

NEWS SUMMARY APRIL 27 – MAY 3

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ECONOMY & FINANCE

CZECH GOVERNMENT WILL RESIGN – 3.5.

The government of the CR¹ will resign. This was stated by PM Sobotka on May 2, 2017. He will hand over the resignation to hands of President Zeman on May 5, effective by the mid-May. Sobotka cited his dissatisfaction with dubious business activities of Babiš, abnaire, and Babiš's failure to sufficiently explain his opaque deals. ANO chief Andrej Babiš is due to hold talks with President Zeman on May 3.

The President is obliged by the constitution to accept the resignation of a cabinet but there is no deadline for doing so. Bělobrádek, the leader of junior coalition partners the KDU-ČSL, also says the matter is in the president's hands. He has asked to meet President on May 4, also this meeting had been planned long beforehand and he would not go to the meeting with Zeman to offer any solutions to the crisis.

MI Minister Chovanec (ČSSD) will meet President Zeman at his own request on May 3 at 16:30.

The ČSSD board do not want to solve the Czech government crisis by an early election and it can imagine the current cabinet governing in resignation until the October 20-21 general election, without Babiš, ČSSD representatives said.

Entrepreneurs are concerned that after the government's resignation, political instability endangering the CR's prosperity will last for half a year until the general election, the CCC² said.

The CI³ is of the opinion that the step lacks a concept and is irresponsible.

The ASME said, that for the government to resign closely before election is like jumping from a standing train and does not expect anything extraordinary in the economy and the business sphere due to the move.

The AE⁴ is of the opinion that the government's resignation means certainly nothing good for exporters and the Czech industry, but believes that it will have no negative influence on Czech exports. It labelled the government's resignation as Sobotka's managerial failure, because to let the government fall half a year before the elections is absurd.

The government's resignation has not influenced the financial and capital markets in any way, the Prague Stock Exchange has lost 2% to 1,003 points since the news.

The Czech crown is trading near CZK26.90/€ on May 3, which was its closing value on May 2, and is showing only minor fluctuations. According to experts, events on the domestic political scene are not influencing the currency market.

CTK FINANCE MINISTER: ZEMAN TO ACCEPT CZECH GOVERNMENT'S RESIGNATION - 3.5.

Czech President Milos Zeman will accept the resignation of the government of PM Bohuslav Sobotka (Social Democrats, CSSD), Finance Minister and Deputy PM Andrej Babis (ANO) said after meeting Zeman today.

Sobotka will deliver the resignation to Zeman on Thursday. Babis said he had told Zeman that ANO disagreed with the resignation. He said he would not accept the assignment to form a new government if Zeman proposed it since this was an affair for the Social Democrats.

Babis said he misunderstood the resignation because the government was successful. A government reshuffle is not suitable six months before regular polls, Babis said.

Babis said he disagreed with an early election and the view was shared by Zeman.

CTK INTERIOR MINISTER CHOVANEC: ZEMAN, SOCIAL DEMOCRATS ARE AGAINST CARETAKER CABINET – 3.5.

President Milos Zeman and the Social Democrats (CSSD) agree that no caretaker government should be formed after PM Bohuslav Sobotka (CSSD) tenders the government's resignation, Interior Minister Chovanec (CSSD) said after meeting Zeman today.

Chovanec said he believed that Zeman would accept Sobotka's resignation on Thursday, although Zeman did not put it clearly in their conversation.

UNCERTAINTY EMERGES OVER CZECH GOVERNMENT RESIGNATION ON THURSDAY – 4.5.

A new element of confusion has blurred machinations over the Czech government's political future with suggestions after a late night meeting of Social Democrat party leaders on Wednesday night that PM Bohuslav Sobotka will only inform the head of state of his intention to present the government's resignation in a meeting scheduled Thursday. Foreign minister Lubomír Zaorálek said after the party meeting that was the scenario as he understood it. Earlier president Miloš Zeman's spokesman said that the PM would present the government's resignation in a meeting Thursday afternoon. A complicating factor in the tractions is the president's visit to China from May 11 to 18. Sobotka could leave himself with more room to shape events if he only informed the president of his intention to resign. The Social Democrat leaders repeated they would like to reshuffle the current government but make sure ANO leader Andrej Babiš is no longer minister of finance.

It is speculated that Chovanec or Foreign Minister Lubomir Zaoralek (CSSD) might become the next PM. Both Chovanec and Zaoralek are among the ministers who will accompany Zeman on the official visit to China next week. This will give them an opportunity to talk about the lineup of the new or reshuffled government in which Sobotka will not take part anymore, Pravo writes.

Health Minister Miloslav Ludvik (CSSD), Transport Minister Dan Tok and Regional Development Karla Slechtova (both ANO) will also be in the Czech delegation that is going to China, the paper writes.

¹ CR: the Czech Republic

² CCC: Czech Chamber of Commerce (also HK ČR in Czech)

³ CI: Confederation of Industry

⁴ AE: Association of Exporters, Czech Republic

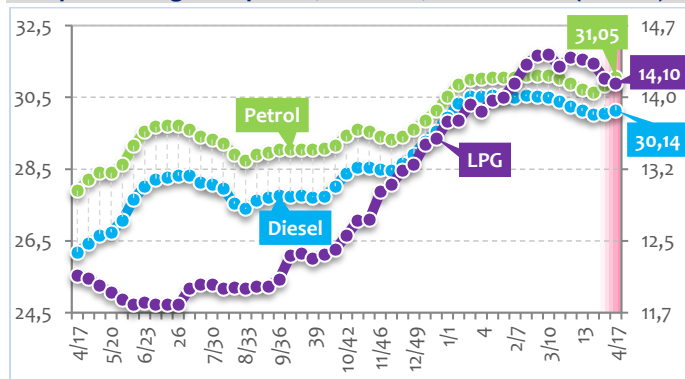
EGAP SHOWS CZK1.25BN LOSS IN 2016 – 27. 4.

Czech state-run export insurer EGAP posted a loss of CZK1.25bn in 2016, mainly due to the payment of insurance benefits and creation of reserves, partly in connection with the unsuccessful project of the Yunus Emre power plant of the Adularya company in Turkey, EGAP told CTK today. EGAP paid out the biggest insurance benefit in its history, CZK5.5bn. On the other hand, it recovered claims worth about CZK1.13bn. EGAP insured export loans, bank guarantees and investments abroad worth CZK31.9bn. The insured exports headed for a record-breaking number of 39 countries. The company closed 51 new contracts in the segment of small and medium-sized enterprises. This represents more than one half of all contracts closed in 2016. For the first time ever, EGAP supported Czech exporters in Ghana, Ecuador and Bolivia.

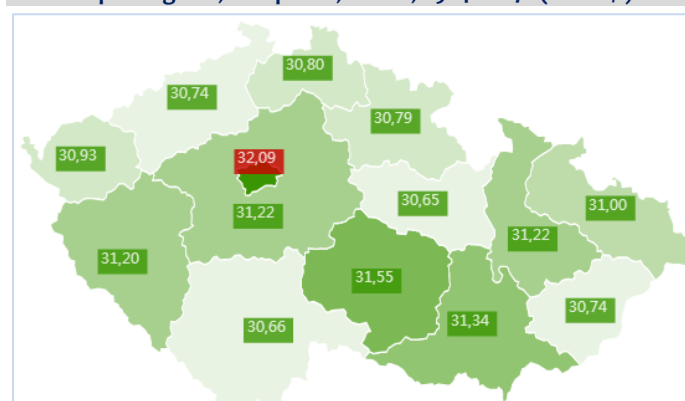
FUEL PRICES – 28. 4.

Natural g5 increased by ▲22 h⁵ to CZK31.05/l⁶ over the past week. The average price of diesel oil increased by ▲10h to CZK30.14/l.

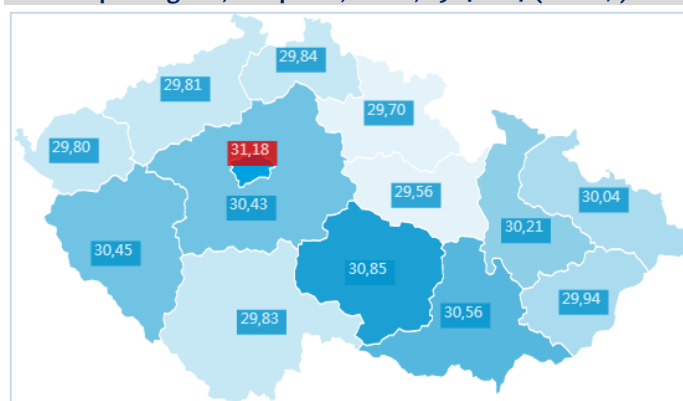
Graph 1: Average fuel prices⁷, 2016/2017, Month/Week (in CZK/l)⁸



Map 1: Regions, fuel prices, Petrol, 29. 4. 2017⁹ (in CZK/l)



Map 2: Regions, fuel prices, Diesel, 29. 4. 2017 (in CZK/l)



CZECH BONDS IN CROWNS IN FOREIGN HANDS – 28. 4.

Almost a half of Czech state bonds in crowns was held by foreign investors at the end of March, their value was around CZK718bn out of the total CZK1,518bn worth bonds issued on the domestic market, according to the MF.

At the end of last year, foreign investors held roughly a 1/3 of the bonds. Analysts say the current share is record. "Cheap financing in crowns and speculations on the firming of the Czech currency resulted in massive growth in the volume of Czech bonds in crowns and of treasury bills held by foreign investors." The share of foreign holders of Czech bonds in crowns exceeded 1/2 in April. The CNB¹⁰ ended the forex interventions on April 6.

CZECH BANK LOANS RISE IN MARCH – 1. 5.

The volume of banks loans in the Czech economy increased by 7.3% y-o-y to CZK3,041bn at the end of March, according to the CNB.

Household loans posted an annual rise of 8.7% to CZK1,352bn and loans to businesses were 4.7% higher, surpassing the CZK1,000bn level, the CNB said.

The CBA¹¹ said there was a strong household demand for new loans in March. Housing loans grew by an annual rate of 16.4% to CZK31.9bn. March was the last month where clients with savings amounting to 5% of the property's value may have taken out a mortgage loan.

A new central bank recommendation took effect as of April under which clients' savings must now be equal to at least 10% or in most cases even to 20% of the property's value, CBA pointed out.

Banks' consumer lending rose by more than 1/4 to CZK11.1bn in March in annual terms. It cannot be ruled out that clients use consumer loans to offset the lack of money in property purchases, CBA said.

Demand for consumer loans on the part of households is driven by a favourable economic situation that increases their confidence and willingness to take out loans to buy durable goods and a tough competition on the relevant market also plays a certain role in this respect, experts said.

⁵ H: Heller, a term 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.

⁶ l: litre, is an SI accepted metric system unit of volume equal to 1 cubic decimetre (dm³), 1,000 cubic centimetres (cm³) or 1/1,000 cubic metre.

⁷ 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, data issued by the CSO

⁸ Exception in time series, data issued by the CCS Company

⁹ data issued by the CCS Company

¹⁰ CNB: Czech National Bank

¹¹ CBA: Czech Banking Association

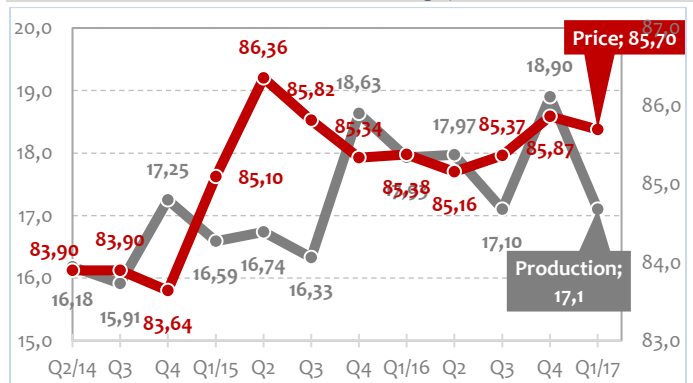
The volume of new loans in the business sector increased modestly to CZK45.9bn in March. CBA said this shows that investment demand will be recovering in 2017 following a downturn last year, but at a cautious pace.

However, the total amount of new loans in the business sector decreased by 8% in Q1 this year in annual terms.

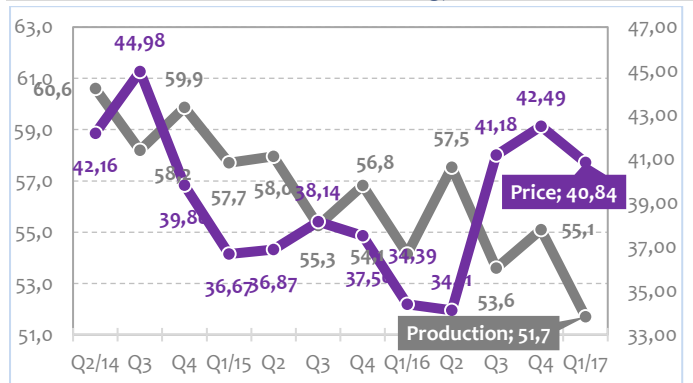
AGRICULTURE IN Q1 – 2. 5.

In Q1 2017 the meat production amounted to 105,770t (-3.5%, y-o-y); it consisted of 17,110t of beef (-4.6%), 51,665t of pig meat (-4.6%), and 36,964t of poultry meat (-1.2%). Prices of cattle for slaughter did not change, y-o-y (0.0%); they rose for pigs for slaughter (+18.8%) and slightly also for chicken for slaughter (+1.9%). Milk collection from producers reached 711,787,000 l (+0.3%); the price of milk grew, y-o-y, by 7.6%; farmers sold milk on average for 7.85 CZK per litre.

Graph 2: Beef production and average producer prices (in thousand t, CZK/kg¹²)



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



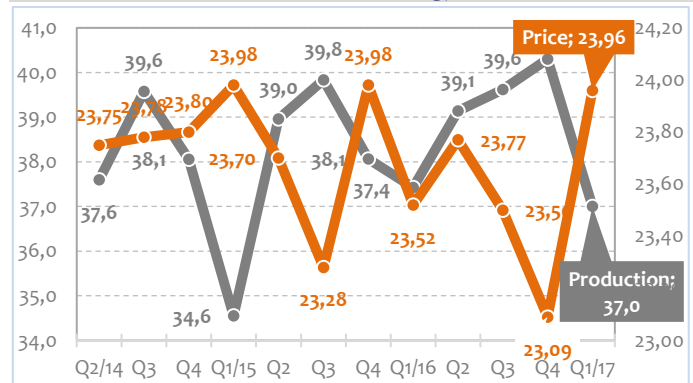
Exports of live cattle (50,000 head) distinctly exceeded their imports (800 head) and went down by 16.2%. Exports of animals for slaughter declined (to 10,929t of live weight, i.e. approximately the amount corresponding to monthly meat production in the CR, and 16,700 head; -23.7%); as well as exports of animals for further rearing (to 33,200 head; -11.9%). Cattle were exported mainly to Austria (animals for slaughter), Turkey (ones both for breeding and for further rearing) and Germany (ones both for further rearing and for slaughter).

The category of pigs up to 50 kg prevailed in imports of live pigs, although these imports continued to fall (to 52,600 head; -12.2%, y-o-y) and, on the contrary, exports rose (to

¹² Kg: kilogram is the base unit of mass in the International System of Units and is defined as being equal to the mass of the International Prototype of the Kilogram (IPK)

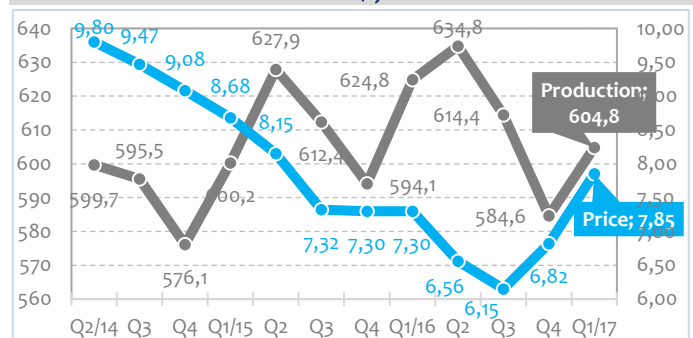
16,800 head; +6.5%). Exports included mainly pigs for slaughter: 55,300 head (-21.2%) weighing on average 116.9 kg were exported. Live pigs were imported mostly from Germany, Denmark and the Netherlands; they were exported to Slovakia, Hungary and Germany.

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



External trade with live poultry reached a positive balance both in day-old juveniles and in poultry for slaughter. During the reference period, in total 3.1mn head of day-old chicks (+4.7, y-o-y) were imported mainly from Germany and 21.3mn head (-6.8%) were exported; out of which one half went to Slovakia. Exports of chicks for slaughter accounted for 4,622t (+6.9%) and were directed mainly to Germany and Slovakia.

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

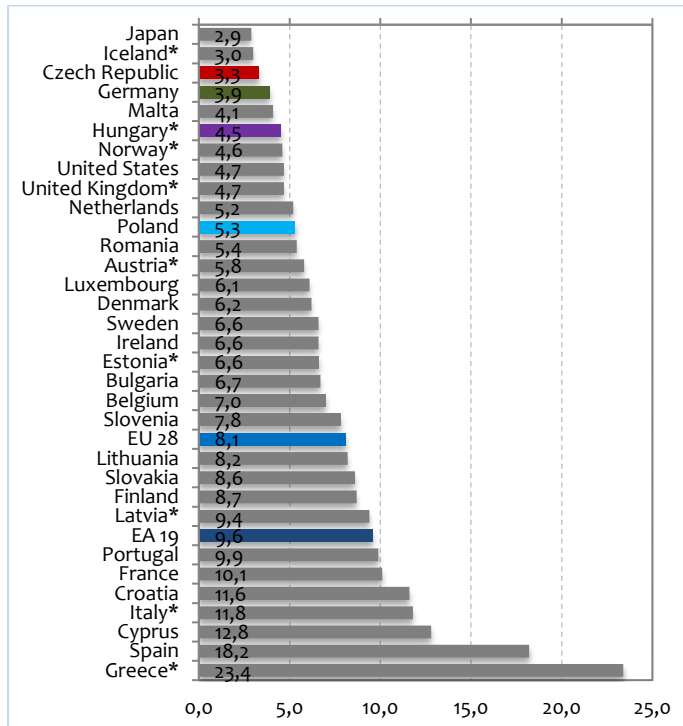


RATE ON NEW CORPORATE LOANS DECREASES - 2. 5.

Interest rates on new loans to non-financial corporations (excluding overdrafts, revolving loans and credit cards) fell to 1.84%. The rate on loans of up to CZK7.5mn rose to 3.21%, the rate on loans of over CZK7.5mn and up to CZK30mn increased to 1.93% and the rate on new loans of over CZK30mn fell to 1.71%.

eurostat **EMPLOYMENT EU28 – 2.5.**

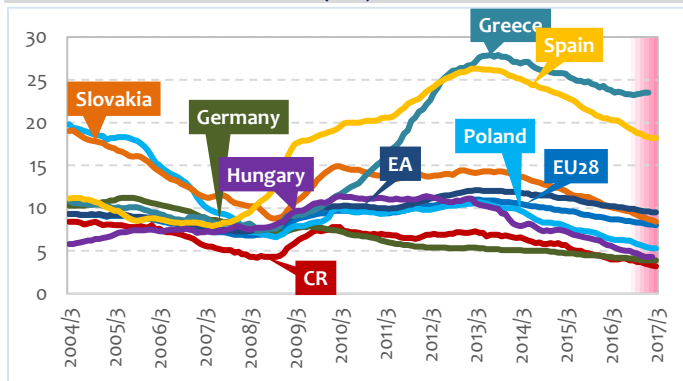
Graph 6: EU, Unemployment rate, Q1 2017 (in%)¹³



eurostat **UNEMPLOYMENT EU28 – 2.5.**

The EA19 SA¹⁴ unemployment rate was 9.5% in March 2017, stable compared to February 2017 and down from 10.2% in March 2016. The EU28 unemployment rate was 8.0% in March 2017, down from 8.1% in February 2017 and from 8.7% in March 2016.

Graph 7: Unemployment in EU, monthly average, 2005 - 2017, y-o-y (in %)



Among the Member States, the lowest unemployment rates in March 2017 were recorded in the CR (3.2%), Germany (3.9%) and Malta (4.1%). The highest rates were observed in Greece (23.5% in January 2017) and Spain (18.2%).

Compared with a year ago, the unemployment rate in March 2017 fell in 23 Member States, remained stable in France and Austria, while it increased in Denmark (from 6.0% to 6.2%),

¹³ * Data Q4 2016

¹⁴ 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.

¹⁵ Employment rate: the share of the employed persons in the age group 15 – 64 years, as percentage, seasonally adjusted, data are issued by the CSO based on the results of the Labour Force Survey (LFS).

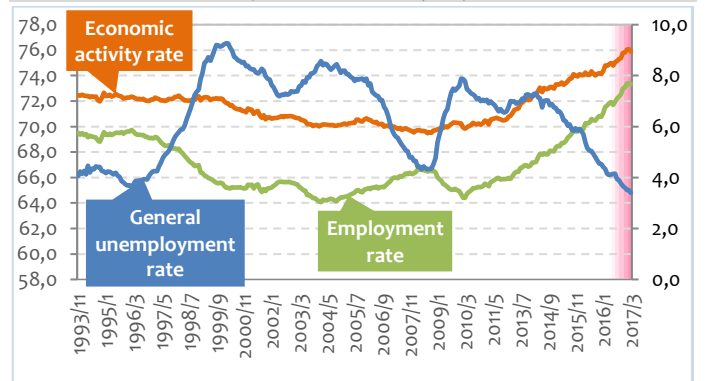
¹⁶ P. p.: percentage point

Italy (from 11.5% to 11.7%) and Lithuania (from 8.0% to 8.1%). The largest decreases were registered in Croatia (from 14.0% to 11.3%), Portugal (from 12.0% to 9.8%), Spain (from 20.3% to 18.2%) and Ireland (from 8.3% to 6.4%).

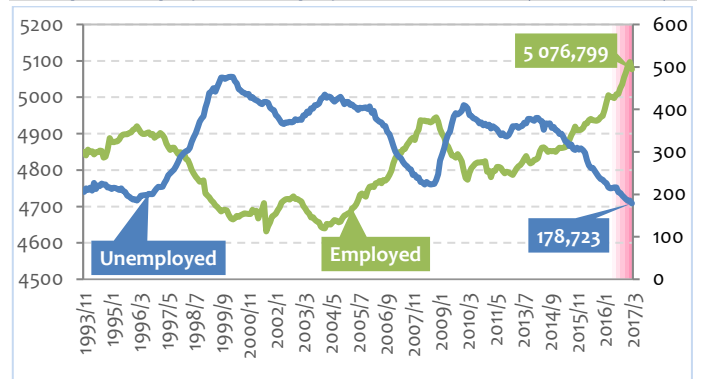
ECONOMIC ACTIVITY RATE – 2.5.

The employment rate¹⁵ SA, reached 73.3% in March 2017 and increased by 1.6 p. p.¹⁶ y-o-y.

Graph 8: Rates of employment, unemployment and economic activity, SA, 1993- 2017 (in %), LFS



Graph 9: Employed, unemployed, SA, 1993- 2017 (in thousands)



The general unemployment rate¹⁷ SA, reached 3.4% in March 2017 and decreased by 0.7 p. p. y-o-y.

The economic activity rate¹⁸ SA, reached 75.9% and rose by 1.1 p.p. compared to that in March 2016.

CZECH STATE BUDGET SURPLUS GROWS IN APRIL – 2.5.

State budget surplus grew to CZK6.3bn in April from CZK4.7bn in March, the MF said.

The budget ran a record surplus of CZK30.5bn in April last year. A lower amount of money from EU funds is behind the marked annual drop, the MF said. The state budget for this year was approved with a CZK60bn gap.

EU funding was CZK51.4bn lower at the end of April annually, said the MF.

EU funding was relatively high especially in the H. Adjusted 2016 for EU funding (both revenues and expenditures), the budget ended in a CZK7.8bn deficit at the end of April this

¹⁷ General unemployment rate: the share of the unemployed in the labour force in the age group 15 – 64 years, that is in the total number of the employed and the unemployed, as percentage, seasonally adjusted, data are issued by the CSO based on the results of the Labour Force Survey (LFS).

¹⁸ Economic activity rate: the share of the number of the economically active in the total number of persons in the age group 15 – 64 years, as percentage, seasonally adjusted, data are issued by the CSO based on the results of the Labour Force Survey (LFS).

year, while posting a deficit of CZK23.7bn in April last year, according to the MF.

Budget revenues fell by CZK20.3bn annually to CZK407.3bn and budget spending increased by CZK3.9bn to CZK401bn.

Overall tax revenues excluding social insurance payments were CZK15.7bn higher at CZK201.8bn in annual terms.

The state budget data imply that capital expenditures have not yet seen a recovery, co-financed by the EU, and that the process will be slow this year, experts said.

VAT revenues rose by CZK7.9bn to CZK85.4bn y-o-y thanks to ledger statements that have proved highly effective in the fight against tax evasion, the MF said.

On the other hand, reduction of a VAT rate on restaurant services from 21 to 15% because of the introduction of EET had a negative impact on VAT collection.

A VAT rate on newspapers and magazines was cut from 15 to 10% starting in March.

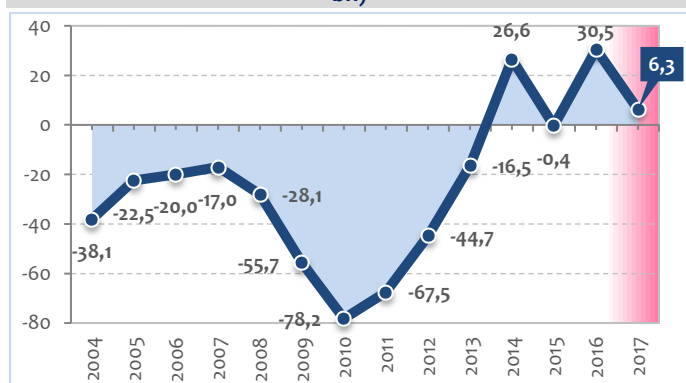
A slower annual growth in VAT collection was also caused by the FA¹⁹ blocking a lower y-o-y amount of questionable excessive VAT deductions.

Excise duty collection was CZK0.4bn higher at CZK47bn annually.

The government spent the highest amount of CZK176.7bn, CZK7.7bn more y-o-y, on social allowances by the end of April.

The state budget envisages spending of CZK530.5bn for the purpose this year.

Graph 10: State balance, Period January – April, 2004 - 2016 (in CZK bn)



EXPORT GROWTH TO EXCEED 10% – 3. 5.

Exports may increase by more than 10% y-o-y in July thanks to a reviving foreign demand, stable CZK's exchange rate and low comparative basis from July last year, the AE said referring to its Export Index's value. The AE pointed that the planned outage in the automotive industry was behind the low comparative basis in July 2016 and noted that the stable development of the CZK's exchange rate following the CNB termination of its one-sided forex commitment to keep the crown weaker than €/CZK27 is also helping exports, but admitted that it is hard to predict speculators' behaviour in terms of patience with the currency until July. According to the EA, the decisive factor will be whether speculators will be willing to wait for a long time, generating minor profits, or whether they will have enough courage to take bigger profits immediately, running a risk that only a few of them will get

¹⁹ FA: Financial Administration of the Czech Republic

such profits. In the latter case, the crown might weaken, which exporters would welcome.

Last year's exports reached a record-breaking value of CZK3,970bn, 2.3% higher y-o-y. The CR's dependence on exports to EU countries kept growing last year, rising modestly to 83.6% of total exports. The main trading partner was Germany with a 32% share in total exports. Exports posted an annual rise of 3.6% in the first two months of this year, with exports to Germany increasing by 3.9%. Shortage of qualified labour force and uncertainty related with a long Brexit process are points of vulnerability of the domestic economy. Czech exports are also highly dependent on the automotive industry that accounts for at least a fifth of them. The contribution of net exports to GDP growth this year is overall seen to decrease as the expected investment rebound related to the acceleration of the EU funds drawing will boost also the investment-intensive imports.

AGRICULTURE & ENVIRONMENT

PROGRAMME TO ENCOURAGE WATER SAVING – 27. 4.

The ME has announced a new programme of grants to encourage households to save water. The ME has earmarked CZK100mn for the programme, which takes off on May 29. The grants will be used for example to buy containers for rain water, to build ponds, or for water efficient equipment. The programme, called Dešťovka (rain water), is part of the government's strategy to deal with increased likelihood of drought.

APRIL FREEZE WILL HIT WINE GROWERS – 2. 5.

Czech wine growers say freezing weather at the end of April will cost them around CZK0.5bn. They said that the price of grapes was likely to rise this year due to a projected shortage. Of the CR's wine growing areas, Velkopavlovická was hardest hit last month, sustaining a likely 20% fall in output. By contrast Znojmo suffered practically zero damage.

PRODUCTION OF AGRICULTURE GROWS – 3. 5.

According to the MA Minister Jurečka, the production of the Czech agriculture increased to CZK129.26bn in 2016. According to his words, the economic result of the Czech agriculture segment totalled CZK127.03bn in 2015.

LABOUR & SOCIAL & HEALTH

AVERAGE WAGE IN PUBLIC SECTOR GROWS IN 2016 – 1. 5.

The average salary of public sector employees went up by CZK1,501 to CZK28,393 last year annually, according to a state final account draft that the cabinet presented to the ChD. State attorneys earned the highest salary, while wages in regional education ranked among the lowest, according to the draft.

Last year's average gross wage grew by 3.5% to CZK27,589 in the CR in real terms, according to data from the CSO.

The government said the annual pay rise in both the business and the public sector was relatively balanced.

The average wage at state offices reached CZK32,456 last year, with state attorneys and associated professions recording an average pay of nearly CZK100,000.

Employees of state-subsidised organisations in regional education earned CZK24,895 on average.

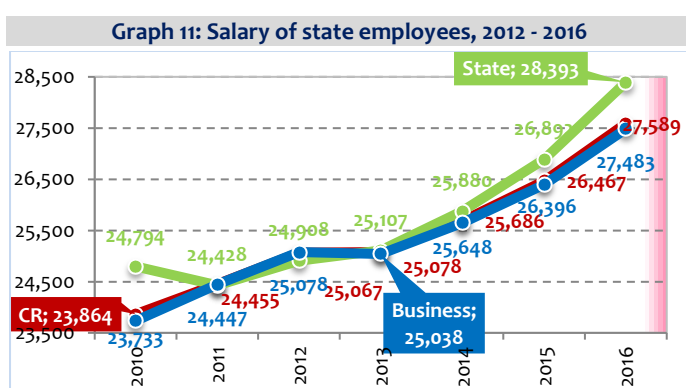
Total wage costs in the public sector amounted to CZK151.4bn last year, CZK4.3bn more on an annual basis, with nearly CZK39bn paid out in wages to clerks and CZK34.4bn to soldiers and other security corps members.

The state had 422,354 employees, 91 fewer in annual terms. According to the state budget draft for this year, public sector employees will earn CZK1,876 more on average this year, their average salary to rise to CZK28,855.

Police, firefighters, customs officers and prison guards will see a 10% pay rise as of July this year.

Wages of healthcare workers rose by a tenth as of January this year.

In its April forecast, the MF said the Czech average wage might increase by 4.6% this year, the growth being influenced by rising employment and the tight situation on the labour market.



CZECH ČSSD TO PROPOSE RISE IN MINIMUM WAGE- 1. 5.

The ČSSD will propose that the minimum wage rise by 1200 crowns from the current CZK11,000 to 12,200 a month gross as of 2018, PM Sobotka said.

If the ČSSD succeeded with the plan, the minimum wage would amount to 40.5% of the average pay expected next year.

TU demand that the minimum wage rise to CZK12,500 at least as of 2018. The national average gross monthly pay was CZK29,320 in the CR at the end of last year.

MLSA Minister Marksova will submit the proposal for the minimum wage rise.

"We will first submit it to our social partners for comments. After them, trade unions, employers and the government will debate the draft. This is one of the ČSSD's current priorities," Sobotka said.

When he assumed the PM's post, the minimum wage was CZK8,500, he said.

"We want the minimum wage to rise every year since this is the best motivation for the jobless. People who work for the minimum wage must have more financial means than those dependent on welfare benefits," Sobotka pointed out.

The ČSSD would like to keep raising other wages as well, he said, adding that he salaries of all public sector employees will be raised as of next year.

²⁰ RAWRA: Radioactive Waste Repository Authority

"The state fares well, the economy is functioning and this is why it is important to increase the citizens' living standards," Sobotka said.

INDUSTRY & ENERGY & INVESTMENT

CR'S LAST URANIUM MINE OFFICIALLY CLOSES – 27. 4.

The CR's last uranium mine in Rožná located about 50km northwest of Brno, officially closed on April 27 with a ceremony marking 60 years of uranium mining in the location. The Rožná mine, which is also the last uranium mine in Europe, went into operation in 1957 and has produced around 17mnt of uranium since then. The RAWRA²⁰ has turned one part of the mine - beneath the village of Bukov into a special laboratory for tests that will help it build a final repository for spent nuclear fuel from the Temelín and Dukovany plants.

MIT WANTS TO REDUCE EXPORT DEPENDENCE ON EU – 27. 4.

MIT will attempt in the export sector to minimise the risks arising from CR's dependence on EU countries and the risks stemming from Brexit.

This was stated by MIT Minister Havlíček in his commentary on 2016 export results in crossborder classification.

Export grew 2.4% to CZK3.98tn.

MIT Minister Havlíček has added that the MIT aims to open additional markets outside the EU for exporters, e.g. through CR's participation at the EXPO fair in Astana, organized by the ministry.

PLZEŇSKÝ PRAZDROJ RAISED BEER SALES – 27. 4.

Brewery Plzeňský Prazdroj raised beer sales by almost 1mn hl to almost 11mn hl in 2016. The brewery's domestic sales grew 2.7% to 7mn hl. The company exports to more than 50 destinations.

CZECH FIRMS 70% IN NPPS' CONSTRUCTION – 27. 4.

Companies which offer 70% of supplies in building of new nuclear units in the CR to Czech firms will gain the CI support, said the CI's president at the Czech-South Korean forum of nuclear industry suppliers.

The event has been organised by Korea Hydro & Nuclear Power (KHNP) which offers new-generation reactors III+ for the new units.

"Support from the CI and the ČEZ will be provided only to supplier which in its offer confirms the share of Czech firms at some 70% of the supply's financial volume. I would like to believe that the South Korean partners understand this demand," he said at the forum's opening.

KHNP president Lee Kwan-seop has also promised theoretical support to Czech suppliers, but without disclosing its concrete size.

KHNP is prepared to allocate a large part of its supplier chain for the project for completion of Czech nuclear power plants to Czech engineering companies whose services are at top level in the long term. KHNP can also offer to these companies participation in other international projects, he said.

REGISTERED EET REACHES 144,000 – 28. 4.

The number of registered entrepreneurs within the EET system has reached more than 144,000 since the system was launched on Dec 1, 2016 until April 28, the FA has said. The numbers of bills registered has exceeded 1bn and the total amount of sales reported within the EET has reached CZK350bn. The system was introduced at the end of last year for restaurants and hotels, entrepreneurs in wholesale and retail joined as of this March, some freelance occupations such as accountants, vets and lawyers are to be added as of March 1, 2018 while other occupations such as hairdressers, will follow suit as of June 2018.

The government counts on the EET to curb the grey economy and prevent tax evasion, thus supporting government fiscal consolidation plans by bringing some CZK18bn per year as of 2018. The entrepreneurs who join the EET will be able to use a one-off discount of up to CZK5,000 for the costs connected with the system introduction. In addition, VAT rate for catering services, with the exception of alcoholic drinks, will be cut from the current 21% to 15%. Opposition claims that the EET system will lead to the closure of many small businesses.

ŠKODA AUTO MANUFACTURED 1MN SUPERBS – 28. 4.

Škoda Auto has manufactured the millionth Superb car in its Kvasiny plant. Totally 136,100 Superb 1st generation cars were made since the vehicle's launch in 2001. The Kvasiny plant produced 618,500 Škoda Superb generation 2 vehicles between 2008 and 2015. The current 3rd generation, launched in March 2015, has scored 250,000 vehicles so far.

PACT ON FUTURE OF AUTOMOTIVE INDUSTRY – 28. 4.

According to the AutoSAP President, the pact for the future of the Czech automotive industry will likely be prepared in cooperation with the government of the CR by the end of the summer.

According to the association, the document will create the environment for the negotiation with state representatives on the construction of charging stations, the protection of digital data or the creation of legal conditions for the autonomous driving verification.

SHARE OF FREE INDUSTRIAL PROPERTIES UP IN Q1 – 1. 5.

The total area of free industrial and warehouse units reached 304,100 m² at the end of Q1, its share rising by 0.5 p. p. to 4.7% annually and staying roughly the same compared to the end of last year, according to a study of Industrial Research Forum.

The area of new properties, completed in ten industrial parks, soared by 93% y-o-y to 162,400 m² in the Jan-March.

A 40,700 m² hall in CTPark Bor (roughly the area of Wenceslas Square) was the largest project completed in the said period. The largest three projects made up about 2/3 of the completed premises. Speculative construction constituted 15% of the total figure.

As many as 396,500 m² of warehouse and production units were under construction at the end of March, of which one third was in Prague and its vicinity. The share of speculative construction fell to 17%.

There have been 6.47mn m² of industrial and warehouse space in the CR in total.

Demand for industrial and warehouse premises decreased by an annual rate of 3% to 305,300 m². The Q1 biggest deal was a contract for leasing a 30,500 m² space in Panattoni Pilsen Park West by Sony DADC company.

The biggest rents stayed at CZK112 per m² and month in Q1. Rents for offices built in production halls ranged between CZK213 to CZK240 per m² and month.

ČEZ POSTPONES DECISION ON SALE OF POČERADY – 2. 5.

The supervisory board of ČEZ suspended at its meeting on April 27, 2017 the discussion of a bid of Vršanská uhelná to buy the power plant Elektrárna Počeradý. According to supervisory board chairman Václav Pačes, the board must assess the bid to the detail due to the comprehensive nature of the transaction. He said that the board had three independent assessments related with the transaction.

ŠKODA OFFERS COMPACT SUV – 2. 5.

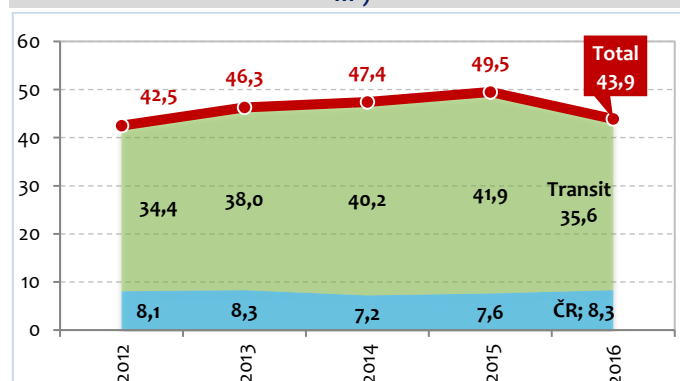
Czech automaker Škoda has introduced its new compact SUV KAROQ.

It offers the model with 5 engines with outputs ranging from 85 kW (115hp) to 140 kW (190hp).

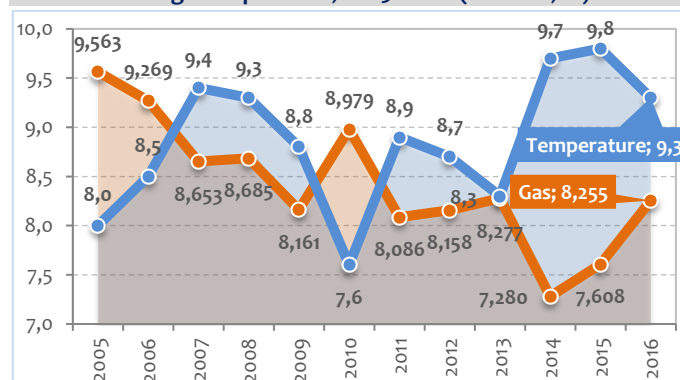
Its luggage space in the version with 5 seats reaches 521 l. The car offers new assistance systems, Full LED headlights, or a digital dashboard. The car will be officially introduced in Stockholm on May 18, 2017. It will be introduced on the market in the H2 of 2017.

TRANSIT OF GAS – 3. 5.

Graph 12: Gas transport provided by Net4Gas, 2012 - 2016 (in bn m³)



Graph 13: The average consumption of natural gas and the average temperature, 2005 - 2016 (in bn m³, °C)



POLITICS & POLLS & RANKINGS & OTHER

DIGITAL TRANSFORMATION – SURVEY – 27. 4.

More than 1/3 of SME companies in the CR have launched their digital transformation and another 1/5 is going to do so in the near future, according to a study conducted by analytical company IDC.

Within the process of digital transformation, companies start using technologies such as cloud, mobility, social technologies and big data as well as the IoT²¹, artificial intelligence, extended and virtual reality, 3D print, robotics and new generation of security technologies.

New technologies are finding their way to Czech companies at a slower pace than in Western Europe.

According to IDC, 20% of companies use mobile solutions for customers and 20% intend to introduce them within a year.

Cloud solutions are used by 32% of respondents, while 28% are planning or considering their introduction.

"Czech companies are relatively well acquainted with the concept of the IoT. All the companies polled said they know it, with 58% of them knowing it well or very well. 29% of companies have already started using the IoT and another 14% intend to follow them in the next 12 months. The most frequent motivation is automation of processing, security enhancement and reduction of maintenance costs," IDC said. According to IDC's forecast, the share of digital technologies and services in Europe will exceed 70% of total expenditures on IT by 2019.

ČIA ČVUT OPENS NEW CIIRC BUILDING FOR CZK1.4BN – 3. 5.

The CTU officially opened the building of the Czech Institute of Informatics, Robotics, and Cybernetics (CIIRC) on May 2, 2017. ČVUT developed the premises in Prague-Dejvice thanks to a renovation and extension. The construction cost CZK1.4bn. Some CZK1bn was paid from the state budget, some CZK220m is formed by a returnable part of VAT and ČVUT paid nearly CZK200m. The new building will bring a utility area of 34,000 m2 for up to 1,650 people.

PRAGUE TO BECOME SISTER CITY TO SHANGHAI – 2. 5.

Prague City Hall has agreed to become a sister city to Shanghai. While Mayor Krnáčová has said the agreement was a standard apolitical one between two cities, critics have pointed out that it contains controversial points such as acknowledging that Tibet is part of China, in addition to recognizing the one China policy.



²¹ IoT: The Internet of things, is the internetworking of physical devices, vehicles (also referred to as "connected devices" and "smart devices"), buildings, and other items—embedded with electronics, software, sensors, actuators, and network connectivity that enable these objects to collect and exchange data

News outside the time span of this News summary	
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