. Month-on-month, industrial producer prices increased by 0.7 % and construction work prices by 0.6 %. Prices of agricultural producers and market services both increased by 1.2 %. According to Eurostat data for August 2021, there was an increase in industrial prices in all EU countries. Growth reached 9.3 % in the Czech Republic and 7.0 % in Slovakia. ■

### Analysts: Rising producer prices mean further rate hikes

The high-inflation environment, with a significant contribution of cost factors in the manufacturing sector, continues and the risk of spillovers remains significant. In response to data from the Czech Statistical Office, this was stated by the chief economist of Komerční banka, Jan Vejmelek. BHS chief economist Štěpán Křeček said that the combination of expensive construction work and building materials will lead to a further rise in real estate prices. Raiffeisenbank analyst David Vagenknecht believes that the September producer price data are a clear signal of the need to further tighten monetary policy. According to Trinity Bank chief economist Lukáš Kovanda, the market now expects the Czech National Bank's base rate to be as high as 3.0 % in 12 months, the highest level since 2008. At the same time, it draws attention to the real threat of a certain inflationary spiral. ■

### AutoSAP: Passenger car production grew to 831,653 by Sept

The number of passenger cars manufactured in the Czech Republic in 1-3Q 2021 increased by 2.9 % y/y to 831,653. Compared to 2019, this is 235,456 fewer. ŠKODA AUTO has the largest share in current production (514,309 cars; -3.7 %). The Toyota brand produced 110,044 cars (-0.5 %) and Hyundai 207,300 cars (+ 26.8 %). Of the total number of cars produced, 90,856 were electric. The bus segment weakened by 1.2 % to 3,475 in 1-3Q. IVECO produced the most (3,179; -1.1 %). The production of trucks represented by the TATRA brand decreased by 4.0 % to 875 cars. Production of motorcycles by JAWA Moto increased by 114 % to 811 machines. The trailer division strengthened by 10.5 % to 24,310 trailers and semi-trailers. This was reported by the Automotive Industry Association (AutoSAP). ■

### ACEA: Sales of cars increase by 9.1% in CR in 1-3Q

The number of registrations of new passenger cars in the Czech Republic for

January-September 2021 rose by 9.1% y/y to 161,824. In September alone, the market showed a decline of 16.2% to 14,165 cars. In Slovakia, registrations for the nine months reached 58,719 (+5.6%). In the last month under review, they amounted to 5,797 (-8.7%). The European Automobile Manufacturers Association (ACEA) reported that registrations in the EU as a whole increased by 6.6% to 7.52 million passenger cars in 1-3Q. In September, the market was down 23.1% to 718,598 vehicles. ■

### ŠKODA registrations in EU, EFTA, UK grow by 1.5% in 1-3Q

ŠKODA's new passenger car registrations in the EU, EFTA, and UK markets increased by 1.5% y/y to 473,731 in January-September 2021. Its market share fell by 0.2 pp to 5.2%. In September, ŠKODA registrations in these markets fell by 40.1% to 38,694 vehicles. The Czech brand's market share fell to 4.0% from 5.0%. This is based on data presented by the European Automobile Manufacturers Association (ACEA). ■

### Record CZK 113.4bn spent on research; 1.99% of GDP

Research and development (R&D) spending in the Czech Republic reached a record CZK 113.4bn in 2020. This was reported by the Czech Statistical Office (ČSÚ), which added that the year was marked by an economic recession in view of the coronavirus pandemic. ČSÚ chairman Marek Rojíček said that spending on R&D in relation to GDP reached a record 1.99%, bringing the Czech Republic close to the EU average of just over 2% of GDP. Companies are the biggest spenders in the Czech Republic, especially in the automotive and ICT industries (CZK 69.1bn). At the end of 2020, a total of 118,000 workers were employed in R&D, up 1% y/y. ■

### Fincentrum: Mortgages exceed CZK 323bn, rates up

In September 2021, banks provided 9,602 mortgage loans worth CZK 30.57bn. The volume of mortgage loans dropped 10% month on month, while the number of loans was 8% lower. Until the end of September, the mortgage market was worth CZK 323.35bn in taken-out mortgage loans, according to Fincentrum's Hypoindex. The average interest rate grew 11 basis points to 2.43% p.a. Compared to August 2021, when the rate increased by nine basis points, the rate growth accelerated and should continue to do so in the months to come. Fincentrum & Swill Life Select product management department specialist Jiří Šykora said the offer rates in banks were close to 4%. ■

### ČNB: Capital in investment funds exceeds CZK 695bn

The equity value of investment funds at the end of August 2021 was CZK 695.3bn. Compared to July, it increased by CZK 9.3bn (monthly transactions amounted to CZK +4.1bn). Compared to the same period in 2020, the value of the funds' capital increased by 20.2%. The largest month-on-month change was recorded for other funds, where the value increased by CZK 7.0bn to CZK 118.8bn. The Czech National Bank (ČNB) reported that 612 resident investment funds were operating in the Czech Republic at the end of August 2021. Of these, 62 were equity funds, 62 were bond funds, 77 were mixed funds, 96 were real estate funds, 309 were other funds and 6 were funds without an investment policy. ■

### Corporate GVA up CZK 114.7bn in Q221 thanks to recovery

Gross value added (GVA) of non-financial corporations increased by CZK 37.3bn q/q in Q2 2021. In particular, the low comparison base influenced the high y/y increase of CZK 114.7bn. This was reported by the Czech Statistical Office. The economy's return to the standard mode of functioning was associated with an increase in wage costs by CZK 42.2bn. Households' wage incomes increased by CZK 62.7bn. Analyst Karolína Zábajniková said that the reopening of shops led to a strong increase in consumption. Household investments were higher by CZK 14bn. The economic recovery also brought an increase in government revenues by CZK 81.5bn. ■

### Government debt reached 37.7% of GDP

Government institutions of the Czech Republic generated a deficit of CZK 318.0bn in 2020. This is based on confirmed data from the Czech Statistical Office after consultation with Eurostat. The consolidated gross debt of the sector reached CZK 2 149.4bn (37.7% of GDP). ■

### Shoptet: Turnover of more than 42k e-shops up to CZK 47bn

The turnover of Czech e-shops in 3Q 2021 reached CZK 46.77 billion, which is 20% more than in the pre-pandemic year 2019. During the summer, which is usually the weakest period of the year, 2,860 new online stores were added in the Czech Republic. According to Shoptet, there are currently 42,173 of them operating in the country. Shoptet CEO Samuel Huba said that the situation with the coronavirus has helped the e-commerce industry to grow faster. The pace slowed down in 3Q, but the turnover of e-shops is still increasing year-on-year. Shoptet services are now used by over 28,000

online stores in the Czech Republic, Slovakia and Hungary. ■

### BNP Paribas: Property investments to reach EUR 2bn

The total value of real estate investment transactions in the Czech Republic in 2021 is expected to reach EUR 2bn. This is according to a report by the BNP Paribas Real Estate consultancy, adding that residential properties are becoming more and more visible in the balance sheet. Investors have already paid over EUR 100m for these since January and EUR 382 m for all commercial space in Q3. However, the largest transactions from July to September were in the more traditional segments. The main one was the transfer of four logistics halls of P3 Logistic Parks with a total area of 88,000 m<sup>2</sup> to the Chinese investor CGL Investment Holding Corporation. ■

### GF: Number of contracts concluded by CSBs grows by 37%

Construction savings banks (CSBs) negotiated 32,011 new contracts in September 2021, up 36.9% y/y. The total target amount of contracts negotiated was CZK 21.6bn, which is less than half of the amount negotiated in August, but up 23.4% compared to September 2020. Libor Vojta Ostatek, director of Golem Finance (GF), added that savings banks negotiated 5,788 new loans (+22.7% y/y). Their total volume increased by 62.4% to CZK 9.63bn. The average loan amount increased by CZK 406,687 to CZK 1.66m. In total, since the beginning of the year, savings banks have granted 51,170 loans worth CZK 83.74bn. ■

### Banks and savings banks provided CZK 29.4bn in mortgages

In September 2021, banks and construction savings banks provided new mortgage loans in the amount of CZK 29.4bn. The average mortgage rate increased by 0.12 pp to 2.43% pa. The volume of refinanced loans reached CZK 7.7bn. The interest rate on these loans was 2.28% in September (compared with 2.17% in August). This follows from data from the CBA Hypomonitor of the Czech Banking Association (ČBA). ČBA chief economist Jakub Seidler said that the growth of mortgage rates will accelerate further in the coming months and will soon exceed the 3% limit. ■

### D&B: No. of tax unreliable cos. up 7%

At the end of 3Q 2021, 23,095 entities that unreliably pay VAT or seriously violate obligations related to tax administration were registered in the Czech Republic. This is 7% more than in the comparable period of 2020. This follows from the analysis of Dun & Bradstreet (D&B). Analyst Petra Štěpánová specified that there are currently 5,160 unreliable VAT payers and 17,935 unreliable persons in the Czech Republic. Of the almost 504,000 companies registered in the Czech Republic, of which less than half pay VAT, 17,989 are included on the list of problematic companies. The second most numerous group consists of self-employed persons, there are a total of 2,554. ■

### MoF: Financing of borrowing needs reached CZK 557.7b

Financing of the gross borrowing requirement of the Czech Republic in 1-3Q 2021 reached CZK 557.7bn. The Ministry of Finance of the Czech Republic (MF) informed about it. For the whole year 2020, it was CZK 646.3bn and for 2019 it was CZK 309.4bn. Financing was mainly through the sale of government bonds on the domestic market. Gross issuance of medium- and long-term government bonds for 1-3Q amounted to CZK 477.8bn. As previously reported by ČIANEWS, gross government debt reached CZK 2,333.9bn at the end of the period under review (2020: CZK 2,049.7bn; 2019: CZK 1,640.2bn). ■

### Farmers harvested an estimated 1.4% less grain

Farmers have harvested 8.0 million tonnes of grain, including maize, as of September 15, 2021. This is based on the estimate of the Czech Statistical Office. Production is 1.4% lower y/y. The reason for the decrease is both a lower per hectare yield of 6.03 t/ha (-0.5%) and a smaller area sown with grain of 1.33 million ha (-0.9%). This year's estimated grain harvest, including maize, is 2.6% higher than the average of the last 10 years. The expected potato harvest is 672,000 tonnes (-3.5% y/y). The forecast sugar beet harvest is almost 4 million tonnes (+8.8%). ■

### Analysts: Agricultural prices to rise

Bread will become significantly more expensive, even though the cereal harvest is above average. Responding to the statistical data, Lukáš Kovanda, chief economist at Trinity Bank, said that agricultural production is becoming more expensive not only because of the rising prices of fertilisers, but also because of the need to pay higher wages to agricultural workers, the price of packaging materials or compound feed. Chief economist of BH Securities Štěpán Křeček added that higher prices can also be expected for potatoes and oil. The rapeseed harvest is 19.2% lower than the average for the last decade. This is the worst harvest since 2006. ■