

NEWS SUMMARY AUGUST 25 – AUGUST 31

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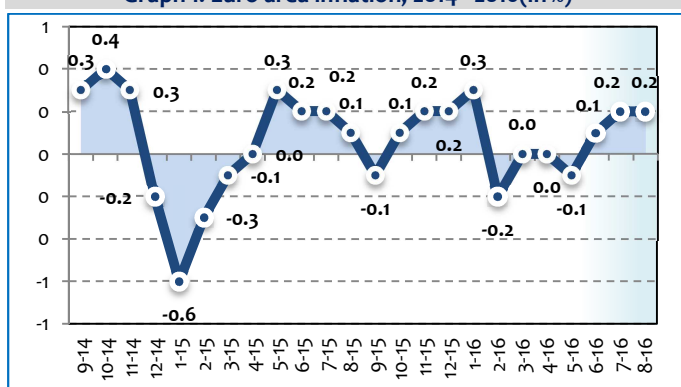
ECONOMICS & FINANCE

EURO AREA ANNUAL INFLATION STABLE AT 0.2% - 31. 8.

Euro area¹ annual inflation is expected to be 0.2% in August 2016, stable compared with July 2016, according to a flash estimate from Eurostat².

Looking at the main components of euro area inflation, food, alcohol & tobacco is expected to have the highest annual rate in August (1.3%, compared with 1.4% in July), followed by services (1.1%, compared with 1.2% in July), non-energy industrial goods (0.3%, compared with 0.4% in July) and energy (-5.7%, compared with -6.7% in July).

Graph 1: Euro area inflation, 2014 - 2016(in %)



AGRICULTURE & ENVIRONMENT

WATER RETENTION MEASURES IN ŠUMAVA – 25. 8.

The Senate has come out in support of a petition by South Bohemian citizens who would like to see Parliament give legislative approval to interventions in the Šumava National Park which would improve water retention in the region. The locals claim Šumava forests are drying out as a result of increasing periods of drought and the present non-intervention policy in parts of the nature reserve is doing immense harm to the countryside. An amendment to the law on Nature protection, which deals with this issue, is currently being debated in the ChD³. The ME⁴ is pushing for close to half of the Šumava National Park to be declared a “non-intervention” zone.

SUSHI RESTAURANT MAY BE SLAPPED BY HUGE FINE -26. 8.

A sushi restaurant in Prague may get a fine of up to CZK⁵ 50mn⁶ after it emerged that its employees were catching fish on the banks of the Vltava River to be used in the restaurant’s kitchen. Sanitary norms do not allow this

¹ Euro area: a monetary union of 19 European Union (EU) member states that have adopted the euro (€) as their common currency and sole legal tender.

² 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.

³ ChD: Chamber of Deputies, the lower house of Parliament of the CR

⁴ ME: Ministry of Environment

⁵ CZK: Czech Crown, the currency of the CR since 8 February 1993

⁶ Mn: Million

practice. The SVA⁷ was alerted to the practice by locals and its inspectors found evidence to confirm the suspicion. The matter is being investigated.

BREAD BASKET HARVEST FESTIVAL – 27. 8.

Members of the government including PM⁸ Sobotka kicked off festivities at the national harvest festival Bread Basket in České Budějovice. On the occasion, the PM said the government would continue to push for a 'green fuel' excise tax rebate, which has already been approved in a first reading in the ChD. Mr Sobotka estimated the amendment could save farmers CZK 900mn. The MA⁹ Minister said he would push for meat by Czech producers to take up a larger percentage of supermarket shelves.

ČSSD PROPOSES VAT CUTS ON BASIC FOODS – 30. 8.

The ČSSD¹⁰ would welcome the lowering of the VAT¹¹ on basic foods rather than of the VAT rate applied to draught beer, their leader, PM Sobotka said.

"We believe that VAT cuts on beer can wait," he said in reaction to the proposal for lowering the VAT applied to draught beer that MF¹² Minister Babiš wants to push through, from the current 21% to 15%.

DNES FRUIT GROWERS RECEIVE COMPENSATION – 31. 8.

Fruit growers, which sales fell by more than 50%, will receive compensation amounting to CZK 133mn for the frost that devastated their crops in April of this year.

The frosts caused damage mainly in southern Moravia, where in damage amounts up to 100% of fruit plantations in some districts, mainly of stone fruits. Considerable decrease in fruit production can also be expected in eastern Bohemia, in the northern districts of Central Bohemia and in the central and northwestern part of Moravia.

According to the MA Minister Jurečka losses are at amount of CZK 394mn. Compensation will be provided from the budget of the MA for year 2016.

SOCIAL MATTERS & EDUCATION & RDI¹³

PRAVO WOMEN NOT WILLING TO BECOME "HOUSEWIVES" – 29.8.

According to statistics, Czech women in their productive age are not much willing to stay at home looking after children and household permanently and at present only up to 5% of them do so. Last year, some 310,000 women in productive age were on parental leave, took care of children or another close person and they were not actively looking for jobs in the CR.

Besides, other 12,000 women said they were not seeking jobs since they did not want or have to do so and 15,000 for

⁷ SVA: Czech State Veterinary Administration

⁸ PM: Prime Minister

⁹ MA: Ministry of Agriculture

¹⁰ ČSSD: Czech Social Democratic Party, centre-left party

¹¹ VAT: Value-added tax

¹² MF: Ministry of Finance

¹³ RDI: Research, Development and Innovation

purely personal reasons. The number of women who look after their children, husband and household even after their maternity leave is estimated only unofficially since the status of "housewife" officially does not exist in the CR. Most women return to work after their children start attending kindergarten or school.

According to polls, about a half of women return to their original employer after maternity leave and their share would have been higher if more employers had been willing to admit them and offered part-time jobs to mothers.

Despite this, the CR ranks among the countries with one of the highest employment of women. They make up 44% of employees out of the total of 5mn economically active people in the CR with a population of 10.5mn.

If a woman decides to be a real housewife, she must count with some disadvantages. She must pay her social insurance herself to be entitled to old-age pension. Such women must give up their professional career and if they decide to go to work after their children grow up, they must expect less attractive jobs.

Sociologist points out that most women want to go to work after maternity leave for financial reasons.

The Czech family is traditionally dependent on two wages. Without them, couples with children cannot afford their own housing, sociologists say. "Current women in productive age want to be independent, rely on themselves and use their education. After all, women make up 60% of university students at present".

NUMBER OF FIRST-CLASS PUPILS TO DECREASE – 30.8.

The number of Czech first grade pupils will slightly decrease for the second time in a row in the forthcoming school year, by 1,200 down to about 115,500, according to the qualified estimates by the MEYS¹⁴. The biggest number of first grade pupils were enrolled in the school year 2014/2015, when it was over 117,000. Despite a slight decrease, this is still a much stronger cohort than in the period before September 2013. As a result, the total number of elementary schools pupils will increase by 25,000 to about 905,400.

Almost 2/5 of them will attend the lower grade level, from the 1st to the 5th class. Roughly 1/10 of children will leave the 5th or 7th grade to secondary schools or conservatoires. Roughly 101,600 students, 600 more than a year ago, will enter secondary schools. The biggest group attends vocational schools with a school-leaving examination. There are approximately 46,700 students. Over 30,000 are going to apprentice training centres or other secondary schools without school-leaving examination.

Classical secondary schools will be entered by 24,000 children, about half of whom in multiple-year programmes.

CZECH TEACHERS' PAY TO RISE BY 15% THREE TIMES – 31.8.

The salaries of Czech teachers should rise by at least 15% in each of the 3 years starting with 2018 and they should exceed 130% of the average wage in the country by 2020, TU¹⁵ of School Employees said.

That is why the campaign End of Cheap Teachers will continue also after the state sets aside an additional 8% for teachers' salaries as from September.

The TU assess this one-off pay increase positively, but they do not consider it the definitive solution.

If the TU succeeded with their demands, the teachers' average pay would amount to CZK 46,409 by 2020 according to the TU calculations, which estimate the average pay in the national economy to reach CZK 33,300 by then.

The TU also want to alert to the higher workload on teachers in connection with changes to the inclusion of children with a handicap as from September, because teachers will entail the preparation of individual education plans and consultations with the children' assistants

INDUSTRY & ENERGY & TRADE & TRANSPORT

APPROVING ALCOHOL TOLERANCE LIMIT FOR CYCLISTS – 25.8.

The Senate has approved a proposed amendment to the law which would change the present zero alcohol tolerance for cyclists in the CR to a small amount of alcohol permitted. The proposal is based on the current norm in Austria which allows a blood alcohol level of up to 0.8 millilitres, the 2nd most benevolent norm in Europe after Germany. This roughly corresponds to 2 or 3 beers or 2 glasses of wine. The proposed amendment was drafted on the grounds of a petition from close to 5,000 cyclists. It will now be debated in the ChD. The MT¹⁶ is vehemently opposed to the proposed change on the grounds that it would significantly decrease road safety.

FOREIGN TRADE: GERMAN INFLUENCE ON THE RISE – 29.8.

According to the analysis of trends in Czech-German trade and investment activity published by the AMSP¹⁷ and Komerční banka, between 2010 and 2015, exports of Czech businesses to Germany have increased by more than 50% and imports from Germany have risen by 60%. Currently, the share of exports to Germany on the total volume of Czech exports is 32.3%. The share of imports from Germany accounts for 26% of the total volume of Czech imports.

Almost 1/3 of Czech exports to Germany head to the region of Bavaria. 3,500-4,000 German-owned entities hold 21.9% (the highest share) of foreign investment in the CR. In terms of VAT, exports to Germany account for 19% of the total VAT created by Czech exporters.

Also, the value of re-exports to China via Germany amount to CZK 52bn, whereas direct Czech exports to China amount to CZK 45bn. There are around 150 Czech-owned (ownership of more than 50% of a company) entities in Germany with more than 3 employees, the analysis says.

"At the beginning, the main condition of Germans towards Czech business partners was reliability in delivery, later it was sustainability of quality and now there is a growing pressure on rising ability to adapt to process digitization", says the AMSP's CEO Havlíček.

¹⁴ MEYS: Ministry of Education, Youth and Sports

¹⁵ TU: Trade union, around 1/6 of all employees are union members in the CR.

¹⁶ MT: Ministry of Transport

¹⁷ AMSP: Association of Small and Medium-Sized Enterprises and Crafts in the CR

Prague Daily Monitor AMAZON TO OPEN SECOND WAREHOUSE – 30.8.

On August 31, the Czech branch of Amazon will open a 2nd warehousing tower at its distribution centre in Dobrovíz. According to a company statement, the centre will reach its full warehousing capacity almost one year earlier than planned. The hiring of employees for the pre-Christmas period will start as well. As CIA¹⁸ reported earlier, the distribution centre will employ 2,000 permanent and 3,000 seasonal employees by the end of 2017.

CTK NPP DUKOVANY'S OPERATION EXTENDED – 31. 8.

The SÚJB¹⁹ extended the authorization for the operation of the 2nd unit of Dukovany NPP²⁰ by the half of year, but the authorization is not yet in force. It was to end this year, but it is valid until July 10, 2017 at present. The SUJB granted it at the request of the ČEZ²¹. The ČEZ received the decision of the SUJB, said spokesman Dukovany NPP.

SECURITY & OTHERS**CALL FOR END TO EU SANCTIONS AGAINST RUSSIA – 25. 8.**

The CR should join the states that are proposing a withdrawal of EU²² sanctions against Russia, President Zeman said at the opening of an agricultural goods fair in České Budějovice. The president argued that the sanctions had benefitted no one and were damaging both Czech farmers and the Czech industry. The sanctions are a sign of helplessness on the part of the EU and if our politicians want to help the agricultural sector they should take a clear stand in support of the states that propose a withdrawal of the EU sanctions, Zeman said. He pointed out that the French Economy Minister Macron and the German Foreign Minister Steinmeier had openly argued in favour of withdrawing the sanctions. The chairman of the Senate Štěch said he would address an appeal for the sanctions to be withdrawn to German Chancellor Merkel during her visit to Prague.

MERKEL ATTENDS V4 MEETING IN WARSAW – 26. 8.

German Chancellor Angela Merkel attended a meeting of the V4²³ in Warsaw. The government leaders discussed the future of Europe after Brexit, with security concerns at the forefront of attention. PM Sobotka and his Hungarian counterpart Viktor Orban called for the establishment of a European Army suggesting that the matter could be debated at an upcoming EU summit in Bratislava in September. Chancellor Merkel, who is striving to open a broad debate on the future of the EU, said she did not expect any fundamental decisions at the Bratislava summit, saying the meeting should merely lay the ground for further negotiations.

¹⁸ CIA: Czech Information Agency, an independent news agency, specialising in the Czech Republic's economy and markets.

¹⁹ SÚJB: State Nuclear Safety Authority

²⁰ NPP: Nuclear Power Plant

²¹ 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.

²² EU: European Union

²³ 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.

DNES CZECH MILITARY BRACING FOR POSSIBLE WAR – 30.8.

The Czech military is preparing for war after many years and it will start training the calling up of civilians in October to be ready for the possible need to raise the number of soldiers several times.

In the initial stage, the training will involve ground forces' staffs and the checking of the administrative procedure. In April 2017, soldiers will join in. The mobilisation exercise will be attended by soldiers of the 73rd tank battalion in Přáslavice, north Moravia, and members of the Active Reserve, spokesman for the general staff said. The Přáslavice tank battalion is the sole tank unit of the Czech military. It exclusively uses upgraded Soviet-made tanks 7-72M4CZ. The military says the "mobilisation" will not affect the public in any way and that military materiel from reserves will not be used. Daily adds that the military will also test demobilisation, or the release of reserve soldiers from the training. In October, the military will launch the first in a series of 6-week military trainings for some 50 volunteers. Chief-of-staff Bečvář said about 760 people have applied online for the October training.

The compulsory military service was abolished in the country with a population of 10.5mn more than 10 years ago. The Czech military started taking massive measures to boost its capacities last year. In addition to the prepared exchange of weapons and other equipment, it will be admitting about 2000 men and women annually. The military is to have 30,000 soldiers, including the active reserves, or regularly trained voluntary units of 5000 people, by 2025. Currently, the military has 18,700 soldiers and about 2000 active reserves.

Czech soldiers are also active in foreign missions, including in Afghanistan, Iraq, Mali and Sinai. In the H1²⁴ 2016, the military set aside 900 soldiers for the EU Battlegroup comprised of the V4 countries and another 250 soldiers are being prepared for the German Battlegroup.

CZECH SPORTS LEGEND VĚRA ČÁSLAVSKÁ DIES AT 74 – 31. 8.

Czech gymnast Věra Čáslavská, whose 7 gold medals made her the CR's most decorated Olympic athlete, has died at the age of 74 after a long battle with cancer. Čáslavská's medals included golds in gymnastics in the 1964 and 1968 Olympic Games. She was a vocal critic of the 1968 Soviet-led invasion of Czechoslovakia and was banned from competing in the Olympics after signing the pro-reform manifesto "Two Thousand Words".

PM Sobotka said Czech and world sport had lost one of the greatest icons. The MFA Minister Zaorálek said Čáslavská had enjoyed unparalleled fame but at the same time was a modest and brave fighter. The head of the Czech Olympic Committee, Jiří Kejval, said the most successful Czech Olympian ever with seven gold medals had always been an example to others as a sportsperson and thanks to her civic positions and the remarkable fighting spirit she showed in her private life.

²⁴ H1: 1st half of year