

What's good for Agrofert...

Two of the worst moments in the week of a Czech political analyst are the OVM debate show of Václav Moravec on Czech TV and the "Čau lidi" (Hi, folks) weekly report of PM Andrej Babiš on Facebook. Both are done well and are effective at reaching the target audiences. That's not the issue. The problem is that they're both very long and contain very little new information. They're boring for someone who follows Czech political events on a regular basis.

Yet a serious analyst must devote the necessary time to them, because there is often a jewel buried somewhere in the verbiage. It's not unusual for the most important part of the long show or Facebook post to be missed entirely by the mainstream media.

And such was the case in Babiš's [6,000-word missive on Sunday](#). Babiš rarely comments on the monetary policy of the Czech National Bank, but he did it on Sun. Here's what he said (in translation):

"I don't understand the policy of the Czech National Bank at all. Imagine that various banks, including those offering mortgages, have Kč 2.5 trillion on deposit at the CNB and earn interest on the money without doing anything. The CNB explains this by saying that it's fighting inflation, but this clearly isn't working. Inflation is rising. That Kč 2.5 trillion is simply lying there, and until recently the banks were getting 2% interest from the CNB. And now just imagine, as of Feb. 6 they get even more. The CNB simply raised the interest rate illogically to 2.25%. The banks don't share this profit with people by raising the rates on time deposits or on regular bank deposits, and they don't make mortgages cheaper or abolish the fees. NO. They of course keep the money. Banks in Czechia earned Kč 90bn just in the last year, and it was thanks in part to higher CNB interest rates.

"I don't understand either how it is possible that during a time of a cooling-off of the economy, the CNB wants to raise the interest rates for commercial banks. This after all goes against not only the people, but also against industry and the entire economy. Companies have high

staffing costs that are rising as wages rise (which is good), but then the CNB wants to raise their borrowing costs and thereby lower their profits and reduce their ability to raise wages. People and companies



"I want to address this problem, and I am going to meet with Czech National Bank Gov. Jiří Rusnok, because that is the institution that influences the mortgage conditions. The CNB is of course inde-



should be paying banks less, not more. Money isn't supposed to be drained out of companies and people into banks.

"In my view, it would be more than enough for the banks to get only maybe 0.5% for their deposits at the CNB. But if the CNB is going to subsidize them so generously, they should keep commercial loans, consumer loans and mortgages at a low level. In the eurozone, commercial banks must pay the European Central Bank 0.5% to deposit their money with it, instead of getting money for their deposits, but this isn't a normal situation either.

"The banking sector, compared to other sectors, is getting rich like in a fairy tale, but considering the way inflation is developing, it is clearly not an effective way to combat it. Various sectors with oligopolies are contributing to the rise in inflation and so is of course the price of dwellings, energy, food... It is simply absurd for someone to blame the rise in inflation on the way we raised the salaries of doctors, nurses, teachers and others and raised pensions by a record amount. They say that we are contributing to inflation by giving people more money. But then look at the margins and profits of those who get the money that people spend.

pendent, and I have never commented on it, but now I must. I will also speak to the Czech Banking Association."

If you read this carefully, you noticed that Babiš essentially called for a cut of 175 basis points in the CNB's two-week repo rate, from 2.25% to 0.5%. Nothing like that has ever happened. This is even more aggressive than Donald Trump, who has been in a war with the Federal Reserve for most of his time in office. On Jan. 28, Trump wrote on [Twitter](#) that the Fed should cut rates to make the U.S. more competitive and allow it to focus on paying off and refinancing its debt.

The coronavirus scare has increased speculation of a Fed interest-rate cut on March 17-18. Trump needs to keep the U.S. economy going strong at least until the elections in Nov. and understands that low interest rates are a key aspect of this.

Babiš not only has the elections this year and next year to worry about, but also his former business, Agrofert. If he devotes so much space in his weekly Facebook report to interest rates, it's not simply because he wants mortgages to be cheaper for homebuyers, but also because, as he no doubt sees it, what is good for Agrofert is good for the Czech Republic.