

**Business**

(HN/1) Consumer-price inflation surprised economists by rising by only 0.2 points in Aug., compared to expectations of a month-to-month rise of as much as 1 point. The year-on-year inflation level nevertheless rose to 9.6%. Experts do not expect inflation for the year to fall below last year's level of 9.1%. Patria Finance, for example, says that inflation could rise to 9.5%. Although housing costs rose by 3.2% in Aug., heavily-weighted food prices fell by 1.4%. A 30% drop in potato prices was the largest single factor.

(P/1) Chairman Petr Kellner of PPF told Právo that he owns 95.5% of the investment company along with Milan Maděryč and Štěpán Popovič (general director of Glavunion and head of the Confederation of Industry). The rest of the shares are owned by PPF's employees. Kellner says that PPF manages assets with a combined market value of Kč 10 billion. Its total investment into Česká pojišťovna is about Kč 5-5.5 billion, he says, and the payback period is about five years. ČP's market share will fall from the current 70% to about 40-50%, he predicts, but the level of its premium income will rise as the market grows. PPF will not bring a foreign investor to ČP for at least a couple of years, he says.

(P/9) Ladislav Bartoníček of PPF was named chairman and general director of Česká pojišťovna on Fri. The seven-member board also includes Libor Procházka (IPB), Milan Maděryč (PPF), Igor Valtr, Jakub Hradec and Jan Ježdík (all ČP), and Michal Větrovský (formerly of Creditanstalt Investment Co.).

(MFD/1) A team investigating the failure of Kreditní banka seized stacks of written documentation in the last two days from the bank's Pilsen headquarters and its branches across the country. The documents have not yet been analyzed to determine whether specific individuals can be held responsible for the bank's crash. On a related note, Jan Šula of ODA, who was formerly the head of the economic-intelligence force, said that an investigation should also be made that determines who is politically responsible for the ongoing banking problems in the CR.

(MFD/1) Universal Health Insurance (VZP) indicated yesterday that it might have to cut the value of reimbursement points if hospitals do not stop performing unnecessary medical procedures in an effort to increase their

income. Director Jiří Němec indicated that VZP would keep the value of reimbursement points at the same level for one more quarter. Although hospitals admit to performing more procedures than necessary to raise their income, they say that the quality of care would suffer if point values were cut.

(HN/3) Drug distributors and pharmacies have created a joint commission for gathering material for setting fixed mark-ups on regulated medications. The aim is for drugs such as Acylpyrin to cost the same in all pharmacies in the CR. A reduction in mark-ups from 38% to 35% on July 1 reportedly caused the gross earnings of most pharmacies to fall by 10% or more.

(MFD/3) Konsolidační banka has reportedly paid out only 5% of the Kč 800m the state promised to reimburse to health facilities as part of the cleanup of the failed Miners' Health Insurance (Hornická). The liquidator said the process has been delayed because many doctors have sent in incomplete invoices for services.

(HN/2) General Director Ivan Ottis of Česká rafinerská said that a devaluation of the crown would perhaps push the monopoly refinery into the red. Česká rafinerská imports oil at world prices but would have to hold back its domestic prices due to competitive pressures if there were a devaluation, he said. A devaluation would be a nightmare for the company, he added.

(MFD/1) The finance ministry is preparing a budget recommendation that calls for liberalizing heating prices next July but that does not foresee deregulation of other utility or rent prices. Heating would rise by about 35%, and rents, natural gas and electricity would rise by double-digit percentages.

(MFD/3) MFD says that Škoda a.s. sought an arms-trading license that included the authority to trade with Iran and other politically sensitive countries. The license was approved, but it was limited to non-sensitive countries.

(MFD/15) Economy Minister Jaromír Schneider said that he will recommend to the cabinet that it extend the 4-point state mortgage subsidy beyond the planned cutoff date of Oct. 26, 1996. After that date, the subsidy was to fall to 3 points. Schneider said that the cabinet should also consider extending the maturity of mortgage loans.

(HN/B1) The PX 50 rose 0.3 points to 579.2, and the HN-Wood gained 4 points to 1742 on trading of Kč 688m. Česká pojišťovna rose yesterday by 5%, and bank stocks were mixed. (HN/B5) Iceberg calls itself the oldest nonbank securities trader in the CR. (HN/B6) Atlantik advises selling Vodní stavby Praha, a builder, at Kč 1,859.

(MFD/15) Škoda Liaz will lay off 170 of its 3,000 workers. (HN/1) Deutsche Bank will issue Kč 1 billion in 11.50%, 1-year bonds priced at 101 and to be listed in Luxembourg. (HN/1) The CR concluded an investment-protection treaty with Malaysia during an Asian trip by Premier Klaus. (HN/1) Czech-Invest opened a Chicago office yesterday. (HN/20) Corning Global Business Operations signed a distribution agreement with EcoGlass of Jablonec. (HN/6) Sepap's turnover fell 14% in the first half of 1996, to Kč 3.0 billion. (MFD/15) ČSOB will become the depository for Vojenský otevřený PF pension fund on Dec. 1. (MFD/5) Preservation officials have objected to construction plans by Prague Investments for the building that will house the new Planet Hollywood restaurant. (MFD/3) The environment ministry is considering recommending the creation of a Kč 1 billion flood-relief fund.

**Politics**

(MFD/2) ODA directed party Vice Chairman Karel Ledvinka, who is also vice chairman of Parliament, to ask Parliamentary Chairman Miloš Zeman to explain his recent comments regarding Václav Klaus and Česká spořitelna. (Zeman had said in Slovakia that the coalition's current politics are a tragedy and that Klaus himself is a disaster. Zeman had said separately that Česká spořitelna is having problems.) ODA said Zeman's comments were not appropriate for a person of his official position. Zeman is now in New York for a meeting of the Socialist International.

**Society**

(MFD/3) New international dialing codes for the CR (420) and Slovakia (421) will take effect in March 1997.

(HN/4) A poll by IVVM found that 47% of Czechs are happy with their family life. The main thing that causes Czechs to get upset are high prices.