

# RUSSIAN-UKRAINIAN CONFLICT ECONOMIC AND POLITICAL IMPACTS

December 20, 2022

## STATE AND INTERNATIONAL INSTITUTIONS' MEASURES

### EU countries accept CZ PRES proposal to cap gas prices

Monday, December 19 | ČIANEWS

The EU energy ministers agreed on December 19, 2022, on a proposal by CZ PRES 2022 to cap gas exchange prices in the EU. The cap is set at EUR 180 per MWh and will apply from mid-February 2023. If the gas price on the Dutch exchange exceeds this level for three consecutive days, the so-called correction mechanism will be activated. Thereafter, no trades will be made on the exchange at a price higher than EUR 180/MWh. ■

### MŽP: CZ PRES negotiated tighter permits, fund planned

Monday, December 19 | ČIANEWS | [Information Source](#)

The Council and the European Parliament, under the auspices of the Czech Presidency of the European Union (CZ PRES), have agreed e.g. to tighten the market for emission allowances as part of the Fit for 55 legislative package. The sectors covered by the trading system should now reduce emissions faster and achieve a 62% reduction by 2030, compared to the original 42%. It was also agreed to set up a Social Climate Fund to ensure that the most vulnerable groups are not affected by the achievement of climate targets. According to Environment Minister Marian Jurečka (KDU-ČSL), the fund will also allow direct support for low-income households, transport users and small businesses. He added that the success of the Czech Presidency was the increase in the volume of this fund from EUR 59bn to EUR 65bn. The Ministry of the Environment further informed that the revision of the emission allowance market system will also level the playing field between European producers and imports from third countries. ■

### MPO in cooperation with SSHR and ČEPS will send generators to Ukraine

Monday, December 19 | ČIANEWS | [Information Source](#)

The Ministry of Industry and Trade (MPO) in cooperation with the State Material Reserves Administration (SSHR) and the Czech Power System (ČEPS) provided nine generators to help Ukraine. The most powerful of them is capable of producing enough energy to maintain the operation of a small hospital or provide water supplies, for example. The remaining one will ensure the operation of dozens of direct heaters for people in accommodation centres who have been forced to leave their homes due to Russian aggression. ■

### STEM: D. Nerudová would win presidential election round 2

Monday, December 19 | ČIANEWS | [Information Source](#)

The chairman of the ANO movement, Andrej Babiš, would receive 30.1% of the vote in the first round of the presidential election. This is according to the December STEM poll. The former rector of Mendel University in Brno, Danuša Nerudová, would be voted for by 26.5% of people. Former general Petr Pavel would get 23.0%. In a hypothetical second round, D. Nerudová would succeed. Her support largely depends on the fact that she is currently more acceptable to voters of other candidates than both A. Babiš and P. Pavel. ■

### MZ starts campaign to support Ukrainians' vaccination

Monday, December 19 | ČIANEWS | [Information Source](#)

The Ministry of Health (MZ), in cooperation with the United Nations Children's Fund (UNICEF), launched a campaign on December 19, 2022, to support vaccinations for Ukrainian refugees and the Ukrainian community in the Czech Republic. Minister Vlastimil Válek (TOP 09) said that the main motivation is the long-standing low vaccination rate of Ukrainian children against measles and polio, the high level of misinformation and the need to convey practical information. The aim is to increase the level of immunisation both for routine vaccination and for vaccines against COVID-19. The campaign will be funded by UNICEF for CZK 42.42m. ■

## REACTIONS OF BUSINESSES, COMPANIES AND ASSOCIATIONS

### EGAP to provide CZK 6.25bn to mitigate war consequences

Monday, December 19 | ČIANEWS | [Information Source](#)

The Export Guarantee and Insurance Corporation (EGAP) has started accepting applications from banks for special EGAP Plus guarantees. EGAP's board of directors chairman Jan Procházka said that the aim of the programme is to encourage commercial banks to provide liquidity to Czech export-oriented companies that have run into problems due to the conflict in Ukraine. The budget of the guarantee programme counts with covering loans up to a total of CZK 6.25bn. Applications can be submitted electronically directly on the EGAP website. ■

For your notes

## DIAMO, Veoliam, VŠB-TUO to test use of heat from tailings

Monday, December 19 | ČIANEWS | [Information Source](#)

DIAMO, Veolia Energie and the University of Mining and Metallurgy - Technical University of Ostrava (VŠB-TUO) will test the possibility of using heat from thermally active coal mining tailings in the Ostrava region on the basis of a memorandum. The basis for deciding on the next steps will be an experiment in the form of a research borehole at the tailings in Ostrava - Heřmanice, which has a sub-surface temperature of 100-600 °C. The idea of using the heat generated in the tailings is based on the implementation of a vertical underground heat exchanger. The pilot project would also allow solar (PV) or wind (wind turbine) energy to drive the pump. The progress of the rehabilitation of the Heřmanice tailings is not affected by this project. However, cooling the tailings by extracting heat for heating could become a complementary activity to the tailings rehabilitation in the future. ■

## ČPS: Raise biomethane production and target hydrogen

Monday, December 19 | ČIANEWS | [Information Source](#)

The main challenge for the winter period 2023-2024 is to secure sufficient gas at a socially sustainable price level. It is also necessary to continuously procure new contracts for the supply, storage and transportation of LNG, all in the context of a significant reduction in gas supplies from Russia to Europe. Martin Slaby, chairman of the Czech Gas Association (ČPS), said this, adding that the growth of domestic biomethane production needs to be dramatically supported, adding that if the installed capacity of photovoltaic power plants is to increase several times to more than 15 GW in a few years, hydrogen production will become a real alternative. ■

## OKD to mine 1mt+ t of coal this year, EIA for next years

Monday, December 19 | ČIANEWS | [Information Source](#)

OKD, owned by state-controlled PRISKO, expects a profit of around CZK 6bn in 2022, according to board of directors' chairman Roman Sikora. Production for 2023 (1.1 million t of clean coal) is completely sold out. They expect to be producing by the end of 2025 according to their medium-term plan. They are preparing commercial negotiations on production for this year. The successful completion of the environmental impact assessment (EIA) process is a condition for continued production in 2024 and 2025. ■

## DPMB signs collective agreement with unions; employees will gain

Monday, December 19 | ČIANEWS | [Information Source](#)

The management of the Brno City Transport Company (DPMB) concluded a collective agreement with trade unions on December 19, 2022. DPMB employees will thus receive a fixed increase of CZK 2,000 per month to the tariff plus 2% of the current wage from 2023. For example, the average current monthly wage of DPMB drivers, including overtime, is CZK 39 297. The collective agreement is valid from January 1, 2023 until December 31, 2023. ■

## ZHKHK to raise wages of hospital employees by 8%

Monday, December 19 | ČIANEWS | [Information Source](#)

Hospital operator Zdravotnický holding Královéhradeckého kraje (ZHKHK) will increase the wages of employees of the Regional Hospitals in Náchod, Jičín, Trutnov and the Municipal Hospital Dvůr Králové nad Labem from January 2023 after an agreement with representatives of trade unions. In total, this amounts to an increase in wage costs of ca. CZK 175m. Half of it will be covered by the increase in reimbursements from health insurance companies, the rest will be charged to the hospitals. In 2023, the total wage costs in regional hospitals will amount to almost CZK 2.5bn. ■

## Panattoni builds 545,000 m2 of industrial halls

Monday, December 19 | ČIANEWS | [Information Source](#)

Panattoni completed construction of six industrial halls covering over 243,000 m2 in 2022, creating over 2,400 jobs. 18 contracts have been signed with clients, which will bring an additional 3,500 posts. The company currently has 11 halls under construction with a record 545,000 m2. The Amazon distribution centre in Kojetín became the largest completed construction. It offers 187 thousand m2 of leasable area on four floors. It is distinguished by modern technologies, with robotic units working on order processing. Photovoltaic panels have been installed on the roof and heat production is provided by pumps without the need for fossil fuels. Pavel Sovička, Panattoni's general manager for the Czech Republic and Slovakia, said that the company focuses on building on brownfield sites, where it can apply ecological elements from the very beginning. ■

## Mubea to invest further; turnover up to CZK 3.1bn

Monday, December 19 | ČIANEWS | [Information Source](#)

Mubea invested CZK 86m in 2021 in further development of its production base. In 2022, the focus will remain on continuing and completing the investment measures initiated for strategically important projects. The company's net sales increased year-on-year to CZK 3.1bn from CZK 3.07bn. The pre-tax result reached CZK 135.62m. The automotive parts and technology manufacturer also said in its annual report that specific uncertainties in the sector persist, particularly with regard to government regulations on climate and environmental protection, digitalisation or innovative alternative drive technologies. There is also uncertainty about the impact of the coronavirus epidemic. The market situation is also affected by the war conflict between Russia and Ukraine. ■

## ŠKODA AUTO deliveries up 0.6% in November

Monday, December 19 | ČIANEWS | [Information Source](#)

ŠKODA AUTO increased global sales by 0.6% y/y to 59,400 vehicles in November 2022. It reported sales of 664,800 cars for the 11 months of 2022, down 17.6% from 807,000 in 2021. This is based on data published by the Volkswagen Group. ■

For your notes

## IMPACT ON ECONOMY AND ENERGY

For your notes

### Atradius: 48% cos. expect payment morale deterioration

Monday, December 19 | ČIANEWS | [Information Source](#)

48% of Central and Eastern European companies expect the average invoice payment period to increase in the next 12 months. This is according to the Credit Insurance Company Atradius' Payment Morale Barometer survey of companies from Bulgaria, the Czech Republic, Hungary, Poland, Slovakia and Turkey. Markéta Stržíňková, director of the Czech branch, said that many companies managed to cope with the impact of the pandemic and withstand the sharp rise in energy prices. The uncertain outlook for the economy in 2023 raises concerns among businesses about the ability of customers to pay for goods and services on time. Respondents from the Czech Republic, Slovakia and Hungary mentioned the biggest concerns, she added. According to her, these are the countries hardest hit by the energy crisis, they are close to the zone and have been more affected than others by the disruption of trade with Ukraine and Russia. Interest in credit insurance rose by more than 25% quarter-on-quarter in Q4 2022. ■

### CBRE: Shopping malls' footfall down, turnover up 10%

Monday, December 19 | ČIANEWS | [Information Source](#)

Shopping centre footfall in the first three quarters of 2022 was roughly 10% below 2019 levels, yet turnover was more than 10% higher. High inflation played a role in this. In Prague and large cities, the arrival of refugees from Ukraine also had a positive impact on sales. This stems from CBRE statistics. Sales of e-shops are not reaching the same level as during the pandemic and the ratio of online sales to total sales has decreased. However, the Czech Republic is still one of the European countries with the largest share of e-commerce in total retail sales. It is currently at 17%. ■

### CR ranked 13th in Prosperity Index, Slovakia 25th

Monday, December 19 | ČIANEWS | [Information Source](#)

The Czech Republic ranked 13th in the Prosperity Index compiled by Česká spořitelna and Europe in Data. The ranking assesses 10 pillars focusing on different areas. For example, the country is ranked third in the health and safety pillar. In the case of the state of the economy, it ranks ninth. On the other hand, in the area of environment or housing affordability, we close the table of European countries. The index also highlights the often-abysmal differences between the East and West of the EU. Sweden, Denmark and Finland are the top-ranked countries. Slovakia came 25th. ■

### Intrum: Inflation affects finance of 85% of Czechs

Monday, December 19 | ČIANEWS | [Information Source](#)

Eight out of ten Czech consumers (78%) have not paid any of their bills late in the last year. The European average is 69%. Among Czech delinquent consumers, only one in three (33%) admitted to having been late on several of their bills, significantly lower than the European average (46%). Furthermore, data published by Intrum shows that the inflation crisis is now affecting almost everyone in Europe. In the Czech Republic, 85% of respondents said that inflation is having a negative impact on their household finances. A further 12% expect inflation to affect them soon. ■

### KRUK: Almost 19% of Czechs buy lower quality food

Monday, December 19 | ČIANEWS | [Information Source](#)

More than half (54%) of Czech households buy food mainly on discount. The KRUK Czech and Slovak Republic survey showed that the majority of shoppers in the Czech and Slovak Republics buy discounts. Households most often spend CZK 5,000-10,000 on food. Almost a third of households (30%) make do with CZK 3,000-5,000 per month. 18% spend more than CZK 10,000 per month on food. Almost 19% of households have started buying lower quality food than they used to and 15% of Czechs are trying to reduce their food costs by adjusting their diet. One in ten households (10%) buy food abroad, where it is cheaper. ■

### CZK 1.1bn worth of energy traded on ČMKB

Monday, December 19 | ČIANEWS | [Information Source](#)

Contracts for the delivery of 224,000 MWh of power and natural gas for end customers with a total financial value of CZK 1.1bn were concluded on the Czech-Moravian Commodity Exchange Kladno (CMKB) in December 2022. . Annual electricity contracts for delivery in 2023 in low voltage were traded at an average price of CZK 9249/MWh, while in high voltage at an average price of CZK 9331/MWh. The average price of annual natural gas contracts for delivery in 2023 in the wholesale sector is CZK 3908/MWh in December 2022, while in the retail sector the average contract value is CZK 3871/MWh. ■