

NEWS SUMMARY JULY 28 – AUGUST 3

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ECONOMY & FINANCE

EU PRELIMINARY ESTIMATE FOR Q2 2016 -29. 7.

Seasonally adjusted GDP¹ rose by 0.3% in the euro area² and by 0.4% in the EU28³ during the Q2⁴ 2016, compared with the Q1, according to a preliminary flash estimate published by Eurostat⁵. In the Q1⁶ 2016, GDP grew by 0.6% in the euro area and by 0.5% in the EU28.

Compared with the Q2 2015, seasonally adjusted GDP rose by 1.6% in the euro area and by 1.8% in the EU28 in the Q2 2016, after +1.7% and +1.8% respectively in the Q1.

Table 1: Growth rates of GDP in volume (seasonally adjusted data)

	Change, q-o-q ⁷				Change, y-o-y ⁸			
	2015		2016		2015		2016	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
EA19	0.3	0.4	0.6	0.3	1.6	1.7	1.7	1.6
EU28	0.4	0.5	0.5	0.4	1.9	2.0	1.8	1.8

TALKS ON DRAFT STATE BUDGET – 29. 7.

MF⁹ Minister Babiš has opened negotiations with fellow members of the Cabinet on the state budget for 2017, meeting with the justice, environment and culture ministers. The draft budget is counting on a deficit of CZK¹⁰ 60bn¹¹ next year. The bill includes pay rise for teachers, nurses and doctors, higher pensions and higher health insurance payments that the state pays on behalf of children, pensioners and the unemployed. MJ¹² Minister Pelikán told journalists after talks with MF Minister Babiš that his ministry would get additional CZK 650mn¹³ that would be used for increased salaries of court personnel and the hiring of new staff in the judicial sector and the Prison Service. Pelikán originally wanted CZK 2bn more in the budget. The government must approve the budget bill and send it to the ChD¹⁴ by the end of September.

MF'S ESTIMATE FOR ECONOMIC GROWTH – 29. 7.

The MF Ministry has revised downward its estimate for the country's economic growth in 2016, from 2.5% in April to 2.2% now. Next year, the economy is expected to grow by 2.4%

¹ GDP: Gross domestic product

² 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.

³ EU28: 28 member states of the EU, which are party to the founding treaties of the union and thereby subject to the privileges and obligations of membership

⁴ Q2: 2nd quarter of the year

⁵ Eurostat: Eurostat is a Directorate-General of the European Commission. Its main responsibilities are to provide statistical information to the institutions of the EU and to promote the harmonisation of statistical methods across its Member states and candidates for accession as well as EFTA countries.

⁶ Q1: 1st quarter of the year

⁷ Q-o-q: Quarter on quarter

⁸ Y-o-y: Year on year

⁹ MF: Ministry of Finance

¹⁰ CZK: Czech Crown, the currency of the CR since 8 February 1993

¹¹ Bn: billion

¹² MJ: Ministry of Justice

¹³ Mn: Million

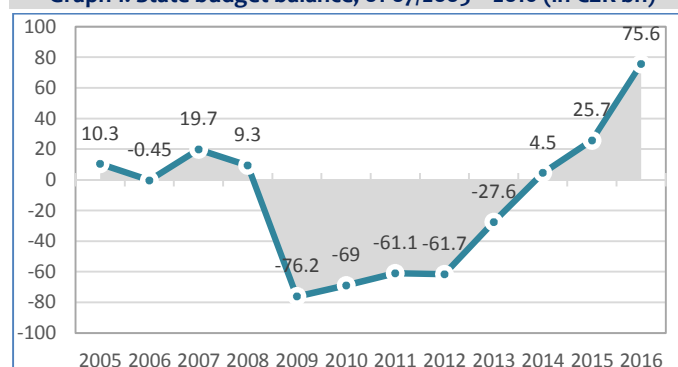
¹⁴ ChD: Chamber of Deputies, the lower house of Parliament of the CR

instead of 2.6. In 2015, the CR¹⁵ saw economic growth of 4.5%. Reasons for the slowdown include an expected rise in oil prices as well as indirect aftereffects of the Brexit, under which Great Britain voted to leave the EU¹⁶.

STATE BUDGET SURPLUS RISES – 1. 8.

The MF saw the state budget surplus rise to CZK 75.6bn in July from CZK 41bn the previous month – the best July result since the founding of the CR in 1993. Last year, the surplus registered in July was CZK 25.7bn. The state budget 2016 is counting on a deficit of CZK 70bn. The MF credited the surplus rise to record tax revenues.

Graph 1: State budget balance, 01-07/2005 – 2016 (in CZK bn)

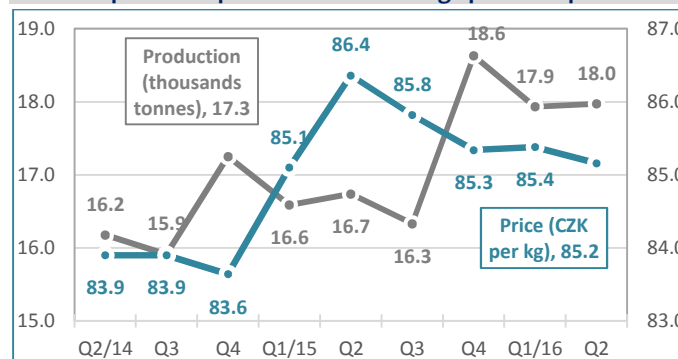


AGRICULTURE & ENVIRONMENT

STAGNATING MEAT PRODUCTION – 1. 8.

In Q2 2016 the meat production amounted to 114,669 t¹⁷ (+0.9%, y-o-y), of which 17,973 tonnes (+7.4%) were beef and veal, 57,527t (-0.7%) was pork, and 39,137t (+0.5%) was poultry meat. Agricultural producer prices of animals for slaughter went down, y-o-y, for pigs (-8.5%) and cattle (-2.5%), and remained almost the same for chicken for slaughter (+0.3%). Dairies purchased 634,764 thousand litres of milk (+1.1%) from domestic producers and collection centres. Its price was by 19.4% under the Q2 2015 level.

Graph 2: Beef production and average producer prices

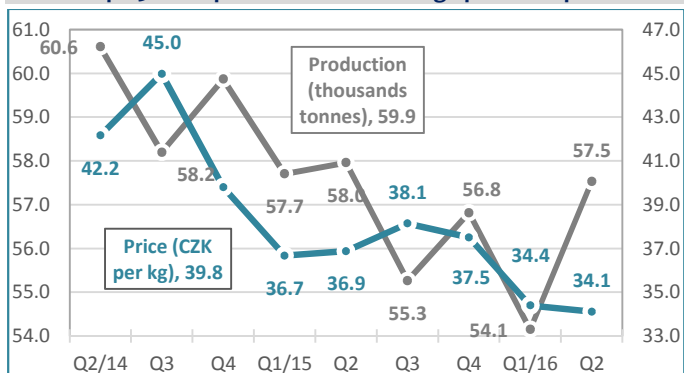


¹⁵ CR: Czech Republic

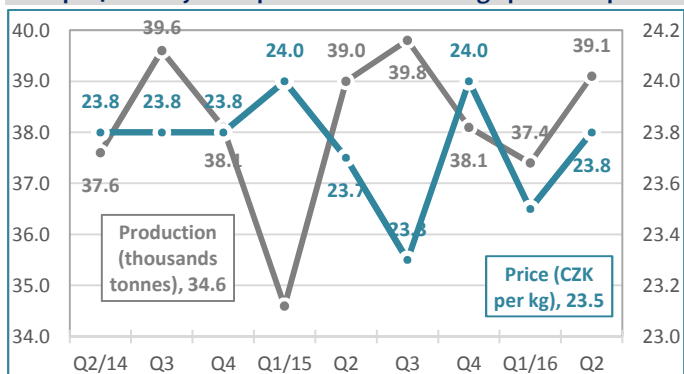
¹⁶ EU: European Union

¹⁷ t: tonne, metric ton is a non-SI metric unit of mass equal to 1000 kilograms

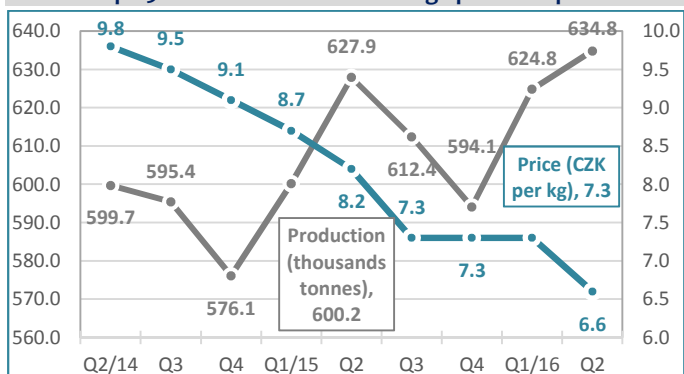
Graph 3: Pork production and average producer prices



Graph 4: Poultry meat production and average producer prices



Graph 5: Milk collection and average producer prices



HARVEST – 2. 8.

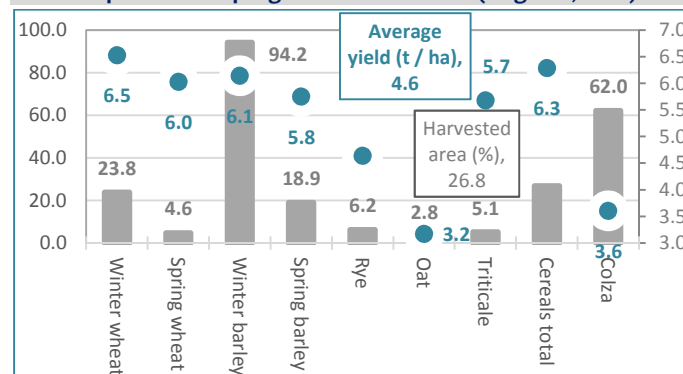
Harvest of cereals and colza has not progressed last week because of the rain. 26.8% of the areas of basic cereals and 62% of colza was harvested by August 1, 2016.

Table 2: Actual progress of the harvest (August 1, 2016)

	Winter wheat	Spring wheat	Winter barley	Spring barley
Harvest area (ha)	809,112.00	30,601.00	104,007.00	221,719.00
Harvested (ha)	192,408.43	1,410.91	97,943.82	41,784.44
Harvested area (%)	23.79	4.61	94.17	18.85
Total harvest (t)	125,6240.17	8,509.35	601,259.08	240,364.08
Average yield (t / ha)	6.53	6.03	6.14	5.75

	Rye	Oat	Triticale ¹⁸	Cereals total	Colza
Harvest area (ha)	20,950.00	37,564.00	39,596.00	1,263,549.00	392,990.00
Harvested (ha)	1,295.95	1,046.12	2,026.64	337,988.31	243,726.3
Harvested area (%)	6.19	2.78	5.12	26.75	62.02
Total harvest (t)	6,012.99	3,315.54	1,1518.57	2,127,219.78	878,586.88
Average yield (t / ha)	4.64	3.17	5.68	6.29	3.60

Graph 6: Actual progress of the harvest (August 1, 2016)



GUILD STANDARDS FOR FOOD – 2. 8.

FFDI¹⁹ establishes guild standards similarly as Austria, where guild standards apply to 30.000 products. FFDI has been preparing the project for two years and registers 92 guild standards were approved approximately half a year since the beginning of the project and 155 of food products is produced according to them. Those standards apply the most frequently to production of milk, meat and delicatessen products. Food produced according to guild standards should have superior characteristics in comparison to similar products on the market.

INDUSTRY & ENERGY & INVESTMENTS

ČEZ READIES NUCLEAR FUEL TENDER – 28. 7.

ČEZ is readying a tender for the delivery of nuclear fuel to the Temelín NPP²⁰. The tender's parameters are currently under preparation. ČEZ is aiming to select the best offer and test the market. It is expected that documents will be completed this year and the tender itself will be announced latest at the beginning of the year 2017.

CZECH INVESTMENTS IN TURKEY AT RISK – 28. 7.

The situation in Turkey in the wake of the failed coup is putting at risk Czech investments in Turkey. Among those detained are the top managers of Naksan Holding a company for which the Czech company Vítkovice Machinery Group is building an electric power plant. The CEB²¹ provided

¹⁸ Triticale: is a hybrid of wheat and rye first bred in laboratories during the late 19th century in Scotland and Sweden. Commercially available triticale is almost always a second-generation hybrid, i.e., a cross between two kinds of primary (first-cross) triticales. As a rule, triticale combines the yield potential and grain quality of wheat with the disease and environmental tolerance (including soil conditions) of rye. Only recently has it been developed into a commercially viable crop. Depending on the cultivar, triticale can more or less resemble either of its parents. It is grown mostly for forage or fodder, although some triticale-based foods can be purchased at health food stores or are to be found in some breakfast cereals.

¹⁹FFDI: Federation of the Food and Drink Industries of the Czech Republic

²⁰ NPP: Nuclear Power Plant

²¹ CEB: Czech Export Bank

a CZK 12bn investment loan for the project, one of its biggest investments in recent years. It is now unclear if the project gets finished. There are dozens of other projects (involving Czech companies that have been put on hold), for which the Czech state has loaned close to CZK 25bn. The MFA²² is reported to have entered into negotiations with the Turkish side.

☰ **SEARCH FOR NUCLEAR WASTE STORAGE SITE – 28. 7.**

MIT²³ Minister Jan Mládek is to meet with the mayors of seven localities which are being considered for a potential nuclear waste storage site. The ministry's plans to conduct geological tests at these localities have raised a storm of opposition, leading the minister to narrow down the choice to two localities and then expand it back to the original seven after being criticized for the way in which the MIT was conducting the selection process. Talks now appear to have gone back to square one. Minister Mládek said earlier the MIT would not enforce the decision and the nuclear waste site would only be built with consent from nearby localities. The nuclear waste storage site should be built by 2065.

☰ **PROLONGATION OF DUKOVANY SECOND UNIT – 29. 7.**

ČEZ²⁴ has applied for a prolongation of its existing operating license for the 2nd unit at its Dukovany NPP until July 10, 2017. The current license is due to expire at the end of this year. The application to SÚJB²⁵ was made because of a prolonged shutdown at the reactor to check on pipe welds at the unit. ČEZ filed a similar request by the regulator for Dukovany's 1st unit earlier this year, which was granted. Over the last year, ČEZ has stepped up its X-ray checks on pipe welds at all four of the Dukovany units after it was found that previous checks by a sub-contractor were flawed. According to the ČEZ the extension will create enough time to process the results of inspections conducted during the suspension.

☰ **CAR SALES DROP IN JULY – 3. 8.**

Sales of new cars in July have fallen y-o-y for the first month since the start of the year. Sales were down 12.5% compared with the same month in 2015 and by just over 27% compared with June. July had only 9 weekend days or holidays last year, this year it was 12 days. Total car sales for the first seven months of the year, at almost 152,000, are still 12.5% up on the same period last year. The Škoda Auto has seen sales climb by around a 1/3 so far this year and retains around a 1/3 of the local market.

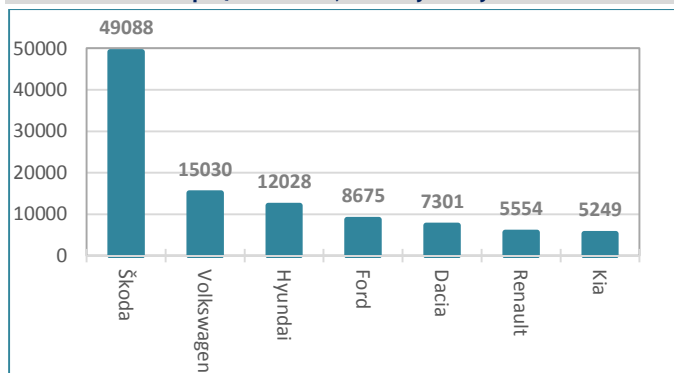
²² MFA: Ministry of Foreign Affairs

²³ MIT: Ministry of Industry and Trade

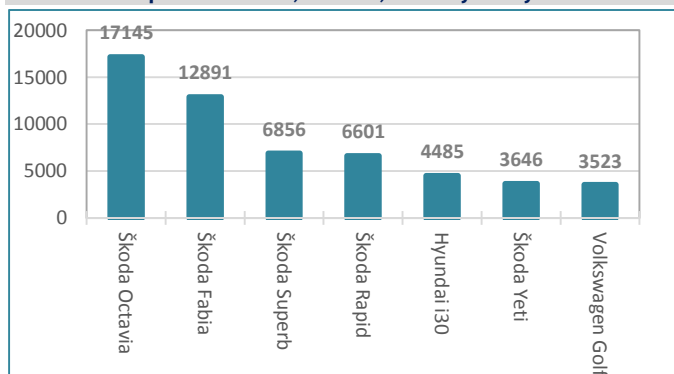
²⁴ ČEZ: ČEZ Group is a conglomerate of 96 companies (including the parent company ČEZ, a.s.), 72 of them in the CR. It is involved in the electricity generation, trade, distribution and heat, as well as coal mining.

²⁵ SÚJB: State Nuclear Safety Authority

Graph 7: Car sales, January – July 2016



Graph 8: Car sales, models, January – July 2016



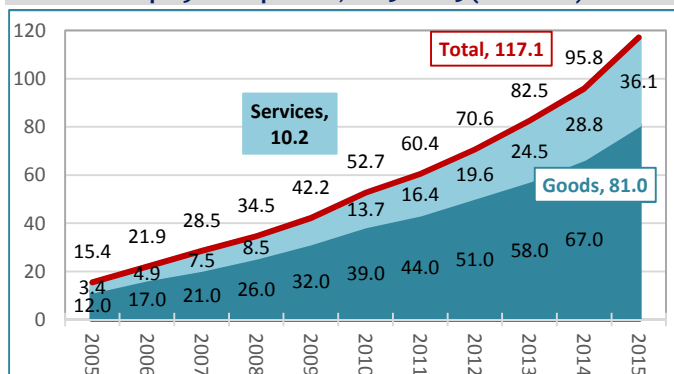
in **INVESTMENT ATTRACTIVENESS – 3. 8.**

According to survey of the German-Polish Chamber of Commerce and industry, there is a significant deterioration in the assessment particularly in the area of political stability and predictability of economic policy in Poland. CR took 1st place ahead of Poland in the investment attractiveness. The 3rd most attractive country in the region is Slovakia before Estonia.

CTK **E-SHOPS SALES – 3. 8.**

According to the APEK²⁶, the share of e-shops on retail sales should reach 9.2% in the CR this year. It was 8.1% last year. Czechs spent in e-shops CZK 41bn in H1 2016, up by 18% in comparison to H1 2015.

Graph 9: E-shops sales, 2005 – 2015 (in CZK bn)



²⁶ APEK: Association for Electronic Commerce

LABOUR & SOCIAL & HEALTH

SOCIAL SERVICES TO GET MORE FUNDS – 28. 7.

The government has approved an additional CZK 270mn in 2016 to help tide over the country's social services. MLSA²⁷ Minister Marksová made the announcement following cabinet session. Regional governments have clamoured for extra funds saying that social services in the regions are severely underfinanced and some are in dire need of help. The money should help predominantly organizations working with the elderly and disabled. In 2016 the country's social services received CZK 8.5bn, whereas they would have needed CZK 12.3bn to cover their needs. The MLSA helped them out earlier with an additional CZK 350mn from its own budget.

DOCTORS AND NURSES SALARY INCREASES – 28. 7.

PM²⁸ Sobotka said his government was planning to raise doctors and nurses salaries by 10% for 3 successive years in order to stabilize the sector and put an end to the ongoing brain drain. He said the pay hike for next year had already been settled and the government would seek to secure money in 2018 and 2019 as well in case it wins another term in office.

©

²⁷ MLSA: Ministry of Labour and Social Affairs

²⁸ PM: Prime Minister

	All For Power
	BBC News
	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 Mínění)
	Denik.cz
	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)
	Reuters
	Technology Agency of the CR