

Dear Colleagues,

Many of us will surely remember the time when banking was being "born" thirty years ago. Having a bank account was not something that would be common and people were surprised when they had to open an account so that their employers could send them a paycheck. They then had to wait for several days for interbank payments to be made and for the money to be credited to their accounts. Payment orders were brought to the bank in person and customers had to wait for a stamp confirming its receipt.

In the past thirty years, banks have become part of people's everyday lives and they are doing everything they can to make life easier. Internet banking or mobile banking, or just mobile payments, perhaps need not to be mentioned here. The Banking Identity has also done a splendid job, and the introduction of instant payments has met with an extraordinary response from customers.

Another little revolution in the form of payments made to a contact is planned for next year. Nine banks have so far joined the project of the Czech Banking Association and the Czech National Bank. In the coming months, the planned service will go through demanding tests so that the system can go live starting from next year. I believe that payments to a contact will become another widely used "cool stuff" that our clients will welcome. I am personally looking forward to them very much.

I wish you a pleasant start of the week.

**Monika Zahálková**, Managing Director



# News of the Day

## You only need to know the recipient's phone number to send money



Starting from next year, you will be able to send a payment to someone else's account if you only know the owner's phone number. The Czech Banking Association (the CBA), in cooperation with the Czech National Bank (the CNB), are working together on [a new service called payments to a contact](#), which will simplify sending money between people. Instead of entering the account number in internet or mobile banking, it will be enough to enter the mobile phone number of the payee. Payments will be made without knowing the recipient's account number thanks to a register of account numbers matched with the mobile numbers

of their owners, which will be maintained by the CNB. The sender's bank will contact the register after the payment has been entered and, on the basis of the recipient's telephone number, it will obtain the recipient's bank account number, to which it will then send the payment. Nine banks have so far signed up to the project. Customers of the banks participating in the new service will be able to receive payments to a contact if they apply for it through their bank and link their telephone number to their account number.

*"We expect to be able to launch the service starting from the new year. We are starting with mobile numbers, but in the future, the system could be expanded to include other possible contacts when matching with the account number, such as e-mail addresses, for instance"* said Oldřich Dědek, member of the CNB Bank Board.

*"When copying, or typing over account numbers, clients often make mistakes that banks have to address later. In the best case, the incorrectly entered account number does not exist, which the banks' systems are able to detect. Unfortunately, however, it happens that by entering the wrong bank code, for example, the money is sent to someone else's account. In addition to greater convenience for clients, we expect payments made to contacts to result in less mistakes like that and in a further acceleration of the payment process",* said Tomáš Hládek, the CBA's expert on payments.

Payments to contacts are another important recent innovation in payment transactions. [Instant payments](#), which first appeared on the market in 2018, and which are currently offered by 12 banks to their clients, are becoming increasingly popular among clients of Czech banks. Money is transferred through these transactions in 24/7 regime, in a few seconds, and between any accounts. This eliminates the delay between entering the payment and crediting the payment to an account. This is why every fifth transaction is now performed in the instant payment mode.



## **Confidence in the economy is the lowest in 10 years**

The situation when the price growth is high, with the continuing war in Ukraine and the uncertain future outlook, has resulted in a further rapid decline in household confidence in the economy. According to the Czech Statistical Office's conjuncture survey, it was the lowest in May since the 2012/2013 crisis. Compared to the previous month, there was also an increase in the number of respondents who were concerned about the deterioration of their own financial situation, the overall economic situation in the Czech Republic and the rise in unemployment. The consumer confidence indicator fell by 5.5 points to 75.8, while the business confidence indicator increased by 3.2 points to 107. The main improvement in business confidence was driven by industry, where there was a stock decline (which improves the situation in the methodology of confidence), while expectations for production in the coming months improved significantly. However, the expected improvement in industry may not materialize given the current uncertainties and these figures should therefore be taken with a grain of salt. Please read more in [the commentary written by Jakub Seidler](#), the Chief Economist of the CBA.

## **Farm producer prices increased the most in 30 years**

Industrial producer prices increased by 26.6 percent year-on-year in April, after a 24.7 percent increase in March. They rose 2.3 percent month-on-month. Agricultural producer prices increased 8 percent month-on-month and 35.3 percent year-on-year. Thus, their year-on-year growth also accelerated from 27.2 per cent in March. The year-on-year increase in agricultural producer prices was the highest in the past 30 years. Prices rose by half in crop production and by .8 percent in livestock production. Prices of construction work increased by almost 13 percent year-on-year in April, according to the estimates of the Czech Statistical Office.

## **The CBA and the Czech Presidency of the Council of the EU**

The Czech Banking Association is one of the partners of the conference organized by magazine *Bankovníctví* on the topic "Czech Presidency of the EU Council". Monika Zahálková, the Managing Director of the CBA, and other panelists will discuss the extension of the scope of the new

draft directive on consumer credit, which is intended to strengthen the internal market for such credit. Other panelists will include Tomáš Nidetzký, a deputy governor of the CNB, and Lenka Dupáková, who is based in Brussels. The conference will take place on 8 June from 8:30 a.m. to 2:30 p.m. at the CNB. You can register for the conference [here](#).

### **The CNB has a new visitor center**

The Czech National Bank has opened a new [visitor and educational interactive center](#). The center was built as part of an extensive reconstruction costing approximately CZK 124 million. In the center, visitors will learn about the functioning of the central bank and about its role in the economy in an understandable, interactive and entertaining way, and they will learn the basic principles of financial and economic literacy. The Visitor Centre was created during the comprehensive revitalization of the original banking hall, which was started in 2021. As part of the renovations, the Czech National Bank not only built a new exhibition "Behind the Currency" and its facilities, but it also modernized and reconstructed the office space used for the operations of the Czech National Bank.

### **The CNB withdraws older banknotes from circulation**

The Czech National Bank has announced that the older banknotes' versions from 1995 to 1999 will expire on 30 June. This applies to banknotes with a nominal value of CZK 100 to CZK 2,000 from this period. The CZK 5,000 banknotes, on the other hand, remain valid. According to the CNB, the banknotes can still be used to pay when using cash to pay, and from 1 July 2022, they can be exchanged at the cash desks of commercial banks in the next 24 months. Even after this period, the invalid banknotes can be exchanged at the CNB offices. The withdrawn older banknote versions are most easily distinguished from those that remain in circulation by the width of the silver stripe that vertically crosses the banknote. The stripe is narrow on the withdrawn banknotes and it does not change color when tilted, while the newest banknote versions have a wider strip that changes color from brownish-purple to green, when tilted. The versions are further distinguished from each other by the year depicted on the face of the banknote and by certain other security features. The CNB publishes more detailed information on the banknotes on a special [website](#).



# From Legislature



## Amendment to offer better protection against rogue traders

The government has submitted [draft amendments to the Consumer Protection Act and to the Civil Code](#) to the Chamber of Deputies. The amendments, which were not discussed in the previous parliamentary term, aim to ensure that consumers are better protected from unfair commercial practices, especially when shopping online. For example, the drafts propose that traders must now also indicate the price at which they sold goods at a discount before the discount was granted, for a period of no less than 30 days before the discount. The amendment is also intended to ban false and misleading consumer reviews on the internet. Sellers will now be required to verify that the reviews were actually written by real people who have purchased or used the product. Changes are also proposed to the notorious door-to-door sales, where the withdrawal period is extended to 30 days from the current 14 days. The withdrawal period should now be extended to 30 days from 14 days when a consumer enters into a

contract at home without a pre-arranged visit, as well as in the case of an organized sales event. A telephone call should no longer be sufficient to conclude a contract. The trader will have to confirm his/her telephone offer to the consumer in text form, for example by e-mail, and the consumer will also have to confirm his/her intention to conclude the contract in text form.

# Financial Education

## Awards to the most successful teams of the EMQ 2022 national round



The CBA held a prize-giving ceremony at the newly opened CNB Visitor Centre for the three most successful pairs who took part in the national round of the financial knowledge competition European Money Quiz 2022. The prize for the 3<sup>rd</sup> place went to Sarah Kmotrasova and Štěpán Hroch from the Benešov Gymnasium. The second place went to the team of the Gymnasium Nad Alejí in Prague, consisting of Vojtěch Peprný and David Kunc. The team of the General and Sports Gymnasium Vimperk, Petra Hovorková and Matěj Rychecký, won the most points. Petra and Matěj represented the Czech Republic in the European final, which took place on 10 May. In the competition of 28 other teams, our champions won an excellent 11<sup>th</sup> place in a very close duel. The award ceremony was combined with a tour of the [new CNB exhibition](#) for the classes. More than 1100 children from different parts of the country participated in this year's EMQ competition, which is aimed at pupils aged 15-16. The competition, in the form of a knowledge quiz on the Kahoot! is aimed at developing their knowledge about finance, but also mathematics, logical thinking and cyber security. You can take a sample quiz [here](#).

# Topic

## **Rising energy prices encourage Czechs to invest in energy-efficient housing**

**The sharp increase in energy prices, which has made heating significantly more expensive, has made Czechs consider seriously investing in energy-saving measures in their homes. Real estate agencies also report that there is an increasing demand for apartments or houses with reasonable energy costs. A number of domestic banks are already responding to this trend with specialized loan products.**

Rising energy prices are motivating Czechs to buy more energy-efficient housing. According to a survey performed by the Association of Buildings Savings Banks in the Czech Republic (AČSS), 63% of Czechs want to undertake a small or larger renovation of their existing home this year. Most often, they plan to renovate because their property is old and needs renovation, but also because of rising energy prices (12%). Their motivation is not only the current price trend, but also fears regarding the consequences of the conflict in Ukraine and the threat of Russian gas supplies being stopped.

The average planned investment in renovations is approximately CZK 160,000. However, every tenth respondent plans to spend more than half a million crowns. The majority of respondents (84%) expect to pay at least partly from their own savings for the renovations. Almost a quarter (23%) of the respondents are planning to take out some form of a loan, either to cover part of the costs or to finance the entire reconstruction.

### **Many banks offer special loans**

In some cases, state subsidy programs can be used to finance heat pumps, photovoltaics or insulation. However, the range of domestic banks



and building societies, offering specialized loan products for sustainable investments, is gradually expanding.

At Česká spořitelna, for example, people can arrange a Mortgage for the Future. It can be used for new housing (for properties that meet the energy standard classified as energy category A or B) or for renovations that will reduce the energy consumption of the real estate. Hello Bank offers the Hello EKO loan, which can be used to finance investments in photovoltaics, photothermal energy, insulation, replacement of windows and doors, shading technology, heat pumps, rainwater tanks, electric cars or plug-in hybrids. Komerční banka also has a special Loan for Sustainable Technologies in its portfolio, and ČSOB isn't staying away with its Green Mortgage. CREDITAS Bank offers a product, aimed specifically at households, called a Sustainable Mortgage. The mortgage is used to finance properties whose reconstruction is subject to the client's application for the "Green Savings" subsidy announced by the State Environmental Fund. Although some banks do not offer special products for this purpose, it is possible to use, for example, consumer loans for it. Loans from building societies are also ideal for renovations.

### **Savings also interest clients of real estate agencies**

The fact, that real estate properties are increasingly being assessed by their current or potential owners also with regard to the associated energy costs, is confirmed by real estate agents. Properties with energy-efficient heating are in higher demand and in most cases, they are also more expensive. An increasingly common question from potential buyers, due to the threat of gas supply restrictions, is the possibility of alternative heating. Real estate agencies are registering more significant shifts in client behavior over the last six months, or so. However, the impact of this factor has so far been hampered by the fact that there is a severe shortage of virtually any property on the market.

