

## NEWS SUMMARY APRIL 6 – APRIL 12

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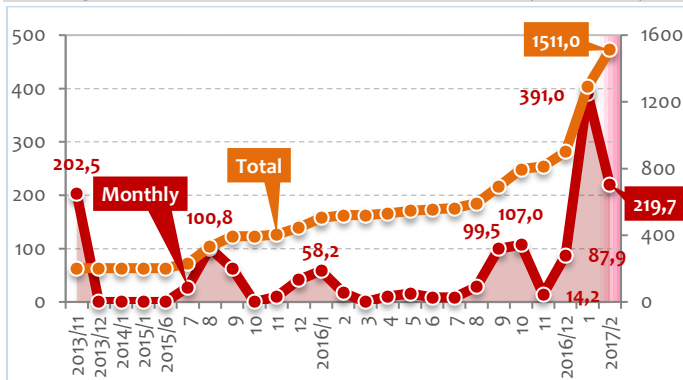
### ECONOMY & FINANCE

#### CNB ENDS INTERVENTION REGIME – 6. 4.

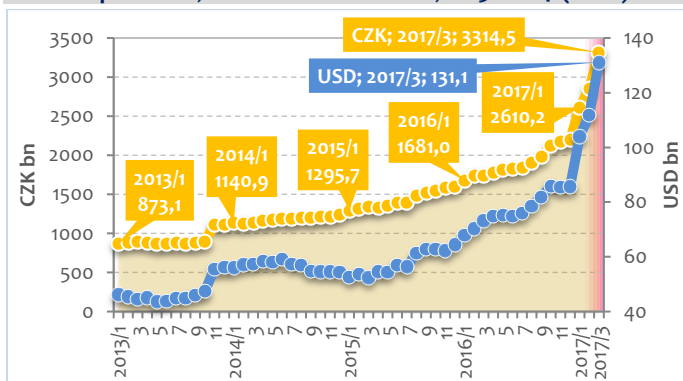
The CNB<sup>1</sup> has ended the regime of foreign currency interventions to keep the CZK<sup>2</sup> low against the €<sup>3</sup>. The CNB announced the move after an extraordinary meeting of the bank board. That means the bank will no longer prevent the Czech crown to dropping below the level of CZK27/€.

The bank repeated its previous announcement that it is ready to intervene either way if the crown starts becoming volatile. The CNB launched currency interventions in November 2013 to head off the danger of deflation and weakened economic growth.

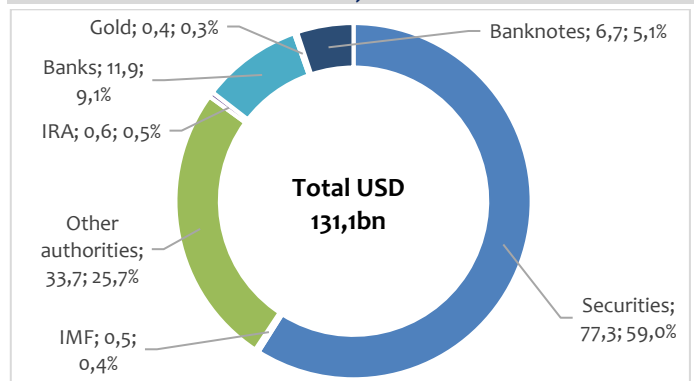
Graph 1: CNB, Forex<sup>4</sup> interventions, 2013 – 2017 (in CZK bn<sup>5</sup>)



Graph 2: CNB, International reserves, 2013 – 2017 (in bn)



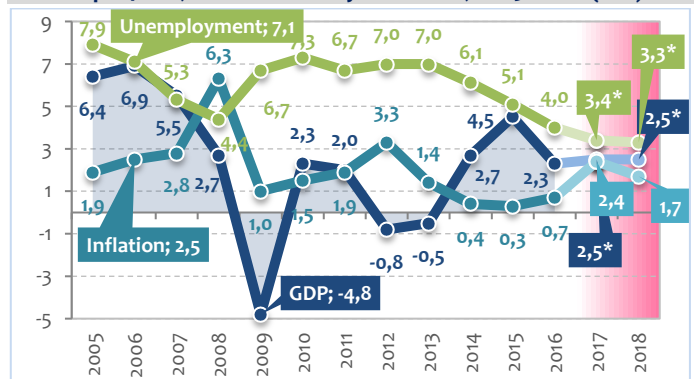
Graph 3: International reserves structure, March 31, 2017, (in USD bn)<sup>6</sup>



#### MF<sup>7</sup> PREDICTING 2.5% GDP<sup>8</sup> GROWTH – 6. 4.

The MF downgraded its GDP growth estimate for this year to 2.5% from January's 2.6%, while it improved its forecast for next year to 2.5% from the previous 2.4%. The economy expanded by 2.4% last year. Economic growth will be driven by domestic demand led by household consumption expenditure and growing investment activities of companies and government institutions. A marked acceleration of annual growth in consumer prices above the inflation target of the CNB at the turn of 2016 and 2017 leads to a higher average inflation estimate of 2.4% in 2017, the MF said. For 2018, the MF expects a 1.7% inflation rate.

Graph 4: MF, Macro economy indicators, 2005-2018<sup>9</sup> (in %)



The unemployment rate, which dropped notably at the end of last year, will gradually lower to 3.3% to 2018, according to the MF's estimate. At this level, unemployment has a very

<sup>1</sup> CNB: Czech National Bank

<sup>2</sup> CZK: Czech Crown, the currency of the CR since 8 February 1993

<sup>3</sup> EUR: (€) Euro is the official currency of the Eurozone, which consists of 19 of the 28 member states of the European Union

<sup>4</sup> Forex: foreign exchange market is a global decentralized market for the trading of currencies. This includes all aspects of buying, selling and exchanging currencies at current or determined prices.

<sup>5</sup> bn: billion

<sup>6</sup> Preliminary Data - International reserves - structure

**Securities:** A(1a) Foreign currency reserves (in convertible foreign currencies) Securities

**Other authorities:** A(1b)(i) Foreign currency reserves (in convertible foreign currencies) Total currency and deposits with other national central banks, BIS and IMF

**Banks:** A(1b)(iii) Foreign currency reserves (in convertible foreign currencies) Total currency and deposits with banks headquartered outside the reporting country

**IMF:** A(2) IMF reserve position

**IRA:** A(3) International Reserve Assets

**Gold:** A(4) Gold (including gold deposits and, if appropriate, gold swapped)

**Banknotes:** A(5) Other reserve assets (banknotes and collateral held in reverse repo-operations)

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

<sup>8</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). GDP can be determined in three ways, all of which should, in principle, give the same result. They are the **production approach**, the **income approach**, or the **expenditure approach**. The **production approach** sums the outputs of every class of enterprise to arrive at the total. The expenditure approach assumes the value of the total product must be equal to people's total expenditures in buying things. The **income approach** determines GDP by finding the sum of all producers' incomes.

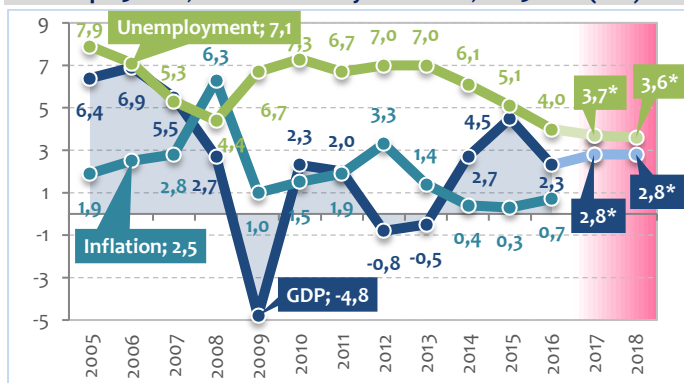
GDP = GVA + Taxes on products - Subsidies on products

<sup>9</sup> \*: estimates

limited space for a further decrease, it said. The current account of the balance of payments is expected to stay in a slight surplus. The macroeconomic development may be affected adversely mainly by external risks, mainly the consequences of Brexit<sup>10</sup> and a further slowdown of the Chinese economy. The global economic growth may be affected by a possible change in the US economic policy. Uncertainty may also increase in connection with the approaching elections in France and Germany.

"There are also potential risks in the financial sector in some EU countries<sup>11</sup> connected not only with a high portion of unpaid loans in the balance of some large European banks but also with the future development of their profitability and capital adequacy," the MF said. The latest forecast of the CNB downgraded its GDP forecast for both this and next year to 2.8.

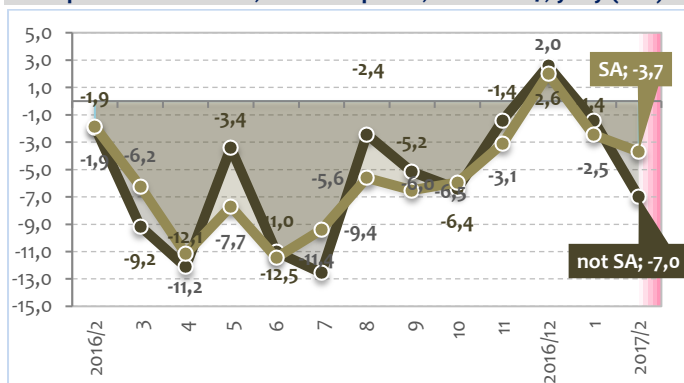
Graph 5: CNB, Macro economy indicators, 2005-2018 (in %)



RESULTS CONSTRUCTION – 6. 4.

In February 2017, SA construction output decreased by 5.6% y-o-y, in real terms; non SA construction output fell by 7.0%. The planning and building control authorities granted by 3.8% more building permits, y-o-y, and the approximate value of permitted constructions increased by 13.6%, y-o-y. The number of started dwellings grew by 23.7%, y-o-y, and the number of completed dwellings increased by 11.3%, y-o-y.

Graph 6: Construction, constant prices, 2016 – 2017, y-o-y (in %)

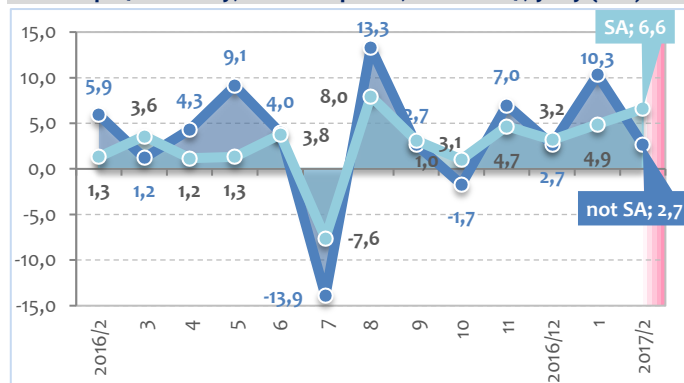


<sup>10</sup> Brexit: The withdrawal of the United Kingdom from the European Union  
<sup>11</sup> EU Member States: The EU comprises 28 member states. Each member state is party to the founding treaties of the union and thereby subject to the privileges and obligations of membership. Unlike members of most international organisations, the member states of the EU are subjected to binding laws in exchange for representation within the common legislative and judicial institutions. Member states must agree unanimously for the EU to adopt policies concerning defence and foreign affairs. Subsidiarity is a founding principle of the EU.  
<sup>12</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.

RESULTS INDUSTRY – 6. 4.

In February 2017, SA<sup>12</sup> industrial production increased at constant prices by 6.6%, y-o-y<sup>13</sup>. Non SA industrial production was higher by 2.7%, y-o-y. SA industrial production increased by 0.7%, m-o-m<sup>14</sup>. The value of new orders increased by 7.3%, y-o-y.

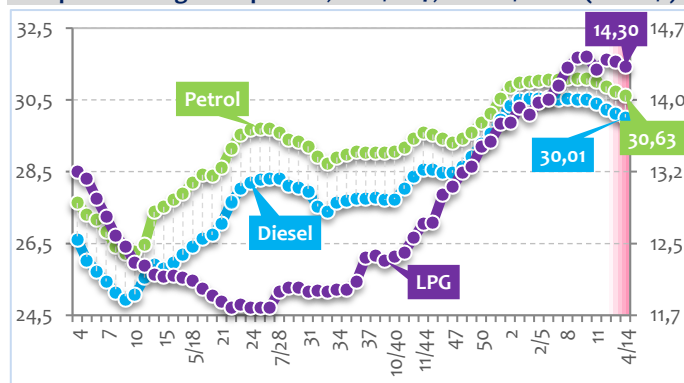
Graph 7: Industry, constant prices, 2016 – 2017, y-o-y (in %)



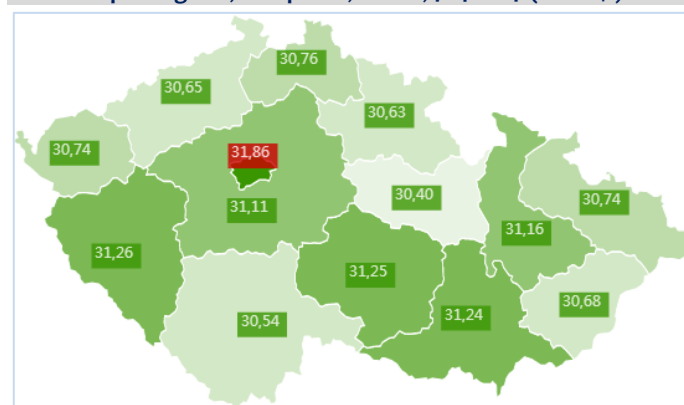
AVERAGE CONSUMER FUEL PRICES – 7. 4.

Natural 95 decreased by ▲10 h<sup>15</sup> to CZK<sup>16</sup>30.63/ l<sup>17</sup> over the past week. Diesel oil decreased by ▲1h to CZK30.01/l.

Graph 8: Average fuel prices<sup>18</sup>, 2016/2017, Month/Week (in CZK/l)

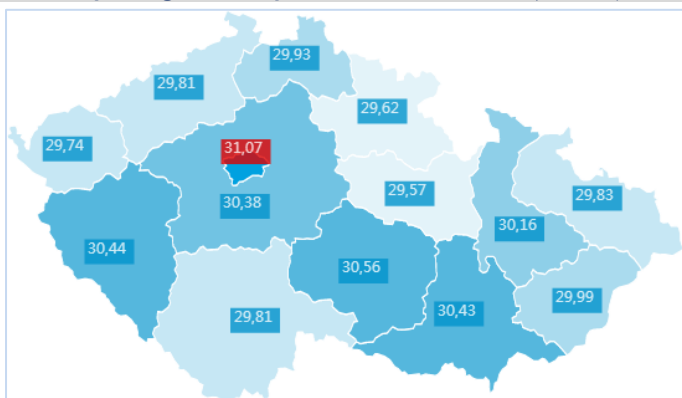


Map 1: Regions, fuel prices, Petrol, 7. 4. 2017 (in CZK/l)



<sup>13</sup> Y-o-y: year on year  
<sup>14</sup> M-o-m: month on month  
<sup>15</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>16</sup> CZK: Czech Crown, the currency of the CR since 8 February 1993  
<sup>17</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>18</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.

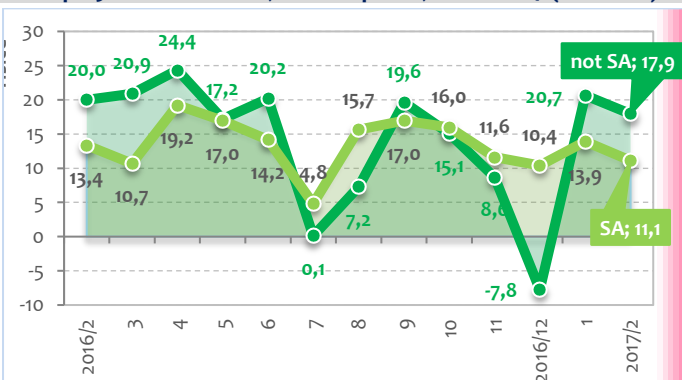
Map 2: Regions, fuel prices, Diesel, 7. 4. 2017<sup>19</sup> (in CZK/l)



RESULTS EXTERNAL TRADE – 6. 4.

According to preliminary data, in February 2017 the external trade balance in goods ended in a surplus of CZK17.9bn, which was by CZK2.0bn lower, y-o-y.

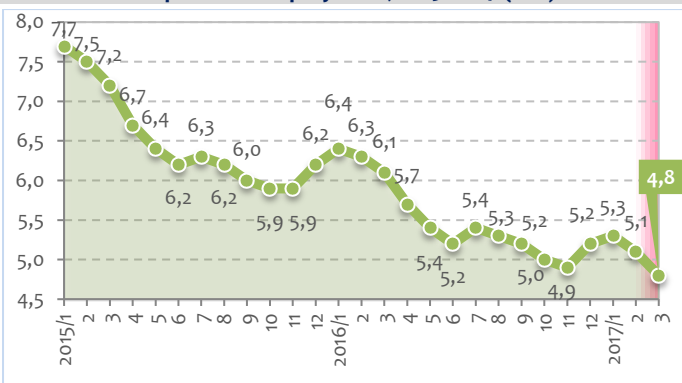
Graph 9: External Trade, current prices, 2016 – 2017 (in CZKbn)



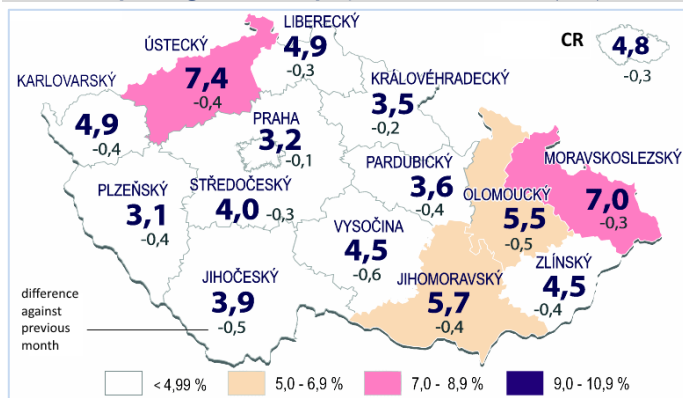
UNEMPLOYMENT – 10. 4.

Unemployment<sup>20</sup> in the CR<sup>21</sup> dropped to 4.8% in March down from 5.1% a month earlier. Some 356,112 people were without jobs last month – the lowest figure for March since 2008. Available jobs counted almost 151,000. The LO<sup>22</sup> expect the unemployment rate to continue falling in the months ahead.

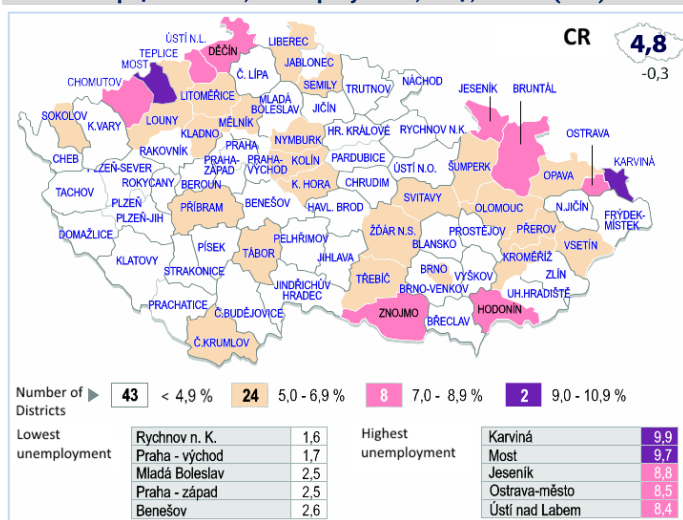
Graph 10: Unemployment, 2015- 2017 (in %)



Map 3: Regions, Unemployment, 2017, March (in %)



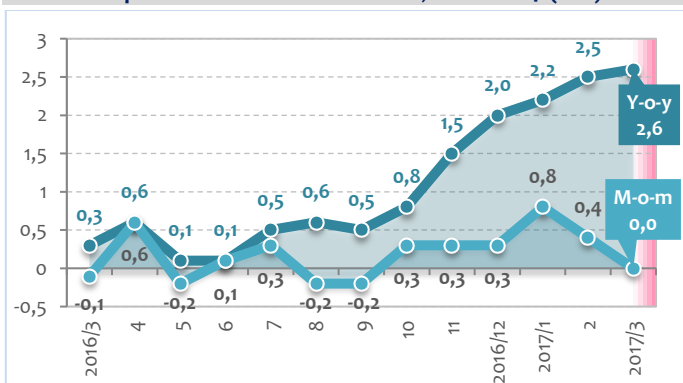
Map 4: Districts, Unemployment, 2017, March (in %)



CONSUMER PRICE INDICES – 10. 4.

Consumer prices in March remained unchanged compared with February 0%, m-o-m. This development was primarily due to a rise in prices in 'alcoholic beverages and tobacco', which was offset by a decrease in prices in 'recreation and culture'. The y-o-y growth of consumer prices amounted to 2.6%, i.e. 0.1 p. p.<sup>23</sup> up on February.

Graph 11: Consumer Price Indices, 2016 – 2017 (in %)



HOSPODÁŘSKÉ NOVINY INTEREST RATES COULD BE UPPED – 10. 4.

The CNB could start increasing interest rates at the end of 2017, governor Rusnok said. He said this would be

<sup>19</sup> CCS Monitoring

<sup>20</sup> **Unemployment rate:** indicator of registered unemployment, the share of unemployed persons, which represents the share of all unemployed job applicants under the Employment Act no. 435/2004 24, who can immediately take up a job, in the

age group 15-64 from all residents of the same age, as percentage, **data are issued by the MLSA (LO) based on registered unemployed persons.**

<sup>21</sup> CR: the Czech Republic

<sup>22</sup> LO: Labour Office

<sup>23</sup> P. p.: percentage point

conditioned by a sustainable inflation figure at around 2%. The basic repo rate<sup>24</sup> has been at 0.05% since 2012.

#### CTK CZK POSTING MODERATE GAINS – 10. 4.

The CZK firmed moderately in, while strengthening all the way to CZK26.50/€ after the announcement of inflation data. The unit appreciated by 2h from March 7's afternoon values. It has gained nearly 50h since March 6, when the CNB announced the end to its forex intervention regime.

#### CTK MF TO REDEEM BONDS FOR RECORD CZK90BN – 11. 4.

The MF paid nearly CZK90bn for government bonds sold on the financial markets before the breakout of the financial crisis in April 2007 and says this is a record one-off payment for bonds.

The MF also expects to redeem bonds and treasury bills for around CZK261bn this year. Annual interest on the government bonds was 4%, costing the MF annually CZK3.9bn.

The MF has no problem with redeeming these bonds because in the Q1<sup>25</sup> 2017, it borrowed some CZK110bn with the average annual interest at 0.17% on the financial markets.

The MF took advantage of demand for Czech bonds caused by the expected exit from the forex intervention regime aimed at keeping the crown near CZK27/€.

Payment will be a big relief for the state budget, MF Minister Babiš said, because the interest rate cost being excessive.

The MF has saved CZK2.2bn thanks to negative bond yields, Babiš said.

The MF will have to make another big payment of CZK70bn this year in November. This is a bond with zero interest held mostly by foreign investors. Other CZK60bn worth bonds will mature in January 2018. The MF was selling short-time bonds even with a negative yield from the end of 2015. Investors were thus paying to the state for lending it money.

This is why more than 2/5 of Czech state bonds in CZK are in the hands of foreign investors. In absolute figure, they hold bonds for CZK602bn out of the total amount of CZK1,433bn in bonds issued on the domestic market.

In January 2016, the share of foreign owners of Czech state bonds was less than 25%.

The MF should pay CZK254bn for state bonds in 2018 and thus far CZK236bn in 2019.

### HEALTH & SOCIAL

#### BUS DRIVERS' STRIKE – 6. 4.

A strike by bus drivers began at midnight on March 5 with 5 regions, mostly in the north and east of the CR mainly affected. The biggest impact appears to have been in South Moravia where it was reported that 67 routes were cancelled and buses on another 61 routes reduced. The regional government subsidies 225 routes in total. The strike was reported to be much more patchy in the Olomouc, Liberec, and Ústí regions.

<sup>24</sup> **Repo rate:** The discount rate at which a central bank repurchases government securities from the commercial banks, depending on the level of money supply it decides to maintain in the country's monetary system. To temporarily expand the money supply, the central bank decreases repo rates (so that banks can swap their holdings of government securities for cash). To contract the money supply it increases the repo rates. Alternatively, the central bank decides on a desired level of money supply and lets the market determine the appropriate repo rate. Repo is short for repossession.

The government on March 5 night offered regions CZK420mn<sup>26</sup> to boost pay for drivers but this is less than half what might be required. The strike was sparked when some regional operators failed to honour a government promise for minimum wages to be boosted to CZK98.10/h for drivers behind the wheel.

#### CHANGES TO RESIDENCY PERMIT PROCEDURES - 7. 4.

The ChD<sup>27</sup> passed an amendment aimed at tightening up on the conditions for foreigners to get residency permits in the CR. The amendment, however, does not fulfil the worst fears of non-profit and human rights organisations with the right of a court appeal after a refusal maintained.

The government's own human rights council and minister had highlighted the danger of this change and labelled it as unconstitutional. The new rules allow proceedings to be stopped if the claimant has been proved to have lied or submitted false documents. Past criminal convictions can also be taken into account. The amendment will now go to the Senate.<sup>28</sup>

#### PAYMENTS FOR GOVERNMENT INSUREES – 11. 4.

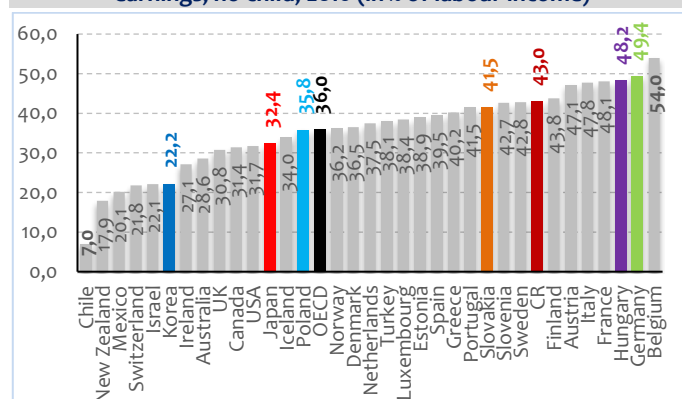
Czech government approved on April 10, 2017, the proposed directive determining the assessment base for persons for whom the public health insurance payments are reimbursed by the government. The norm raises the total payments for state insurees by almost CZK3.5bn. The payment per capita will be raised by CZK49 to CZK969 per month.

#### OECD TAX RATES ON LABOUR INCOME IN OECD<sup>29</sup> – 12. 4.

The average tax wedge in the CR reached 43% in 2016 and rose thus from 42.8% in 2015.

According to a report published by the OECD, the CR showed the 8<sup>th</sup> highest tax rates on labour income within 35 member states. Slovakia ranked 12<sup>th</sup> with a value of 41.5%.

Graph 12: OECD, Taxing wages, Single person at 100% of average earnings, no child, 2016 (in % of labour income)



The average indicator for the entire OECD decreased to 36% in 2016.

<sup>25</sup> **Q1:** 1<sup>st</sup> quarter of the year

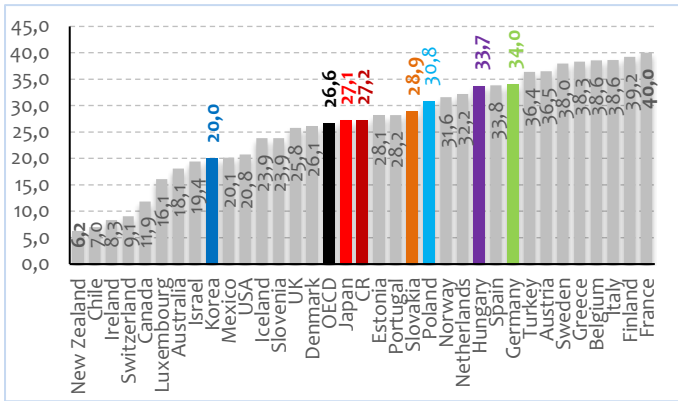
<sup>26</sup> **mn:** million

<sup>27</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.

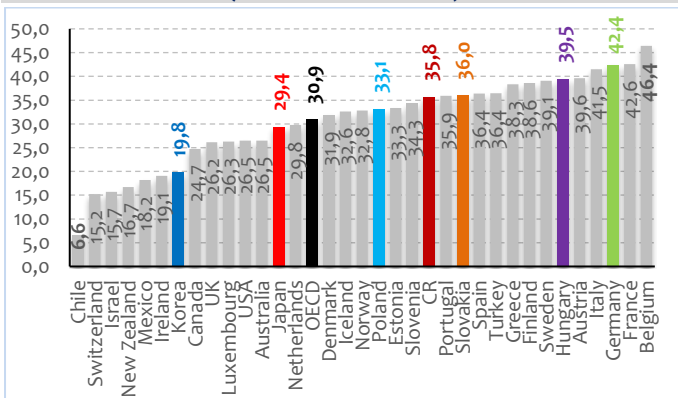
<sup>28</sup> **Senate:** the Senate of the Parliament of the CR, usually referred to as the Senate, is the upper chamber of the Parliament of the Czech Republic. The seat of the Senate is Wallenstein Palace in Prague.

<sup>29</sup> **OECD:** Organisation for Economic Development and Cooperation

**Graph 13: OECD, Taxing wages, One-earner married couple at 100% of average earnings, 2 children, 2016 (in % of labour income)**



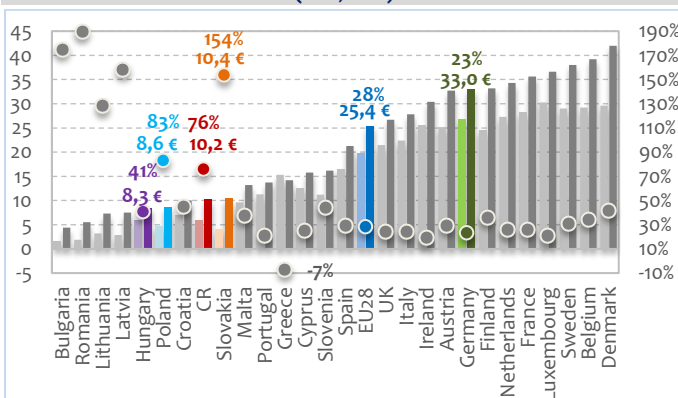
**Graph 14: OECD, Taxing wages, Two-earner married couple, one at 100% of average earnings and the other at 67%, 2 children, 2016 (in % of labour income)**



**HOURLY LABOUR COSTS RANGED IN EU28 – 11. 4.**

Hourly labour costs ranged between €4.4 and €42.0 in the EU Member States in 2016. In 2016, average hourly labour costs in the whole economy (excluding agriculture and public administration) were estimated to be €25.4 in the EU<sup>30</sup> and €29.8 in the EA<sup>31</sup>.

**Graph 15: Labour costs per hour, Change 2004/2016, whole economy excluding agriculture and public administration (in €, in %)**



However, this average masks significant gaps between EU Member States, with the lowest hourly labour costs recorded

<sup>30</sup> EU: European Union, 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.

**BILL TO RAISE SUPPORT FOR FAMILIES – 12. 4.**

The ChD passed a government amendment to the law on state social support that will raise welfare payments to families with children. The Senate must yet to approve the bill and President Zeman sign it into law.

Under the amendment, parents of twins, triplets (as well as in other multiple birth cases) will receive a higher parental benefit. It will rise from the current CZK220,000 to CZK330,000 in total.

This measure will cost additional CZK400mn from the state budget in the first year, and CZK210mn a year in the following years because of a lower number of recipients. Tax relief for the first child will increase by CZK150 monthly as well.

The state budget will lose CZK2.1bn a year due to this change. The legislation will also extend the types of families that will be entitled to child benefits. Even the families with an income not exceeding the subsistence level 2.7 times will be entitled to them. Consequently, about 300,000 children would newly receive state benefits, which would cost CZK5bn extra from the state budget or CZK8bn in total.

At present about 400,000 children in the CR with a population of 10.5mn are entitled to child benefits.

A monthly child benefit will rise in the families where at least one parent works or has an income of at least the subsistence level by CZK300 to CZK800, 910 and 1000, according to the child's age. The amendment also introduces the possibility to draw parental benefits more quickly

**RETIREMENT AGE – 12. 4.**

MPs<sup>32</sup> approved setting a cap of 65 years on the retirement age as of 2030. It will apply to those born after 1965. Pensions should also grow at a faster rate than ever before. "The purpose of this Act is to eliminate the previously unlimited increase in the retirement age," MLSA<sup>33</sup> Minister Marksová said. The law still has to be confirmed by the Senate and President Zeman.

Calculating higher pensions should be based on inflation and half of the average wage growth. Now pensions are increased by inflation and a third of the average wage growth. "That is an increase by CZK22.3bn," said MF Minister Babiš.

Monthly pension would increase by an estimated average of roughly CZK500 next year, if the new indexation formula comes into force.

**TIGHTENING RULES ON EMPLOYMENT AGENCIES – 12. 4.**

The amendment to the Employment Act approved by the ChD will allow the prosecution of disguised employment mediation. The Senate must yet to approve the amendment. According to the amendment, a fine of up to CZK5mn will be possible for "disguised employment mediation", i.e.

<sup>31</sup> EA: Eurozone, officially called the euro area is a monetary union of 19 European Union (EU) member states that have adopted the euro (€) as their common currency and sole legal tender.

<sup>32</sup> MP: Member of Parliament

<sup>33</sup> MLSA: Ministry of Labour and Social Affairs

mediating the workforce without respecting legal conditions. The change should particularly restrict unrespecting the principle of comparable wages and working conditions of temporarily assigned employees and, i.e. in final consequence, circumventing social security and health insurance and advances on income tax.

In addition to CZK500,000 bail, which an employment agency will have to deposit, the amendment will also increase penalties for misconduct.

Agency employment has been criticized for the poor working conditions and low wages of mediated workers in the past. The number of workers that companies have mediated from employment agencies has increased by 62% over the past 5 years. While agencies sent 171,800 people to companies in 2011, it was 277,400 people last year.

Agencies often send foreigners to do work in which Czech citizens are not interested anymore. According to the APACR<sup>34</sup>, in addition to a 250,000 legally employed agency workers, there is at least the same number of illegal workers.

#### ICT & SERVICES & TRANSPORT

##### CTK CYBER OFFICE TO HAVE OWN BUDGET CHAPTER – 10. 4.

The NUKIB<sup>35</sup>, to be set up this year, will have own chapter in the state budget, according to an amendment to the law on the state budget for 2017 approved by the government today, PM<sup>36</sup> Sobotka said.

The cyber office is to be formed on July 1 by separation from the NBU<sup>37</sup> which supervises cyber security in the CR now.

"The government's goal is that this office emerges already now. This is why we are submitting the change in this year's state budget," Sobotka said. The spending of the new office will reach around CZK214mn this year, CZK139mn of it will be capital expenditures and CZK75mn current expenditures.

The approved amendment plans that the new office will gain CZK183mn directly from the NBU budget and CZK31mn from unused spending.

In this year's approved budget, NBU has around CZK490mn. From NBU's current tasks, the new office will be solving cyber security, part of issues linked with the protection of secret information in information and communication systems, cryptographic protection and non-public services within satellite system Galileo<sup>38</sup>.

The cyber office will be based in Brno. The government decided last year in November that a new building with the capacity for up to 400 employees will be constructed for the centre. The construction is to take place in 2018 to 2023.

##### CTK DIGITAL AGENDA COORDINATOR TASKS – 11. 4.

According to the PM Sobotka, new government digital agenda coordinator Ondřej Malý should focus on reduction

<sup>34</sup> APACR: Association of recruitment agencies in the CR

<sup>35</sup> NUKIB: National office for cyber security

<sup>36</sup> PM: Prime Minister

<sup>37</sup> NBU: National Security Authority

<sup>38</sup> Galileo: is the global navigation satellite system (GNSS) that is currently being created by the EU through the European Space Agency (ESA) and the European GNSS Agency (GSA), headquartered in Prague in the Czech Republic, with two ground operations centres, Oberpfaffenhofen near Munich in Germany and Fucino in Italy. Galileo Initial Services are managed by the GSA. The overall Galileo programme is run by the European Commission, which has handed over the responsibility for the deployment of the system and technical support to operational tasks to ESA. One of the aims of Galileo is to provide an independent high-precision positioning system so European nations do not have to rely on the Russian GLONASS, Chinese BeiDou or US GPS systems, which

of new digital networks construction costs, development of state administration digitisation and sharing economy functioning.

Sobotka said he considers digital agenda very important given the industry digitisation strategy and new services in the digital area and that he hopes coordinator will manage to coordinate activities of the ministries dealing with digitisation.

##### EIA FLYBE TO CONNECT PRAGUE WITH LONDON – 11. 4.

The SmartWings offers a new direct flight between Prague and the South-Spanish city of Almería from April 6, 2017. There will be 3 flights a week on this line.

As of May 8, 2017, British low-cost airline Flybe plans to run a connection between Prague and London-Southend. The carrier will offer 5 flights a week.

Russian carrier Ural Airlines plans to increase the number of flights between Prague and Yekaterinburg in the 2017 summer season. The current 2 flights on Thursday and Sunday will be completed by a new connection in Tuesday as of May 9. All flights will be operated on an Airbus A320 aircraft with a capacity of 160 seats.

##### CTK AMENDMENT TO STRENGTHEN CYBER SECURITY – 12. 4.

The ChD passed an amendment to the cyber security law that would apply to operators of information systems in transport and energy industry as well. The Senate is yet to assess the bill. The legislation has transposed the respective EU directive in the government wording.

The CR is one of the first EU member states to transpose this EU directive<sup>39</sup>, several months ahead of the deadline, said PM Sobotka who called cyber security one of the priorities of his cabinet this year.

Under the amendment, the newly included groups of entities will have to take steps to prevent possible security risks. They will be obliged to report possible cyber incidents to security offices. This duty will also apply to the providers of digital services, for instance, platforms for electronic trading and browsers. Sobotka said if the Senate passed the bill smoothly, the new office could be established in the summer, at the latest in the autumn.

The respective EU directive is to secure a common security level of networks and information systems in the EU that create one of the fundamental elements of the functioning of its internal market.

##### CTK SUPPORT FOR TOURISM FROM CHINA – 12. 4.

The number of Chinese tourists coming to the CR rose by 56% in the Q1 2017, MRD<sup>40</sup> Minister Šlechtová said when opening a Czech-Chinese business forum in Zhengzhou.

could be disabled or degraded by their operators at any time. The use of basic (lower-precision) Galileo services will be free and open to everyone. The higher-precision capabilities will be available for paying commercial users. Galileo is intended to provide horizontal and vertical position measurements within 1-metre precision, and better positioning services at high latitudes than other positioning systems. As of December 2016 the system has 18 of 30 satellites in orbit. Galileo started offering Early Operational Capability (EOC) on 15 December 2016 and is expected to reach Full Operational Capability (FOC) in 2019. The complete 30-satellite Galileo system (24 operational and 6 active spares) is expected by 2020.

<sup>39</sup> EU Directive: a part of so-called secondary legislation, a legislative act that sets out a goal that all EU countries must achieve. However, it is up to the individual countries to devise their own laws on how to reach these goals.

<sup>40</sup> MRD: Ministry of Regional Development

Accompanied by a business delegation, Šlechtová primarily wants to enhance the two countries' relations in the sphere of tourism. Šlechtová started her visit to Henan on April 9. On March 11, she moved to the town of Kunming in the Yunnan Province and discussed the opening of another direct flight route between the CR and China what should start in H1<sup>41</sup> 2018.

Šlechtová wants to attract even more Chinese tourists to the CR and convince the Chinese authorities to prepare conditions for Czech tourists in China and encourage their interest.

## ENERGY & INDUSTRY



### EU DIRECTIVE ON OIL STOCKS – 6. 4.

The CR currently doesn't fulfil the Oil Stocks<sup>42</sup> Directive, the ASMR<sup>43</sup> said. According to the directive, EU countries with no oil of their own must maintain emergency stocks of crude oil or petroleum products equal to at least 90 days of net imports. However, the CR's current oil reserves would only last for 87 days. The ASMR has already informed the government and the EC<sup>44</sup> about the situation.



### WANO INSPECTION ENDS IN DUKOVANY – 7. 4.

An international inspection ended in Dukovany NPP<sup>45</sup> and WANO<sup>46</sup> has submitted proposals for improvement in 9 areas.

Part of WANO experts will arrive in 2 years to see how the power plant has coped with these recommendations.

The WANO experts also highlighted 2 good practices in Dukovany which can be used in other NPPs as well.

A major part of the recommendations concerns areas on whose improvement the NPP already works. It mentions in this connection, for example, supervision over the work of suppliers, prevention of human faults, inspection activities and a programme to prevent foreign objects from getting into open technology.

The number of the proposed improvements for Dukovany was a half lower than during WANO previous inspection in 2012.

This was the 4<sup>th</sup> WANO inspection in the Dukovany plant.

Besides representatives from countries from WANO's Moscow centre, people from WANO centres in the USA, France and Pakistan arrived in Dukovany as well.

With installed capacity of 2,040 MW<sup>47</sup>, Dukovany covers roughly 1/5 of the CR's electricity consumption. The power

plant 4 four units and unit 1 has been offline since January 20. Last year, Dukovany supplied 11.954 TWh<sup>48</sup> of electricity to the grid.



### ČEPS<sup>49</sup> INVESTED CZK INTO DEVELOPMENT OF GRID – 10. 4.

ČEPS has for 2016 posted profits before taxes totalling CZK2.07bn. It spent roughly CZK 4.7bn on the development of the grid. Its profits grew CZK 56mn y-o-y.

The main construction projects included the completion of new mains V458 Krasíkov - Horní Životice.

On September 30 ČEPS issued bonds with a nominal value of CZK500mn repayable in 5 years.



### ŠKODA AUTO'S CAR SALES – 11. 4.

Škoda Auto registered the highest car sales in its 122-year history in the Q1 2017 and in March alone, it sold 283,000 cars to clients in the Q1, up 2.1% y-o-y.

Sales in March increased by 2.1% to 108,500 cars.

A significant increase in the sales of the Škoda's cars was seen in Western (+7.9% in March, +6.6 in Q1) and CE<sup>50</sup> Europe (+14.5% in March, +14.9 in Q1), but recorded a drop on the Chinese market (▲14.8% in March, ▲11.4% in Q1).

The development in China can to a significant extent be explained by raising of the tax burden on several segments of cars, which also concerns Skoda Auto. The company had expected such development and it believes that the demand will get back to normal in the Q2<sup>51</sup> 2017.



### LITHIUM AT CÍNOVEC – 11. 4.

Cínovecká Deponie will invest CZK hundreds of millions in the start of lithium mining at Cínovec. The extraction could start within several years. Currently, preparatory work is underway, followed by the construction of a raw-material processing, employee hiring, technology commissioning, and distribution of the mined-out raw material.

The estimated volume of pure lithium at the Cínovec surface deposit is roughly 2,300t<sup>52</sup>, which corresponds to 10,000–15,000t of lithium carbonate.



### REGIONAL COMMISSION FOR NEW NUCLEAR SOURCE – 11. 4.

Representatives of the Vysočina region approved the establishment of a commission for the construction of a new nuclear source at the Dukovany NPP. Regional governor Běhounek was appointed the head of the commission.

<sup>41</sup> H1: 1<sup>st</sup> half of year

<sup>42</sup> Oil Stocks Directive: Council Directive 2009/119/EC of 14 September 2009 imposing an obligation on Member States to maintain minimum stocks of crude oil and/or petroleum products:

- maintain total oil stocks equivalent to at least 90 days of average daily imports or 61 days of consumption — whichever is the higher;
- ensure that stocks are readily available and accessible in the event of an emergency;
- keep an updated register of their emergency stocks and send the data to the European Commission by 25 February every year;
- maintain an updated register of specific stocks, such as motor and aviation gasoline, held within their territory and supply the Commission with the information within 15 days of receiving a request to do so;
- send the Commission monthly summaries of the level of the commercial stocks held on their territory;
- have contingency plans in place to respond to a major disruption in supply and be able to release some or all of their emergency stocks quickly and effectively;
- allow companies and other entities that are required to hold oil stocks to delegate some of that responsibility, subject to certain conditions

<sup>43</sup> ASMR: Administration of the State Material Reserves

<sup>44</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.

<sup>45</sup> NPP: Nuclear Power Plant

<sup>46</sup> WANO: World Association of Nuclear Operators

<sup>47</sup> MW: 10<sup>6</sup> watts

<sup>48</sup> TWh: terawatt-hour, a measure of electrical energy, 10<sup>12</sup> watt-hours

<sup>49</sup> ČEPS: an exclusive operator of the power grid in the CR based on a licence from the ERU. It maintains, upgrades and develops 41 substations with 71 transformers. ČEPS's power network is now over 5,000 km long. The company is fully owned by the state via the MIT.

<sup>50</sup> CE: Central Europe, views on which countries belong to Central Europe are vastly varied, the region includes Hungary, Poland, Slovakia, Czech Republic, Slovenia, Croatia, Austria, Germany, Lichtenstein, Switzerland. Depending on context, CE countries are sometimes grouped as Eastern, Western European countries, collectively or individually

<sup>51</sup> Q2: 2<sup>nd</sup> quarter of the year

<sup>52</sup> t: tonne, metric ton is a non-SI metric unit of mass equal to 1000 kilograms

The task of the commission will be to negotiate the process of preparations for the construction of a new unit at Dukovany in the years to come.

The commission should help reveal weak points and problems that might endanger the investment and create pressure on relevant authorities.

The commission consists of representatives of political groups, civic association Energetické Třebíčsko, a civic security commission, ČEZ<sup>53</sup>, representatives of the South Moravia regions and other entities.

According to Běhounek, the commission is the only advisory body of the Vysočina region in which the neighbouring South Moravia region will have its representatives.

#### VW<sup>54</sup> RAISES SALES – 12. 4.

The VW sold a total of 8,123 cars on the Czech market in the Q1 2017. This represents a growth by 50% y-o-y. The company sold 2,842 cars (+41%) in March. In terms of the body, the best-selling models are hatchbacks (2,720 units; +43%), estate cars (1,813; +44%), SUV<sup>55</sup> (1,178; +134%), and MPV<sup>56</sup> (1,034; +85%). The best-selling models are: the Golf, the Passat, the Tiguan, the Touran, and the Polo.

### POLITICS & POLL & OTHERS

#### DATE OF GENERAL ELECTION – 7. 4.

The elections to the ChD will take place on October 20-21, President Zeman said. The president chose the latest date possible according to the constitution, which says elections must be held at least 30 days before the end of a 4-year parliamentary term with the president obliged to give at least 90-day notice of when they will happen. The deadline for political parties to submit the list of their candidates is August 15. PM Sobotka said account that he was ready to sign the proposal.

#### FTA<sup>57</sup> AFTER BREXIT – 10. 4.

The government approved CR's position in the negotiations about Great Britain's exit from the EU. The priority for Brexit is unified action by EU27. PM Sobotka has stated that the key issue for the CR is free movement of people and Czech citizens' rights, mutual relationships, financial settlement and legal continuity. The CR aims to arrange complex FTA that will allow maintaining Czech export to the UK. PM Sobotka will present information regarding Brexit in the ChD on April 12, 2017.

<sup>53</sup> **ČEZ:** ČEZ Group is a conglomerate of 96 companies (including the parent company ČEZ, a.s.), 72 of them in the CR. It is involved in the electricity generation, trade, distribution and heat, as well as coal mining.

<sup>54</sup> **VW:** Volkswagen is a German car manufacturer headquartered in Wolfsburg, Lower Saxony, Germany. Established in 1937, Volkswagen is the top-selling and namesake marque of the Volkswagen Group, the holding company created in 1975 for the growing company, and is now the second-largest auto maker in the world

<sup>55</sup> **SUV:** a sport utility vehicle or suburban utility vehicle, a vehicle classified as a light truck, but operated as a family vehicle. They are similar to a large station wagon or estate car, usually equipped with four-wheel drive for on- or off-road ability. Some SUVs include the towing capacity of a pickup truck with the passenger-carrying space of a minivan or large sedan.

<sup>56</sup> **MPV:** multi-purpose vehicle

<sup>57</sup> **FTA:** free trade agreement involve cooperation between at least two countries to reduce trade barriers—import quotas and tariffs—and to increase trade of goods and services with each other

<sup>58</sup> **ČSSD:** Czech Social Democratic Party, centre-left party

<sup>59</sup> **KDU-ČSL:** Christian and Democratic Union – Czechoslovak People's Party, centre party

<sup>60</sup> **ANO:** ANO 2011, centre-right party

<sup>61</sup> **MFA:** Ministry of Foreign Affairs

#### SOUTH BOHEMIA GOVERNOR RESIGNS - 11. 4.

The South Bohemia Region's Governor Zimola (ČSSD<sup>58</sup>), is leaving his post and he will officially resign at the closest meeting of the regional body, he said, adding that the ČSSD will attempt to form a new coalition.

The coalition would be comprised in addition to the ČSSD by the South Bohemians 2012 movement, the For South Bohemia coalition and the KDU-ČSL<sup>59</sup>, Zimola said.

He said he would propose to it his deputy Ivana Straska for the ČSSD.

The former coalition, which was formed by the ČSSD, the ANO<sup>60</sup> and South Bohemians 2012 after the 2016 regional election, fell apart on March 10.






#### C-LINE OUT OF OPERATION THROUGHOUT EASTER – 11. 4.

A stretch of the C-line of Prague's metro will be out of operation throughout the Easter holidays due to scheduled repair work on the tracks. Trains will not run between the stations Nádraží Holešovice and Pražského povstání from early Friday morning until late Monday night. A substitute bus service and special tram line will be in place.

#### PROTESTING HUMAN RIGHTS ABUSES IN CHINA – 12. 4.

The CR was one of 11 countries which signed a letter to the Chinese government highlighting human rights abuses. The letter was signed by on orders from the MFA<sup>61</sup>, according to Czech media reports citing confirmation from the MFA. The precise details of the letter has not been revealed, though it is said to highlight torture, prison isolation, and other abuses of lawyers and other involved in the promotion of human rights in China. The reports highlighted the fact that no publicity had been given in the CR to the move, said to have been initiated by the EU representation in Beijing. Four top Czech political figures, including the president and PM, signed a controversial declaration in October last year apologising for high profile meetings in Prague with the Tibetan spiritual leader the Dalai Lama.



News outside the time span of this News summary	
	CEZ
	CIA News (Česká informační agentura)
	CNB (Česká národní banka)
	Czech Press Agency (Česká tisková kancelář)
	Czech Statistical Office (Český statistický úřad)
	Eurostat
	Government of the CR
	Hospodářské noviny Daily
	iDnes.cz, news portal MF Dnes
	Ministry of Finance of the CR
	Ministry of Health
	Ministry of Labour and Social Affairs of the Czech Republic
	OECD
	Radio Prague (Český rozhlas)