

NEWS SUMMARY SEPTEMBER 27 – NOVEMBER 4

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ECONOMICS & FINANCE

INTEREST RATES UNCHANGED – 29. 9.

The CNB¹ decided to keep interest rates unchanged. The 2-week repo rate² was maintained at 0.05%, the discount rate³ at 0.05% and the Lombard rate⁴ at 0.25%. The CNB Bank Board also decided to continue using the exchange rate as an additional instrument for easing the monetary conditions and confirmed the CNB's commitment to intervene on the foreign exchange market if needed to weaken the koruna so that the exchange rate of the koruna against the euro⁵ is kept close to CZK⁶ 27/€.

BANKING STATISTICS – 30. 9.

The total assets of the Czech banking sector stood at CZK 5,948bn⁷ at the end of August 2016. Loans to residents are the predominant asset item. Their volume reached CZK 3,839bn. Deposits of residents, which are the most important item among banking sector liabilities, totalled CZK 3,729bn.

The volume of loans to resident households amounted to CZK 1,380bn in August 2016. As regards the breakdown of loans to this sector by purpose, loans for house purchase were the largest item (CZK 1,021bn in August 2016, up by 0.9% m-o-m⁸). They accounted for 74% of the total volume of loans to households. Consumer credit amounted to CZK 216bn at the end of August, up by 0.5% m-o-m. The share of non-performing loans has been recording a slight steady decline since around mid-2013 (5.3% in May 2013). It stood at 3.4% in August 2016.

QUARTERLY SECTOR ACCOUNTS – 30. 9.

In the Q2⁹ 2016, profit rate¹⁰ of corporations increased to 52.3%, which is by 0.7 p.p. up, y-o-y¹¹. Household real consumption per capita increased by 3.1%, y-o-y; it is by 0.1 p.p. lower growth rate in comparison to the growth of real income.

¹ CNB: Czech National Bank

² Repo rate: The discount rate at which a central bank repurchases government securities from the commercial banks, depending on the level of money supply it decides to maintain in the country's monetary system. To temporarily expand the money supply, the central bank decreases repo rates (so that banks can swap their holdings of government securities for cash). To contract the money supply it increases the repo rates. Alternatively, the central bank decides on a desired level of money supply and lets the market determine the appropriate repo rate. Repo is short for repossession.

³ Discount rate: An interest rate that a central bank charges depository institutions that borrow reserves from it.

⁴ Lombard rate: An interest rate charged by a central bank for very short term loans to other banks against an approved collateral.

⁵ Euro: €, EUR, is the official currency of the Eurozone, which consists of 19 of the 28 member states of the European Union

⁶ CZK: Czech Crown, the currency of the CR since 8 February 1993

⁷ Bn: billion

⁸ M-o-m: month-on-month

⁹ Q2: 2nd quarter of the year

¹⁰ Profit rate of non-financial corporations: the gross operating surplus divided by the gross value added. The indicator refers to profitability of production factors from the production process.

¹¹ Y-o-y: Year on year

Investment rate¹² decreased by 2.5 p.p., y-o-y, and reached 25.7%, which is the lowest level since 2005. The lowest investment rate resulted from a combination of the value added growth and a high comparison base of investment in the corresponding quarter of the previous year.

Household real income per capita¹³ increased by 3.2%, y-o-y. Household real consumption per capita¹⁴ grew with approximately a 0.1 p.p. lower growth rate, i.e. by 3.1%.

Average monthly income of households per capita in nominal terms¹⁵ was CZK 22,963; of that, CZK 3,977 consisted of individual services and goods¹⁶ provided by the general government and NPISHs¹⁷.

Average monthly income from employment¹⁸ reached CZK 28,135 in the Q2 and it increased in real terms by 3.9%, y-o-y.

Average monthly consumption of households per capita in nominal terms¹⁹ reached CZK 21,071. Resulting from the faster growth of household income compared to their expenditure was a higher saving rate²⁰ compared to the previous year, namely 11.4%. Also investment rate in the household sector increased to 8.5%, y-o-y.

¹² Investment rate of non-financial corporations: the gross fixed capital formation divided by the gross value added. The indicator refers to the investments in non-financial assets (buildings, machinery etc.) divided by the value created during the production process.

¹³ Household real income per capita: the adjusted gross disposable income of households, in nominal terms, divided by the mid-year population and deflated by the deflator (price index) of household final consumption expenditure.

¹⁴ Household real consumption per capita: real household final consumption, in nominal terms, divided by the mid-year population and deflated by the deflator (price index) of household final consumption expenditure.

¹⁵ Average monthly income of households per capita in nominal terms: the adjusted disposable income of households divided by the mid-year population.

¹⁶ Individual services and goods: provided to households by the general government and non-profit institutions serving households (NPISHs) refer to the value of products and services provided in the form of health and social care, education, housing, and the like. They include especially benefits in kind related to health insurance (payments for health aids, medical and dental treatment, medical operations, and the like) paid by health insurance companies to providers of such goods and services. Social transfers in kind further include benefits in kind provided by municipalities (including reimbursements for approved household expenditure for certain types of products and services) and all the value of non-market services of the general government and non-profit institutions serving households provided for individual consumption. The same value is imputed in the sector of households on the income side (adjusted disposable income) as well as on the expenditure side (real final consumption of households).

¹⁷ NPISH: non-profit institution serving households

¹⁸ Average monthly income from employment: wages and salaries for the national economy in average per month divided by the number of employees (full-time equivalent). The wages and salaries indicator includes all income from employment, namely in cash as well as in kind (employee benefits) regardless of whether they have been officially reported or not. The number of employees (full-time equivalent) includes all forms of employment, formal and informal. Various types of agreements are also included. The calculation does not include hours worked by working owners of enterprises, who are according to national accounts definitions included in the category of employees.

¹⁹ Average monthly consumption of households per capita: in nominal terms, is defined as the real household final consumption divided by the mid-year population.

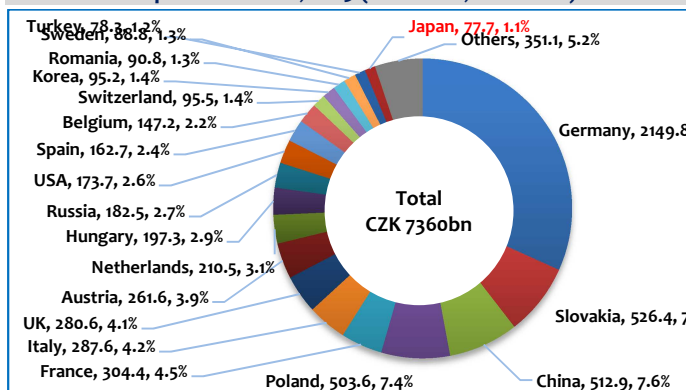
²⁰ Household saving rate: the gross saving divided by the gross disposable income with inclusion of adjustment for net share of households in reserves of pension funds. Gross saving is part of gross disposable income, which has not been consumed in the form of final consumption expenditure.

☰ CZECH BANKS AND DEUTSCHE BANK'S POTENTIAL FALL – 30. 9.

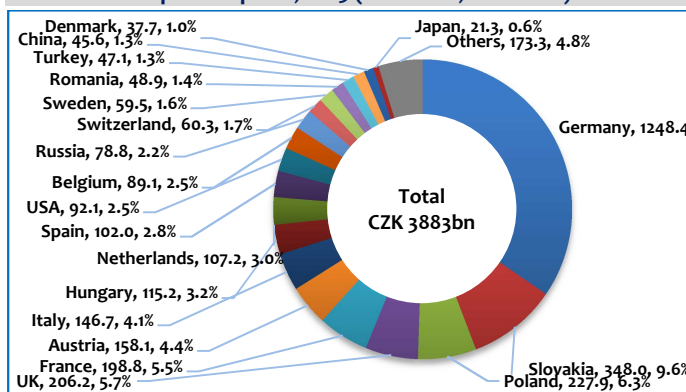
The potential collapse of Deutsche Bank²¹ would not seriously threaten the Czech banking sector, according to a number of financial experts. The health of the German lender came under scrutiny after the US Justice Department suggested it pay \$14bn to settle a number of investigations related to mortgage securities. Its fall, should the German government refuse a bailout, would hit a number of European financial institutions, but according to experts, Czech banks are stable enough to withstand the inevitable repercussions.

STATISTICS CZECH REPUBLIC MAIN EXTERNAL TRADE PARTNERS IN 2015 – 30. 9.

Graph 1: Turnover, 2015 (in CZK bn, % of total)

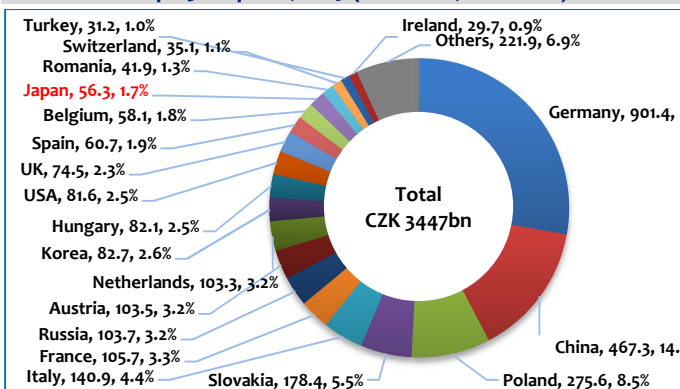


Graph 2: Exports, 2015 (in CZK bn, % of total)



²¹ **Deutsche Bank AG:** a German global banking and financial services company with its headquarters in the Deutsche Bank Twin Towers in Frankfurt. It has more than 100,000 employees in over 70 countries, and has a large presence in Europe, the Americas, Asia-Pacific and the emerging markets. In 2009, Deutsche Bank was the largest foreign exchange dealer in the world with a market share of 2%. In January 2016, Deutsche Bank pre-announced a 2015 loss before income taxes of approximately €6.1 billion and a net loss of approximately €6.7 billion. Following this announcement, a bank analyst at Citi declared that the Deutsche Bank may be forced to book another €3 billion to €4 billion of litigation charges in 2016.

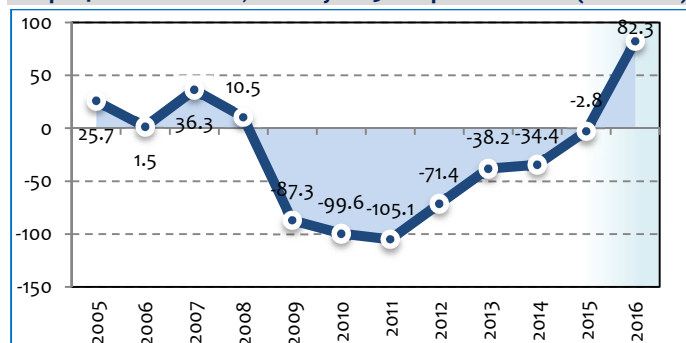
Graph 3: Imports, 2015 (in CZK bn, % of total)



STATE BUDGET SURPLUS – 3. 10.

State budget surplus stood CZK 82.3bn at September from CZK 81.2bn at August. This is the best result in September since the establishment of the CR. Last September, the budget showed a deficit of CZK 2.8bn. The projected deficit for 2016 is CZK 70bn. According to the MF²², it is a result of an increase of tax revenues.

Graph 4: State balance, January 2015 – September 2016 (in CZK bn)

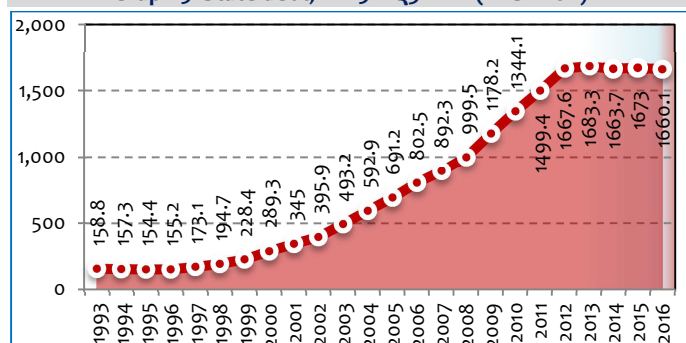


STATE DEBT DECREASE – 3. 10.

According to the MF, state debt decreased by CZK 12.9bn to CZK1.66tn²³ at end of September this year. The debt decreased by CZK 31.2bn in Q3²⁴ 2016. The hypothetical debt of every Czech citizen is about CZK 156,000.

Japanese Credit Rating Agency upgraded its outlook to positive for domestic and international long-term commitments on September 30, leaving the CR at level A+ for international commitments and AA- for domestic commitments.

Graph 5: State debt, 2005 – Q3 2016 (in CZK bn)



²² MF: Ministry of Finance

²³ Tn: Trillion

²⁴ Q3: 3rd quarter of the year

SOCIAL & HEALTH & EDUCATION



MORE UNIVERSITY COOPERATION – 29. 9.

Czech universities should more cooperate with academic bodies outside the EU²⁵, especially with universities in North America, South America and Asia, PM²⁶ Sobotka said at the official opening of the academic year.

"We need to support talented students who are capable of studying at foreign universities and create conditions for them. We cannot afford to lose talents," he said.

MEYS²⁷ Minister Valachová said her ministry will create a plan for support for foreign stays of Czech students by the end of the year. She said foreign universities and foreign countries had strategies for supporting study at American and Asian universities. Most student exchange programmes in the CR focus on other EU countries.



EMPLOYMENT AND UNEMPLOYMENT RATE – 30. 9.

The employment rate²⁸, seasonally adjusted, reached 71.9% in August 2016 and increased by 1.5 p.p.²⁹ compared to that in August 2015. The male employment rate was 79.3%; the female employment rate was 64.4%, both seasonally adjusted. The employment rate of persons aged 15 – 29 years, seasonally adjusted, was 47.8%, in the age group 30 – 49 years it attained 86.6%, and in the age group 50 – 64 years it got to 69.4%. The general unemployment³⁰ reached 4.0% in August 2016 and decreased by 0.9 p.p., y-o-y. The male unemployment rate, seasonally adjusted, attained 3.5%; the female unemployment rate was 4.7%. The economic activity rate³¹ reached 74.9% and rose by 0.8 p.p. compared to that in August 2015.

According to Eurostat³² monthly unemployment rate³³, the age group 65 – 74 years is characterized by a low number of unemployed persons and therefore there was a slightly lower general unemployment rate in the group 15 – 74 years of age, which was 3.9% in August 2016.

ENERGY & ICT & INDUSTRY & TRANSPORT



PROJECT SUZHOU HYDAL BIOTECH – 26. 9.

A project of biotechnology Hydal aims to get on the segment of market with biodegradable and compostable films, which have main use mainly in agriculture. After the elapse of needed time, when the film fulfils its purpose, it spontaneously disintegrate into CO₂ and water.

Czech – Chinese JV Suzhou Hydal Biotech Co., Ltd., was established in 2014 and builds pilot factory in China – in

²⁵ EU: European Union

²⁶ PM: Prime Minister

²⁷ MEYS: Ministry of Education, Youth and Sports

²⁸ Employment rate: the share of the employed persons in the age group 15 – 64 years, as percentage

²⁹ P.p.: percentage point

³⁰ General unemployment rate: age group 15 – 64 years; the share of the unemployed in the labour force, that is in the total number of the employed and the unemployed, as percentage

³¹ economic activity rate: age group 15 – 64 years; the share of the number of the economically active in the total number of persons of this age group, as percentage

³² 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.

³³ monthly unemployment rate: age group 15 – 74 years; the share of the unemployed in the labour force, that is in the total number of the employed and the unemployed, as percentage

Nanopolis in Suzhou. The project is entering a new stage of building a pilot production line. A transfer of technology Czech biotechnology Hydal to China that produces so-called bio plastics and PHAs biopolymer is currently underway. Project was supported within grant title of the TACR³⁴ – Delta.

finance.cz UNIVERSITY STUDENTS IN HUAWEI – 26. 9.

Czech students participate in the educational program in Chinese headquarters of Huawei³⁵ for the 1st time. The flagship CSR³⁶ program "Seeds for the Future" operates in more than 170 countries and 10 selected students of Czech technical universities joined a 2-week internship in Beijing and Shenzhen.

DNES JIHLAVA AND CHINA – 27. 9.

Delegation from the Chinese Baoding, composed of representatives of local government and business leaders held talks with Deputy Mayor of Jihlava. Delegation was interested in the possibility of cooperation in the manufacture of electrical and automotive industries. Town Hall will be able to meet the requirements partially and will invite the CCC³⁷ to further cooperation.

COUNTERFEIT GOODS SEIZED IN EU UP 15% IN 2015 – 27. 9.

Customs authorities across the EU seized an estimated 5mn³⁸ more counterfeit items in 2015 than the previous year – an increase of 15%, according to new figures from the EC³⁹.

More than 40mn products suspected of violating an intellectual property right were detained at the EU's external borders, with a value of nearly €650mn.

The report⁴⁰, based on enforcement of IPR⁴¹ in the EU, also provides figures on the categories of goods detained, on their countries of origin, on the intellectual property rights involved and on the modes of transport used to ship such goods. China was the main originating country for counterfeit goods (41%), followed by Montenegro, Hong Kong, Malaysia and Benin.

Benin was the originating country of a large amount of foodstuff, while Mexico was the top source for counterfeit alcoholic beverages and Morocco for other beverages. Malaysia was in the lead for toiletries, Turkey for clothing, Hong Kong for counterfeit mobile phones and accessories, memory cards, computer equipment, CDs and DVDs and lighters. Montenegro was the biggest originator of counterfeit cigarettes, while India topped the list for medicines.

³⁴ TACR: The Technology Agency of the Czech Republic is an organizational unit of the state that was founded in 2009 by the Act No. 130/2002 Coll. on the support of research, experimental development and innovation.

³⁵ Huawei: Huawei Technologies Co. Ltd. is a Chinese multinational networking and telecommunications equipment and services company headquartered in Shenzhen, Guangdong. It is the largest telecommunications equipment manufacturer in the world,

³⁶ CSR: Corporate Social Responsibility

³⁷ CCC: Czech Chamber of Commerce

³⁸ Mn: Million

³⁹ EC: European Commission

⁴⁰ EC, September 2016: Report on EU customs enforcement of intellectual property rights, Results at the EU border 2015; https://ec.europa.eu/taxation_customs/.../2016_ipr_statistics.pdf

⁴¹ IPR: Intellectual Property Rights

CTK LEO EXPRESS IS BUYING A CHINESE TRAIN FLEET – 28. 9.

Leo Express⁴² bought 3 new trains from the CRRC⁴³. It also concluded an agreement on a possible contract on up to an additional 30 trains. Leo Express wants to use electrical units that the manufacturer will deliver in mid-2018, at subsidized routes that the MT⁴⁴ plans to compete in open tenders. The contract price was not disclosed.

CTK HIGHWAYS TO BE BUILT NEXT YEAR – 29. 9.

According to CTK, over 15km⁴⁵ of new highways are set to be built in the CR⁴⁶ in the course of 2017. Among the newly opened motorways should be a remaining stretch of the D11 highway from Prague to Hradec Králové, which should be completed by end of August. The CR's highway network currently measures 1,228km.

CTK ŠKODA AUTO TO ENTER 18 NEW MARKETS – 29. 9.

Škoda Auto⁴⁷ plans to enter 18 new markets by 2025, thus raising the number of its markets from the current 102 to 120.

A decision on the company's entry into the US market will be made in the middle or the end of next year.

North America represents 1/4 of the global market, so Škoda Auto cannot ignore this territory. But it is not pressed for time, so it is analysing the conditions at present. The potential entry into the US market should be preceded by thorough preparations.

Next year, Škoda plans to start selling cars in Iran, South Korea and Singapore.

The expansion to new markets is based on the car maker's strategy until 2025. Other pillars of the strategy include entering new segments, particularly the fast growing category of SUVs, and implementing new digital technologies.

Škoda expects to introduce its first hybrid car in 2019, followed by an electric car shortly afterwards.

After the year 2020 Škoda wants to offer cars with highly automated driving and after 2025 cars with fully autonomous driving.

Škoda Auto expects to break records both in the number of cars sold and in its financial and business results for this year. The figures should exceed the results of last year, which was the best year in the firm's history so far.

Last year, Škoda sold a record of 1.056mn cars, 281,700 of which were sold in China, its biggest market. This year's sales should exceed 300,000 units.

⁴² **LEO Express:** formerly Rapid Express, is an open-access train operator set up in 2010. It launched inter-city services in November 2012 on the Prague–Ostrava route, on which Czech Railways (state owned train operator) and RegioJet (open-access train operator) were already running trains. In 2013 LEO Express became the first private railway operator introducing direct connection between Prague and South Moravian Region.

⁴³ **CRRC:** China Railway Rolling Stock Corporation, a Chinese state owned railway rolling stock manufacturer. At inception it had 175,700 employees, and is the largest rolling stock manufacturer in the world.

⁴⁴ **MT:** Ministry of Transport

⁴⁵ **km: kilometre** is a unit of length in the metric system, equal to 1,000m

⁴⁶ **CR:** Czech Republic

⁴⁷ **Škoda Auto:** is a Czech automobile manufacturer founded in 1895 as Laurin & Klement. It is headquartered in Mladá Boleslav, Bohemia, Czech Republic. The car manufacturer was acquired by Škoda Works in 1925 and became a wholly owned subsidiary of the Volkswagen Group in 2000, positioned as the entry brand to the group. Its total global sales reached 1.04 million cars in 2014.

The company's profit last year increased by 6.5% to a record of CZK 19.1bn. Sales, which showed an annual rise of 6.2% CZK 338bn were the highest in the firm's history as well.

Škoda Auto runs three production plants in the CR and it also produces cars in China, Russia, Slovakia, India, Ukraine and Kazakhstan.

HN 28TH IEF 2016 – 29. 9.

1,670 exhibiting companies from 34 countries, 835 foreign exhibitors, i.e. 50% will participate in IEF⁴⁸ 2016⁴⁹. Largest foreign participations are from Germany - 274 exhibitors, China - 150 exhibitors, Slovakia - 81 exhibitors, Italy - 61 exhibitors, Austria - 46 exhibitors and Switzerland - 34 exhibitors.

China is main partner country, its exhibition in Halls A1 and H is the largest presentation of China in IEF history. 100 companies from Beijing, Shanghai, Tianjin, Zhejiang, Hebei, Jiangsu, Shandong, Heilongjiang, Shaanxi, and other provinces and other Chinese exhibitors, mainly SME⁵⁰ companies from the province of Zhejiang, are participate at 3,000 m² exhibition.

Most represented branches are machines and equipment for the electrical industry, metal processing, welding, surface treatment technologies, pneumatic and hydraulic elements and systems, industrial robots and their assemblies, machines and equipment for processing of plastics and rubbers, semi-finished and finished plastic products.

Czech-Chinese Business Forum takes place on October 4. Chinese participation in IEF 2016 is organized by CCPIT⁵¹. An organizational team of 30 persons and 100 people, together with CCPIT Chairman Jiang Zengwei, Vice Minister of Commerce of PRC⁵², are part of the official delegation in Brno.

IEF.CZ CHINA IS OUR NATURAL PARTNER - 30. 9.

According to MIT⁵³ Deputy Minister Bärtl, the Chinese prefer innovation, science and technology and the Czechs have much to offer in these areas.

Chinese prosperity and creation of favorable conditions for the development of mutual trade and investment and cooperation in other fields of mutual interest is in the interest of the CR.

The EU-PRC strategic partnership, the Platform 16 + 1, and the Silk Road initiative is perceived as an opportunity to assess the possibility of specific projects and forms of CR's involvement. The CR is interested in a comprehensive approach that includes economic potential, also the level of regional cooperation, cooperation in health, agriculture, transport, etc.

The key words in China for the next five years become "innovation, science and technology". It means a technology for environmental protection, including

⁴⁸ **IEF:** International Engineering Fair held in Brno since 1958 (MSV: Mezinárodní strojírenský veletrh), serves as the business meeting point in the Central European EU-member states with annual participation reaching more than 1500 exhibitors and 75000 visitors from 59 countries worldwide.

⁴⁹ **IEF 2016:** 58th International Engineering Fair in Brno, October 3 – 7, 2016

⁵⁰ **SME:** Small and medium enterprises

⁵¹ **CCPIT:** China Council for the Promotion of International Trade

⁵² **PRC:** People's Republic of China

⁵³ **MIT:** Ministry of Industry and Trade

nanotechnology and biotechnology, energy sector, mining equipment, hi-tech products (ICT⁵⁴), aerospace, information technology (along with software products), agriculture and food industry, chemical industry, services, and healthcare. The CR can make offer in areas of engineering, aviation and aerospace industry, transport infrastructure, automotive, healthcare, nanotechnology and financial services.

An important element of mutual Czech-Chinese trade and economic cooperation is also the possibility of supplies for projects in 3rd countries.

AVAST SOFTWARE ACQUIRES RIVAL FIRM AVG – 30.9.

The Czech-based computer anti-virus and security company Avast Software has acquired a majority stake in the Dutch rival firm AVG Technologies (however of the Czech origin). According to Avast, the two will operate as a single company from October 3. Avast bought AVG shares for nearly CZK 32bn with the aim of expanding its presence in emerging markets. The combined company now has over 400mn users, with 58mn customers only in the USA, more than 40% of the world's consumer PCs outside of China, and the largest consumer security installed base in the world. According to Avast, a significant part of the management and development team is in the CR. "New" Avast should be even more Czech and therefore plans to return some activities of AVG Technologies into the CR.

EXPORTS OF CZECH MACHINE TOOLS UP - 2. 10.

Exports of Czech machine tools and forming machines grew by 2% y-o-y to CZK 7.96bn in H1⁵⁵ 2016 and the most important export destinations were Germany, Russia and China, according to the Association of Engineering Technology.

The CR has a significant surplus in this trade which was not always the rule in the past. Imports of these machines sank by 38% to CZK 4.872bn. Machining centres contributed the most to this drop. No growth was seen in any of the monitored categories. The main reason for lower imports and domestic sales in H1 2016 was the situation in EU subsidies. Czech firms export the most frequently machine tools for milling. These exports were worth CZK 3.315bn in H1 2016. Machining centres and lathes also sold well. Czech firms exported CZK 2.504bn worth of them, only a bit less than in H1 last year.

Machine tools dominate in the structure of exports as well as of imports. Czech companies exported machine tools for CZK 7.5bn and forming machines for only CZK 437m in H1 2016.

Germany was the biggest foreign market for Czech firms which exported machinery for CZK 2.3bn to the country. Exports to Russia was closely below the CZK 500mn level. China, Slovakia, Poland and Kazakhstan follow.

CHINA 3RD BIGGEST TRADING PARTNER IN 2015 – 3. 10.

According to MIT, China became the CR's 3rd biggest trading partner and 2nd biggest exporter last year when Czech trade with China reached CZK498bn. However, high Czech deficit

is a long-term problem. The deficit increased by 9% CZK 414bn.

Chinese officials said at the event that China would like to export to the Czech Republic, for example, technology for high-speed railway lines and trains. Models of high-speed trains, a large map of Chinese railway network and videos from Chinese railways made up the central and biggest part of the exposition.

Chinese exports to the CR grew last year but Czech exports to China dropped by over 9% CZK 44bn in the 1st drop since 1996. In the previous 2 years, the annual growth moved around 10%.

China was the CR's 18th biggest export market last year. The biggest export item was machinery and transport equipment, the same as all the time since 2008. Manufactured consumer goods follows.

Czech trade with China has a growing tendency this year. The increased dynamics can be seen in particular in investments. Interest of Chinese companies in the CR grew in the last 2 years. Agency CzechInvest registered 16 projects under negotiations with Chinese investors last year, a 50% growth against 2014. A predominant part of the projects have a production character in different stages of negotiations.

According to MIT Minister Mládek, the MIT managed in cooperation with Trade Fairs Brno to get China as partner country for the IEF. It confirms the huge development of trade and economic activities, which are extremely dynamic over the past 3 years. China become one of the CR's most important trading partners in a short time and he believes that its engagement in Brno will help to deepen the economic cooperation, said MIT Minister at the opening of the China pavilion.

MFA⁵⁶ Deputy Minister Tlapa said at the opening of the Chinese exposition that diplomatic and trade relations with China are now the best in history.

INDUSTRY NEEDS THOUSANDS OF UKRAINIANS – 3. 10.

Czech industry needs thousands of workers from Ukraine but employment offices are not dealing with this situation and have turned into institutions distributing social allowances, CI⁵⁷ President Hanák said at the CI's assembly during the IEF.

PM Sobotka and President Zeman, too, said they are in favour of hiring employees from countries that are close to the CR by culture.

"I hope that the government will soon carry out an analysis concerning those 385,000 people without jobs and will tell us the truth that nearly 100,000 of them are happily receiving social allowances and another about 80,000 are operating in the grey economy," Hanák said. Most of the remaining candidates either lack the required qualification or are "a little bit ill", he added. "Czech industry lacks 140,000 employees, particularly qualified people with technical skills and it is necessary to do something quickly because a lot of companies are saying that they are unable to perform orders. And in a situation when we cannot find

⁵⁴ ICT: Information and Communication Technology

⁵⁵ H1: 1st half of year

⁵⁶ MFA: Ministry of Foreign Affairs

⁵⁷ CI: Confederation of Industry

these employees at home, we can find them abroad. We need thousands of Ukrainians," Hanák said. Hanák also criticised the condition of infrastructure in the CR. "It is a shame that preparations of construction projects last 12 to 14 years, while in neighbouring countries it takes half of this time. It has taken the government several months just to agree on a draft amendment to the construction law which is aimed at accelerating the building permission procedure," Hanák said.

Zeman said that "none of these people actually want to work" and there is no reason to pay them social allowances if they refuse the jobs offered to them.

According to Sobotka, the positive thing is that the CR ranks among countries with the lowest unemployment. In August, the jobless rate in the CR fell to 5.3%. "Over 2 years, 200,000 people have managed to find jobs, which is good news. The bad news, however, is that in some professions, the labour market is exhausted. We have to look for ways of finding employees abroad. We are going to meet with employers in November and discuss the issue of hiring Ukrainians and issuing work cards to them," Sobotka said. According to PM, the government's priority is to accelerate the construction of transport infrastructure.

☰ NUCLEAR POWER ENSURING STABLE SUPPLIES – 4. 10.

Nuclear energy helps the CR ensure stable electricity supplies, PM Sobotka, said at the ENEF⁵⁸ in Bratislava. He said that while RES⁵⁹ would be an asset in future years they could not be relied on exclusively at the present time. He told the conference that the CR expected to build new blocks at its Temelín and Dukovany NPPs⁶⁰ at some time in the future. PM also criticised what he said were often populist efforts to discredit nuclear power.

SECURITY & POLLS & RANKINGS & OTHERS

CTK MORE RESISTANCE TO FOREIGN PRESSURE – 27. 9.

Czech civil servants should undergo a training course that would help them face possible pressure from foreign countries, representatives of the MI⁶¹ said, citing partial results of a national security audit that the PM ordered 10 months ago. The entities posing main threats in this respect are Russia, China and organisations such as the Islamic State militant group, which carry out activities that aim to undermine the trust in the legal system and to radicalise various groups. The system of the training courses will be prepared by the MI, the NBU⁶² and the secret services. The training would be based on the courses for the members of Czech diplomatic missions. It is being discussed what civil servants would undergo the courses.

The security audit will be completed at the end of the year. It will assess the CR's readiness to face serious security threats and its immunity in a direct confrontation with a threat.

The concentration of ownership of media outlets in the hands of a single group or individual, either Czech or foreign,

poses a threat as well. Another threat are misinformation Czech and Slovak websites that influence public opinion.

According to the MI, the general public and the civil service but also the political representation are not resistant enough to misinformation. The authors of the audit proposed that individual state bodies employ specialists to assess misinformation campaigns and that civics be more taught at schools. They said the CR might not even be capable of identifying a hybrid campaign now.

In fighting organised crime, the use of intelligence reports as evidence in criminal proceedings and better checks of cash that is transported across the border would help, they say.

☰ GLOBAL COMPETITIVENESS REPORT – 28. 9.

The CR neither improved nor worsened in the GCR⁶³ 2016-2017, remaining 31st out of 140 countries ranked. In the report released by the WEF⁶⁴, Switzerland came 1st for the 8th time in a row. The study, which uses 70% survey data and 30% hard data, takes into consideration 12 pillars of competitiveness to determine the country's ranking. Areas studied include health care, infrastructure, education and the labour market.

CTK GERMANY UNDERSTANDS REJECTION OF QUOTAS – 29. 9.

Germany understands the CR's rejection of the refugee redistribution quotas, MI Minister Chovanec said after his meeting with his German counterpart Thomas de Maiziere.

No appeal to fulfil the quotas was mentioned at the meeting, Chovanec said. He said he and de Maiziere had agreed on their countries sending the police to Greece if Athens asks for a Frontex⁶⁵ mission. "We have agreed that if Greeks ask for a mission of Frontex, along with partners from Germany, the CR will be ready to send its police there," Chovanec said. Chovanec said the Czech side had advocated its attitude that even in the future it would not accept the quota system. "I think that Germany understands this. We have clearly explained again that we will not keep on our territory the people who do not want to be there," he added. Prague wants to contribute to a European solution to migration by the participation of its police in foreign missions, Chovanec said. He said along with de Maiziere they agreed that visa requirements for Turkey would only be lifted if the country meets all the demands of the EU. Within the mandatory quotas as well as its voluntary commitment, the CR is to accept 2,691 refugees from Greece and Italy, the 2 countries most hit by the migrant crisis, by the end of 2017. So far, the CR has only accepted 12 people from Greece.

☰ SENTENCE FOR ABUSE OF OFFICE – 30. 9.

A court has sent former deputy MLSA Minister Šiška to 6 years in prison for abuse of office. He was found guilty of signing a disadvantageous contract with the firm Fujitsu Technology on a system for the distribution of social welfare benefits. He failed to announce an open contest for

⁵⁸ ENEF: European Nuclear Energy Forum

⁵⁹ RES: renewable sources

⁶⁰ NPP: Nuclear Power Plant

⁶¹ MI: Ministry of the Interior

⁶² NBU: National Security Authority

⁶³ GCR: Global Competitiveness Report

⁶⁴ WEF: World Economic Forum

⁶⁵ Frontex: an agency of the EU that manages the cooperation between national border guards that is undertaken to secure the external borders of the union, including from illegal immigration, human trafficking and terrorist infiltration. The agency was established in 2004 and has its seat in Warsaw, Poland.

the contract, incurring losses to the state of CZK 282mn. Former MLSA⁶⁶ Minister Drábek resigned over the scandal back in 2012.











☰ ATTACKS ON EASTERN EUROPEANS – 30. 9.

PM Sobotka has appealed to his British counterpart, Theresa May, to take action against hate crimes and attacks on Czechs and people from other European countries living in the United Kingdom, in a phone call.

The Czech government is alarmed by the increase in hate crimes in Britain, Sobotka said.

“Hate and violence are also aimed against Czechs who live and work in the UK. Unfortunately, one of the incidents resulted in the death of a Czech citizen,” he said. A Czech businessman died in London last week after he was attacked by a gang of young men. A month ago, a large group of British teenagers attacked 2 Polish men and 1 of the victims died. ©

⁶⁶ MLSA: Ministry of Labour and Social Affairs

	BusinessInfo.cz
	Czech National Banka
	Czech Press Agency (Česká tisková kancelář)
	Czech Statistical Office (Český statistický úřad)
	E15
	European Commission
	Finance.cz
	Hospodářské noviny
	MF Dnes Daily
	Radio Prague (Český rozhlas)