

NEWS SUMMARY JUNE 23 – JUNE 29

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ECONOMY & FINANCE



2017 STATE BUDGET – 23.6.

The MF¹ will continue drafting the state budget for 2017 with a deficit of CZK² 60 bn³, MF Minister Babiš said after a government meeting, adding that it provides for higher pay for teachers and healthcare employees.

The draft also envisages an increase in the fees that the state pays for health insurance of certain groups of inhabitants, higher pensions and an increase in the MD⁴ budget.

The MF's original draft state budget projected a deficit of CZK 48.5bn, but it said the spending can be raised by CZK 11.5bn in keeping with the government coalition agreement.

According to the law, the government must send the 2017 state budget bill to the ChD⁵ by the end of September.

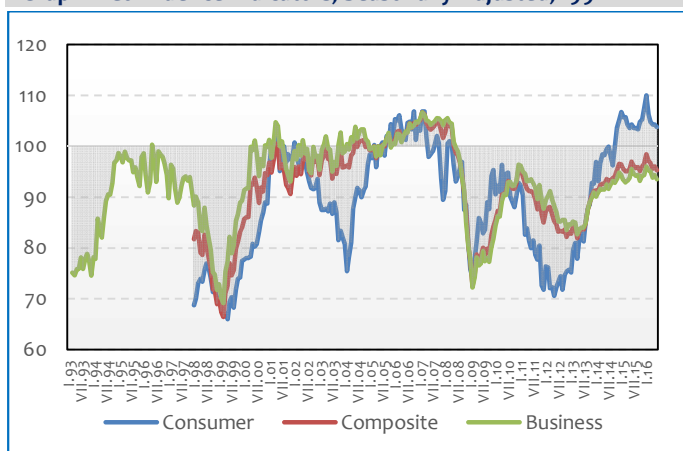
During the summer months, Babiš will have further negotiations with individual ministers on their offices' budgets. The draft state budget puts revenues at CZK 1,260bn and expenditures at CZK 1,320bn.



BUSINESS CYCLE SURVEY - JUNE 2016 – 24.6.

Overall confidence in domestic economy decreased slightly in June. The composite confidence indicator decreased slightly by 0.7 points to 95.3, m-o-m⁶. Confidence of entrepreneurs decreased slightly by 0.8 points to 93.5, compared to May. Among entrepreneurs confidence decreased in industry; in construction and in trade increased slightly; in selected services decreased slightly. Consumer confidence indicator decreased slightly by 0.5 points to 103.8, m-o-m. Composite confidence indicator, entrepreneurs' confidence indicator and consumer confidence indicator are lower, compared to June 2015.

Graph 1: Confidence Indicators, Seasonally Adjusted, 1998 – 2016



¹ MF: Ministry of Finance

² CZK: Czech Crown, the currency of the CR since 8 February 1993

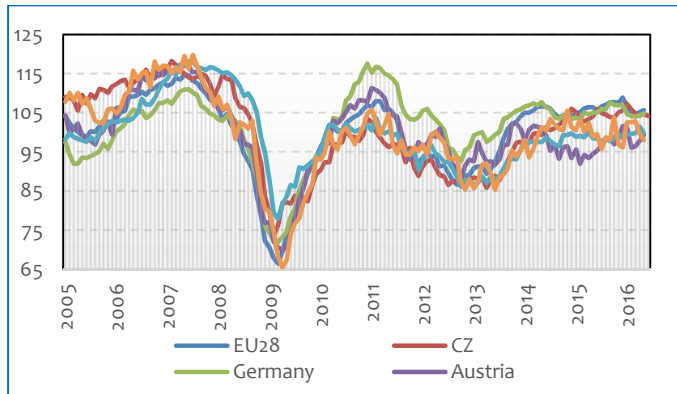
³ Bn: billion

⁴ MD: Ministry of Defence

⁵ ChD: Chamber of Deputies, the lower house of Parliament of the CR

⁶ M-o-m: month-on-month

Graph 2: Economic Sentiment Indicators - monthly data (long term average = 100) seasonally adjusted



BREXIT TO SLOW DOWN CZECH ECONOMY – 24.6.

Brexit could slightly slow down the growth of Czech economy in 2016, economic analysts predict. According to estimates, the growth of the CR's⁷ GDP⁸ could drop by several tenths of a percentage point. Despite Brexit, the Czech economy is expected to grow by about 2% this year. The slow-down will be caused by a weakening demand for export to the EU⁹, fuelled by uncertainty on world markets. At the same time, experts say that economic relations with Great Britain are not threatened in any way.



BREXIT WILL CAUSE EURO ADOPTION DELAY – 27.6.

MIT Minister Mládek has said that the decision by the UK to leave the EU represents a further delay to Czech adoption of the euro¹⁰ because the bloc will be grappling with the problems that Brexit causes. Others in the CR, such as vice president of the CI¹¹ Špícar, have said that euro adoption should be accelerated because the core alliance of the bloc between Germany and France will now be intensified and it is in the CR's interest to be present in the centre of the EU.



NO NEED TO ACCELERATE EURO ADOPTION – 28.6.

The CR does not need to accelerate adoption of the euro because of the UK's decision last week to quit the EU, PM¹² Sobotka said. Older EU members have been pushing for increased integration in a 27-member bloc, including closer ties within a currency union. He said that nobody would be pressured into anything, adding that it was in Czech interests for contact to be maintained between Eurozone¹³ states and those that have not adopted the euro¹⁴.

⁷ CR: Czech Republic

⁸ GDP: Gross domestic product

⁹ EU: European Union

¹⁰ Euro: €, EUR, is the official currency of the Eurozone, which consists of 19 of the 28 member states of the European Union

¹¹ CI: Confederation of Industry

¹² PM: Prime Minister

¹³ Eurozone: officially called the euro area is a monetary union of 19 European Union (EU) member states that have adopted the euro (€) as their common currency and sole legal tender.

¹⁴ Euro: €, EUR, is the official currency of the Eurozone, which consists of 19 of the 28 member states of the European Union

ICT & RDI¹⁵

NEW NANOFIBER WATER PURIFYING FILTER – 24. 6.

Scientists and industrialists from Liberec unveiled a new water filter, comprised of nanofiber membranes, which is much more efficient than all conventional filters.

According to Advanced Technology and Innovation at the TUL¹⁶, "We have managed to get one level higher by developing a nanofiber membrane that has a specifically modified surface with which it differs from usual nanofiber layers that are applied." The latest filter is supposed to be substantially more efficient than all the existing water purification filters and it is to be usable for at least 10 years. The scientists worked on the development of the new material along with the Liberec-based firm BMT0 that manufactures water management products.

☰ JOINING EUROPEAN SPACE AGENCY PROGRAMME – 25. 6.

The CR is likely to join the prestigious Ariane and Vega space programme run by the ESA¹⁷ at the start of July.

MF Minister Babiš has pledged to provide financial backing, saying he wished to support the country's orientation in the aviation and space industries. Czech firms and researchers are expected to take part in the development, testing and production of parts for the Ariane 6 launch vehicle, whose first test flight is scheduled for 2020. According to the MT¹⁸, the country would come on board once the move had been approved by existing ESA members.

AGRICULTURE & ENVIRONMENT



FRUIT HARVEST EXPECTED TO DROP – 23. 6.

The 2016 fruit harvest is expected to see a 28% drop year-on-year due to the late frosts which hit the country at the end of April. Fruit growers estimate losses of around CZK 400mn¹⁹. According to the FGU²⁰, the fallout should not affect prices on the market. The most severe damage is reported in southern Moravia.



AGRICULTURAL ATTACHÉS ABROAD – 23. 6.

The CR wants to post agricultural attachés with diplomatic status in 3 more countries in the coming months, the MA²¹ confirmed. Prague already has agricultural attachés in Saudi Arabia, China, Russia and Serbia and wants to post them in the USA, Japan and Lebanon in the near future. Their main task is to assist Czech firms in finding new export opportunities.

ENERGY



CR HAS SECURED SUPPLIES OF ENERGIES FOR NOW – 23. 6.

The CR is secured as regards supplies of energy materials for the coming period, MIT Minister Mládek said during debate on current challenges to the Czech energy industry.

The country thus does not have to be concerned about its energy safety and can focus also on expansion of energy companies to other countries, he added.

"It seems that we do not have to worry too much about energy security in the CR. In case of oil and gas, we have two paths, and in case of nuclear power plants, we will have fuel for 3 years," Mládek noted.

"The topic needs to be monitored but it is pleasant to know that we can dedicate our attention to the expansion," Mládek said. He noted that the inflow of energies to the CR could not always be taken for granted.

Oil is imported to the CR by the Druzhba pipeline from Russia and by the IKL pipeline from the Caspian Sea, North Africa and Persian Gulf. Russia and Norway are the main suppliers of natural gas to the CR.

As for the NPPs, ČEZ announced in May it would raise nuclear fuel reserves in both Czech power plants, Temelín and Dukovany. Temelín now has reserves for 2-year operation of the 1st unit and this year wants to raise the fuel reserve also for the 2nd unit. After raising nuclear fuel reserves at the Dukovany plant, they should be sufficient for 3 years. This will cost CZK 1bn.

ČEZ announced this year in April that it was thinking about investing in Germany, Poland and Slovakia. ČEZ board member and foreign division director Pleskač said the company was watching all potential investment opportunities abroad.

"We can also imagine an investment in some renewable sources but rather to the west of the CR," he added in April.



ČEZ ENERGY PRODUCTION IN 2017 WILL BE LOWER – 24. 6.

The permission for the operation of the 3rd and 4th units in Dukovany NPP will expire on December 31, 2017.

ČEZ has to provide clear evidence of the documentation and the condition of the facility prior to applying for a new permit. According to ČEZ, electricity production in 2017 will be lower than in the record year 2014. The 2nd reactor unit will be out of order from September 2016 until March 15, 2017. The outage of unit 1 is scheduled for January 21-May 20, 2017. Unit 4 will be down from April 22 until August 19, 2017, and unit 3 from August 5 until November 12, 2017.



ČEZ SEEKS TO BILLIONS FROM DUKOVANY CLOSURE – 28. 6.

ČEZ²² has begun proceedings to reclaim billions of crowns lost after the prolonged closure of 3 out of 4 of its nuclear reactors at the Dukovany NPP²³ following faulty safety checks on pipes. Proceedings have begun against engineering company Škoda JS²⁴ to reclaim around CZK 3.5bn. Škoda JS recruited a sub-contracted to carry out X-ray checks on pipes at the plant which were later found to be flawed. Much of the reactor was closed in late 2015 and into 2016 as a result. Škoda JS has denied being guilty.

¹⁵ RDI: Research, Development and Innovation

¹⁶ TUL: Technical University of Liberec

¹⁷ ESA: European Space Agency

¹⁸ MT: Ministry of Transport

¹⁹ Mn: Million

²⁰ FGU: Fruit Growers Union of the Czech Republic

²¹ MA: Ministry of Agriculture

²² ČEZ: ČEZ Group is a conglomerate of 96 companies (including the parent company ČEZ, a.s.), 72 of them in the CR. It is involved in the electricity generation, trade, distribution and heat, as well as coal mining.

²³ NPP: Nuclear Power Plant

²⁴ Škoda JS: the Pilsen-based engineering giant owned by Russian engineering group OJSC.

INDUSTRY & TRADE & TRANSPORT

CLEARANCE FOR KEY TRANSPORT PROJECT – 29. 6.

The CR has won clearance from the EC²⁵ to proceed with 10 large transport and infrastructure projects without the need to launch new EIA²⁶. Brussels has had problems with the fact that dozens of Czech projects were given approval under old assessments that in some cases pre-date the country's accession to the EU in 2004. Some of the key projects have a European as well as Czech dimension.

LABOUR & SOCIAL & HEALTH

BUILDING CHINESE CLINIC IN HRADEC KRÁLOVÉ – 28. 6.

The Czech government agrees with the entry of the Teaching Hospital in Hradec Kralove, east Bohemia, into the TCM endowment to cover the costs of the construction of a traditional Chinese medicine clinic there, MH²⁷ Minister Němeček said. The constituent document of the endowment was signed during a recent visit by Chinese President Xi Jinping to Prague. The Chinese partner will put €10mn into the endowment. The construction of the clinic should be completed in April 2018. The endowment's co-founder is the CEFC²⁸.

POLITICS & SECURITY

CZECH POLITICIANS CALL FOR CHANGE – 24. 6.

The politicians have reacted to Britain's decision to leave the EU by emphasizing the need for change. PM Sobotka said Britain's decision to leave the EU is serious and irreversible and signals the need for a transformation. He said the EU must now take measures to minimize the impact of Brexit. MFA²⁹ Minister Zaorálek said Brussels needed to respond to negative sentiments within the alliance. The EU must react more to people's day-to-day needs and integration must continue only in areas where it can be defended, Minister Zaorálek said. The leaders of the main right wing parties TOP³⁰ and the ODS³¹ have stressed that the CR should take an active role in the EU reform that will inevitably need to take place.

HIGH PRICE FOR BREXIT – 25. 6.

PM Sobotka says Europe may pay an excessively high price for his UK counterpart David Cameron's pledge to hold an EU referendum in order to unify his Conservative Party prior to elections. Speaking a day after the UK's vote to leave sent shockwaves around the bloc, Mr. Sobotka said that would had happened was not the end of European integration – just the end of the UK in the EU. The Czech leader said the main thing now was agreeing co-existence with Great Britain under conditions advantageous to the CR;

²⁵ EC: European Commission

²⁶ EIA: Environmental Impact Assessment

²⁷ MH: Ministry of Health

²⁸ CEFC: China CEFC Energy Company Limited, through its subsidiaries, engages in trading of oil, petrochemical products, and oil storage. The company is based in Shanghai, China.

²⁹ MFA: Ministry of Foreign Affairs

³⁰ TOP: TOPo9 with the support of Mayors and Independents, centre-right party

³¹ ODS: Civic Democratic Party, Liberal conservative, centre-right party, soft Eurosceptic party

the priority is ensuring the maintenance of smooth exports and good conditions for Czechs working in the UK, he said.

SPECIAL WORKING GROUP TO DEAL WITH BREXIT - 27. 6.

The Czech government has decided to create a special working group to deal with the possible implications of Brexit, the result of last week's British referendum decision to leave the EU. The group will be headed by the Secretary of State for European Affairs, Tomáš Prouza. It will mainly focus on determining the Czech priorities in the upcoming negotiations with Britain.

V4 JOINT STATEMENT – 28. 6.

The V4³² states issued a joint statement in Brussels expressing deep regret for the UK's decision to leave the EU and saying that the EU must emerge stronger from the challenges that poses. The CR, Poland, Slovakia and Hungary said talks on a way forward should focus on protecting the bloc's interests. They also outlined a need to renew credibility in an EU that better reflects the concerns of citizens.

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³² V4: the Visegrád Group, also called the Visegrád Four, or V4 is an alliance of four Central European states – Czech Republic, Hungary, Poland and Slovakia – for the purposes of furthering their European integration as well as advancing their military, economic and energy cooperation with one another.

	CIA News (Česká informační agentura)
	Czech Press Agency (Česká tisková kancelář)
	Czech Statistical Office (Český statistický úřad)
	Public Opinion Research Centre (Centrum pro Výzkum Veřejného Měnění)
	E15
	European Commission
	Eurostat
	Government of the CR
	Hospodářské noviny
	Labour Office of the CR
	Lidové noviny
	M-Brain, News monitoring
	ManpowerGroup
	Median
	Novinky.cz
	Organisation for Economic Development and Cooperation
	Právo Daily
	Prague TV
	Radio Prague (Český rozhlas)
	Technology Agency of the CR