

## NEWS SUMMARY OCTOBER 12 – OCTOBER 17

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詳細情報については、それぞれの情報ソースを参照願いたい。

## ECONOMICS &amp; FINANCE

## CETA AGREEMENT – 12. 10.

The government gave its consent<sup>1</sup> to the CETA<sup>2</sup>. CETA could be signed and ratified<sup>3</sup> on October 27 at the EU<sup>4</sup> - Canada summit. The sectors that could benefit most from the CETA agreement in the CR<sup>5</sup> are engineering, metallurgy and the chemical industry.

## STATE BUDGET PROPOSAL FOR 2017 – 12. 10.

ChD's<sup>6</sup> Budget Committee has recommended to the ChD approve the basic parameters of the state budget proposal for 2017. The budget put forward by the MF<sup>7</sup> Minister Babiš and approved by the government is counting on a CZK<sup>8</sup> 60bn<sup>9</sup> deficit. The committee turned down a proposal by TOPog<sup>10</sup> leader Kalousek who appealed for the proposal to be sent back to the government for changes; he said the government needed to slash spending next year by an additional CZK 30bn or more.

## MOODY'S AFFIRMS A1 RATING- 14. 10.

Moody<sup>11</sup> has affirmed the CR's A1 long-term issuer rating<sup>12</sup> and the short-term rating at (P) P-1. The outlook remains stable.

The affirmation of the rating reflects the CR's fiscal resilience and its limited exposure to event risks, both of which anchor sovereign creditworthiness at the A1 level. That said, the affirmation also accounts for credit challenges arising from the economy's more limited potential growth

<sup>1</sup> For agreements covering areas of shared competency with EU member states, representatives from member state governments also have to give their mandate for negotiations. This includes most agreements relating to foreign policy and broad trade agreements.

<sup>2</sup> CETA: Comprehensive Economic and Trade Agreement, a free-trade agreement between the EU and Canada

<sup>3</sup> CETA Ratification: The Council of the EU plays an important role in the negotiation and conclusion of agreements between the EU and non-EU countries or international organisations. It is involved at all stages of the procedure; from providing the mandate for negotiations to the Commission, to signing the agreement on behalf of the EU and adopting the final decision implementing it into EU law. If the Council of the EU approves the agreement, it will need the EP consent for it to be finalised. If the Council ratifies the agreement, it can be provisionally applied in areas where the governments of EU Member States deem the EU to have responsibility. The national parliaments of the EU Member States would then also need to ratify CETA for the areas which fall under their responsibility to take effect. After consent of the EP and ratification by Member States, the Council adopts the final Decision to conclude the agreement and the agreement is published in the Official Journal.

<sup>4</sup> EU: European Union

<sup>5</sup> CR: Czech Republic

<sup>6</sup> ChD: Chamber of Deputies, the lower house of Parliament of the CR

<sup>7</sup> MF: Ministry of Finance

<sup>8</sup> CZK: Czech Crown, the currency of the CR since 8 February 1993

<sup>9</sup> Bn: billion

<sup>10</sup> TOPog: conservative, centre-right party, it has been noted for its support of fiscal conservatism and is considered pro-EU.

<sup>11</sup> Moody: Moody's Investors Service, often referred to as Moody's, is the bond credit rating business of Moody's Corporation, representing the company's traditional line of business and its historical name. Moody's Investors Service provides international financial research on bonds issued by commercial and government entities and, with Standard & Poor's and Fitch Group, is considered one of the Big Three credit rating agencies.

<sup>12</sup> Moody's Rating: Aaa: Rated as the highest quality and lowest credit risk; Aa1, Aa2, Aa3: Rated as high quality and very low credit risk; A1, A2, A3: Long-term ratings: Rated as upper-medium grade and low credit risk; Short-term ratings: A1: Prime-1: Best ability to repay short-term debt; A2, A3: Prime-1/Prime-2: Best ability or high ability to repay short term debt

over the medium term and slowing reform momentum due to a shifting political landscape.

The stable outlook on the rating reflects the strength of the government's balance sheet and the inherent buffers built into its credit profile, which are crucial in mitigating the impact of potential shocks emanating from main trading and investment partners.

Moody's has also affirmed the CR's senior unsecured debt rating at A1 as well as the senior unsecured programme rating at (P) A1.

Its long-term local currency bond and deposit ceilings remain unchanged both at Aa2 and long-term foreign currency bond and deposit ceilings also remain unchanged at Aa2 and A1 respectively. The short-term foreign currency bond and deposit ceilings are also unaffected by this rating action and remain at Prime-1.

## BABIŠ NOT ENTHUSIASTIC ABOUT EURO ADOPTION – 14. 10.

MF Minister Babiš, whose party won the last weekend's regional elections and who has great chances to become new PM<sup>13</sup> after the general election next year, has said that he was not enthusiastic about the euro<sup>14</sup> adoption, Reuters informed. Babiš explained that he was not in favour of the CR entering the Eurozone<sup>15</sup> in view of how it has been functioning, the many unresolved problems it faces and the fact that many Eurozone countries do not respect the euro area rules. Moreover, he said that he was concerned that the CR would have to participate in possible bailouts of other countries or banks. Yet, he conceded that the euro introduction would be beneficial for some companies as they would not have to anticipate the €/CZK exchange rate development. PM Sobotka commented that the question was not whether but when the CR will adopt the euro and underlined that selecting the most appropriate time was of utmost importance.

Sobotka has earlier said that there was no need the CR to accelerate Eurozone entry process because the British voters have decided to leave the EU.

## PRODUCER PRICE INDICES – 17. 10.

In Q3<sup>16</sup> 2016, compared to Q2<sup>17</sup> 2016, agricultural producer prices stayed unchanged. Construction work prices, according to an estimate and industrial producer prices were both higher by 0.3%. Prices of market services fell by 0.9%.

In comparison with Q3 2015, prices of agricultural producers fell by 5.7% and prices of industrial producers went down by 3.2% in Q3 2016. Construction work prices, according to an

<sup>13</sup> PM: Prime Minister

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

<sup>15</sup> 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.

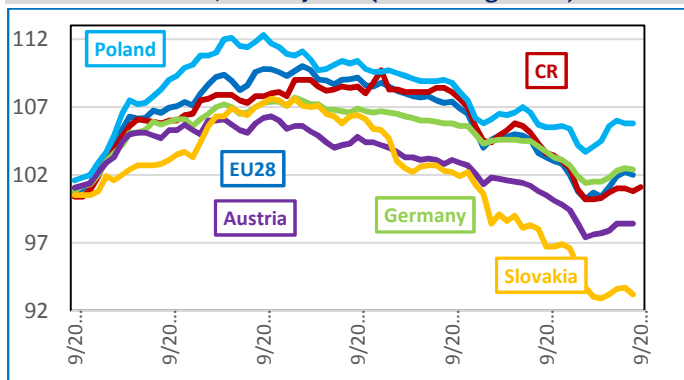
<sup>16</sup> Q3: 3<sup>rd</sup> quarter of the year

<sup>17</sup> Q2: 2<sup>nd</sup> quarter of the year

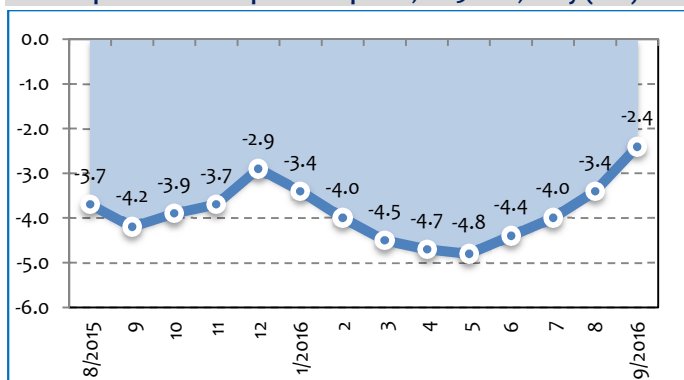
estimate increased by 1.0%. Prices of market services also went up by 0.2%.

In September 2016 compared with the previous month, agricultural producer prices were higher by 4.2% and industrial producer prices went up by 0.3%. Construction work prices and prices of market services grew by 0.2% and 1.1%, respectively. In comparison to September 2015, agricultural producer prices fell by 3.4% and industrial producer prices also decreased by 2.4%. Construction work prices increased by 1.0% and prices of market services went up by 0.3%.

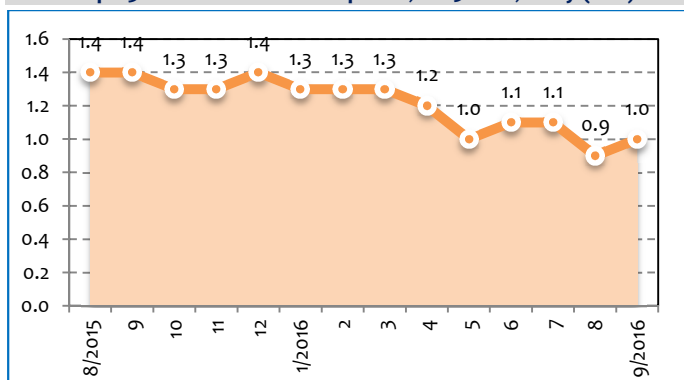
**Graph 1: Industrial producer price index, International comparison, 2010-2016, monthly data (2010 average = 100)**



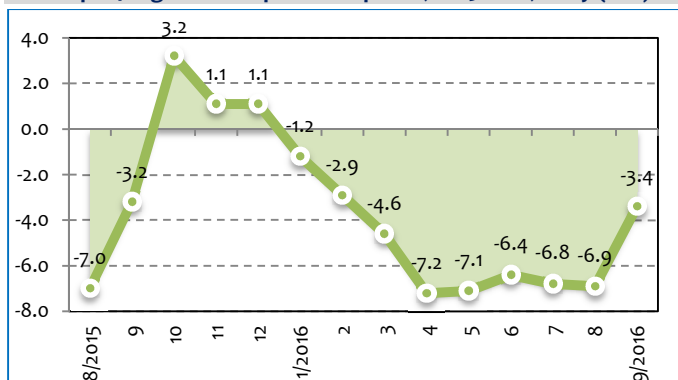
**Graph 2: Industrial producer prices, 2015-2016, Y-o-y (in %)**



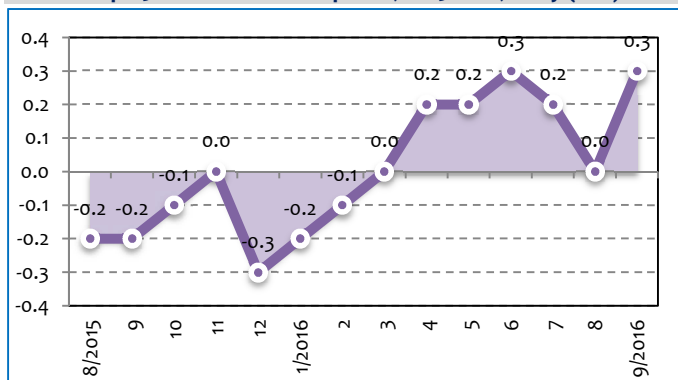
**Graph 3: Construction work prices, 2015-2016, Y-o-y (in %)**



**Graph 4: Agricultural producer prices, 2015-2016, Y-o-y (in %)**

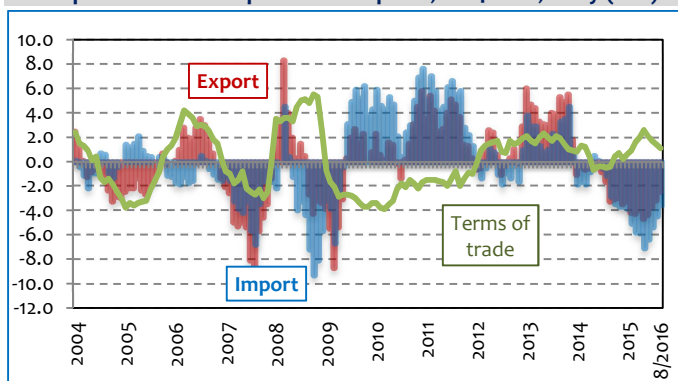


**Graph 5: Market services prices, 2015-2016, Y-o-y (in %)**



In August 2016, both export and import prices decreased by 0.1%, the terms of trade figures reached 100%, m-o-m<sup>18</sup>. Export prices decreased by 2.5%, import prices by 3.6%, the terms of trade reached 101.1%, y-o-y<sup>19</sup>.

**Graph 6: Prices of exports and imports, 2014-2016, Y-o-y (in %)**



**SOCIAL & HEALTH & EDUCATION**

**COOPERATION OF CZECH, CHINESE SCIENTISTS – 12. 10.**

The state will support cooperation of Czech and Chinese scientists by providing subsidies for research organisations and SME<sup>20</sup> firms to finance the exchange of experts in 2017 and 2018, the MEYS<sup>21</sup> said.

The MEYS has launched the subsidy programme in cooperation with the Chinese ministry for science and technologies. MEYS Minister Valachová is on a working visit to China these days.

<sup>18</sup> M-o-m: month on month

<sup>19</sup> Y-o-y: year on year

<sup>20</sup> SME: Small and medium enterprises

<sup>21</sup> MEYS: Ministry of Education, Youth and Sports

The subsidies are designated for international projects in the areas of either the basic or applied research, or innovations.

The Czech state will finance the flights to China for Czech scientists and maximally a two-week stay of maximally four Chinese scientists in the CR.

It will also cover their accommodation, catering and expense allowances.

The Chinese ministry will reciprocally cover Chinese experts' flights to the CR and Czech experts' stay in China.

Each project may be subsidised with up to CZK 270,000.

The Czech-Chinese scientific teams will focus on the areas of common interests as defined by the MoU<sup>22</sup> in research and development, signed in March.

These areas include the development of materials, energy, environment protection, engineering, food procession, astronomy, biology, medicine and agriculture.

While research organisations will see their spending on experts' exchange fully covered from the programme, business companies will have to contribute to its financing.

The share of their contribution will depend on the type of the research concerned.

Deputy PM for Science Bělobrádek said during the March visit by Chinese academicians in Prague that some 20 Czech-Chinese projects have been launched every year.

Most recently, they mainly focused on new energy storage materials, nano-particles for biological and medical purposes and new types of fuel for aircraft.

China also shows growing interest in environmental studies including anti-flood measures, Bělobrádek said.

#### EU APPROVES PLAN OF SPONSORING RESEARCH – 14. 10.

The EC<sup>23</sup> has approved the Czech plan with which European subsidies will sponsor various branches of research in the CR, Deputy PM for Research Bělobrádek said.

Thanks to this, the CR has fulfilled one of the conditions, specifically the RIS3<sup>24</sup>.

The crucial document is bound to the appeals of operational programmes in the sphere of research and science, Bělobrádek said. Research, development and innovations are not to have problems when drawing money from European funds. In the years to come, up to CZK 70bn will be spent on research and business in the most promising branches of the Czech economy from European subsidies as well as national, regional and private resources, he said.

#### PRESSURE FOR RISE IN WAGES – 13. 10.

The pressure for a rise in wages must continue in the CR because they are still low here, PM Sobotka said during a conference of the transport workers' TU<sup>25</sup> where he backed the TU's struggle for wages being gradually raised.

The conference was closed to the public. Sobotka, too, gave his speech behind the closed door at the TU's request.

"We have low wages and it is necessary to enhance people's motivation to work," Sobotka said.

<sup>22</sup> MoU: Memorandum of Understanding

<sup>23</sup> EC: European Commission

<sup>24</sup> RIS3: National Research and Innovation Strategy for Smart Specialization

<sup>25</sup> TU: Trade union, around 1/6 of all employees are union members in the CR.

He said wages should be calculated with regard to some employees commuting to work.

"It is important for the living standards of those who work to be markedly higher than the living standards of those who shun work for various reasons," Sobotka said.

He said companies post high profits that they should invest in the workforce. At present, they very often export the money, Sobotka said.



#### STUDENTS FACING FINANCIAL PROBLEMS – 14. 10.

Each 6<sup>th</sup> Czech university student is facing serious or very serious financial problems, according to the survey Eurostudent VI. It comprised a sample of 16,653 students of public, private and state universities.

Financial problems are mostly faced by students over 30, as some 30% said so. The financial difficulties of old students may be associated with their losing student advantages at this age. Sometimes they have to pay for the prolongation of their studies. Descendants of parents with higher education and a good social background are less likely to face financial problems. Students of art are most afflicted by the difficulties, while the students of economic branches have the best financial situation.

University students need on average CZK 8.622 a month for their studies and livelihood. The students of law have the biggest sums available to them, CZK 10.640 a month.

The worst situation is among students of health, medical and pharmaceutical branches who only have less than CZK 7.500 a month. This is due to the fact that their studies consume much more time than other fields of study.

Less than 1/4 of these students work regularly, while roughly 1/2 of the students of economic fields do so. 1/6 of the students said they could not afford their studies without the jobs.

2/3 of Czech students do not plan to study abroad, 8.2% of them studied abroad and the remaining 1/4 wants to do so. The main reasons why the students do not want to study at foreign universities are fears of separation from their family, partner and friends, their expenditures not covered from the stipend, the loss of their job and insufficient knowledge of foreign languages.

1/2 of the students said they command 2 foreign languages well or very well, and 38% said they speak English very well and further 45% said they speak English well. The knowledge of English seems best among the students of artistic, humanities, social sciences and legal branches, while students of farming, forestry, veterinarian and teaching faculties consider their English the worst.

Students of artistic schools, humanities, social sciences and law are those who leave for study stays abroad the most often. On the contrary, 3/4 of students of teaching faculties do not plan to study abroad.

Most Czech students pay the costs of their foreign study from EU funds supporting student exchange programmes, especially the Erasmus+<sup>26</sup> programme. Others get money from their parents or partner.

<sup>26</sup> Erasmus: Erasmus Programme (European Region Action Scheme for the Mobility of University Students) a EU student exchange programme established in 1987. Erasmus+, or Erasmus Plus, is the new programme combining all the EU's current schemes for education, training, youth and sport, which was started in January 2014.

**CTK EQUAL RIGHTS FOR CZECH EMPLOYEES IN UK – 17. 10.**

The CR wants Czechs to be able to work in the United Kingdom under the same conditions as British citizens, PM Sobotka said after meeting Czech members of the EP<sup>27</sup>. He said the Czech government and Czech MEPs<sup>28</sup> should agree on a joint position before the forthcoming negotiations about the British departure from the EU. Protection of Czech employees on the British labour market is one of the key points of the official Czech position, Sobotka said. He said he expects the negotiations about Brexit to be very long and very complicated.

**AGRICULTURE & ENVIRONMENT**
**EU GRANTS GOING TO ENVIRONMENT PROJECTS – 13. 10.**

Almost CZK 1bn in EU grants is to go toward flood prevention measures, redevelopment and the securing of unstable slopes in the CR, the ME said. The ME Minister Brabec said such problems were a priority as the impact of climate change had become more apparent in recent years. His office has just approved around 200 projects in those areas throughout the CR.

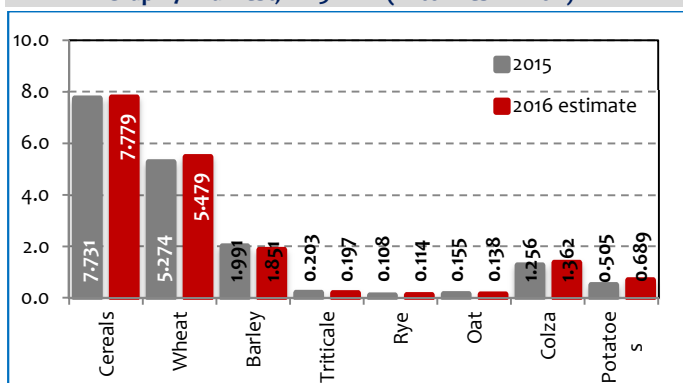
**CTK MA ALLOCATED CZK 19.4BN TO FARMERS - 14.10.**

The MA<sup>29</sup> has allocated for so-called direct area payment, mandatory greening and subsidies for young farmers CZK 19.4bn this year. Farmers should get 70% of the subsidy in advance.

The system of payment of subsidies significantly changed last year. The main area payment (SAPS<sup>30</sup>) fell by half; partly it has been replaced by payment for young farmers under 40 years, and so called greening or mandatory greening. In total, the number of types of payments increased from 38 to 68.


**HARVEST – 14. 10.**

Estimates of harvest as at 15 September 2016 confirmed a good harvest of cereals at the level of 8.422mn<sup>31</sup> t<sup>32</sup> (+3.0% y-o-y) and colza 1.362mn t (+8.4 % y-o-y).

**Graph 7: Harvest, 2015-2016 (in tonnes million)<sup>33</sup>**


<sup>27</sup> EP: European Parliament

<sup>28</sup> MEP: Member of European Parliament

<sup>29</sup> MA: Ministry of Agriculture

<sup>30</sup> SAPS: Single Area Payment Scheme

<sup>31</sup> Mn: Million

<sup>32</sup> t: tonne, metric ton is a non-SI metric unit of mass equal to 1000 kilograms

<sup>33</sup> Triticale: a hybrid of wheat and rye combines the yield potential and grain quality of wheat with the disease and environmental tolerance (including soil conditions) of rye. 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.

The expected potatoes production of 0.689mn t is by 36.5% higher compared to the very low harvest last year. The industrial sugar beet harvest shall be 3.847 mn t, which is by 12.5% more than in the last year.

**ENERGY & ICT & INDUSTRY & TRANSPORT**
**DNES NYMBURK IS NOT INCLINED TO CHINESE INVESTORS – 11. 10.**

New management of the town of Nymburk led by Mayor Pavel Fojtík is not inclined to further focus on Chinese investors. According to Fojtík (STAN<sup>34</sup>), Czech-Chinese industrial zone is not the direction that the town should be developing.

"Personally, I have participated in several meetings with Chinese partners and I have never heard the name of a particular investor. On the contrary, I always hear answers like - we analyze the situation, we are interested in financial incentives," said Mayor of Nymburk. He added that on that basis he does not believe that, not only to Nymburk, but also to the CR, a Chinese investor to build a "value-added factory on a greenfield" ever comes.

Fojtík also said that the town's stance toward such a large industrial zone should be redefined. According to him, the question is whether Nymburk the zone of such a large area even needed. First Czech-Chinese industrial zone was established in Nymburk in February. Its occupation rate/availability should be provided by Nymburk in cooperation with the region. According to the former mayor of Nymburk Tomáš Mach, the zone is currently defined only on paper, the ownership of land is not yet resolved. During the zone approval, the former coalition overrode the opposition that was against the formation of the zone. "The coalition partners have left, town leaders fell and I think that the new coalition will now be of the opposite view and the new city leaders will be against the Czech-Chinese industrial zone," Mach said.

**CTK ŠKODA AUTO SELL RECORD OF 107,100 CARS IN SEPT - 12. 10.**

Škoda Auto<sup>35</sup> saw a 14.4% y-o-y increase in its deliveries to a record-high number of 107,100 cars in September, making it the most successful month in its more than 120-year-long history. In comparison with August, Škoda Auto's deliveries grew by 26,400 cars.

Škoda Auto registered growth on all its markets, mainly on the key European market and in China, its biggest marketplace.

Octavia remained the top-selling model with 40,900 units sold, up by 12.4% y-o-y. 2<sup>nd</sup> came Fabia with 19,800 units sold, which was an annual rise of 1.1%, followed by Rapid, whose sales grew by 30% to 19,700 units. Superb deliveries increased by 101.2% to 13,500 units. Deliveries of the Yeti model, on the other hand, fell by 18.6% to 8,600 units. Citigo sales dropped by 0.6% to 4,600 vehicles.

<sup>34</sup> STAN: The Mayors and Independents (Czech: Starostové a nezávislí), abbreviated to STAN, is a political party in the CR. The Mayors and Independents focus on localism and promoting powers for municipalities. The party grew out of the Independent Mayors for Region, which allied itself to the liberal conservative SNK European Democrats, but now cooperates with the similarly liberal conservative TOP 09.

<sup>35</sup> 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 is pleased that the positive trend of recent months continued and that its young and modern model palette is successful on markets.

In Western Europe, Škoda sold 45,800 cars, 4.8% more y-o-y. Deliveries to France rose by 12%, to Italy by 24.4%, to Belgium 14.1%, to Switzerland 14.9%, to Spain by 17.7% and to Finland by 27.3%. In Germany Škoda registered a rise of 6.2%, in Britain by 7.2%, in Sweden by 8.1% and in Ireland by 1.7%.

In Central Europe, Škoda Auto sold 15,100 cars, which was an annual increase of 13.7%. On the domestic market, Škoda recorded a growth of 13.2% to 7,000 cars sold.

On Eastern European markets except Russia, Škoda sold 3,100 cars in September, 6.4% more y-o-y. Deliveries to Russia grew by 4.9% to 4,800 units.

In China, Škoda recorded the best month in history, as its deliveries there increased by 34.4% to 32,000 cars.

Škoda also registered growing deliveries in Israel (by 63.4% to 1,600 cars) and Turkey (by 73% to 2,100 cars).



#### CONTRACT WITH GENERAL ELECTRIC – 14. 10.

The Czech government will next sign an investment contract with the US company General Electric relating to a plant to develop, test and produce turboprop aircraft engines on October 20. The investment was previously reported at CZK 9.5bn. The deal will make the CR 1 of only 5 countries around the globe where aircraft engines are designed and manufactured.



#### TEMELÍN UNIT RESUMES ELECTRICITY GENERATION – 15. 10.

Operators of the Temelín NPP<sup>36</sup> connected the unit 2 to the transmission grid. The measure was made with the 50% reactor output. The unit is expected to resume full operation at the beginning of week from October 17. The planned shutdown for fuel exchange will continue on the unit 1.



#### APARTMENTS' PRICES TO GROW – 17. 10.

According to the CEEC Research and KPMG CR, prices of new flats in the CR will grow annually by an average of 4.4%. Prices of apartments in Prague will rise the most, by about 7%. Price growth also will continue next year. Development companies operating in the domestic market see a rising demand and low interest rates as the main reasons for rising prices. More than 1/3 of companies considered the current price in Prague overvalued.



#### KŘETINSKÝ WILL GAIN A 94% IN EPH – 17. 10.

Czech businessman Daniel Křetinský will gain a 94% stake in EPH<sup>37</sup> following deals with J&T<sup>38</sup>. The remaining 6% will be divided among the current management. Until now, Mr Křetinský, Mr Tkáč and J&T were owners of roughly 1/3 each. The deal, in the coming years will yield between €1.7 and 2.7bn for Mr Tkáč depending on share prices. Likewise, EPH

<sup>36</sup> NPP: Nuclear Power Plant

<sup>37</sup> EPH: Energetický a průmyslový holding is a company currently investing mainly in the energy sector in Central Europe. The group's business lines include coal mining, gas, electricity and heat production and their distribution and sale to customers. EPH's shareholding structure was 44.44% PPF Group, 37.04% J&T and 18.52% Daniel Křetinský.

<sup>38</sup> J&T: a Central European investment group founded in 1993 in Slovakia. It pursues business in the private equity and banking sectors, the largest portion of the value of its investments being in the Czech Republic and Slovakia. J&T invests mainly into the financial services, energy sector, real estate, health care, media and sports.

agreed to sell a 30% stake in the EPIF<sup>39</sup> to an investor group led by MIRA<sup>40</sup>.

#### SECURITY & POLLS & RANKINGS & OTHERS



#### ČSSD'S REGIONAL GOVERNORS – 13. 10.

The PM Sobotka (ČSSD<sup>41</sup>), says his party's talks on forming regional coalitions following elections last weekend are going well. He said that it appeared the grouping would have 5 regional governors and would be a coalition member in 8 or 9 regional governments. He said this success in negotiations reflected the fact the ČSSD had not campaigned negatively against potential partners. The party only came 1<sup>st</sup> in voting in 2 of 13 regions after winning in 9 in 2012.



#### ARMY, POLICE, TRADE UNIONS GET MORE POPULAR – 14. 10.

A majority of Czech citizens trust the military (65%), the police (60%) and courts (52%), and TUs have become more popular as trust in them increased from 40 to 47% over the past 5 months, according to a CVVM<sup>42</sup>.

People consider churches the least credible, with 22% saying they trust them and 69% saying they do not.

Media continue to be rather unpopular in the country and their credibility further decreased: 44% of Czechs trust the radio, 34% trust the television and 33% trust the press. Their ratings are approximately 15% lower than they were 2 years ago.

41% said they trusted the Internet, while 46% said they did not. The poll showed that even the youngest generation started losing confidence in the Internet.

People are equally divided in their (mis)trust in banks, with 47% showing confidence in them and 48% expressing the opposite view.

48% had a negative opinion of NGOs<sup>43</sup>, while 40% said they trusted them.



#### WINNERS IN ELECTIONS – 15. 10.

The KDU-ČSL<sup>44</sup> were the biggest winners in the 2<sup>nd</sup> round of elections to 1/3 of the seats in the Czech Senate, with candidates with their backing taking 9 mandates. The party took 5 of 7 Senate places in Moravia, its traditional power base.

The leaders of the government coalition, the ČSSD, did poorly, with only 2 wins. Well-known ČSSD's members, such as Zdeněk Škromach and Jan Mládek were defeated, with the latter announcing after Saturday afternoon's vote count that he would tender his resignation as MIT<sup>45</sup> Minister. ANO<sup>46</sup> took 3 seats.

<sup>39</sup> EPIF: EP Infrastructure, energy infrastructure utility focused on gas transmission, gas and power distribution, heat and power generation and gas storage, EPH subsidiary

<sup>40</sup> MIRA: Macquarie Infrastructure and Real Assets company owns, operates and invests in a diversified group of infrastructure businesses - portfolios in real estate, agriculture and energy..

<sup>41</sup> ČSSD: Czech Social Democratic Party, centre-left party

<sup>42</sup> CVVM: Public Opinion Research Centre of the Institute of Sociology of the Academy of Sciences of the CR

<sup>43</sup> NGO: non-government organisation

<sup>44</sup> KDU-ČSL: Christian and Democratic Union – Czechoslovak People's Party, centre party

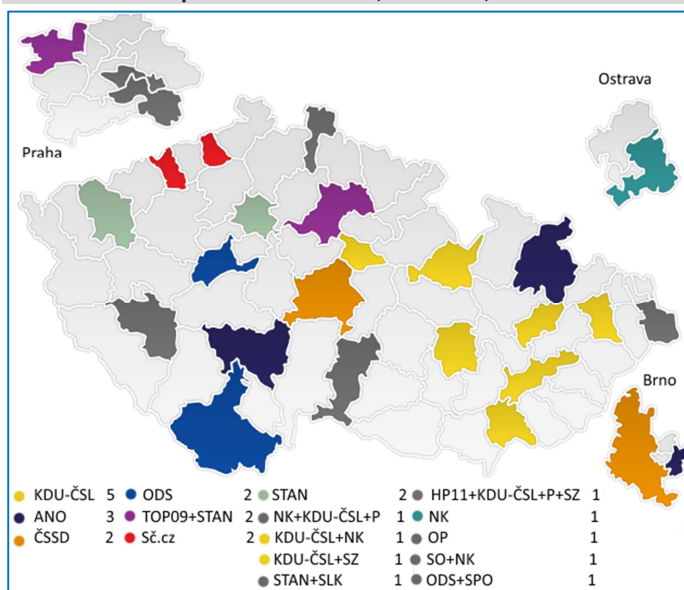
<sup>45</sup> MIT: Ministry of Industry and Trade

<sup>46</sup> ANO: ANO 2011, centre-right party

The ČSSD remain the biggest grouping in the Senate while the 3 government parties together have a constitutional majority (3/5 of mandates) in the Senate.

The ODS<sup>47</sup> and the STAN took 3 seats each, while TOP09 and the North Bohemians party secured 2 apiece. KSČM<sup>48</sup> did not win any seats.

Map 1: Senate election, 2<sup>nd</sup> round, 2016



Turnout was 15.4%, the lowest rate since the establishment of the Senate 20 years ago.

#### MARKED FALL IN ILLEGAL MIGRANTS – 15. 10.

The Czech migration police detained 4,146 illegal migrants in the first 9 months of this year, 3,055 fewer than in the same period in 2015, according to figures released by the force. Ukrainians were the nationality caught without the relevant papers most frequently, accounting for 1,155 cases. Numbers of Syrians, Afghans and Iraqis detained in the first 9 months of 2016 were way down on the same period in 2015.

#### PITHART RUNNING FOR PRESIDENCY – 16. 10.

Petr Pithart, a leading figure in Czech politics in the post-1989 period, says he may run for president. Mr. Pithart said he was “considering whether to consider” standing for the post in elections in early 2018. He made the comment not long after a well-received speech at a memorial to Václav Havel in which he warned against the CR moving away from the EU. Mr. Pithart, who is 75, was Czech PM under the Czechoslovak federation and served as head of the Czech Senate, which he has been a member of since its inception in 1996.

#### LOSS OF SENATE SEATS SET TO HIT COFFERS – 16. 10.

The outcome of the 2<sup>nd</sup> round of Senate elections is set to hit the coffers of the governing ČSSD and opposition ODS, after both lost seats in the Senate. The state gives political parties CZK 900,000 a year for each legislator they have and the ČSSD will lose around CZK 7.5mn annually while the ODS will be CZK 4mn worse off. By contrast, the KDU-ČSL will get

<sup>47</sup> ODS: Civic Democratic Party, Liberal conservative, centre-right party, soft Eurosceptic party

<sup>48</sup> KSČM: Communist Party of Bohemia and Moravia, far-left party

CZK 4mn more a year, while ANO will receive an extra CZK 1mn.

#### MLÁDEK’S RESIGNATION REJECTED – 17. 10.

The ČSSD’s MIT Mládek, tendered his resignation on October 17 after losing a run-off vote to the Senate, informing party leader Bohuslav Sobotka that he was making his cabinet place available. However, Mr. Sobotka immediately rejected the resignation offer. He said that failing to win a Senate seat was no reason to dismiss Mr. Mládek, and that the latter’s work in cabinet was more important.

#### DRAHOŠ MAY RUN FOR PRESIDENT – 17. 10.

Jiří Drahoš, current head of the CAS<sup>49</sup>, may become a rival of President Zeman in the presidential election due in 2018.

In the spring, Drahoš’ 2<sup>nd</sup> term in office will expire and he cannot run again.

Drahoš’ interest in the candidature was confirmed by another two trustworthy sources and also voices from outside the scientific environment.

The KDU-ČSL may support Drahoš, now 67. "We will wait until all candidates for the president officially present their bids and then we will be evaluating who is the closest to us with his values, if Petr Pithart does not run," the LN quotes KDU-ČSL leader Bělobrádek as saying.

Bělobrádek said he respected Drahoš’ qualities.

#### DEPUTY PM, MC MINISTER, TO MEET DALAI LAMA - 17. 10.

Deputy PM Bělobrádek and MC<sup>50</sup> Minister Herman are scheduled to meet with the Dalai Lama in Prague for this year’s Forum 2000 conference on October 18, the CIA reports. At the weekend, he met with Slovakia’s President Andrej Kiska which drew protests from Chinese representatives. The Dalia Lama has travelled to Prague on many occasions; he was a personal friend of former president Václav Havel, who died in 2011.

#### BABIŠ MOST TRUSTED AMONG POLITICIANS – 17. 10.

A new poll conducted by the CVVM agency suggests that among leaders or top members of political parties, Czechs most trust the ANO leader Babiš. Over a 3-month period leading up to September, the MF Minister’s popularity grew by 4% to a total of 46%. By contrast, public ‘trust’ in PM Sobotka fell by 6% to 34%. MFA<sup>51</sup> Minister Zaorálek came 3<sup>rd</sup> in the survey, with 30%.

<sup>49</sup> CAS: Czech Academy of Sciences

<sup>50</sup> MC: Ministry of Culture

<sup>51</sup> MFA: Ministry of Foreign Affairs

- CIA News (Česká informační agentura)
- CEZ Group
- Czech Press Agency (Česká tisková kancelář)
- Czech Statistical Office (Český statistický úřad)
- MF Dnes Daily
- Moody’s
- Radio Prague (Český rozhlas)
- Reuters