

## NEWS SUMMARY MARCH 9 – MARCH 15

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### ECONOMY & FINANCE

#### FASTER INFLATION LIKELY TO SPEED UP END OF FOREX INTERVENTIONS – 9.3.

For the second month in a row, y-o-y<sup>1</sup> inflation has remained above the CNB's<sup>2</sup> target rate of 2.0%, which is one of the prerequisites for the bank to drop its current 'low crown' policy.

Experts say this year's inflation figures are likely to speed up the end of forex interventions, introduced by the CNB in November 2013 with the aim to head off the danger of deflation and weakened economic growth. The bank originally announced it would stop intervening in mid-2017, but now it seems more likely the move could come in the second quarter of the year.

#### CNB INVESTS 10% OF ITS FOREIGN EXCHANGE RESERVES IN STOCKS – 9.3.

CNB is using its foreign exchange reserves, which grow thanks to the commitment to keep the exchange rate of the Czech currency, for investments in a mixture of safe and profit-making assets. This was stated by Tomáš Holub, the head of currency section in the central bank.

According to his words, the investment is primarily formed by safe government bonds.

Roughly 10% of the investment is formed by stocks. The bank has extended the portfolio of purchased foreign currencies also to Australian dollar, Canadian dollar, or Swedish crown. The central bank posted a profit totalling CZK<sup>3</sup> 46.5bn<sup>4</sup> for the year 2016.

The profit will be most likely allocated to reserve funds.

According to Mr. Holub, the trading with the Czech currency might be volatile after abandoning the commitment.

#### CZECH ANNUAL INFLATION IN FEB IS 0.4 POINT ABOVE CNB'S ESTIMATE – 9.3.

Czech annual inflation of 2.5% in February was 0.4% higher than forecast by the CNB, CNB monetary section head Tomáš Holub said today.

According to data from the CSO,<sup>5</sup> annual inflation accelerated from January's 2.2% to 2.5% in February.

"Inflation has thus been above the CNB's target of 2%, but within the tolerance band, since the start of the year," Holub said.

The difference between the actual inflation and CNB's estimates is caused mainly by higher-than-expected adjusted inflation excluding fuel prices, according to Holub.

"This indicator of core inflation has been reflecting the positive effect of continued growth in the domestic economy

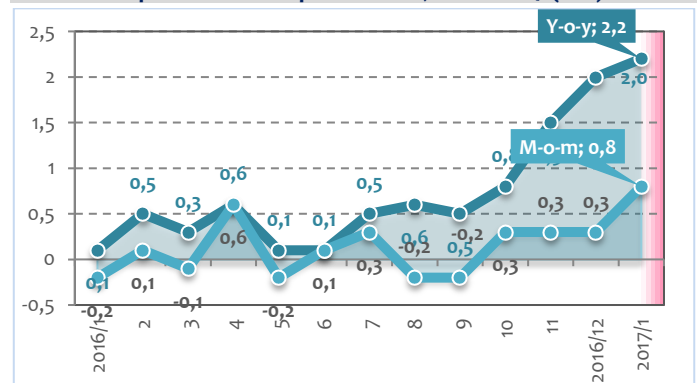
and accelerating wage growth for some time now," Holub said.

To a lesser extent, the higher-than-forecast February inflation was also driven by food prices, partly due to a jump in traditionally volatile prices of vegetables, Holub added.

The released figures pose a slight inflationary risk for the fulfilment of the CNB's current forecast for the remainder of 2017, according to Holub.

"According to this forecast, inflation will increase further into the upper half of the tolerance band around the target this year. It will return to the 2% target from above at the monetary policy horizon, i.e. in the first half of 2018," Holub said.

Graph 1: Consumer prices Index, 2016 – 2017 (in %)



#### ČS WILL PROVIDE COMPANIES WITH LOANS WORTH EUR 100MN GUARANTEED BY EIB – 9.3.

Czech bank Česká spořitelna (ČS) has closed a guarantee agreement with the EIB,<sup>6</sup> which will make it possible for Czech firms to draw investment loans in the total amount of up to EUR<sup>7</sup> 100mn.

The guarantee agreement will cover 50% of credit risks in contracts with companies up to 3,000 employees.

Larger companies or municipalities will be able to draw new loans under certain conditions.

The loans can be used for projects of energy savings, use of renewable energy sources, a science, research, or innovations. ČS has already provided advantaged loans guaranteed by EIB in the amount of EUR 1.15bn.

#### CNB: NO. OF COUNTERFEIT COINS AND BANKNOTES DOWN TO 2,132 – 14.3.

There were totally 2,132 counterfeit and/or altered Czech banknotes and coins confiscated in the CR<sup>8</sup> in 2016, down 251

<sup>1</sup> Y-o-y: year on year

<sup>2</sup> CNB: Czech National Bank

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

<sup>4</sup> bn: billion

<sup>5</sup> CSO: Czech Statistical Office, is the main organization which collects, analyses and disseminates statistical information for the benefit of the various parts of the local and national governments of the CR. It accomplishes this goal through the management of the Czech Statistical Service.

<sup>6</sup> EIB: The European Investment Bank is the EU's non-profit long-term lending institution established in 1958 under the Treaty of Rome. As a "policy-driven bank" whose shareholders are the member states of the EU, the EIB uses its financing operations to bring about European integration and social cohesion. It should not be confused with the European Central Bank (ECB).

<sup>7</sup> EUR: (€) Euro is the official currency of the Eurozone, which consists of 19 of the 28 member states of the EU.

<sup>8</sup> CR: the Czech Republic

on 2015. Their value exceeded CZK2.2mn.<sup>9</sup> In the long run, CZK500 and CZK1,000 notes are falsified most frequently. This stems from the statistics of CNB.

#### **MPs TAKE NOTE OF STATE FINAL ACCOUNT FOR 2015 – 14.3.**

The ChD<sup>10</sup> today took note of the state final account for 2015, according to which the state budget deficit was CZK62.8bn, as opposed to the approved amount of CZK100bn. The budget for last year showed a deficit of CZK62bn. Total budget revenues in 2015 rose by CZK100.7bn to CZK1,235bn, while total expenditures grew by CZK85.7bn to CZK1,297bn. VAT<sup>11</sup> collection increased by about CZK6bn to CZK236bn. Excise duty collection generated almost CZK143bn, which was nearly CZK9bn more on the year. State expenditures on social benefits rose by about CZK10bn to CZK506.4bn. Financial authorities managed to recover almost CZK12bn in tax arrears. Salaries of state officials and other bodies reached nearly CZK5bn, which was an annual rise of about a third. Expenditures on salaries of all civil servants increased by CZK8.6bn to CZK147.1bn. Salaries of soldiers and other members of security forces amounted to CZK31.9bn. Spendings on salaries in regional education reached CZK62.2bn. The state final account is a document summarising the economic operations of the state and self-rule authorities, and the development of public finance and government debt.

#### **ABOUT 130,000 ENTREPRENEURS JOIN EET SO FAR – ADMINISTRATION – 12.3.**

About 130,000 entrepreneurs have joined the EET<sup>12</sup> and issued 405,000 bills to customers so far, Financial Administration spokeswoman Petra Petlachová has said. The FA<sup>13</sup> has conducted 12,143 inspections related to EET and has revealed 1,491 shortcomings. It has imposed 27 on-the-spot fines totalling CZK124,900 and has initiated administrative proceedings in 1,027 cases, Petlachová said. "The most frequent shortcomings were the failure to issue a bill, the failure to place information and the failure to send data to the EET system, Petlachová said. If observation of the EET system is checked consistently, the business environment in the CR<sup>14</sup> can improve, Roman Mazák, the head of retail cooperative Družstvo CBA, said.

"According to our estimates, tax evasions in food shops amount to CZK30bn annually and in restaurants up to CZK10bn annually," he said.

In the first stage, the EET duty started to apply to hotels and restaurants on December 1, 2016. As of March 1 this year, retailers and wholesalers are obliged to join the EET system as well.

#### **EGAP UPDATES RISK MANAGEMENT SYSTEM – 13.3.**

The EGAP<sup>15</sup> has adjusted its risk management system based on the Solvency II regulation being valid in EU<sup>16</sup> since 2016. According to EGAP, the new risk management system limits the concentration of risk on one kind of risk or one country. An individually determined limit per country can reach 20% of the insurance capacity with view of the GDP<sup>17</sup> size or the international rating grade. EGAP's insurance capacity is set by the state budget for the year 2017 at CZK240bn.

#### **CZECH CURRENT ACCOUNT POSTS RECORD SURPLUS OF CZK52.6BN IN 2016 – 14.3.**

The current account of the CR's balance of payments showed a record-breaking surplus of CZK52.6bn in 2016, according to revised data published by the CNB today.

It was the third surplus in a row. Before that, it had run deficits since the CR's establishment.

In Q4,<sup>18</sup> the current account posted a CZK22.8bn deficit, reporting deficits in the second and third quarters, too, while the first one showed a surplus of CZK109.9bn.

The current account represents the sum of all economic transactions between the CR and foreign countries.

The CNB published revised data for 2014 and 2015 today. The revised data take into account the results of the CNB's annual survey of foreign direct investment and updated figures on exports and imports of goods and services.

In 2015, the current account ended in a CZK11.3bn surplus. It ran a CZK7.9bn surplus in 2014, while it posted a CZK21.8bn deficit the year before.

The goods and services balance posted a surplus of CZK64.2bn in the last quarter of 2016. Net lending abroad amounted to CZK11.5bn and the primary income deficit totalled CZK72.9bn due to a growth in dividends paid and reinvested earnings from direct investment in the CR.

"The CNB's own transactions (foreign exchange interventions) and transactions for CNB clients resulted in an increase in reserve assets of CZK173.8bn (adjusted for valuation differences)," the central bank said.

<sup>9</sup> mn: million

<sup>10</sup> ChD: Chamber of Deputies, is the lower house of the bicameral Parliament of the CR. The seat of the Chamber of Deputies is Thun Palace in Malá Strana, Prague.

<sup>11</sup> VAT: Value-added tax

<sup>12</sup> EET: electronic cash registers system, a method of online registration of sales, when the data on each transaction of merchant are sent online to the financial administration. EET system was launched in the CR on December 1, 2016, it has been introduced already in other countries: in Croatia (2013), in Hungary (2015), where it is operated via a hybrid system of cash registers and online registration, in Slovenia (early 2016); in Slovakia, where online registration of sales is optional. Offline registration of sales using cash registers was introduced also in other 15 EU countries by 2016.

<sup>13</sup> FA: Financial Administration of the Czech Republic

<sup>14</sup> CR: the CR

<sup>15</sup> EGAP: Export Guarantee and Insurance Corporation is a credit insurance corporation insuring credit connected with exports of goods and services from the Czech Republic against political and commercial risks uninsurable by commercial insurance. EGAP was founded in 1992 as a joint stock company fully owned by the state. The Czech Republic exercises its shareholder rights through the Czech Ministry of Finance, the Czech

Ministry of Industry and Trade, the Czech Ministry of Foreign Affairs and the Czech Ministry of Agriculture. Its activities are governed by the Insurance Law and the Act No. 58/1995 Coll., on insuring and financing state supported export.

<sup>16</sup> EU: EU, is a politico-economic union of 28 member states that are located primarily in Europe. It has an area of 4,324,782 km<sup>2</sup>, and an estimated population of over 510mn. The EU has developed an internal single market through a standardised system of laws that apply in all member states. EU policies aim to ensure the free movement of people, goods, services, and capital within the internal market, enact legislation in justice and home affairs, and maintain common policies on trade, agriculture, fisheries, and regional development. Within the Schengen Area, passport controls have been abolished. A monetary union was established in 1999 and came into full force in 2002, and is composed of 19 EU member states which use the euro currency.

<sup>17</sup> Report

<sup>18</sup> GDP: Gross domestic product, an aggregate measure of production equal to the sum of all resident and institutional units engaged in production in a period (plus any taxes, and minus any subsidies, on products not included in the value of their outputs).

<sup>19</sup> Q4: 4<sup>th</sup> quarter of the year

The secondary income deficit increased to CZK14.1bn because of a higher amount paid by the CR to the EU budget. The corporate sector saw a net inflow of CZK24.4bn, while the government sector recorded a net outflow totalling CZK9.9bn.

CR's balance of payments (selected items, in CZK bn)				
	2016	2015	2014	Q4 2016
Current account	52.642	11.283	7.883	-22.842
- goods and services	351.696	266.070	275.602	64.221
- primary income	-271.762	-254.838	-260.789	-72.937
- secondary income	-27.292	0.051	-6.930	-14.125
Capital account	53.510	101.895	32.319	1.215
Financial account	117.678	175.782	59.416	11.493
- direct investment	-140.957	49.748	-80.383	-14.830
- portfolio investment	-169.532	-164.135	90.269	-115.532
- other investment	-146.644	-56.367	-17.546	-39.963
- reserve assets	563.521	351.306	73.123	173.847

#### CTK APPLICANTS FOR EU MONEY MAY APPLY FOR 78% OF TOTAL – ŠLECHTOVÁ – 13.3.

Czech applicants for European subsidies may have filed requests for 78.3% of a total amount of CZK609.4bn within the programme period 2014 - 2020 as of the end of February, Regional Development Minister Karla Šlechtová said today. The ministries made 454 appeals worth CZK477bn in total. The share of European funds contracted was 16.4%, with CZK31.3bn or some 5% of the amount sent to the recipients' accounts, Šlechtová said after a meeting of the Council for ESIF.<sup>19</sup>

Unless the CR meets the targets, set by the EU by 2018, the amount of CZK38.6bn may be transferred between individual programmes and countries. This reserve makes up some 6% of CZK648bn, a total amount allocated for the CR within the new programming period, with the CZK609.4bn figure serving as a calculation basis for the ministries' appeals and the contracted European money.

"From a point of view of the MRD,<sup>20</sup> however, it is necessary to speed up the pace of drawing (European funds) in spite of a certain progress (made in this respect)," Šlechtová said.

The ministry is submitting analyses and proposing solutions to the government and other responsible authorities but it cannot promise miracles, Šlechtová pointed out.

PM<sup>21</sup> Bohuslav Sobotka said he expects Šlechtová to come up with a "traffic-light approach" at the next meeting of the Council, with the operational programmes to be categorised based on the extent to which European funding is jeopardised within these programmes.

"Not all of the programmes have achieved identical results," Sobotka said.

"I would like to appreciate the operational programmes Employment, Rural Development and Transport as they are at the top (of the list) at present," Sobotka said.

Prague - Growth Pole of the CR is a programme with the worst results, he added.

However, Prague said that some parameters were improved early in March, Sobotka noted.

In the previous programme period, the CR was allocated some CZK700bn, with CZK26.4bn of the amount being unspent.

The Council for ESIF was created by the cabinet in 2013 with the aim to help coordinate the aid granted by the EU. Its permanent members are the prime minister, regional development, industry, education, transport, environment, labour and agriculture ministers and Prague mayor. The Council met for the first time this year, holding 15 meetings in total.

#### CTK APPETITE TO SPEND, POST-CHRISTMAS DISCOUNTS BEHIND SALES GROWTH – 15.3.

The 5.6% growth in retail sales in January has confirmed the increasing purchasing power of Czech households, people do not fear to spend even on goods that they do not necessarily need, analysts addressed by CTK today said.

The results were influenced also by record-low unemployment, post-Christmas discounts and the fact that January this year had two working days more than last year. Analysts expect household consumption to be the main driving force of the Czech economy also this year even when the growth in retail sales will be a bit slower than last year.

"Good economic situation, high consumer confidence backed by the growth in real wages and record-low unemployment boost the rise in sales," said analyst Monika Junicke of Raiffeisenbank.

Households do not fear to spend on goods that they do not necessarily need, Jana Steckerová of Komerční banka added. "Sales from non-food goods and fuels thus grow. On the other hand, sales of food remain more or less unchanged in a y-o-y comparison," she remarked.

Discount sales after the Christmas holidays and a higher number of working days helped the retail sector in January, Generali Investments CEE chief economist Radomír Jáč remarked.

"The main thing, however, is that consumer sentiment remains very positive thanks to the development on the labour market," he said.

Next Finance chief economist Vladimír Pikora recalled that e-shops did the best, while sales of traditional food shops dropped.

"Retail chains will be interconnecting with e-shops. The number of non-specialised brick-and-mortar stores will be falling," he forecast.

Results of retailers for March, where the EET will be reflected, will be interesting, Pikora added.

"The weaker December was just the result of the shift of demand to November and then to January. Consumers looking for post-Christmas discounts were spending their money at shops more at the beginning of the new year," said Petr Dufek of bank CSOB.<sup>22</sup>

Miroslav Novák, an analyst of company ACZKenta, noted that this year's cold winter had probably helped to the success of stores selling goods for culture, recreation and sport.

<sup>19</sup> ESIF: European Structural and Investments funds

<sup>20</sup> MRD: Ministry of Regional Development

<sup>21</sup> PM: Prime Minister

<sup>22</sup> CSOB: CSOB is a wholly-owned subsidiary of KBC Bank NV. KBC Bank is fully owned by KBC Group NV. Both companies are domiciled in Brussels, Belgium.



Czech retail sales excluding the automotive segment rose by 5.6% y-o-y in January, up from 3% in December, the CSO announced today.

## SOCIAL & LABOUR & HEALTH

### MLSA: UNEMPLOYMENT FALLS TO 5.1% IN FEBRUARY – 9.3.

The share of unemployed people in the CR decreased 0.2 percentage point m/m to 5.1% in February 2017. The unemployment reached 6.3% in February 2016. According to information provided by the MLSA,<sup>23</sup> labour offices registered a total of 143,098 vacant job positions (+7,562 compared with January 2017 and +28,272 compared with February 2016) as of the end of February. The number of job applicants decreased 9,208 m/m to 380,208. The figure fell by 81,046 people compared with February 2016.

### ANALYSTS: UNEMPLOYMENT WILL FALL BELOW 5% - 9.3.

A traditional growth in the unemployment in winter months was very mild in the season 2016/2017 even despite a cooler weather.

This was stated by ING Bank analyst for the CR Jakub Seidler in a comment on data provided by the MLSA.

According to his words, the current development confirms that the demand for labour remains strong thanks to the continuing economic growth.

According to Generali Investments CEE head economist Radomír Jáč, the average unemployment rate will reach about 4.8% in 2017.

The rate totalled 5.5% in 2016. According to Komerční banka economist Viktor Zeisel, the lack of labour force and a decent economic dynamic will keep the pressure on a quicker growth in wages, which could nominally grow 4.6% in 2017.

### NO. OF SELF-EMPLOYED PEOPLE IN CR UP BY 5,000 TO 981,000 IN 2016 – 9.3.

The number of entrepreneurs who actually make a living from self-employment in the CR increased by 5,000 to 981,000 in 2016, according to data from the CSSZ.<sup>24</sup>

In the fourth quarter of last year, the number of the self-employed dropped by 15,000. Each year sees a decline in the last quarter but the overall annual number is what is important, the CSSZ head Karel Havlíček said.

In 2015, the number of entrepreneurs, including private physicians, artists and farmers, went up by 4,000.

The impact of EET on the number of the self-employed cannot be assessed sooner than in a year, however, it seems minimal according to initial estimates, Havlíček said.

The highest number of self-employed people is registered in Prague, with 171,000 entrepreneurs, and in the Central Bohemia and South Moravia regions, with 134,000 and 108,000 entrepreneurs, respectively.

The number of those who perform self-employment as their main gainful activity decreased by 1,000 to 577,818. The number of those who run their own business just as a subsidiary source of income is 403,537.

Small enterprises with one to nine employees account for more than 95% of the total number of businesses in the CR.

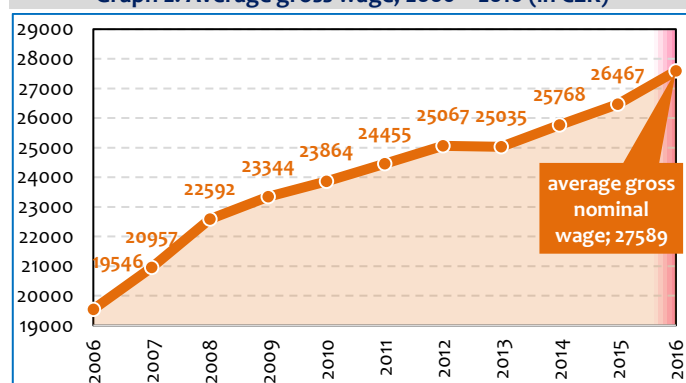
Together they employ more than one third of all employees in the country.

## No. of self-employed people

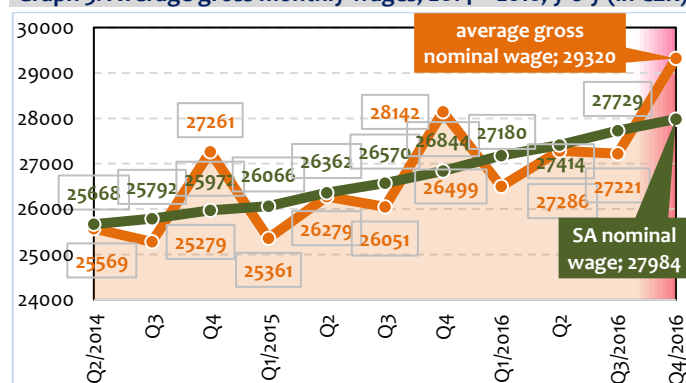
Timeline	Number
December 2004	946,000
December 2005	911,000
December 2006	904,000
December 2007	918,000
December 2008	938,000
December 2009	956,000
December 2010	977,000
December 2011	1,002,000
December 2012	994,000
December 2013	977,000
December 2014	972,000
December 2015	976,000
December 2016	981,000

## WAGES Q4 2016 – 10.3.

Graph 2: Average gross wage, 2006 – 2016 (in CZK)



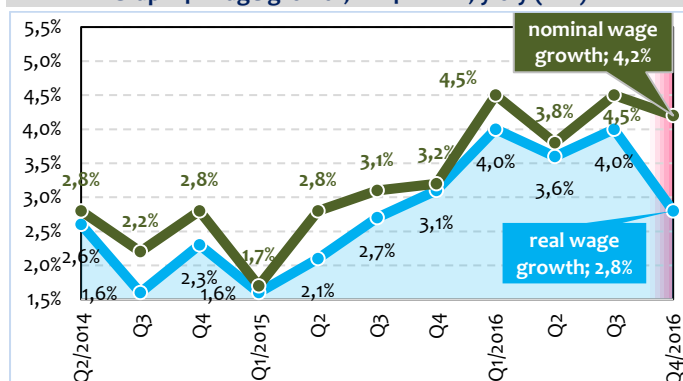
Graph 3: Average gross monthly wages, 2014 – 2016, y-o-y (in CZK)



<sup>23</sup> MLSA: Ministry of Labour and Social Affairs

<sup>24</sup> CSSZ: Czech Social Security Administration

Graph 4: Wage growth, 2014 – 2016, y-o-y (in %)



**AVERAGE WAGE IN CR GROWS BY 4.2% Y-O-Y TO CZK29,320 IN Q4 2016 – 10.3.**

Average gross monthly wage in the CR grew by 4.2% year on year to CZK29,320 in the Q4 of last year and real wage increased by 2.8%, the CSO announced today.

Against the previous quarter, wages were 0.9% higher.

In the whole year 2016, average nominal wage went up by 4.2% as well - to CZK27,589 a month, and real wage rose by 3.5%.

Average wage in the CR grows constantly since the beginning of 2014. Y-o-y growth in the Q4 of 2016 against the Q3 slowed down and real growth was even the slowest since the end of 2015.

On the other hand, full-year wage growth in 2016 accelerated against the previous years. Last year's increase in average wage was the highest in the last eight years and real growth even the fastest in nine years.

Average wage in the business sphere increased by 3.7% in nominal terms and by 2.3% in real terms in the last quarter of 2016. In the non-business sphere, average wage went up 6.1% in nominal terms and by 4.6% in real terms.

Median wage increased by 6% to CZK25,061 in the last quarter of 2016. The median represents a figure when half of the wages are higher and the other half are lower.

Median wage reached CZK27,372 a month for men and CZK22,426 for women.

Eighty% of employees earned wages within the interval from CZK11,657 to CZK47,545, the statisticians said.

The wage growth in the fourth quarter was moderately lower than the estimates of analysts addressed by CTK who expected a 4.3 to 4.9% growth in nominal wage and around a 3% growth in real wage.

The highest gross wage in the last quarter of 2016 and the full year 2016 was paid to employees in Prague, the only region in the CR where this wage exceeded CZK30,000.

**Average gross monthly wage (CZK) and its growth (%) in 2016 in individual regions**

	Q4,2016	Growth	Full yr 2016	Growth
CR	29,320	4.2	27,589	4.2
Prague	36,584	2.9	35,187	3.5
Central Bohemia	29,489	4.9	27,730	4.6
South Bohemia	26,692	4.3	24,835	4.3

Plzen	28,376	4.6	26,498	4.3
Karlovy Vary	25,496	4.8	23,612	4.6
Usti	26,858	5.1	25,148	4.8
Liberec	27,372	4.3	25,622	4.2
Hradec Kralove	26,836	4.9	25,140	4.8
Pardubice	26,742	5.0	24,707	4.3
Vysocina	26,962	5.0	25,222	4.9
South Moravia	28,552	4.7	26,629	4.6
Olomouc	26,542	4.5	24,666	4.2
Zlin	26,131	4.4	24,342	4.5
Moravia-Silesia	26,738	2.3	25,171	3.2

**WAGES GROW MAINLY TO EMPLOYEES WITH LOWER INCOME – ANALYSTS – 10.3.**

The data on wages, released today, show that wages grew in particular to employees with lower income, analysts addressed by CTK said and most of the analysts had expected a higher growth in average wage.

Analysts expect a faster growth in nominal wages this year than last year but due to accelerating inflation, their real growth will be slower.

The economists at the same time repeated that two thirds of employees have a lower-than-average wage.

Average gross monthly wage in the CR grew by 4.2% year on year to CZK29,320 in the fourth quarter of last year and real wage increased by 2.8%, the CSO announced today.

In the whole year 2016, average nominal wage went up by 4.2% as well - to CZK27,589 a month, and real wage rose by 3.5%. Median wage increased by 6% to CZK25,061 in the last quarter of 2016.

The median wage shows that wages of people with lower income grew faster, said CSOB analyst Petr Dufek.

"In each quarter of last year, the median wage grew faster than the average wage. This indicates that people on lower income saw a faster wage growth the whole year through," financial group Roklen economist Michal Soltes said as well. In general, the wage growth was pulled by positive economic development, drop in unemployment to record-low levels and lack of suitable workforce which makes companies raise wages, said ING chief economist Jakub Seidler.

"Employers complained about lack of people, not only qualified ones but also auxiliary workers. This forces them to raise wages to these groups of employees," said Raiffeisenbank analyst Monika Junicke.

"Raising of minimum wage in 2016 contributed to the growth in lower wages in a fundamental way," she added.

The current data on wages should not disappoint the CNB for which, apart from inflation, wages are a very important indicator for monetary policy setting, Dufek remarked.

"Moreover, it is evident that the wage growth will continue accelerating this year because the lack of employees on the labor market is getting bigger," he added.

UniCredit Bank analyst Pavel Sobišek expects wage growth to reach some 5% this year.

"However, higher inflation will cut a bigger portion from the wages than last year so the growth in real wages will slow down to an estimated 2 to 2.5%," he said.

"Compared with the average wage in the EU, average wage in the CR improved by 1% and reached 63%," said Deloitte chief economist David Marek.

Cyrus chief economist Lukas Kovanda pointed at the fact that wages in Slovakia and Poland grew faster.

"For the whole year, Slovaks saw a 3.8% improvement in real wage and Poles registered a 3.8% rise in nominal wage," he noted.

"However, the economy there moved in deflation so real wages of Poles were even higher, growing by 4.5% on average in 2016," Kovanda added.

#### **8% OF EMPLOYERS TO HIRE STAFF IN Q2 – MANPOWER – 14.3.**

8% of domestic employers plan to raise staff numbers in Q2, while 2% will cut their workforce, according to a regular Manpower survey whose results were presented at a press conference today.

The survey was conducted among 750 employers in the private and public sectors in the CR.

A total of 86% of businesses are not predicting any changes and 4% said they did not know.

The net labour market index reached plus 6%.

In Q1, 6% of employers announced recruitment plans, with 5% of respondents planning dismissals and the net labour market index reaching plus 1%.

"The labour market has changed during the past two years for the benefit of job seekers," said ManpowerGroup CR and Slovakia CEO Jaroslava Rezlerová.

"Unemployment in the CR is the lowest in Europe, with demand for employees markedly surpassing supply and cities and industrial areas showing a critical lack of suitable workforce," Rezlerová said.

The latest results represent the most optimistic forecast for the second quarter since the launch of the surveys in 2008, she pointed out.

In addition to technical professions, there is also a shortage of manufacturing workers and warehousemen.

The next quarter will see a growth in recruitment activities in all the four categories of enterprises, with big employers announcing large-scale plans in this respect, followed by mid-sized, small and micro-enterprises.

In nine out of ten branches, employers predict a growth in staff numbers for the coming quarter, the most optimistic outlooks being in transport, warehousing and communication as well as construction. Employers in agriculture, game management, forestry and fisheries expect a downward trend.

#### **MANPOWERGROUP: DIGITALISATION TO BOOST EMPLOYMENT – 15.3.**

According to the Skills Revolution international survey by ManpowerGroup, more than 90% of employers estimate that their companies will be affected by digitalisation and automation in the next two years. Most employers anticipate that automation and digitalisation will boost employment as the end effect. Up to 83% of employers plan to maintain or boost their employee bases and raise their employees'

qualification in the next two years. Only 12% of employers plan to lay off employees.

#### **GOVERNMENT APPROVES DRAFT LAW ON UNIVERSITY HOSPITALS – 9.3.**

The government of the CR approved on March 8, 2017 the draft University Hospital Act. Nine current university hospitals and the Central Military Hospital will be transformed in a new kind of a legal entity - the university hospital - beginning January 1, 2018. The new university hospitals will likely show easier management and more economic freedom in view of the regulation. The hospitals will be under supervision of a council consisting of representatives of the MH,<sup>25</sup> the MF,<sup>26</sup> a university, and employees.

#### **LÁZNĚ LUHAČOVICE WILL RAISE WAGES BY 10% IN APRIL – 15.3.**

Czech spa company Lázně Luhačovice will raise wages for all its 580 employees by 10% beginning April. Working hours will remain shorter at an average of 37.5 hour a week. According to executive manager Jiří Dědek, the company copes with a growth in wages also in the future. He said that the lack of employees in the region was limiting the development of the spa. The company wants to offset the decrease in the number of Czech employees leaving for jobs in German and Austria by employees from Slovakia. The spa currently offers 1,300 beds in seven hotels.

#### **AGRICULTURE & FOOD & BEVERAGES & ENVIRONMENT**

#### **CZECH AGRICULTURE PROFIT UP AT CZK11.7BN IN 2016 – ASSOCIATION – 14.3.**

The CR's agriculture profit grew by CZK2.7bn to CZK11.7bn in 2016, the Agriculture Association data showed, where the plant production and transferring part of subsidy payments from 2015 contributed to the rise, the Association's head Martin Pýcha said at today's Association meeting.

Agriculture entrepreneurs in all the regions reported profits. However, regions with businesses having more farm animals, mainly cows, posted worse results, Pýcha said. Last year's biggest problems were caused by low purchase prices of milk. It shows that animal production is less profitable than plant production, he added.

According to the CSO data published on March 3, the Czech agriculture profit went up by 25.9% to CZK20.22bn last year. The CSO and the Association have different methodologies. The Association's preliminary data is based on information of 446 companies working on 718,000 hectares of agriculture land. "That is roughly a seventh of the CR's agriculture land," Pýcha said.

Czech farmers earned CZK3,356 per hectare of agriculture land last year, according to the Association data. The Zlín region reported the highest profit of almost CZK4,600 per hectare, while the South Bohemia region saw the lowest profit of roughly CZK1,700 per hectare.

Last year's volume of subsidies increased by CZK7.6bn thanks to transferring part of 2015's direct payments to farmers to 2016, Pýcha stated.

<sup>25</sup> MH: Ministry of Health

<sup>26</sup> MF: Ministry of Finance



Without the money, Czech agriculture would report a y-o-y profit decline, Pýcha said, estimating last year's result lower by CZK2bn-CZK3bn.

#### **JUREČKA WITH BUSINESS MISSION TO LEAVE FOR CUBA ON SUNDAY – 13.3.**

Czech Agriculture Minister Marian Jurečka will leave for Cuba on Sunday accompanied by a business mission of 30 Czech companies' representatives, mainly from the areas of agriculture, food, breeding, food industry technologies and water purification, the Confederation of Industry said in a press release.

The mission includes companies České přístavy, Inekon, ZZN Svitavy, Kovobel, Simplex and Templarske sklepy Čejkovice. Czech breweries and mini breweries, such as Rodinný pivovar Bernard and Czech Brewmasters, will be represented in Cuba. The discussed topics are supposed to include negotiations about paying off Cuban debts arising from trade cooperation based on agreements made in the Communist era before 1989.

The debt issue is managed by the Finance Ministry, which is why representatives of the ministry and CSOB bank will take part in the mission, Agriculture Ministry spokeswoman Markéta Ježková told CTK.

The debt negotiations were reopened in 2015.

The main purpose of Jurečka's trip is to support Czech companies entering the Cuban market and to mediate contact between Czech entrepreneurs and institutions, Cuban state-run companies and the Cuba Chamber of Commerce, according to the Agriculture Ministry.

Czech exports to Cuba reached CZK433mn last year, with imports from Cuba amounting to CZK139mn.

#### **LIQUEUR PRODUCER FRUKO – SCHULZ SUCCESFUL ON RUSSIAN MARKET – 14.3.**

Liqueur producer Fruko - Schulz sold one third more liqueurs y-o-y in Russia last year and it ended production of sparkling wine in Jindřichův Hradec with the intention to move it to Russia, company head Josef Nejedlý has told CTK.

Fruko - Schulz also entered the Romanian chain Profi last year. Fruko - Schulz showed a profit of more than CZK5m last year, generating turnover of CZK256mn. The company, majority owned by Russian group Ladoga, employs some 100 people.

#### **BUDĚJOVICKÝ BUDVAR TO BUILD BEER TRANSPORT BRIDGE – 14.3.**

Brewery Budějovický Budvar has built a steel bridge structure over Kněžskodvorská street in České Budějovice for beer transport. The 164m <sup>27</sup> bridge will link the brewery's production lines to the newly built logistic centre in the future. The single-track hanging cableway will transport over 2,000 bottles of beer per minute. Pallets with empty packaging will head in the opposite direction. The bridge is scheduled to be completed in February 2018. Building work on the bridge will be provided by the firm Porr.

#### **SUMMARY: HYDRO PLANTS WILL SPEND HUNDREDS OF MNS OF CZK ON DEVELOPMENT AND RENEWAL – 13.3.**

In 2017 Severočeská Vodárenská Společnost will invest CZK1.31bn, 86% of this sum will be invested into water management assets. Severomoravské Vodovody a Kanalizace Ostrava plans to invest CZK526mn. It will invest a further CZK150mn into repairs. Vodohospodářské Sdružení Turnov has roughly CZK200mn in investments in its budget for the reconstruction of grids, objects on the grid and the like. There are plans to renovate three wastewater treatment plants for CZK150mn in the next three years. Vodohospodářské Sdružení Obcí Západních Čech will invest more than CZK100m from its own funds into development and renewal of water mains and sewerage. It wants to get up to CZK70mn from subsidy programs. Středočeské Vodárny will renovate water treatment plant Kíčava for CZK50mn. It will also commence planning works for feeder Kopanina - Kožova Hora, which transports water from water reservoir Želivka. This is based on a survey conducted by ČIANEWS.

#### **ME WILL PROVIDE CZK100M FOR ENVIRONMENTAL BURDEN LIQUIDATION – 13.3.**

Czech Minister of the Environment Richard Brabec (ANO<sup>28</sup>) announced on March 10, 2017 the next round of the ME<sup>29</sup> programme helping municipalities and regions with the removal of current environmental burdens with unknown originators.

The minister announced the next round during his visit to Moravia-Silesia Region, who intends to ask for subsidies for the liquidation of sediments from lagoons Ostramo in Vratimov.

Applicants will likely get CZK100m from funds of the National Programme Environment.

#### **PRESIDENT VETOED NATURE PROTECTION ACT – 13.3.**

President Miloš Zeman has returned to the ChD of the Parliament of the CR an act that amends the act on protection of nature and landscape. According to the President the amendment does not take into account the specificities of National Park Šumava and introduces a state that will restrict the interests of municipalities, residents, visitors and other park entities.

#### **BIRD INFLUENZA IN THE CR AS OF MARCH 13 – 13.3.**

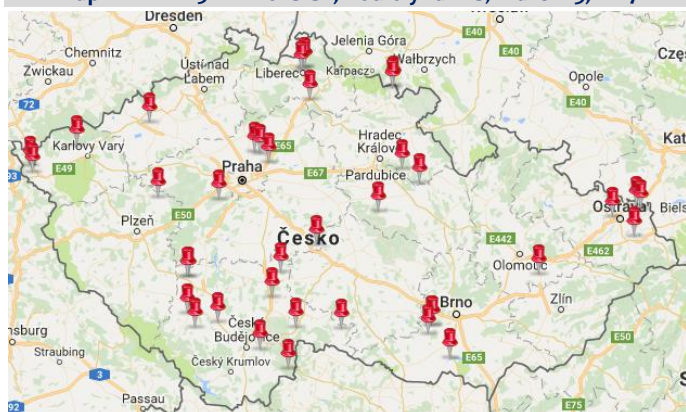
Outbreaks of the avian influenza have been confirmed in 38 poultry farms (5 commercial farms) in all regions excepting Vysočina region. Another 52 cases of H5N8 in wild birds were confirmed in all regions excepting Plzeň region. 1 case of H5N5 was confirmed in swan in Liberec Zoo.

<sup>27</sup> m: m is the fundamental unit of length defined as the length of the path travelled by light in vacuum during a time interval of 1/299,792,458 of a second

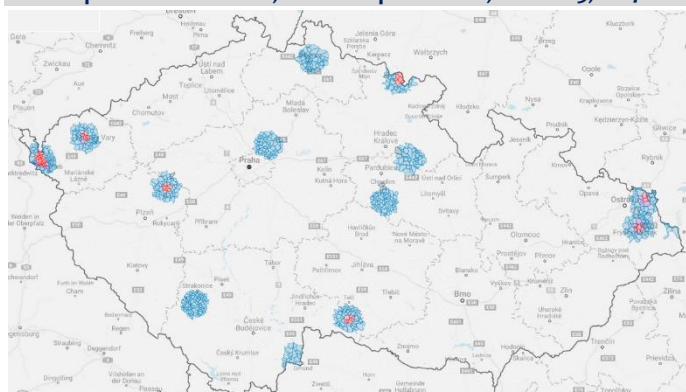
<sup>28</sup> ANO: ANO 2011, centre-right party

<sup>29</sup> ME: Ministry of the Environment

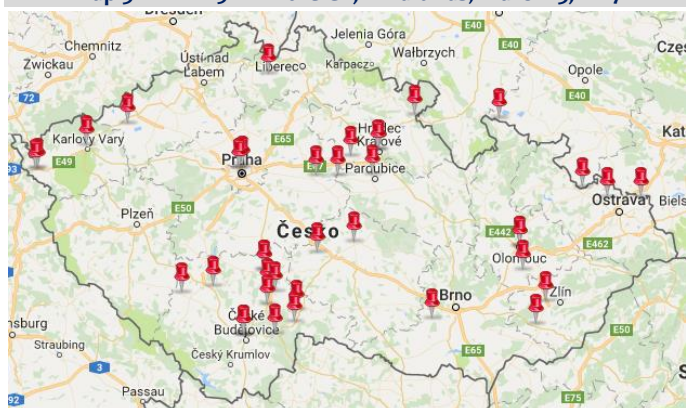
Map 1: HPAI H5N8 in the CR, Poultry farms, March 13, 2017



Map 2: HPAI in the CR, Zones of protection, March 13, 2017



Map 3: HPAI H5N8 in the CR, Wild birds, March 13, 2017



#### GOVT APPROVES AMENDMENT PREVENTING PRIVATISATION OF FORESTS – 14.3.

Czech government approved on March 13, 2017, the proposed amendment to the forest act. The norm stipulates that state forests cannot be sold or privatised, except for precisely defined cases. PM Bohuslav Sobotka (CSSD<sup>30</sup>) has stated that the norm's goal is to prevent privatization of state forests.

<sup>30</sup> CSSD: Czech Social Democratic Party, centre-left party

<sup>31</sup> in selected industrial CZ-NACE activities

<sup>32</sup> in industrial enterprises with 50+ employees, the registered number of employees indicator does not include persons working under various contracts for work, working owners of enterprises, and cooperating household members, who do not have contracts of employment. The piece of data on the registered number of employees in

## INDUSTRY & ENERGY & INVESTMENT

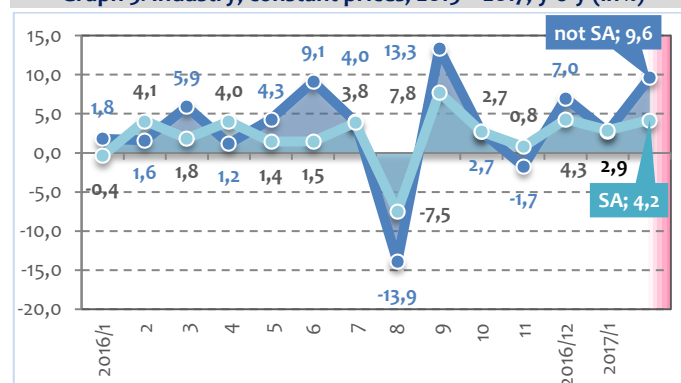
### INDUSTRY – 15.3.

In January 2017, SA industrial production increased at constant prices by 3.5%, m-o-m and by 4.3%, y-o-y; non-SA industrial production increased by 9.6%.

The following contributed the most to the y-o-y increase of industrial production: manufacture of motor vehicles, trailers and semi-trailers (+3.8 p.p., +18.7%), electricity, gas, steam and air conditioning supply (+2.1 p.p., +13.8%), and manufacture of fabricated metal products (+0.7 p.p., +8.2%). Industrial production decreased in mining and quarrying (▲0.5 p.p., ▲14.9%), manufacture of other transport equipment (▲0.2 p.p., ▲10.0%), and printing and reproduction of recorded media (▲0.1 p.p., ▲6.4%).

Sales from industrial activity at current prices increased by 12.0%, y-o-y, in January 2017. Direct export sales of industrial enterprises increased at current prices by 13.0%. Domestic sales, which include also indirect export via non-industrial enterprises increased at current prices by 10.6%.

Graph 5: Industry, constant prices, 2015 – 2017, y-o-y (in %)



The value of new orders<sup>31</sup> increased by 7.0%, y-o-y, in January 2017. Non-domestic new orders increased by 6.1%, while domestic new orders increased by 9.1%. The y-o-y increase of new orders in total was the most contributed to by the following CZ-NACE divisions: manufacture of motor vehicles, trailers and semi-trailers (+2.3 p.p., +5.3%), manufacture of electrical equipment (+1.6 p.p., +19.0%), and manufacture of chemicals and chemical products (+1.5 p.p., +22.2%). New orders decreased in manufacture of other transport equipment (▲0.2 p.p., ▲12.1%), manufacture of machinery and equipment (▲0.1 p.p., ▲1.1%), and manufacture of wearing apparel (▲0.02 p.p., ▲2.9%).

The average registered number of employees<sup>32</sup> increased in January 2017 by 2.1%, y-o-y. Their average gross monthly nominal wage increased in January 2017 by 5.7%, y-o-y, and reached CZK29 151.

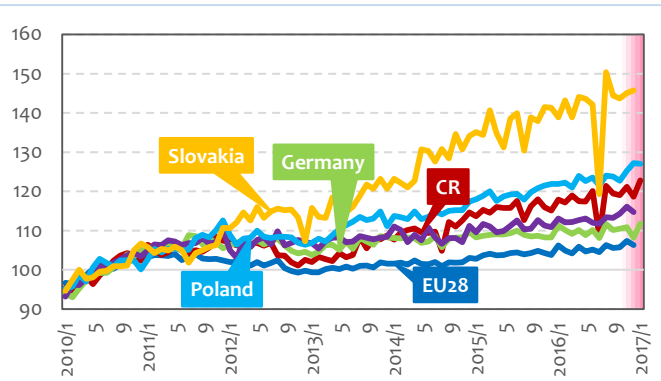
According to the Eurostat<sup>33</sup>, SA industrial production in the EU28 in January 2017 increased by 1.3%, y-o-y.

industry also excludes agency workers, who have contracts of employment within activities of services (CZ-NACE 78.2).

<sup>33</sup> Eurostat: Eurostat is a Directorate – General of the EC. 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.



**Graph 6: Industrial production index, international comparison, 2010–2017, average of 2010 = 100**



**SKODA AUTO RECORDS MOST SUCCESSFUL FEBRUARY IN HISTORY – 13.3.**

Czech car manufacturer Skoda Auto sold 81,200 cars in February, 3.1% (2,400 units) more than a year ago, registering the most successful February in its history, the company said in a press release today.

It, however, registered a decrease in deliveries of three of its models as well as in China, its largest market.

The company achieved a double-digit growth in Central and Eastern Europe, India and Israel.

Octavia remained the best-selling model, with 28,600 deliveries made in February, though it was an annual decrease of 8.6%.

Yeti deliveries decreased by 15.7% to 6,300 units, and Citigo deliveries fell by 16.4% to 2,300 units.

Fabia, the second best-selling model, recorded an annual rise of 15.2% to 16,700 units sold.

Third came Rapid with a growth of 12.1% to 15,000 units, followed by Superb with 10,900 units and annual rise of 17.1%. Skoda also sold 1,300 units of its new SUV Kodiaq.

"We are delighted with our strong start to 2017. We expect the market launch of the OCTAVIA product upgrade as well as the new KODIAQ to create further momentum," Werner Eichhorn, Skoda board member for sales and marketing, said on the company's website.

In Western Europe, deliveries increased by 7% (or 2,300 units) to 34,800 vehicles. With a rise of 4.5% to 12,600 vehicles, Germany remained the strongest single European market. Skoda recorded double-digit growth rates in the UK (23.6%), Italy (20.1%), Belgium (27.1%) and Austria (64.7%).

In Central Europe, Skoda achieved a growth of 12.9% (2,000 units) to 17,400 cars.

Deliveries on the domestic market rose by 8.8% to 8,200 vehicles.

Skoda also recorded a rise in deliveries to Poland (16.3%), Slovakia (15.4%), Slovenia (22.6%) and Croatia (46.9%).

In Eastern Europe, excluding Russia, Skoda saw a y-o-y increase of 13.3% (300 units) to 2,800 vehicles. The Ukrainian market recorded a rise of 93.9% and Bulgaria 17.5%.

In Russia, Skoda achieved an increase of 4.6% to 4,300 vehicles.

In China, Skoda supplied cars to 15,000 customers, which was a y-o-y decrease of 18.8% (3,500 units).

Total deliveries overseas increased by 98% to 2,500 vehicles.

Skoda Auto is a unit of German group Volkswagen. It runs three production plants in the CR, employing 27,000 people in them. It also assembles cars in China, Russia, Slovakia and India as well as in Ukraine and Kazakhstan.

In 2016, Skoda Auto sold 1,127,700 cars worldwide, exceeding the level of 1mn for the third year in a row.

**SKODA AUTO'S SERVICE CAMPAIGN TO COVER 192,000 CARS IN TOTAL – 14.3.**

Skoda Auto's service campaign aimed at updating the seven-speed gearbox DSG software applies to 192,000 cars globally including 3,260 cars in the CR, Skoda Auto spokesman Vítězslav Pelc told CTK today.

The owners of Fabia, Rapid, Roomster, Octavia, Superb and Yeti models, which were produced between January 2013 and August 2015 and equipped with the seven-speed DSG (direct shift gearbox) system, should visit the car maker's repair shops, Pelc said.

The DSG requires constant hydraulic pressure, while the existing software may cause a higher pressure than required. "The procedure (software update) takes no longer than one hour and is free of charge for all the customers," Pelc said.

The wrong software function is dangerous neither for the drivers nor for the passengers, which is why it cannot cause any emergency situations, Pelc noted.

The service campaign concerns all the markets where Skoda Auto has been operating. In Russia, for instance, over 40,000 drivers are expected to visit the repair shops.

Skoda Auto, which belongs to Germany's Volkswagen, has three production plants in the CR, employing roughly 27,000 people. It also produces cars in China, Russia, Slovakia India as well as in Ukraine and Kazakhstan.

Skoda Auto sold 1,127,700 cars all over the world last year, surpassing the level of 1mn units for the third time in a row.

**ŠKODA AUTO'S REVENUES GROW 9.8% TO EUR 13.7BN – 15.3.**

Czech automaker ŠKODA AUTO recorded a growth in its revenues by 9.8% y-o-y to EUR 13.7bn.

Its operating profit increased 30.9% to EUR 1.2bn. According to information provided by concern Volkswagen, the growth was caused by a positive mixture of the sales volume and offer and the cost optimisation.

As ČINEWS informed earlier, automaker's global sales increased 6.8% to 1,127,700 in 2016. The company will introduce a total of 11 model news in 2017.

**SKODA KODIAQ IS BEST CAR IN CR THIS YEAR – 15.3.**

The Skoda Kodiaq has become the Car of the Year 2017 in the CR ahead of the Volkswagen Tiguan and Volvo V90 models, the organisers of the 23rd annual competition told CTK last night.

The competition is organised by the Car Importers Association.

Last year's winner was the third-generation Skoda Superb. Motoring journalists and the public picked the winner out of 27 nominations.

The Kia Niro is the eco-friendly car of the year.

# Final rankings in the Czech Car of the Year 2017 competition

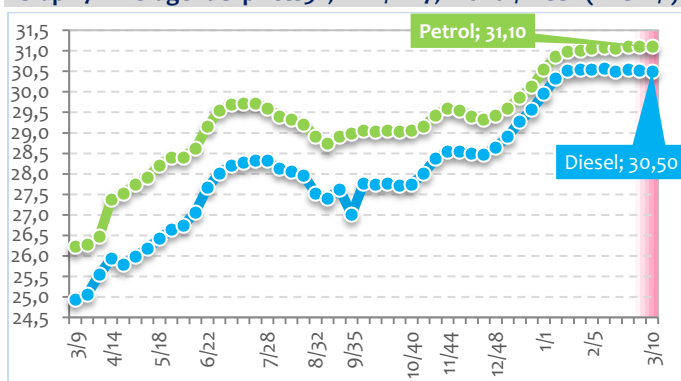
	Car model	Score
1	Skoda Kodiaq	139.0
2	Volkswagen Tiquan	92.5
3	Volvo V90	77.5
4-5	Alfa Romeo Giulia	63.0
4-5	Seat Ateca	63.0

## AVERAGE CONSUMER FUEL PRICES – 10. 3.

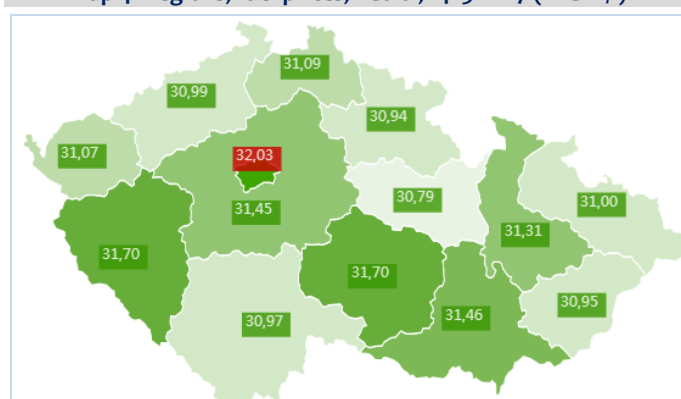
Fuel prices stagnated as the average price of top-selling petrol Natural 95 decreased by 1h<sup>34</sup> to CZK31.30/l<sup>35</sup> over the past week.

The average price of diesel oil stagnated at CZK30.52/l.

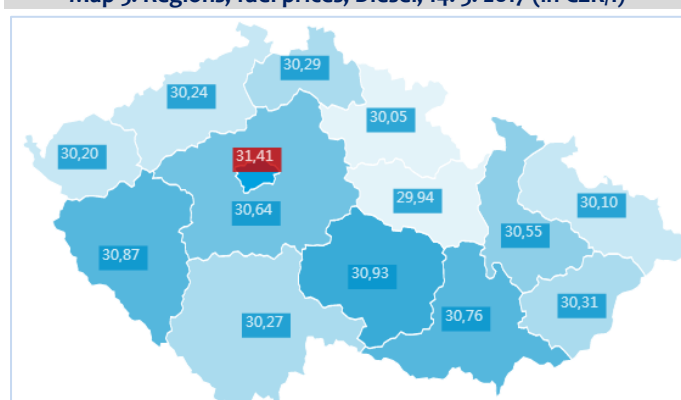
Graph 7: Average fuel prices<sup>36</sup>, 2016/2017, Month/Week (in CZK/l)



Map 4: Regions, fuel prices, Petrol, 14. 3. 2017 (in CZK/l)



Map 5: Regions, fuel prices, Diesel, 14. 3. 2017 (in CZK/l)



Petrol and diesel oil prices have been growing steadily since the end of November 2016. The growth almost stopped at the end of January.

## CEBIA: ONE THIRD OF IMPORTED USED VEHICLES HAVE FALSIFIED ORIGIN – 13.3.

Cebia verified the origin of 71,358 imported vehicles. Of this total, 39,148 (55%) had Germany listed as the country of origin, 7,891 (11%) Italy, 4,698 (7%) Austria and 3,998 (6%) France. A revision showed that the country of origin was incorrectly listed in the case of 21,838 vehicles, or 31% of the total number. In reality 28,672 (40%) vehicles were imported from Germany.

## KPMG: CZECH INDUSTRY CAN SAVE UP TO 14% OF ELECTRICITY – 15.3.

Industrial enterprises see the largest potential for savings (14%) in the electricity consumption. The possibility of savings in the consumption of natural gas is at 10%. This stems from a survey held by KPMG ČR under auspices of the MIT<sup>37</sup> and the State Energy Inspection Authority. In terms of the energy consumption, the best prospects for savings are seen for buildings (16%). The highest number of firms plans to renovate their lighting systems in the future (22%). A total of 18% of firms prepare investments in more efficient production technologies, 17% want to better use their waste heat, and 14% plan to insulate their premises.

## CZECH FUEL PRICES STAGNATE IN PAST WEEK – CCS – 9.3.

The price growth was fast from the end of November last year until mid-January. Petrol and diesel oil prices rose by nearly CZK1.5 and CZK2 a litre, respectively, during this period. From mid-January until the beginning of March, petrol prices increased by roughly 20 hellers and diesel oil prices by 10 hellers.

"We expect stagnation of fuel prices or a moderate decline in the coming week," said Finlord analyst Boris Tomčíak.

"Crude prices on global markets went down modestly in the past two weeks. The crown depreciated insignificantly against the US dollar," Tomčíak told CTK today. Motor fuels are traded in dollars on the commodity exchange in Rotterdam.

According to analysts, who were questioned by CTK early in March, Czech fuel prices will stagnate in the weeks to come. However, events such as an exit from the CNB's forex intervention regime can change such a development, they said.

The central bank said in February that it will continue intervening in the currency market at least until the end of the first quarter of the year. It reiterated it might possibly quit the regime in the middle of 2017. Most analysts say that the crown will then appreciate, which will push prices of motor fuels lower.

## Average prices of motor fuels in CR as of March 8 (CZK/l)

Region	Natural 95	diesel oil
Czech average	31.30	30.52

<sup>34</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>35</sup> l: litre, is an SI accepted metric system unit of volume equal to 1 cubic decim (dm<sup>3</sup>), 1,000 cubic centims (cm<sup>3</sup>) or 1/1,000 cubic m.

<sup>36</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.

<sup>37</sup> MIT: Ministry of Industry and Trade

Prague	32.14	31.47
South Bohemia	31.07	30.32
South Moravia	31.54	30.80
Karlovy Vary	31.15	30.22
Hradec Kralove	30.96	30.08
Liberec	31.19	30.35
Moravia-Silesia	31.05	30.17
Olomouc	31.27	30.56
Pardubice	30.78	30.00
Plzen	31.72	30.90
Central Bohemia	31.45	30.70
Usti	31.12	30.34
Vysocina	31.72	31.04
Zlin	31.04	30.36

### CTK HALF OF CZECH DIESEL OIL STORED IN GERMANY IS BACK IN CR – SSHR – 9.3.

About 38mn litres of diesel oil, about a half of the amount the CR stored in the storage facility of bankrupt company Viktoriagruppe in Krailling, Germany, have been transported back to the CR, the ASMR<sup>38</sup> told CTK today.

The CR stored diesel oil worth more than CZK1bn in Krailling but has been unable to retrieve it for almost two years since Viktoriagruppe was declared bankrupt in 2015. The transport to the CR eventually started in mid-October last year.

"If everything runs as it has been doing so far, we want to have all the diesel oil at home by the end of July," ASMR head Pavel Švagr told CTK.

The transport is being secured by state-run fuel distributor Cepro using the services of state-run rail carrier CD Cargo. Švagr said earlier the transport would cost no more than CZK60mn.

The accounting value of the diesel oil transported back so far is about CZK0.5bn.

The CR was able to store part of its diesel oil reserves in Germany under an amendment to the agreement on storing of specific reserves dated 2004. The amendment was signed by ASMR in 2010.

ASMR claimed at that time that by storing some of its diesel oil in Germany the government will save tens of mns of crowns.

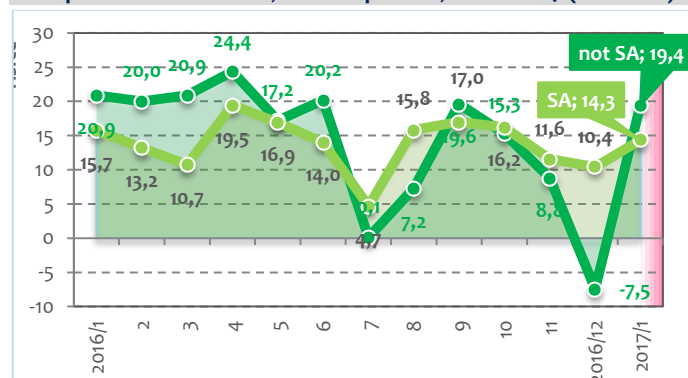
Švagr has, however, reiterated several times that the previous ASMR management had not evaluated all potential risks stemming from the contract.

In a draft amendment to the law on ASMR's powers, which is currently in the comment procedure, ASMR has therefore proposed that a decision on storing Czech material reserves abroad be always made by the government.

### EXTERNAL TRADE – 9.3.

In January 2017, the **external trade balance** in goods<sup>39</sup> ended in a surplus of CZK19.4bn, which was a decrease of CZK1.5 bn, y-o-y<sup>40</sup>.

Graph 8: External Trade, current prices<sup>41</sup>, 2016 – 2017 (in CZKbn)



Y-o-y, total balance in the national concept was unfavourably influenced mainly by a y-o-y deepening of deficit in 'computer, electronic and optical products' (▲CZK4.1bn), 'crude petroleum and natural gas' (▲CZK3.0bn), 'basic metals' (▲CZK2.3bn) and 'pharmaceutical products' (▲CZK1.0bn). A positive impact on the total balance was recorded in 'motor vehicles' and 'machinery and equipment' (+CZK5.9bn and +CZK2.6bn). Deficit of balance with 'chemicals and chemical products' decreased (▲CZK1.5bn).

SA **exports and imports rose** both by 1.8% and 0.4%, m-o-m<sup>42</sup> respectively. The development trend shows increasing exports (+0.7%) and imports (+0.4%).

**Exports and imports grew by 6.7%** (to CZK274.3bn) and **by 8.0%** (to CZK254.9bn), y-o-y respectively.

In January, the **trade balance with EU28<sup>43</sup>** ended in a **surplus of CZK60.0bn**, which was a y-o-y increase by CZK0.4bn. **Deficit of trade with non-EU countries** increased by CZK2.0bn to amount to **▲CZK38.8bn**.

### RETAIL TRADE – 15.3.

In January 2017, SA<sup>44</sup> **sales in retail trade**, except of motor vehicles and motorcycles, at constant prices increased by 1.0%, m-o-m. SA **sales increased by 3.3%**, y-o-y, non SA sales increased by 5.6%, y-o-y.

Sales for sale of food increased by 2.2%, for sale of non-food goods by 1.3%, while for sale of automotive fuel they dropped by 1.1%.

Y-o-y, non-food goods sales increased by 5.8% and sale of automotive fuel by 4.7%, while for sale of food they dropped by 0.4%.

<sup>38</sup> ASMR: Administration of the State Material Reserves

<sup>39</sup> **National concept of external trade:** in current prices, reflects export and import performance of the Czech economy, i.e. the external trade balance of the CR as well. It measures real trade in goods carried out between the Czech and foreign entities, i.e. a change of ownership between residents and non – residents.

<sup>40</sup> Y-o-y: year on year

<sup>41</sup> **Current prices:** Current prices correspond to foreign exchange (FX) rates declared by the Czech National Bank by the invoice date, are influenced by the effect of price inflation

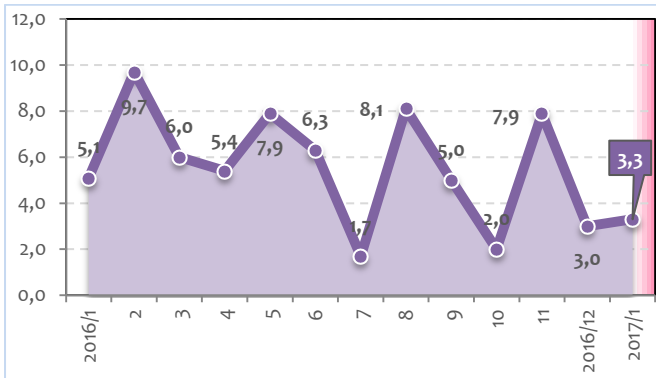
<sup>42</sup> M-o-m: month on month

<sup>43</sup> EU28: 28 member states of the EU, which are party to the founding treaties of the union and thereby subject to the privileges and obligations of membership

<sup>44</sup> SA: seasonally adjusted, Seasonal adjustment is a statistical method for removing the seasonal component of a time series that exhibits a seasonal pattern, which allows to analyse the trend of a time series independently of the seasonal components.



Graph 9: Retail, 2015 – 2017, y-o-y (in %)



#### CTK DUKOVANY PREPARING FOR RESTART OF UNIT 2 – 10.3.

Technicians of the Dukovany nuclear power plant are performing necessary tests to prepare unit 2 for a restart of fission reaction, which is planned for March 15, spokesman Jiří Bezděk told CTK today.

Unit 2 has been offline since mid-September 2016.

Technicians have already performed pressure tests on the primary and secondary circuits. They are yet to test the condition of technology and reveal potential leaks, after whose removal the unit can be put into ordinary operation for another 11 months, plant head Miloš Štěpanovský said.

After the restart of fission reaction, the unit's performance will be raised gradually until it will resume power supplies.

During the shutdown, 64 investment projects were materialised.

One of important projects was the reconstruction of the central pumping station, which required a 50-day-long parallel shutdown of units 1 and 2, Bezděk said.

Technicians has also replaced one fifth of fuel and completed the revision and repairs of X-ray welds documentation, Bezděk said.

The Dukovany plant consists of four units. At present, only two of them are generating power. Units 1 and 2 are offline, as planned. Unit 2 was shut down on September 16. Testing of its hermetic rooms was one of the last as well as one of the most difficult tasks from both technical and safety point of view carried out during the shutdown.

Unit 1 was shut down on January 20 and is planned to resume operation in May.

With installed capacity of 2,040 megawatts, Dukovany covers roughly one fifth of the country's electricity consumption.

Last year, Dukovany supplied 11.954 TWh<sup>45</sup> of electricity to the grid.

#### CTK EC'S APPROACH TO PAKS IS PRECEDENT, BUT NOT FOR CR – ANALYSTS – 12.3.

The approach of the EC<sup>46</sup> towards the extension of Hungarian nuclear power plant Paks is a precedent, but the CR will most likely choose a different model of building a new nuclear unit, according to analysts polled by CTK.

The EC has permitted the construction of two new units at the Paks plant. The construction is to be co-funded from a government loan provided by Russia. Until now, the

European Commission has been investigating whether Hungary did not breach EU regulations on state aid, since Hungary had awarded the contract to Russia's Rosatom without a public tender.

Rostom is also interested in building new nuclear units in the CR. The same interest has been shown by France's EDF, USA-Japan's Westinghouse Electric Company, South Korea's KHNP, China's China General Nuclear Power and Atmea, a joint venture of France's Areva and Japan's Mitsubishi.

"The indulgent stance of the Commission towards the completion of Paks is a significant precedent, particularly now that the 'politically more feasible' suppliers, Westinghouse and Areva/EDF, have found themselves in serious economic difficulties. Russia and China may be the only ones to be able to offer not only technology supplies but also significant financial participation in the planned construction of a new nuclear unit in the CR," the ENA company's analyst Jiří Gavor told CTK.

According to oEnergetice.cz website analyst Jan Žižka, the EC's decision is important mainly because it took into account the significance of nuclear energy for Europe.

"The Hungarian path may be inspirational but we should not copy it fully. Unlike Hungary, the CR is preparing a tender procedure for potential foreign bidders interested in building new reactors, which is good," Žižka said.

The CR will most likely seek an exemption from the EC which would allow it to organise a tender procedure that would not have to be bound strictly by all provisions of the public procurement law, Žižka noted.

Daniel Beneš, the CEO of the Czech state-run power utility CEZ, the operator of both nuclear power plants in the CR, has said in an interview for CTK recently that he cannot imagine the CR entering into an agreement with a supplier without a tender.

"I am convinced that it will be theoretically possible for the CR to sign an intergovernmental agreement only after we conduct a tender procedure in which we will select the best candidate who will come from the country that will be able to enter into the intergovernmental agreement with us," Beneš said.

According to J&T Banka's analyst Bohumil Trampota, under the current conditions on the market it would not pay to build a traditional power plant using coal, gas or nuclear reaction.

"Building a nuclear power plant is the most expensive option. Under current conditions, it would not make sense from the economic point of view," Trampota said.

Jan Stuller, the government envoy for nuclear energy, said earlier this month that a new nuclear unit in the CR might cost approximately more than CZK100bn.

#### CIA ŠKODA JS SUPPLIED EQUIPMENT FOR CONTAINER MANAGEMENT TO FRANCE – 13.3

ŠKODA JS has secured from Electricité de France (EDF) a contract for structural solutions, quality assurance, production and assembly of equipment for management of containers with spent fuel at future power plant EPR 1600 MW in Flamanville.

<sup>45</sup> TWh: terawatt-hour, a measure of electrical energy, 10<sup>12</sup> watt-hours

<sup>46</sup> EC: EC, 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.

The largest part of this equipment was transported to France from the ŠKODA JS reactor hall and its installation has commenced.

The equipment is responsible for the entire process of removing containers with spent nuclear fuel.

#### **ČSVE: ELECTRICITY GENERATED BY WIND PARKS TOTALLED 496.9 GWH – 14.3.**

In 2016, the gross volume of energy generated by wind power installations in the CR totalled 496.9 GWh.

In 2015, it was 571.7 GWh. This information was provided by the Czech Wind Energy Association (ČSVE).

Total wind energy installations as at December 31, 2016 had 283 MW. The value is the same as in 2015.

#### **GOVERNMENT APPROVES AMENDMENT OF E-COMMUNICATIONS ACT – 9.3.**

The government of the CR approved on March 8, 2017 the draft amendment of the E-Communications Act and Česká Televize Act. The draft will likely secure a better protection of consumers in the field of electronic communications and more rights for the Czech Telecommunications Office in relation with mobile services. Besides that, the amendment describes the transformation to the new digital broadcasting format DVB-T2. As ČIANEWS already informed, Czech PM Bohuslav Sobotka has agreed with political parties represented in the lower house that the law would be discussed in a period of 20 days. The amendment will be discussed at the lower house meeting in April.

#### **TURBINE PRODUCER EKOL GAINS ORDERS FOR BIOMASS PLANTS - 14.3.**

Turbine and boiler producer Ekol has gained contracts for construction of five biomass plants, it will build three of them with Czech investors, one in Poland and the others in Saudi Arabia, daily Hospodarske noviny writes today.

Apart from this, the company has been holding talks for several years about a project for two smaller biogas plants in Argentina.

Ekol's sales exceeded moderately CZK1bn last year and for the first time in eight years, the company made an operating loss - of CZK19mn.

"The significant drop in prices of energies manifests itself. We have been hit by it despite the fact that we export a major part of our products outside of Europe. Moreover, we did not work on any large order last year and at the same time we invested more in development," CEO Jaromír Kříž told the daily.

Better times should arrive for the company from this year thanks to new contracts.

"We have contracts for CZK2.3bn until the middle of next year. If all goes well, our sales will increase up to double in a y-o-y comparison," Kříž noted.

Ekol wants to keep a similar level of sales in the coming years, mainly thanks to the construction of complete units, in particular for power plants, sugar refineries and waste incineration plants.

The company has built only two complete biomass plants thus far, both in the CR.

"The future of traditional energy production is uncertain with the development of renewable energy sources. This is why we are looking for new business opportunities," Kříž said.

"Within several years, we want to start own investment in construction of new biomass plants. We are also playing with the idea of launching trading in energies," he added.

Two years ago, Ekol became one of the first industrial companies controlled by Chinese capital in the CR.

At that time, the company was hit by the decline in European engineering and its sales tumbled by a half.

Company Xi'An Shaangu Power bought 75% in Ekol in 2015. It paid CZK1.3bn for the majority stake.

#### **REGULATION TRANSFORMERS INSTALLED TO HELP FIGHTING GERMAN POWER SURGES – 12.3.**

Technicians have installed the last of four regulation transformers at the switching station in Hradec u Kadane that are to help cope with power surges coming from the neighbouring Germany and to secure safe and reliable operation of transmission grids in Central Europe.

Czech transmission grid operator CEPS launched two of the transformers in January. The remaining two are to be put into operation by the end of June. In order to install the transformers, CEPS had to expand the switching station in Hradec u Kadane, which is the biggest one in the CR. The costs of the project amounted to CZK2bn.

#### **HEATING PLANTS INVEST HUNDREDS OF MNS INTO GREENING – 9.3.**

Heating company Teplárny Brno will invest CZK400m e.g. into the exchange of steam pipes for hot water pipes and upgrade of the Červený Mlýn heat accumulation facility. Online metering and loss identification will continue, together with the ecologisation of additional cogeneration units. Heating company Teplárna Otrokovice plans to invest CZK81m, e.g. into the next phase of the resource greening and reduction of nitrogen oxides. ČEZ Teplárenská will expand the centralised heat deliveries in Bohumín and prepare a project for the reconstruction of the insulation system of the steam feeder from Elektrárna Ledvice to Teplice. innogy will focus on the optimisation of its distribution system and reduction of emissions at its sources. Teplárna České Budějovice will replace inefficient steam pipes with new hot water pipes and wants to change its strategy due to the new hot water pipes from Temelín Nuclear Power Plant to České Budějovice. This stems from a survey by ČIANEWS.

### **TRADE & TAX & SERVICES**

#### **ATTRACTIVENESS OF CZECH PRODUCTS ABROAD STILL STRONG – ANALYSTS – 9.3.**

The attractiveness of Czech goods abroad remains strong; however, foreign trade will not be as firm a driver of the domestic economy as it was in the previous years, today's foreign trade statistics showed, according to analysts.

Czech foreign trade ran a CZK19.4bn surplus in January, which was an annual drop of CZK1.5bn, and both imports and exports increased y-o-y, by 8% to CZK254.9bn and by 6.7% to CZK274.3bn, respectively, the CSO said today.

Czech car makers profit from the euro area countries' interest in buying vehicles, Komerční banka analyst Jana Steckerová said.

At the beginning of this year, Czech exporters were successful in terms of the exported volume, which was caused mainly by car sales, the Exporters' Association deputy chairman Otto Daněk stated.

"Imports grow faster y-o-y than exports, which reflects a robust domestic demand," Cyrrus company main economist Lukáš Kovanda said.

Domestic demand will remain a strong driver of the economy, he added.

The intervention regime ending probably next month will impact the Czech export negatively in the second half of this year, however, the global markets development, with the euro weakening further to the dollar, will help some Czech exporters, Kovanda stated.

This year's foreign trade surplus will be moderately lower than last year's, Steckerová said.

Imports will rise due to higher commodity prices, increasing household consumption and investment recovery, she added.

#### CTK FORMIN TO STRENGTHEN 19 EMBASSIES WITH LOCAL ECONOMIC EXPERTS – 14.3.

The Czech MFA<sup>47</sup> will strengthen capacities of 19 representation offices, mainly in Africa and Asia, with 19 local economic experts this year, and will add, except three agriculture diplomats in Washington, Tokyo and Beirut, more scientific diplomats in the future, Deputy Foreign Minister Martin Tlapa told CTK today.

The cooperation of the CR's representation abroad is expected to improve, Tlapa said.

The advantage of local economic experts is their knowledge of the environment and the possibility to create long-term contact networks.

The first scientific diplomat has taken the post up in Israel, Tlapa said.

Exports of Czech companies totalled record-breaking CZK3,970bn last year, growing by 2.3% year on year, with the volume exported to the EU countries accounting for 83.65%. A major part of exports to the EU, estimated at up to a third, is re-exported to third countries.

The MFA's goal is to help Czech companies export their products directly to target countries, Tlapa said.

The reconstruction of Iraq and Syria will be an opportunity for Czech companies, Foreign Minister Lubomír Zaorálek said.

#### CTK CZECH FIRMS' EXPORT THROUGH LIDL UP TO CZK5.3BN – 15.3.

Czech producers' export through Lidl grew 15% y-o-y to CZK5.3bn in 2016. More than 135 producers exported their products to 23 European countries last year.

The top clients are Slovakia, Poland and Romania.

Czech products are newly offered e.g. in Germany, France, Switzerland or Lithuania. Top exporters include Krahulík - Masozávod Krahulčí, LE & CO - Ing.

Jiří Lenc, Steinhauser, Mlékárna Žirovnice (Alimpex Food), Alimpex - Maso, Pivovary Lobkowicz Group, Mocca, Ekofrukt Slaný and Bonavita.

<sup>47</sup> MFA: Ministry of Foreign Affairs

#### CTK CZECH GOVT OPENS CR'S POSITION RE EC'S TAX PROPOSAL – 14.3.

The ČSSD, ANO and KDU-ČSL<sup>48</sup> government approved on March 13, 2017, CR's position regarding the European Commission's package on VAT modernization in EU and on legal persons' income tax. Czech government is convinced that the new European rules for big corporations' taxation are a step in the right direction and is ready to negotiate about them actively. EC aims to prevent tax evasions and harmful tax optimisation. In the end effect, the goal of the changes is to make sure that multinational companies are paying taxes in the countries where they are really generating profits, which is one of Bohuslav Sobotka's (ČSSD) government's long-term priorities.

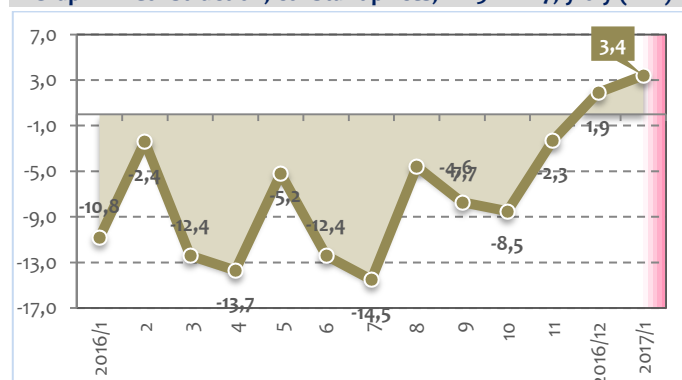
#### CONSTRUCTION & REAL ESTATE



#### CONSTRUCTION – 15.3.

In January 2017 the SA construction output decreased by 3.4% y-o-y, in real terms; the unadjusted construction output fell by 0.2%. The planning and building control authorities granted by 11.9% more building permits, y-o-y, and the approximate value of permitted constructions increased by 15.5%, y-o-y. The number of started dwellings grew by 4.8%, y-o-y, and the number of completed dwellings grew by 3.8%, y-o-y.

Graph 10: Construction, constant prices, 2015 – 2017, y-o-y (in %)



#### CTK NEW NON-RESIDENTIAL BUILDINGS IN CR – 12.3.

A total of 13,500 new non-residential buildings have been built in the CR over the past ten years, their costs amounting to CZK221bn and their total area reaching 12,000mn square ms, according to data from the CSO.

"In 2007, the number of completed non-residential buildings jumped steeply, but then it decreased moderately and eventually stabilised around 1,350 annually. The development of investment costs and the floor area was, on the other hand, fluctuating significantly," Silvie Lukavcová of CSO said.

Most of the non-residential buildings, about 6,000, belong to the category of hotels and similar buildings, though their investment costs and floor area have not been the biggest by far, as they accounted for mere 7% of the total area as well as of total amount of investments.

The biggest amount of investments went to administrative and retail buildings (23% each).

<sup>48</sup> KDU-ČSL: Christian and Democratic Union – Czechoslovak People's Party, centre party



Administrative buildings, having more than 3 floors on average, have been the biggest non-residential buildings. The biggest floor area has been covered by industrial and storage facilities (about 30%).

CSU divides non-residential buildings into seven categories. According to Lukavcova, the category of "other non-residential buildings" is the most complicated one, since it includes agricultural buildings, prisons, churches, multipurpose buildings and the like. The number of such buildings over the past 10 years as reached 1,157 and investments in them have amounted to CZK14bn.

#### Share of new non-residential buildings since 2006 (in%)

Building category	Investment costs	Number	Floor area
Administrative	23	5	17
Retail	23	13	25
For industry and storage	21	11	32
For culture and education	18	6	11
Hotels and similar building	7	44	7
For transport and telecommunications	2	12	2
Other	6	9	6

#### CTK THREE BIGGEST DEVELOPERS HOLD THIRD OF PRAGUE MARKET IN 2016 – 9.3.

The three biggest developers in Prague accounted for 35.4% of the total amount of 6,650 flats sold on the market last year, according to joint statistics of Trigema, Skanska Reality and Central Group.

Central Group held a market share of about 20%, followed by Finep and Skanska Reality.

The top ten developers held about 60% of the Prague market last year, while the remaining 40% were occupied by about 150 developers.

The number of new flats sold in Prague last year increased by about 7% to 6,650, their value rising by 39% to CZK31bn.

The amount of available flats fell by 27% to 4,000.

The average price of new flats sold in Prague last year rose by 19.5% to CZK71,567 per square m on average. About three quarters of the offered flats were in the price category of above CZK60,000 per square m.

"The building permission process is usually unreasonably long, which has an unfavourable effect on the overall performance of the construction sector. In a period of economic growth, when the demand for new housing is high, construction should grow and not fall, as is, however, happening at present," Trigema board chairman Marcel Soural said.

Czech construction output decreased by 7.6% last year.

#### Share of developers in no. of new flats sold in 2016:

Ranking	developer	no. of flats	market share (pct)
1	Central Group	1,243	18.7
2	Finep	661	9.9

3	Skanska Reality	450	6.8
4	AFI	323	4.9
5	Daramis Group	278	4.2
6	Vivus	259	3.9
7	YIT Stavo	257	3.9
8	M&K Real Estate	195	2.9
9	Metrostav Development	191	2.9
10	Rezidence Veselska	186	2.8
11	PSN	161	2.4
12	Star Group	147	2.2
13	Penta	140	2.1
14	Horizon Holding	137	2.1
15	Trigema	136	2.0
-	Crestyl	136	2.0
-	UDI	136	2.0

#### CTK WEALTHY CZECHS INVEST MAINLY IN FUNDS AND REAL ESTATE – SURVEY – 12.3.

Wealthy Czechs are growingly more interested in investing in real estate and bonds but they still invest mainly in funds administered by renowned entities, according to survey UniCredit Private Banking, which covers information on 6,000 retail banking clients with assets exceeding CZK3mn. As many as 68% of these clients invest in funds. Almost 50% of them deposit their money in alternatives of funds, such as investment certificates.

About 60% of wealthy clients invest in real estate, both in the CR and abroad.

On the other hand, they invest less in commodities (8%) and precious metals (16%).

Investments in land decreased slightly as well (32%).

Wealthy clients are also cautious in respect to direct investments in shares. Last year they trusted mainly shares of Czech state-run power utility CEZ and US IT company Apple.

"Interest in titles offering stable dividend still holds," UniCredit Bank retail banking head Dusan Hladný said.

"At the time of low revenues, volatile markets and growing geopolitical uncertainties, which range from Brexit to the election of the new US president, rich Czechs have added conservative-structure investment certificates in their portfolios, trusting mainly such firms as American Airlines and Louis Vuitton. They are also buying corporate bonds and absolute returns," Hladný said.

The multimillionaires' investments most often amount to tens of crowns. Investments in real estate, land and gold and other precious metals usually exceed CZK10mn.

Investments in real estate are not restricted to the CR. "They buy increasingly often recreational houses in their favourite holiday destinations in Italy, Spain and Croatia," Hladný said.

#### CTK PRAGUE FLAT PRICES TO APPROACH WESTERN EUROPEAN LEVEL – DEVELOPERS – 14.3.

Prices of Prague's new flats will approach those in Western European cities comparable to Prague in size, which is caused by the attractiveness of Prague and a lack of new flats, according to most developers approached by CTK today.

The average price of new flats sold in Prague increased by 19.5% y-o-y to CZK71,567 per square m last year. Prices were

roughly 160% higher in Munich, 70% higher in Vienna and Hamburg and about 50% higher in Berlin, according to a survey conducted by KPMG consulting company.

Prague ranks among the richest regions in Europe; however, real estate prices do not correspond with that fact, Finep spokesman David Jirušek said.

Prices of flats in Prague are expected to reach the Western Europe level in a decade, Jirušek added.

Purchasing power of Prague's citizens and people working in the city is highest in the CR but incomparable with purchasing power in Western European capitals, Ekospol head Evžen Korec said.

Unfortunately, the price gap might diminish significantly faster than the purchasing power gap due to the increasing shortage of new flats, he added.

Tomáš Kadeřábek, the head of the Developers' Association, expects a gradual price difference reduction, too, adding that it is hard to estimate how fast the process will be.

On the other hand, Skanska Reality does not see the gap bridging in a few years, company head Nada Ptáčková said.

A person living in Prague would need 11.5 years worth of incomes, not having any other expense, for an average flat, according to a study conducted by KPMG with Central Group. It would take 9.9 years of making money to buy a flat in Vienna and 6.4 years to have a flat in Berlin.

Prague's position among Western European countries is negative due to lower average incomes and its position in Eastern Europe is bad because of higher flat prices, Central Group spokeswoman Marcela Fialková said.

In terms of flat construction, Prague reports figures that do not even reach half of those in Warsaw and Berlin, Trigema board chairman Marcel Šoural.

#### **ČSÚ: OPTIMISM IN CONSTRUCTION GROWS IN FEBRUARY – 15.3.**

Firms representing 37.2% of construction production in the CR predicted improvement of their economic situation in next six months to come in February 2017.

Some 3.6% of companies predicted deterioration.

The balance quantifying the difference between improvement/deterioration responses changed to 33.6% from 1.3% in January 2017. The balance in February 2016 totalled 9.4% This stems from the conjuncture survey by the CSO.

#### **ÚOHS: SITUATION IN MOBILE SERVICES DOES NOT ALLOW INTERVENTION – 10.3.**

The situation in the field of mobile voice and data services is not satisfactory, according to the Office for the Protection of Competition (ÚOHS), but does not permit immediate intervention by the authority. ÚOHS has dealt in recent years with many motions regarding identical prices, but similar or identical pricing does not prove a cartel agreement. Administrative proceedings for competition law infringement cannot be opened solely on this basis. As for ÚOHS' option to apply the dominant position abuse concept, no operator holds a dominant position, according to Czech Telecommunications Office's analyses. Dominant position therefore cannot be abused, as it does not exist.

#### **ÚOHS TO LAUNCH OWN INVESTIGATION OF MOBILE OPERATORS – 13.3.**

Czech antitrust office ÚOHS will launch its own investigation of mobile operators on the domestic market to reveal a potential cartel agreement or an abuse of dominant position, the office said in a press release today.

Last week, ÚOHS said the situation concerning mobile calls and mobile data is not satisfactory but does not require an immediate intervention.

The price of mobile data is one of the reasons why Jan Mládek has been dismissed from the post of industry and trade minister recently. Prime Minister Bohuslav Sobotka criticised Mládek for poor communication regarding this issue.

Sobotka is heading the Industry and Trade Ministry temporarily at present.

Sobotka today welcomed ÚOHS's decision to start its own investigation.

Mobile operators' association head Jiří Grund, too, said that investigation by ÚOHS was a right step.

"I believe that the ÚOHS's step will contribute to clarifying the situation on the Czech telecommunication market and will lead to a professional debate on the future of digital economy in the CR. All our members are ready to cooperate fully with the office," Grund said.

The government last week approved a draft amendment aimed at creating downward pressure on mobile data prices. The bill is yet to be passed by the ChD.

The bill also aims to provide better protection of consumers, increase the powers of the Czech Telecommunication Office (CTU) and secure transition to digital television broadcasting DVB-T2.

Operators, however, claim that the bill will not reduce price for customers because an increase in fines that may be imposed on them will have an opposite effect.

#### **TRANSPORT**

#### **CAR-TRAIN TRANSPORT BETWEEN CR AND SR UP TO 16,000 VEHICLES – 14.3.**

Car trains operated jointly by Czech national railroad company Czech Railways and (ČD) a Slovak national carrier Železničná Spoločnosť Slovensko (ZSSK) transported totally 16,000 passenger cars and motorcycles between the CR and Slovakia in 2016, up almost 10% y-o-y.

Traffic on the route between Prague and Humenné more than doubled to 1,900 transported vehicles.

ČD transported totally 171.5mn passengers in 2016, up 1.8mn on 2015.

#### **POLITICS & POLLS & OTHER**

#### **OVER 80% OF ENTREPRENEURS CONSIDER REGULATORY BURDEN HEAVIER-POLL – 9.3.**

Over 80% of entrepreneurs think their regulatory burden in 2016 was heavier compared to the previous year, according to results of a survey among 805 members of the Czech Chamber of Commerce published by its head Vladimír Dlouhý at today's meeting of the Chamber on the regulatory burden of companies.

A total of 0.4% of entrepreneurs said the regulatory burden decreased annually, while no natural person thought as much. A study of the Association of European Chambers of Commerce and Industry, Eurochambers, showed that 12 cents out of each euro made in European companies get spent on obligations imposed by the state. The CR's regulatory burden is even worse, Dlouhý said.

The poll revealed that the biggest issue is represented by laws and regulations often changing, with the big number of laws and regulations following.

As much as 83% of companies are bothered by high social security and health insurance contributions, impacting the Czech business environment much more than the tax burden.

In terms of other than payment obligations in the tax system, more than 50% of respondents mentioned the extent and frequency of submissions to financial and customs offices as the worst, including VAT ledger statements and the EET.

Entrepreneurs considered long waiting times for state authority and court decisions worst among activities not directly relevant to business. The CR ranks among the slowest countries in the world in construction proceedings, the Chamber of Commerce has been pointing out.

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