

## NEWS SUMMARY JANUARY 26 – FEBRUARY 1

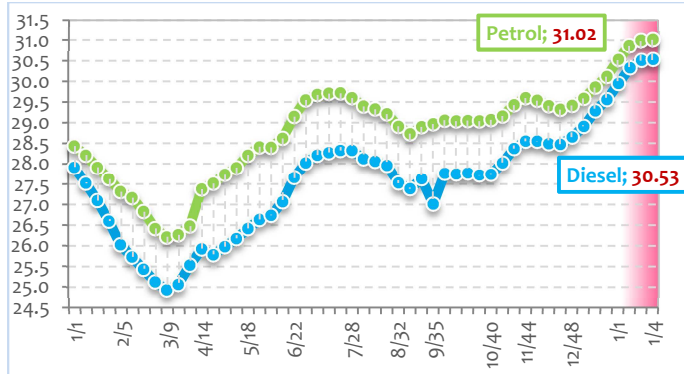
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### ECONOMY & FINANCE

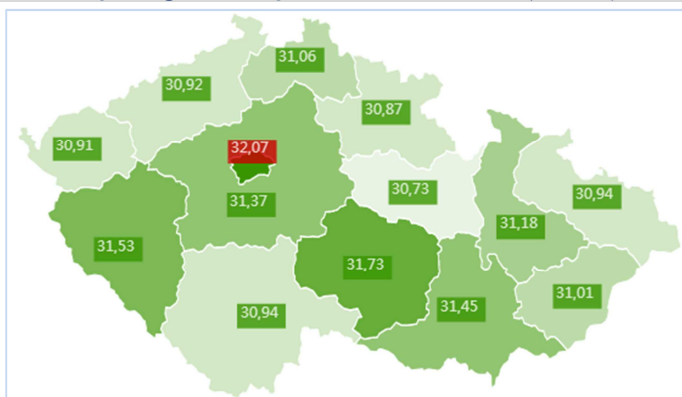
#### AVERAGE CONSUMER FUEL PRICES – 27. 1.

Fuel prices rose again over the past week and the price of petrol Natural 95 has added 3h<sup>1</sup> to CZK31.19/l<sup>2</sup>. The price of diesel oil grew by 2h to CZK<sup>3</sup>30.47/l.

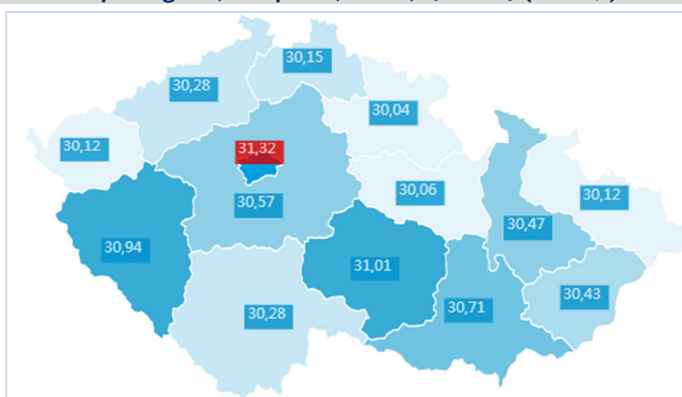
Graph 1: Average fuel prices<sup>4</sup>, 2016/2017, Month/Week (in CZK/l)



Map 1: Regions, fuel prices, Petrol, 27. 1. 2017 (in CZK/l)



Map 2: Regions, fuel prices, Diesel, 27. 1. 2017 (in CZK/l)



<sup>1</sup> H: Heller, a term was used for a coin valued at 1/100 of a CZK, it continues to be used as a means of calculation since the CNB removed the coins themselves from circulation in 2008 and notionally replaced them with rounding to the next CZK.

<sup>2</sup> l: litre, is an SI accepted metric system unit of volume equal to 1 cubic decimetre (dm<sup>3</sup>), 1,000 cubic centimetres (cm<sup>3</sup>) or 1/1,000 cubic metre.

<sup>3</sup> CZK: Czech Crown, the currency of the CR since 8 February 1993

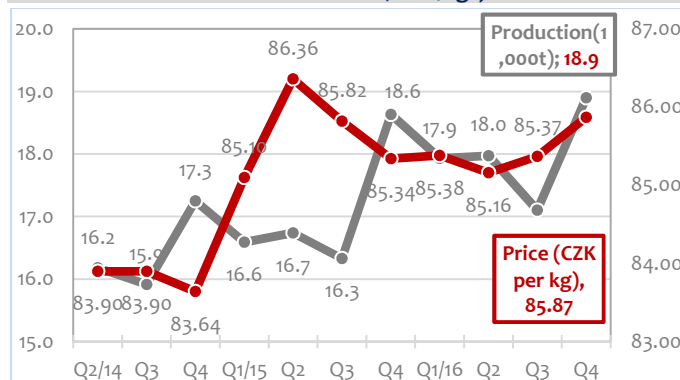
<sup>4</sup> Consumer price indices calculated from the weekly price survey are not qualitatively adjusted and thus do not express the net price development applied at inflation measurement.

### AGRICULTURE IN Q4 – 30. 1.

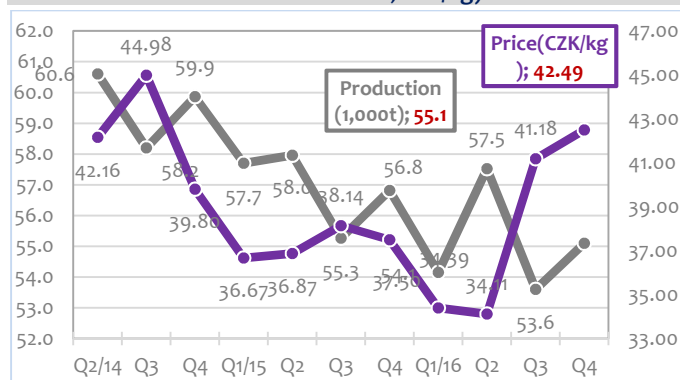
The trends of rising beef production (+5.3%) and declining pig meat production (-3.3%) continued during 2016. The poultry meat production went up by 3.4% compared to the previous year. Agricultural producer prices went slightly down for cattle for slaughter (-1.2%) and minutely up for pigs for slaughter (+0.8%); they declined by 1.1% for poultry for slaughter. Milk collection increased (+1.0%) but its prices were by 14.7% below the 2015 level.

In 2016 the meat production amounted to 448,967t<sup>5</sup> (+0.3%). This amount included 71,932t (+5.3%) of beef and veal, 220,334t (-3.3%) of pig meat, 156,492t (+3.4%) of poultry meat, 178t (-0.8%) of sheep meat, 3t (+4.2%) of goat meat, and 27t (-25.8%) of horsemeat.

Graph 2: Beef production and average producer prices (in thousand tonnes, CZK/kg<sup>6</sup>)



Graph 3: Pork production and average producer prices (in thousand tonnes, CZK/kg)



Live cattle were imported from France, Italy, Slovakia, Austria or Belgium; main trade partners for exports were Austria and also Turkey. The deficit of external trade in beef deepened, y-o-y.<sup>7</sup> Its imports rose to 30,553t (+23.6%) and its exports to 10,335t (+22.5%). Beef was imported mostly from Poland, the Netherlands and Germany; it was exported mainly to Slovakia but also to the Netherlands and Hungary.

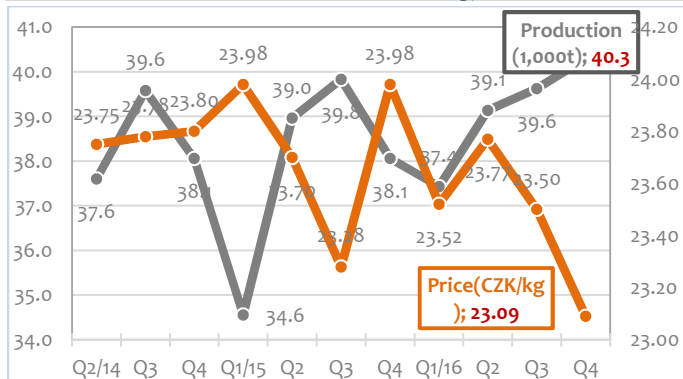
<sup>5</sup> t: tonne, metric ton is a non-SI metric unit of mass equal to 1000 kilograms

<sup>6</sup> Kg: kilogram is the base unit of mass in the International System of Units and is defined as being equal to the mass of the International Prototype of the Kilogram (IPK)

<sup>7</sup> Y-o-y: year on year

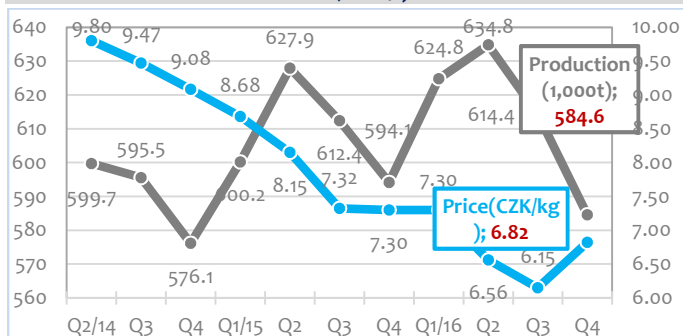
Pigs were imported from Germany, Denmark and the Netherlands, their exports went to Slovakia, Germany and Hungary. The deficit of external trade in pig meat almost did not change, y-o-y (-220,369t). In total 257,083t (+0.6%) were imported and 36,714t (+5.2%) were exported. Pig meat came mainly from Germany, Spain and Poland; Slovakia dominated in its exports.

**Graph 4: Poultry meat production and average producer prices (in thousand tonnes, CZK/kg)**

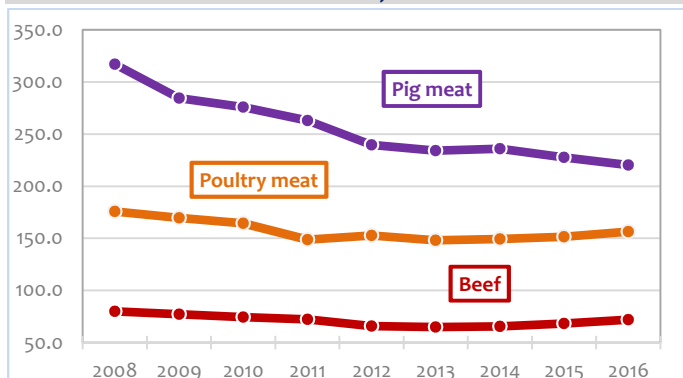


Live poultry were imported from Germany, Hungary and Slovakia and exported to Slovakia, Germany and Poland. The balance of external trade in poultry meat was negative (-80,370t); it slightly deepened, y-o-y. In total 117,415t of poultry meat were imported, mostly from Poland and Hungary, and 37,045t were exported, mainly to Slovakia.

**Graph 5: Milk collection and average producer prices (in million litres, CZK/l)**



**Graph 6: Trends in meat production, 2008 – 2016 (in thousand tonnes)**

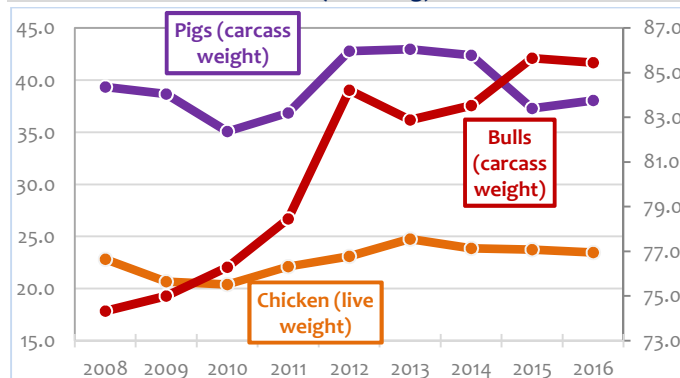


In 2016 the milk collection grew minutely to 2,459 mn<sup>8</sup> l<sup>9</sup> (+1.0%). External trade in milk and milk products recorded

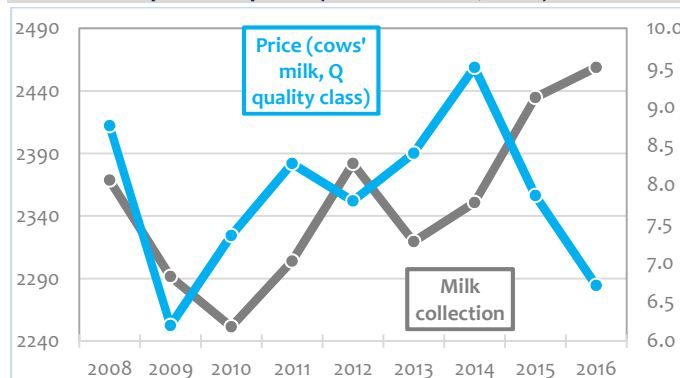
imports of 294,600t (+5.9%); exports declined to 1,040,900t (-1.5%).

Persisting noticeable surplus of external trade showed a y-o-y decrease in the period from December 2015 to November 2016. This result was considerably influenced by trade in the most important commodity – milk: its imports went up by 24.1% (+18,400t) and exports dropped by 3.2% (-27,600t). On the contrary, exports of all milk products increased (+9.3% for cheese and curd, +6.1% for acidified milk products, and +16.8% for butter). Imports went down for acidified milk products (-6.9%) and butter (-8.8%) and up for cheese and curd (+5.1%). The main trade partners for milk and milk products were Germany and Slovakia for both directions together with Poland for imports and Italy for exports.

**Graph 7: Trends in average agricultural producer prices, 2008 – 2016 (in CZK/kg)**



**Graph 8: Trends in milk collection and average agricultural producer prices (in million litres, CZK/l)**



**MINISTER SAYS CR FAILED TO CASH IN ON EU FUNDS – 1.2.**

The CR<sup>10</sup> failed to effectively take advantage of opportunities to pump European funds last year, according to the Minister for Regional Development Karla Šlechtová. The minister described last year's results as poor, adding that part of the problem was with fund management bodies and also the fact that firms and individuals preferred to turn to national funds rather than EU cash because the procedures were simpler. Last year agreements covering around CZK10bn<sup>11</sup> were signed with 14.2% of the maximum total for the 2014-2020 of CZK648bn now claimed. This year, the minister said around five times more EU cash, or around CZK53bn, should be claimed.

<sup>8</sup> Mn: Million

<sup>9</sup> l: litre, is an SI accepted metric system unit of volume equal to 1 cubic decimetre (dm<sup>3</sup>), 1,000 cubic centimetres (cm<sup>3</sup>) or 1/1,000 cubic metre.

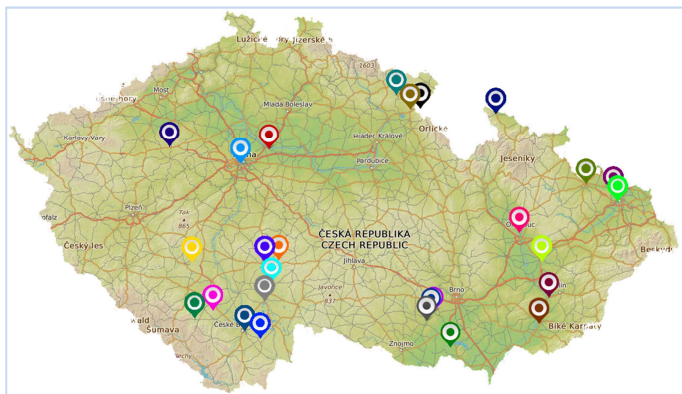
<sup>10</sup> CR: the Czech Republic

<sup>11</sup> Bn:bn

## ENVIRONMENT &amp; HEALTH &amp; LABOUR &amp; SOCIAL

## AVIAN INFLUENZA SPREADS TO COMMERCIAL FARMS – 1. 2.

The avian influenza is found in more than 20 countries of the EU. The number of outbreaks in poultry in the territory of the EU is approaching 600. The most affected countries are Hungary (231 outbreaks) and France (177 outbreaks).

Map 3: HPAI<sup>12</sup> in the CR, February 1, 2017

Outbreaks of the avian influenza have been confirmed in 15 poultry farms (2 commercial farms) in Central Bohemia Region, South Bohemia, Ústí Region, Olomouc Region, South Moravia Region, Moravia – Silesia Region, and Zlín Region. Another 31 cases of H5N8 in wild birds were confirmed in Prague Region, Central Bohemia Region, South Bohemia Region, Olomouc Region, South Moravia Region, Hradec Králové Region, Moravia-Silesia Region, and Zlín Region.

## CZECH WATER SOURCES THREATENED BY POLISH MINE – 26. 1.

Plans to expand the massive brown coal mine at Poland's Turów is threatening water sources on the Czech side of the border, representatives of waterworks from the affected region said. According to them, wells and streams around the towns of Frýdlant, Hrádek nad Nisou and Chrastava in the north Bohemian region have already been drying up and the mine's extension will make the situation even worse. An expert study suggests around CZK1bn will be needed in the coming years to provide 30,000 people from the area with drinking water.

## COMPANIES IN CR TO RAISE WAGES – 26. 1.

Czech companies plan to raise wages of their employees by 3.3% on average this year, after raising them by 5.2% last year against the originally planned rise of 3.2%, according to a study conducted by the Czech-German Chamber of Industry and Commerce (CNOPIK) and company Kienbaum Management Consultants.

The average wage in the CR reached CZK27,220 in Q3<sup>13</sup> 2016. The basic annual salary of top managers reaches about CZK2.5mn. Employees at higher positions earn CZK572,000 per year, while manual workers earn about CZK300,000. Wages and salaries in Prague exceed the average by 17%, while in northern Moravia they are 7% below the average and in southern Bohemia and southern Moravia 3% below the average.

<sup>12</sup> HPAI: Highly Pathogenic Avian Influenza

<sup>13</sup> Q3: 3<sup>rd</sup> quarter of the year

As many as 2/3 of companies are struggling with a lack of qualified employees. In this regard, the worst situation can be seen in manufacturing, research and development, IT and logistics.

About 1/2 of respondents has more than 250 employees, while 1/3 has between 50 and 250 employees.

## AIR POLLUTION IN MORAVIA-SILESIA CONTINUES TO EXCEED LEGAL LIMIT – 29.1.

Air pollution in the Moravia-Silesia region improved only somewhat over the weekend, as the amount of dust particles in the air still exceeded the legal limit. Experts measured emissions at 153 micrograms per cubic metre between five and six in the morning on Sunday, roughly three-times higher than allowed. But the concentration of particles, hour by hour, improved in places; an exception was Frýdek-Místek where conditions remained poor. Chronically ill people, children and the elderly are advised to stay indoors and keep windows closed in such circumstances.

## PM IN FAVOUR OF HEALTH SECTOR INVESTMENT FUND FUELED BY EXCISE TAX REVENUES FROM ALCOHOL, TOBACCO – 28.1.

PM<sup>14</sup> Bohuslav Sobotka has suggested that part of excise tax revenues from alcohol and tobacco could in the future go into a special fund run by the Health Ministry to be used for investment in hospitals. One reason, the prime minister said, was an expected drop in the future in EU funds. The prime minister made clear he wanted to open the issue of how best to invest in the health sector ahead of this year's parliamentary elections.

## AGRICULTURE

## MEAT PRODUCTION RISES – 30.1.

Meat production returned to rise in the CR last years after years on the slide. Overall production climbed 0.3% year on year to total almost 449,000 tonnes. Beef and poultry production rose, but pork production, continued to decline. Pork production counts for almost half total meat production and was down by 3.3%. Milk production rose by 1.0% to 2.46bn litres although the price paid to farmers was almost 15% below 2015 levels.

## BRNO RESEARCHERS MAP STRUCTURE OF VIRUSES THAT THREATEN BEE POPULATIONS – 1.2.

Researchers at the Brno-based Central European Institute of Technology (CEITEC) say they have identified the structure of several viruses that affect bees and can now determine how the infection takes place. The worldwide breakthrough follows around two years of research at the unit of Masaryk University. The research gives some hope that a cure for some bee viruses could now be within reach. Bee populations across the world have plummeted in recent years with around 25 viruses that threaten them pinpointed by scientists.

<sup>14</sup> PM: Prime Minister

## INDUSTRY &amp; TRADE &amp; TAX &amp; SERVICES

## PREVENTING TAX EVASION – 26.1.

The CR special anti-corruption police unit, known as Kobra, has prevented tax evasion amounting to CZK7.6bn in total since its establishment in June 2014, MF<sup>15</sup> Minister Babiš said. In 2016 alone, Kobra prevented tax evasion worth CZK3.4bn. The team, operating under the anti-corruption police, is comprised of experts from the police and the finance and customs authorities.

## UNOCCUPIED INDUSTRIAL AREA DOWN – 26.1.

The share of unoccupied storage and production shop area in the CR declined by 0.35p.p. y-o-y to 4.75% at the end of 2016, with a total of 297,300 square metres of modern industrial area ready to be occupied, the IRF<sup>16</sup> said. Prague saw a moderate decline in the unoccupied industrial area share to 3.5%.

The share of unoccupied industrial property area increased moderately compared to the end of third quarter of 2016.

There are a total of 6.26mn m<sup>2</sup> of industrial and storage area in the CR, adding roughly 3% in Q4.

Companies operating mainly in areas of distribution, retail and e-commerce were interested in industrial property in the last quarter of 2016.

The newly leased property area grew by more than 50% in Q4,<sup>17</sup> while decreasing by 5% over the whole year.

## WATER MANAGEMENT PRICES – 26.1.

Map 4: Water management prices, (in CZK/1000l)

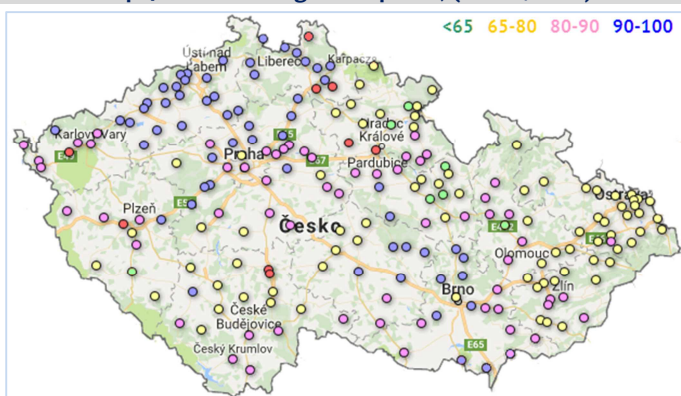


Table 1: TOP prices in Municipalities (in CZK/1,000l)

The municipalities	cheapest	The most expensive municipalities	
Žamberk	50,03	Železný Brod	98,30
Jaroměř	52,00	Hradec Králové	102,13
Litovel	57,81	Nový Bydžov	102,13
Červený Kostelec	61,50	Nýřany	102,30
Klatovy	62,51	Frýdlant	102,97
Litomyšl	63,86	Sokolov	103,44
Česká Třebová	64,40	Semily	105,31
Dobruška	65,29	Turnov	105,31
Vysoké Mýto	67,75	Sezimovo Ústí	114,59
Šternberk	69,00	Tábor	114,59

<sup>15</sup> MF: Ministry of Finance

<sup>16</sup> IRF: Industrial Research Forum, associates real estate and consulting companies CBRE, Colliers International, Cushman & Wakefield and JLL.

<sup>17</sup> Q4: 4<sup>th</sup> quarter of the year

## PŘÁVO ANOTHER JAPANESE INVESTOR COMING TO KOLÍN – 28.1.

A new investor is coming to Kolín's industrial zone Ovčáry soon. City leaders agreed with the Japanese company Nippon Paint on the sale of land in the zone. Negotiations lasted more than two years. Now everything is ready for signing a contract to buy 5ha<sup>18</sup> of land. "It is a production company for the production of car body colors. It means a revenue of more than CZK20mn to the municipal budget, which covers the cut of the hazard," said the mayor of Kolín, Vít Rakušan (STAN<sup>19</sup>).

Ideally, the Japanese company could obtain a building permit and begin construction this year and next year perhaps even to launch the production. A few dozen people should find new jobs there.

The larger area in the Kolín area is of interest to another investor, with whom CzechInvest negotiates, but Kolín city hall does not know yet more details about who they are and what are their plans.

TPCA<sup>20</sup> HITS FIVE YEAR RECORD FOR CAR PRODUCTION – 1.2.

The Czech based car making joint venture TPCA last year produced just over 220,600 cars. That's the highest total since 2011 and a 0.7% rise on the 2015 figure. The overwhelming majority of cars produced at the Kolín plant are for exports with the main destinations being Britain, Germany, Italy and France. Britain takes 29% of the production. TPCA is a joint venture between Toyota and Peugeot Citroen.

## ENERGY

## TEMELÍN TO GENERATE 15 TWh IN 2017 – 26.1.

The Temelín nuclear plant in south Bohemia is set to produce 15 TWh<sup>21</sup> of electricity in 2017, which is 3TWh more than last year. The plant plans to hire around 80 new employees this year. Around 500 of the plant's existing employees will have to get security clearance this year due to the new nuclear power law which tightens security at the country's nuclear stations. Temelín set an annual production record in 2012, when it generated 15.3 TWh.

## TRANSPORT

## BOOST NEEDED FOR ELECTRIC CARS – 25.1.

PM Bohuslav Sobotka has suggested that the CR should do more to increase the uptake of electric cars following the recent smog problem across most of the country. He said that European funds could be pumped to help encourage the purchase and use of electric cars. He pointed out that the lack of a dense network of charging stations was one of the main problems and added that government ministries themselves could do more to boost their use of clean transport. A smog warning still applies in some parts of the country.

<sup>18</sup> ha: hectare is a non-SI metric system unit of area equal to 10,000 m<sup>2</sup>

<sup>19</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>20</sup> TPCA: Toyota Peugeot Citroën Automobile Czech (TPCA) is an automobile manufacturing company in Kolín, Czech Republic. It is a joint venture between Toyota Motor Corporation of Japan and PSA Peugeot Citroën of France.

<sup>21</sup> TWh: terawatt-hour, a measure of electrical energy, 10<sup>12</sup> watt-hours

**POOR PREPARATION LED TO DELAYS ON D1 REPAIRS SAYS****WATCHDOG – 30.1.**

The country main spending watchdog, the SAO,<sup>22</sup> has criticised how repairs were carried out in the CR key road artery between Prague and second city, Brno, the D1 motorway. The report said that the Motorways and Highways Authority responsible for preparing the project failed to look properly at the different repair scenarios available and insufficient preparation before work started meant that the final work was delayed by at least two years. The price for repairs to similar sections of the motorway varied by up to a third, the watchdog added. The state agency said that construction firms had been willing to drop their prices during the recession when the repairs started. Repairs should have been completed by 2018 but not look as though they will continue to 2020.

**SLOVAKIA JOINS DANUBE-ODER-ELBE NAVIGATION PROJECT – 1.2.**

Slovakia has joined the CR and Poland is preparations for whether a massive transport project linking the Danube, Oder, and Elbe rivers and making them navigable would be economically attractive and feasible. The so-called DOL project has strong support from Czech president Miloš Zeman but is opposed by environment groups which say it will be an ecological disaster. Slovakia was previously an observer on a working group dealing with preparations but will now take part fully after signing a memorandum at a meeting of transport ministers in Warsaw on Tuesday. No final decision on whether to proceed with the project has yet been taken.

**POLITICS & POLLS & SECURITY****ELECTIONS – 25. 1.**

The ANO would win elections to the ChD with 29.9% of the vote, if elections were held now. The ČSSD would come second with 14.6%, followed by the KSČM with 12.6%. The survey also suggests that the TOP09 party, which gained slightly over 5% of votes in previous surveys, would not make it into Parliament. Other parties that would cross the five% threshold needed to win seats in the lower house are the ODS and the KDU-ČSL.

**SOLVING OWNERSHIP OF AGROFERT – 26. 1.**

The MF Minister Babiš said, he would resolve his ownership of the Agrofert agro-chemical company in February. He made the statement in reaction to the new bill on conflict of interest, which places ownership restrictions on government members. The legislation, which came into force on January 25, prevents people with large stakes in companies from becoming ministers, while firms more than 10% owned by cabinet members are not allowed to compete for public tenders. Minister Babiš, who owns one of the CR's biggest companies as well as several media outlets, repeated that he regarded the bill as unconstitutional.

**REFUSAL OVER EU MIGRANT QUOTAS – 26. 1.**

MI Minister Chovanec, who attended an informal meeting of European interior and justice ministers in Malta, repeated the Czech government's firm opposition to EU mandatory refugee quotas. Taking the opposite stand, EU Commissioner for migration, Dimitris Avramopoulos, said he hoped the ministers would finally agree on a fair distribution of migrants. He told the AFP news agency it was time to interpret the principle of solidarity in the same way. The Czech government remains opposed to mandatory refugee quotas on the grounds that such a system would not work.

**HACKERS ACCESSED FOREIGN MINISTRY EMAIL DATA – 31. 1.**

Hackers broke into email accounts at the MFA and downloaded data over a period of several months, Neovlivni.cz reported on Tuesday. Among the accounts hacked were those of the minister of foreign affairs, Lubomír Zaorálek, and his deputies, the investigative news website said. The news site Lidovky.cz quoted Mr. Zaorálek as saying it was a very sophisticated attack; he said an "unknown state" was evidently behind the cyberhacks, which were of similar nature to those carried out against the Democratic National Convention in the US. Neovlivni.cz quoted security sources as saying thousands of pieces of data – including classified information – had been gradually downloaded from the email accounts. However, the MFA has denied that the stolen materials included secret information, adding that the extent of the hacking had not yet been ascertained. Neovlivni.cz said the situation was all the more serious as it also concerned data concerning allies of the CR.

**CZECH POSITION FOR EU INFORMAL SUMMIT – 30.1.**

The Czech government on Monday agreed the prime minister's mandate for an informal meeting of EU heads of government and state on Friday in Malta. The Czech position will support moves to tackle human traffickers and boost cooperation with North African countries to prevent immigration. Libya is a particular target for help with the EC<sup>23</sup> last week already announcing moves aimed at helping Libyan authorities police their coastline. EU countries will also look ahead to their shared future following Brexit with the aim of coming up with a declaration on the group's future by the middle of this year.

**PRAGUE CASTLE WELCOMES TRUMP BAN ON REFUGEES – 28.1.**








Prague Castle has welcomed the executive decision by US President Donald Trump to implement a 120-day ban on the entry of refugees; Jiří Ovčáček, the spokesman for Czech President Miloš Zeman, made a statement on twitter confirming his boss's support for the move. He said that Mr Trump, as well as the Czech president, were doing the opposite of what the "EU elites" were doing (in his view, protecting their citizens). The strict measures by the new US president, which include an indefinite ban on refugees from Syria, have come under heavy criticism from numerous aid

<sup>22</sup> SAO: Supreme Audit Office

<sup>23</sup> EC: European Commission, is the executive body of the EU responsible for proposing legislation, implementing decisions, upholding the EU treaties and managing the day-to-day business of the EU.

organizations; the UN Refugee Agency has stated that the need to help refugees has never been greater. ©

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	Czech Statistical Office (Český statistický úřad)
	Czech Press Agency (Česká tisková kancelář)
	Hospodářské noviny Daily
	Právo Daily
	Radio Prague (Český rozhlas)
	STEM
	State Veterinary Administration