

## NEWS SUMMARY APRIL 4 – MAY 10

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### ECONOMY & FINANCE

#### CTK CNB IMPROVES GDP GROWTH ESTIMATE TO 2.9% THIS YEAR – 4.5.

The CNB<sup>1</sup> improved in a new macroeconomic forecast its GDP<sup>2</sup> growth estimate for this year to 2.9% from February's 2.8%, and for next year, it still envisages a 2.8% economic expansion, CNB governor Jiri Rusnok told journalists today. The CNB downgraded its inflation outlook for the second and Q3s of 2018. For Q2,<sup>3</sup> it envisages a rate of 2.1% against February's 2.3%, and for Q3, it expects inflation to reach 2% against 2.1% estimated in February.

"Inflation will stay in the upper half of the tolerance band around the 2% inflation target of the CNB this year, returning (to the target) early next year," said Rusnok.

"At the monetary policy horizon (about 12-18 months ahead), inflation will be very close to the target," said Rusnok.

He went on to say that the forecast counts on interest rate hikes in the Q3 of this year and in 2018.

At a first policy meeting after ending the CNB's forex intervention regime, the Bank Board left interest rates at their record-low levels. The basic rate has been maintained at 0.05% since November 2012.

The vote on the rates was unanimous. Subsequent rate hikes will depend on the development of all key macroeconomic indicators including the exchange rate of the crown.

The crown is trading near CZK<sup>4</sup>26.80/EUR<sup>5</sup> presently. Rusnok described it as very moderate gains of the currency. Should such a situation persist for some time a rate hike would make sense, Rusnok said. "However, we definitely did not assess it as urgent (situation) that would require making of a decision today," said Rusnok. Risks to the expected development are slightly pro-inflationary, and uncertainty is mainly associated with the development of the crown's rate, Rusnok said. Other uncertainties include domestic and foreign political risks and inflationary pressures. The MF<sup>6</sup> estimated economic growth of 2.5% for this and next year.

#### CTK CZECH ECONOMY IS RESILIENT TO POLITICAL TURBULENCES – RUSNOK – 4.5.

Czech economy is very resilient to turbulences on the domestic political scene, it is a sign of its stability and strength, CNB governor Jiri Rusnok said at a press conference after today's meeting of the CNB Bank Board. However, the development of political situation in the CR<sup>7</sup> and abroad represents uncertainty for further estimated

economic development, and this applies in particular to political development abroad, he added.

"It seems that the Czech economy is very resilient as regards domestic political turbulences, which is a sign of its stability and strength. In the end, the domestic political scene will manage to find a conventional solution and the situation does not affect the management of the state in any way," Rusnok remarked.

"The weight of these political uncertainties is more abroad than on the domestic scene," Rusnok said.

#### CTK NO. OF MORTGAGE LOANS UP A FIFTH TO 27,000 LOANS IN Q1 – 4.5.

Domestic banks provided 26,752 mortgage loans for CZK53.5bn<sup>8</sup> in total to individuals in the Q1 of this year, a 20.9% y-o-y growth in number and an 11.5% rise in volume, the Regional Development Ministry announced to CTK today.

The ministry's data are based on information from nine banks which represent 90% of the Czech mortgage market.

In 2016, banks provided a record 112,000 mortgage loans for CZK218.3bn.

Demand for mortgage loans is high despite the growing interest rates also according to Hypoindex of company Fincentrum.

In March, 10,388 clients came for a mortgage loan to banks, the highest number in the last four months. The volumes grow at a similar pace.

People took mortgage loans for CZK21.131bn in March, a CZK2.2bn higher volume than in February.

The still acceptable interest rates, as well as the approaching reduction of mortgage loans only to those clients who can cover at least 10% of the real estate value from own resources helped to raise the volume of the loans in March, Rajdl commented on March's data.

"The Q1 of 2017 was certainly very strong from the point of view of the mediated mortgage loans but the result may be distorted. It contains also mortgage loans for which clients applied at the end of 2016 when banks had all kinds of marketing campaigns and a lot of them filed their applications before the interest rate increase," Partners analyst Lucie Drasalova commented on the figures.

"Many clients also wanted to take advantage of the conditions valid until April 1. Since then, the second wave of the CNB's recommendations is in force," she added.

Banks also cannot provide more than 15% of new loans to clients who can pay only 10 to 20% of the real estate price by

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

<sup>2</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>3</sup> Q2: 2<sup>nd</sup> quarter of the year

<sup>4</sup> CZK: Czech Crown, the currency of the CR since 8 February 1993

<sup>5</sup> EUR: (€) Euro is the official currency of the Eurozone, which consists of 19 of the 28 member states of the European Union

<sup>6</sup> MF: Ministry of Finance

<sup>7</sup> CR: the Czech Republic

<sup>8</sup> bn: bn

themselves. With the limitations, banks reacted to the CNB's recommendation.

At the same time, the CNB at the beginning of April ended its exchange rate pledge. For all these reasons, banks started raising interest rates mainly on loans with a higher value of real properties put up as a collateral.

These recommendations will have quite a big influence on how the mortgage market develops after April 1. Interest rates are higher than a few months ago but they are still very acceptable and low so Drasalova does not expect any fundamental cooling on this market.

If the central bank toughens the conditions for approving mortgage loans even more, demand for real properties will probably drop and the growth in their prices will slow down, real estate agency Reality IQ executive director Ondrej Masin predicted.

#### MF AND FS EXPAND FLAT RATE TAX OPTIONS – 4.5.

The MF and the FA<sup>9</sup> have expanded the options for using flat rate tax. Entrepreneurs-individuals who are also employed next to their self-employed activities can now apply for a flat rate of income tax. This will also apply to entrepreneurs with one or more employees. The maximum income amount to which the flat rate will apply is CZK5mn per year for 3 preceding taxable periods. The regulation is part of the tax package for 2017 that will come into effect in the coming weeks.

#### CNB'S INTERVENTIONS IN MARCH AT RECORD CZK520BN – 9.5.

The CNB bought euros for some CZK520bn on the currency market in March, which is a record monthly amount since the launch of the forex intervention regime in November 2013, according to data on forex deals made public by the CNB today.

The CNB spent some CZK2,000bn on the interventions during the entire period, it said.

The interventions were launched by the CNB with the aim to weaken the crown and keep its exchange rate near CZK27/EUR. It ended the policy on April 6. Analysts said earlier the March growth in the intervention volume was due to investor pressure in anticipation of the approaching exit from the weak crown policy and growing inflation data.

"The CNB's timing of the end of the so-called hard commitment facilitated a huge inflow of speculative capital to the Czech economy this year, amounting to tens of% of GDP," said ING chief economist Jakub Seidler.

"The crown is extremely overbought, with its gains prevented by speculative capital positions being closed gradually," he added.

The crown is currently trading for CZK26.69/EUR.

According to Seidler, the relatively calm development of the crown's exchange rate after the bank lift the cap on the currency shows speculative capital is relatively patiently waiting in the economy. "However, its gradual outflow from the CR will be slowing the crown's gains this year. Monetary conditions toughening through the exchange rate will thus

be weaker than expected by the CNB, which will make it raise interest rates in the second half of the year," Seidler said.

Forex reserves have increased from 20% of GDP before the launch of the interventions to 70% of GDP presently, he pointed out.

The CNB states repeatedly it does not see the growing forex reserves as a problem and that it has no limitations in this respect.

However, forex deals can cause a book loss of the bank because of their reappraisal after lifting the cap on the currency. The CNB claims its main role is not making profits but maintaining the price stability.

Based on last year's business results, the CNB should have some CZK60bn in its reserve fund including a CZK46.5bn profit for last year.

#### CNB's forex deals (spot operations in mns of euros)

Period	Deals (EUR)	Deals (CZKbn)
March 2017	19,258.0	520.00
Feb 2017	8,138.5	219.70
Jan 2017	14,480.5	390.97
Dec 2016	3,257.0	87.94
Nov 2016	524.0	14.15
Oct 2016	3,961.0	106.95
Sept 2016	3,685.0	99.50
Aug 2016	1,059.0	28.59
July 2016	307.0	8.29
June 2016	313.0	8.45
May 2016	575.0	15.53
April 2016	393.0	10.61
March 2016	0	0
Feb 2016	623.0	16.82
Jan 2016	2,154.0	58.16
Dec 2015	1,540.0	41.58
Nov 2015	369.0	9.90
Oct 2015	0	0
Sept 2015	2,322.0	62.69
Aug 2015	3,734.5	100.83
July 2015	1,032.5	27.88
Nov 2013	7,499.0	202.47
<b>TOTAL</b>	<b>75,225.0</b>	<b>2,031.01</b>

#### ČNB: BUDGET INCOME FROM VAT INCREASED TO CZK85.41BN – 9.5.

The CR's overall tax income for the state budget totaled CZK350.89bn on April 30, 2017. It had totaled CZK325.75bn on April 30, 2016. Collection was primarily driven by social security insurance collection (CZK149.07bn). VAT<sup>10</sup> collection increased y/y from CZK77.56bn to CZK85.41bn. Non-tax budget income totaled CZK56.43bn. State budget expenditures totaling CZK401.05bn were primarily accounted for by pensions (CZK136.92bn). Capital expenditures totaled CZK9.64bn. This is based on data published by the CNB. Income totaled CZK407.3bn.

<sup>9</sup> FA: Financial Administration of the CR

<sup>10</sup> VAT: Value-added tax

**OPC HAS APPROVED INCREASING CHINESE CEFC'S STAKE IN JTFG – 9.5.**

The OPC <sup>11</sup> has approved an increase in Chinese CEFC <sup>12</sup> Shanghai International Group's stake in banking holding J&T <sup>13</sup> FINANCE GROUP (JTFG). This was confirmed for ČIANEWS by OPC chairman Petr Rafaj, who added that the decision has taken effect. J&T BANKA spokeswoman Monika Veselá said that the key approval of national regulators (central banks) in all countries in which JTFG does business must still be secured. Until then CEFC's stake remains 9.9%. ČIANEWS had reported earlier that CEFC purchased 20% of shares in JTFG for EUR 420m. The transaction means it holds 50% in the group.

**CR, LUXEMBOURG REMAIN RIVALS FOR HOSTING EBA – 10.5.**

The CR and Luxembourg remain rivals in the effort to host the headquarters of the EBA, <sup>14</sup> which will move from London after Brexit, <sup>15</sup> both countries PMs, <sup>16</sup> Bohuslav Sobotka and Xavier Bettel, respectively, told journalists after their meeting in Luxembourg today.

"We have informed each other that both the CR and Luxembourg have the same ambitions," Sobotka said.

He said he expected to discuss the parameters of both candidacies with Bettel.

EBA has 159 employees in London. Its meetings are usually attended by 10,000 up to 15,000 people.

At its last summit, the EC <sup>17</sup> said it would submit its idea of parameters to be met by the country interested in hosting the EBA headquarters in June.

The Czech government prefers hosting EBA to the European Medicines Agency (EMA), also based in London.

**CONSUMER PRICE INDICES - INFLATION IN APRIL 2017 – 10.5.**

Consumer prices in April remained at the same level for the third month (monthly change 0.0%). A growth of prices in 'clothing and footwear' was offset by a decrease in prices in 'food and non-alcoholic beverages' and 'alcoholic beverages and tobacco'. The y-o-y <sup>18</sup> growth of consumer prices amounted to 2.0%, i.e. 0.6 percentage points down on March. The m-o-m <sup>19</sup> rise in consumer prices in 'clothing and footwear' came from the increase in prices of garments by 3.4% and shoes and other footwear by 6.7%. In 'miscellaneous goods and services', prices of personal care were primarily higher by 1.4%. In 'food and non-alcoholic beverages', prices of pork rose especially by 2.0%, bread and cereals by 0.4% and potatoes by 2.9%.

<sup>11</sup> OPC: Office for the Protection of Competition, the central authority of state administration responsible for creating conditions that favour and protect competition, supervision over public procurement and consultation and monitoring in relation to the provision of state aid.

<sup>12</sup> CEFC: China CEFC Energy Company Limited, through its subsidiaries, engages in trading of oil, petrochemical products, and oil storage. The company is based in Shanghai, China. CEFC China has picked the CR as the main seat for its European activities. Since September 2015, it has bought into Czech beer maker Pivovary Lobkowicz Group (PLG), J&T Finance Group, engineering company Zdas, air carrier Travel Service, online seller of trips Invia.cz, media group Medea Group, publishing house Empresa Media and television group Barrandov. CEFC also owns two five-star Prague hotels - Mandarin Oriental Prague and Le Palais Art Hotel Prague and a historic building of former Zivnobanka in Prague centre. It is also the majority owner of soccer club Slavia Praha.

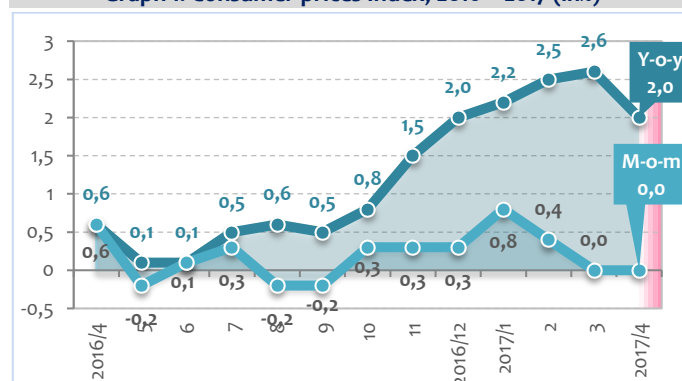
<sup>13</sup> J&T: a Central European investment group founded in 1993 in Slovakia. It pursues business in the private equity and banking sectors, the largest portion of the value of

A drop in the price level came primarily from a price decrease in 'alcoholic beverages and tobacco' due to lower prices of spirits and wine (-2.8% and -4.6%, respectively). In 'food and non-alcoholic beverages', prices of fruit were particularly lower by 3.2% and prices of vegetables by 1.4%, of which prices of vegetables cultivated for their fruit by 9.7%. Prices of non-alcoholic beverages dropped by 1.4%, poultry by 2.6%, cheese by 0.9%, butter by 2.7%. The price decrease in 'recreation and culture' was primarily influenced by lower prices of package holidays by 1.9%.

Prices of goods in total remained unchanged compared with March and prices of services increased by 0.2%.

In terms of the y-o-y comparison, in April, the consumer prices increased by 2.0%, i.e. 0.6 percentage points down compared with March. This slowdown in the y-o-y growth of prices was caused especially by prices in 'alcoholic beverages and tobacco', where prices of alcoholic beverages turned from a 1.7% growth in March to decline by 4.1% in April (partly due to their m-o-m increase in April 2016). A slowdown in the overall price level came also from the lower y-o-y growth of prices in 'food and non-alcoholic beverages', by 3.6% (4.4% in March). Prices of cheese were higher by 12.7% in April (16.4% in March), prices of butter by 17.9% (21.7% in March), prices of fruit by 0.1% (2.4% in March) and prices of sugar by 20.0% (25.5% in March). Prices of non-alcoholic beverages turned from a price rise by 2.2% in March in a drop by 0.2% in April. In 'transport', prices of automotive fuel slowed down to 12.6% (16.8% in March).

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



**AGRICULTURE & ENVIRONMENT**

**CR ORDERS THAT MEAT OF BRAZILIAN ORIGIN BE TESTED – 5.5.**

The Czech MA <sup>20</sup> and SVA <sup>21</sup> have agreed to adopt an extraordinary measure under which food-processing companies buying food products of animal origin from Brazil

its investments being in the Czech Republic and Slovakia. J&T invests mainly into the financial services, energy sector, real estate, health care, media and sports.

<sup>14</sup> EBA: The European Banking Authority established in 2011 is an independent EU Authority which works to ensure effective and consistent prudential regulation and supervision across the European banking sector. Its overall objectives are to maintain financial stability in the EU and to safeguard the integrity, efficiency and orderly functioning of the banking sector.

<sup>15</sup> Brexit: The withdrawal of the United Kingdom from the European Union

<sup>16</sup> PM: Prime Minister

<sup>17</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>18</sup> Y-o-y: year on year

<sup>19</sup> M-o-m: month on month

<sup>20</sup> MA: Ministry of Agriculture

<sup>21</sup> SVA: Czech State Veterinary Administration

will be required to test them for salmonella in accredited labs, the MA told CTK today.

The measure will take effect as of May 9. Companies that will fail to comply with the measure will face a CZK2mn fine.

No untested Brazilian meat should thus get to the market. The measure also concerns imports of food products of Brazilian origin from other EU member state.

"After a discussion with colleagues from the State Veterinary Administration I decided to adopt this extraordinary measure as the first country in the European Union," Agriculture Minister Marian Jurecka said.

The ministry is reacting to repeated findings of salmonella in poultry of Brazilian origin.

On Wednesday, vets withdrew from the market 30 tonnes of poultry fillets from Brazil in which salmonella was found. Currently, they are withdrawing another 5 tonnes of these fillets. According to the MA, meat from Brazil shows defects frequently.

By the end of April, the SVA conducted about 90 inspections during which it tested 200 batches. 8% of the inspected Brazilian food products contained salmonella.

"We welcome the ministry's step because intensive checks of imports that provide no guarantee of quality and health safety are an effective measure that can both protect our consumers and enable domestic producers to sell their output (on the domestic market), particularly commodities that we are able to produce ourselves and thus secure our self-sufficiency," Agrarian Chamber head Zdenek Jandejsek told CTK.

According to Food Chamber president Miroslav Toman, the Chamber has been warning since the first occurrence of tainted Brazilian meat that the CR cannot rely on supervisory bodies of the EU's old member states.

"The only option to secure safe food on our market is to have our supervisory bodies conduct repeated checks. We should, however, act the same way also in relation to other countries of origin when imports of unsafe or dangerous products from these destinations are discovered repeatedly," Toman said. Brazilian authorities have accused local meat processors and exporters of having been selling spoiled beef and poultry for years, bribing local health inspectors and politicians.

Last year, the CR imported 1,163 tonnes of poultry directly from Brazil. No beef has been imported directly from Brazil in the past two years.

"Meat from Brazilian producers nevertheless appears on the Czech market due to trading with entities from other EU member states. According to foreign trade statistics of the CSO,<sup>22</sup> almost 800 tonnes of beef and 6,000 tonnes of poultry imported to the Czech market came from Brazil," SVA's Petr Maier said earlier.

#### VALUE OF CZECH HOP EXPORTS IS CLOSE TO CZK1BN IN 2016 – 5.5.

Exports of Czech hops grew by 150 tonnes to 3,818 tonnes last year and the value of the exported hops increased from CZK877m to CZK988mn, according to data that Hop Growers Association secretary Michal Kovarik provided to CTK today.

<sup>22</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

The highest amounts of hops targetted Germany, followed by China. "Demand of breweries for quality material for beer production contributed to the higher value of the exported hops," Kovarik said.

"Hop growing in the CR helped again to lower the deficit of Czech foreign agricultural trade in 2016," he added.

Sixty% of last year's hop supplies went to countries outside of the EU. The Asian market is still dominant.

"From a long-term point of view, the highest amount of the processed hops goes to Japan and the lower amount of the exported hops [in tonnes] was influenced by the approval of Japanese buyers to the transfer of unrealised supplies from the poor year to the following period of time," Kovarik explained.

Trade with China has been growing for several years. A y-o-y growth was registered in exports to Russia, Belgium, South African Republic and the USA, for example.

Hop fields' area is slightly growing this year, which is a precondition for raising exports. Hop fields will cover 4,945 hectares of land this year.

As of the end of April 2017, the area of Czech hop fields increased by 3.5%, according to data from the Central Institute for Supervising and Testing in Agriculture (UKZUZ). The highest increase of 131 hectares was seen for the area of Zatec semi-early red-bine hops which is grown on 4,321 hectares of land.

Aromatic hop variety Sladek follows with 291 hectares and variety Premiant is third with 165 hectares, but it is the only variety whose area has dropped - by 10 hectares.

The CR will commemorate the 10th anniversary of gaining the Protected Designation of Origin (PDO) for Zatec hops from the EU on May 8.

#### LABOUR & SOCIAL & HEALTH

#### EXTRA SHIFTS AT SKODA AUTO TO BE SHORTER UNDER NEW AGREEMENT – 4.5.

Trade unions of car manufacturer Skoda Auto have signed a collective agreement under which the number of possible extra shifts will be cut to a half and safety breaks for employees working in high temperatures will be longer, the Kovo MB union leader's assistant Milan Sprencel told CTK today.

The number of extra shifts will be reduced from 120 to 60. The safety breaks will be extended from 5 to 10 minutes. This year's collective bargaining did not concern wages.

Wage conditions for this year had been agreed last year. Under the agreement, wages rose by 3% as of January this year. Extra shifts within so-called flexible working hours accounts (flexi-accounts) were the main point of this year's collective bargaining.

Flexi-accounts help the company be more flexible during swings in production. Employees can work above or below the limit of their working hours, and the number of working hours has to be rebalanced within 12 consecutive months.

Owing to high demand for Skoda cars, employees have been working mostly above the limit recently.

The company compensates these extra shifts by bonuses.

national governments of the CR. It accomplishes this goal through the management of the Czech Statistical Service.

Due to a disagreement over the flexi-accounts, there have been no night shifts from Fridays to Saturdays since the beginning of April.

Thanks to the bargaining, the bonuses for flexi-account shifts have been raised by CZK400 to CZK1,200 for night shifts and to CZK1,300 for morning shifts.

Unions have also negotiated an increase in remuneration for long-standing employees who will leave for retirement.

Employees will also receive record-high bonuses of CZK41,000 this year, 37% more than last year.

In addition, the company has pledged to invest EUR2m in improving working conditions and ergonomics.

Skoda Auto runs three production plants in the CR. It also assembles cars in China, Russia, Slovakia, India, Ukraine and Kazakhstan.

Skoda Auto employs about 30,000 people, with more than 20,000 of them in Mlada Boleslav.

**UNEMPLOYMENT IN CR DROPS TO 4.4% IN APRIL – 10.5.**

Unemployment in the CR fell in April for the third month in a row, from March's 4.8% to 4.4%, and 327,199 people were without a job, the lowest April's figure since 2008, the Labour Office announced today.

The number of vacancies grew again - to 159,072.

The fall in unemployment was even bigger against April 2016 when the jobless rate stood at 5.7%.

The number of job seekers dropped by 28,913 m-o-m and by 87,761 year on year this year in April.

Good condition of the domestic economy helped to the jobless rate cut, as did seasonal work, said Labour Office head Katerina Sadilkova.

Employers offering temporary jobs are at the moment in the areas of mining, construction, production, transport, agriculture and cleaning services, for example.

Companies and entrepreneurs are looking, for instance, for cooks, waiters, strawberry pickers and forest workers.

Offers for summer work have already appeared as well, including selling of refreshment and ice cream and work as instructor at children's summer camps. "Publicly beneficial work was also in full swing in April, including spring cleaning of public areas. Unemployment could be falling further in the following months," Sadilkova noted.

Within public services, the Labour Office has contracts with municipalities, non-profit organisations and schools for more than 5,200 jobs. Apart from street cleaning, people can help senior citizens and handicapped, work in animal rescue centres, care for children or organise cultural events.

More than 1,000 people have already voluntarily started public service, in particular those looking for a job for a long time. Interest in the work keeps growing, said the Labour Office.

Unemployment sank below the nationwide average in more than half of the country's regions. Of individual regions, Plzen had the lowest unemployment at 2.7%.

Prague and regions Hradec Kralove and Pardubice all placed second with a 3% unemployment.

Region Usti with 7% was the worst off but unemployment decreased there as well against March.

Among districts, the lowest unemployment at the end of April was in Rychnov nad Kneznou (1.4%), Prague-East (1.5%) and Pelhrimov (2.1%).

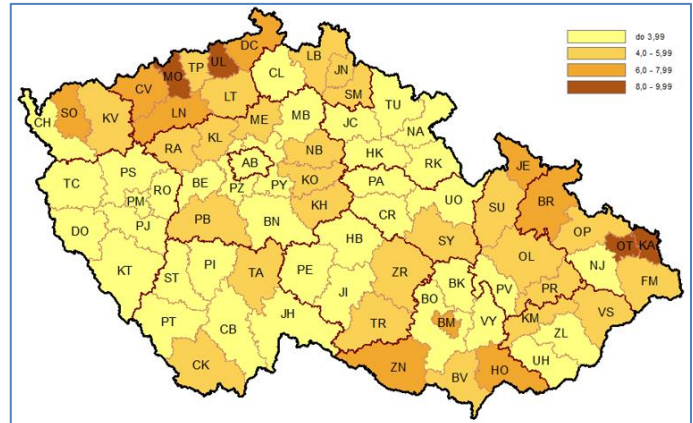
The highest jobless rate is traditionally in the north of the country, in the districts of Karvina (9.9%), Most (9.6%) and Ostrava-city (8.3%).

The biggest drop in unemployment was in the district of Jindrichuv Hradec - of over a quarter.

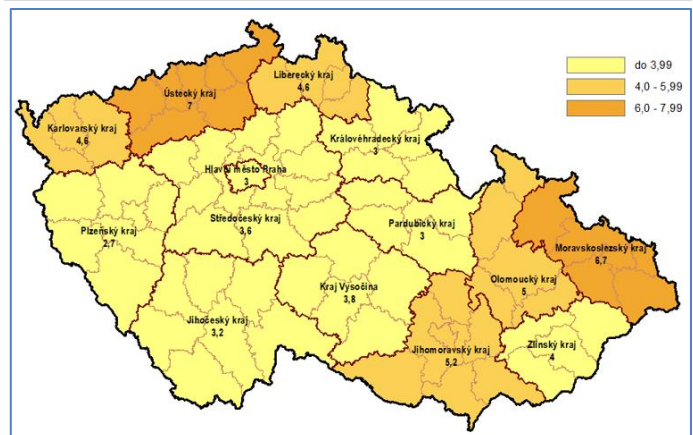
There were 2.1 job applicants per vacancy on average in April.

The highest number of job applicants per vacancy was in the district of Karvina (13.2) and the lowest in the districts of Pardubice and Prague-East (0.5 applicants per vacancy).

**Map 1: Share of unemployed persons by districts as of April 30, 2017 (%)**



**Map 2: Share of unemployed persons by regions as of April 30, 2017 (%)**



**AK ČR WILL WANT MONEY FROM GOVERNMENT FOR DRIVER SALARIES EVERY YEAR – 9.5.**

Governors will demand the CZK420mn that the government has promised as compensation for increasing the salaries of bus drivers also in coming years. They agreed on this on May 5, 2017 as part of the meeting of the Council of the Association of Regions of the CR (AK ČR). Regional representatives should send amendments to contracts and the proposal for the allocation of the promised funds to PM Bohuslav Sobotka (ČSSD) by May 12, 2017. AK ČR Council chairwoman and Karlovy Vary Region Governor Jana Vildumetzová (ANO) said that the governors want to use the funds from the government's budget reserve to repair class II and III roads.

INDUSTRY & INNOVATION & ENERGY

**INDUSTRYMIN WANTS TO PAY CZK12BN+ FROM OP PIK BY YEAREND – 5.5.**

MIT<sup>23</sup> opened totally 93 calls with allocation totalling ca. CZK86.4bn from the Business and Innovations for Competitiveness Operational Programme (OP PIK) in 4M 2017. The goal is to reimburse at least CZK12bn until the end of 2017. CZK3.5bn has been allocated so far, incl. financial instruments. The latest call was opened on March 31, 2017, as part of the Broadband Internet support programme. The call's allocation totals CZK11.55bn. The ministry has also informed that it has accelerated the pace of issuance of subsidy verdicts and reduced the time required for project assessment to 2.5 months from 5 months.

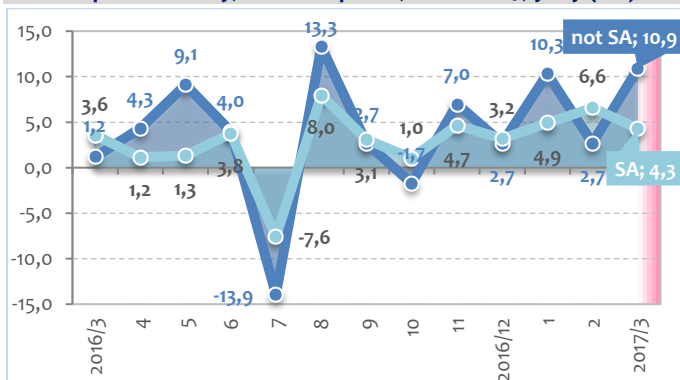
**ČMZRB: CZK8.8BN PREPARED FOR INTEREST-FREE LOANS – 9.5.**

The Czech-Moravian Guarantee and Development Bank (ČMZRB) and the MIT have published the call for program Expansion. Small and medium-sized entrepreneurs will be able to apply to the ČMZRB for interest-free loans and financial contributions as of June 1, 2017. As part of Operating program Business and Innovation for Competition a total of CZK8.8bn will be allocated for their support.

**INDUSTRY IN MARCH 2017: Y-O-Y GROWTH OF INDUSTRIAL PRODUCTION CONTINUED – 10.5.**

In March 2017, working days adjusted industrial production increased at constant prices by 4.4%, y-o-y. Non-adjusted industrial production was higher by 10.9%, y-o-y. Seasonally adjusted industrial production decreased by 0.4%, m-o-m. The value of new orders increased by 15.1%, y-o-y.

Graph 2: Industry, constant prices, 2016 – 2017, y-o-y (in%)



In March 2017, seasonally adjusted (as well as working days adjusted) industrial production decreased at constant prices by 0.4%, m-o-m. Working days adjusted industrial production increased by 4.4%, y-o-y; non-adjusted industrial production increased by 10.9%, y-o-y. March 2017 had two working days more compared to the corresponding month of the previous year. The following contributed the most to the y-o-y increase of industrial production: manufacture of motor vehicles, trailers and semi-trailers (contribution +3.7 p.p., growth by 18.4%), manufacture of fabricated metal products

<sup>23</sup> MIT: Ministry of Industry and Trade

(contribution +1.18 p.p., growth by 13.0%), and manufacture of rubber and plastic products (contribution +1.15 p.p., growth by 16.7%). Industrial production decreased in manufacture of other transport equipment (contribution -0.24 p.p., drop by 11.7%), repair and installation of machinery and equipment (contribution -0.19 p.p., drop by 7.2%), and electricity, gas, steam and air conditioning supply (contribution -0.16 p.p., drop by 1.3%).

**ČEPRO TO OPEN TENDER PROCEDURE FOR MINERAL OILS WORTH CZK20BN – 10.5.**

ČEPRO has published a preliminary public contract notice for a framework agreement for the product pipeline supplies of specific mineral oil types. The estimated value of the contract is CZK20bn. The notice on the start of the procurement procedure is expected to be published on July 3, 2017.

INVESTMENT & TRADE

**COMCHAM TO SUPPORT CZECH FIRMS' EXPORT OPTIONS IN ASIA – 4.5.**

The Chamber of Commerce will organise on May 3-10, 2017, a business mission to Indonesia and Sri Lanka. More than 10 Czech companies will join the trip, aimed to find new export opportunities. According to the Chamber of Commerce, Sri Lanka offers potential primarily in energy and mining industries.

**JAPAN'S MINEBEAMITSUMI LAUNCHED THE CONSTRUCTION OF A NEW PLANT IN KOSICE, SLOVAKIA – 5.5.**

Japan's MinebeaMitsumi (formerly Minebea) launched the construction of a new plant in Kosice, eastern Slovakia, on Friday, saying it will be its largest factory in Europe, media have reported.

**MINING OF BROWN COAL FOR SALE DOWN 1.6% IN CR IN 2016 – 5.5.**

Mining of brown coal for sale in the CR dropped by 1.6% to 34.7mn tonnes last year and mining in the North Bohemian Brown Coal Basin was 2.2% lower at less than 31mn tonnes, according to data from the latest Mining Yearbook. On the other hand, mining in the Sokolov Brown Coal Basin, where company Sokolovska uhelna mines coal, increased by 4.2% to 3.8mn tonnes.

In the North Bohemian Brown Coal Basin, the volume of coal mined for sale grew only for company Severoceske doly (SD), owned by energy group CEZ. It increased by less than 2% to 21.3mn tonnes.

The growth came thanks to higher demand for energy coal from the side of power plants and heating plants belonging to CEZ,<sup>24</sup> said SD spokesman Lukas Kopecky.

"The development of the volume of mining always depends on demand, from the side of power plants and heating plants of CEZ Group as well as of clients outside of the group. Nevertheless, we do not expect the volume of mining in 2017 to be much different from the year 2016," he noted.

Companies Severni energeticka and Vrsanska uhelna, which are members of mining group Czech Coal of financier Pavel

<sup>24</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.

Tykcak and that also mine in the North Bohemian Brown Coal Basin, mined less coal last year than in 2015.

Vrsanska uhelna mined 6.4mn tonnes of coal for sale, down 4.6% y-o-y. The amount of coal mined by Severni energeticka decreased by 11.4% to 3.2mn tonnes.

Czech Coal spokeswoman Gabriela Sarickova Benesova told CTK that last year was the worst in the group's history as regards the amount of the mined coal.

The main reasons were reconstruction of power plant Chvaletice, lower demand for sorted coal in some months and fewer short-time contracts of Vrsanska uhelna, she explained.

"Our goal this year is to support the group's stabilisation and to improve its results. We would like to raise effectiveness and gain new contracts, in particular for the sale of sorted coal. Repairs of two units in our power plant in Chvaletice will be completed this year and their operation will be renewed," she added.

The government decided in 2015 that limits on brown coal mining, set in 1991, will be lifted in mine Bilina of Severoceske doly. On the other hand, the limits stayed in place in mine CSA, where Severni energeticka mines coal. The company is gradually laying off miners and office employees.

End to coal mining in mine CSA is planned for 2021. Coal deposits within the mining limits are estimated at 750mn tonnes. The total coal mining volume, including changes in reserves and coal for own use of mining companies, increased in the CR by 1% to 38.6mn tonnes last year.

#### Brown coal mining for sale in CR (mil. of tonnes)

	North Bohemian Brown Coal Basin	Sokolov Brown Coal Basin	Total
2010	35.648	4.454	40.102
2011	39.28	3.617	42.897
2012	36.992	2.903	39.895
2013	33.954	2.899	36.853
2014	31.812	3.659	35.471
2015	31.655	3.633	35.288
2016	30.951	3.787	34.738

#### RETAIL TRADE IN MARCH 2017: HIGH GROWTH OF SALES FOR NON-FOOD GOODS – 9.5.

In March 2017, seasonally adjusted sales in retail trade at constant prices increased by 1.2%, m-o-m. Sales adjusted for calendar effects increased by 7.0%, y-o-y, non-adjusted sales increased by 7.8%, y-o-y.

Seasonally adjusted sales in retail trade, except of motor vehicles and motorcycles (CZ-NACE<sup>25</sup> 47) increased by 1.2% in March at constant prices, month-on-month. Sales for sale of non-food goods increased by 2.0%; on the contrary, sales for sale of automotive fuel dropped by 0.3% and for food by 0.6%. Sales in retail trade adjusted for calendar effects increased by 7.0%, y-o-y; for sale of non-food goods sales increased by 11.5%, for sale of automotive fuel by 1.9%, and for sale of food by 1.0%. At a higher number of working days this year (+2), the y-o-y development of both adjusted and non-adjusted sales

<sup>25</sup> NACE: Nomenclature générale des Activités économiques dans les Communautés Européennes, Statistical Classification of Economic Activities in the European Community, the industry standard classification system used in the EU. The current version is revision 2 and was established by Regulation (EC) No 1893/2006. It is the

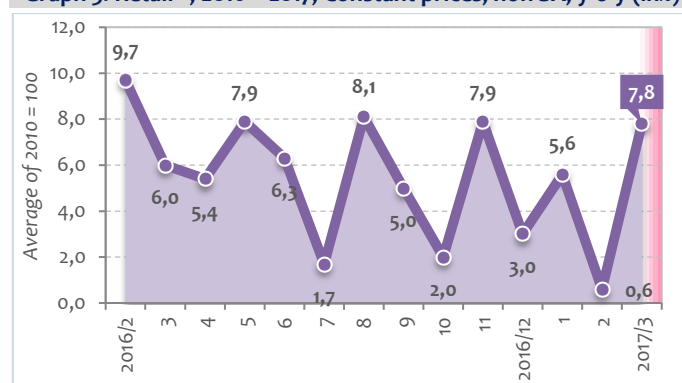
was influenced also by the fact that in 2016 Easter shopping was in March, while in 2017 it was in April. Movable Easter holidays influence the sales development mainly in the assortment of food.

Non-adjusted sales in retail trade increased by 7.8%, y-o-y; for sale of non-food goods sales increased by 15.2%, for sale of automotive fuel by 4.6%, while for food they dropped by 0.4%. The highest dynamics of growth is for a long-term maintained by retail sale via mail order houses or via Internet, in which sales increased by 25.8% solely in March. Customers were increasingly interested also in specialised stores with non-food goods. Sales grew in retail sale of clothing and footwear in specialised stores (+19.1%), retail sale of other household equipment in specialised stores (+17.9%), retail sale of information and communication equipment in specialised stores (+16.2%), retail sale of cultural and recreation goods in specialised stores (+14.6%), and retail sale of dispensing chemist, medical and orthopaedic goods, and cosmetic and toilet articles in specialised stores (+9.2%). Sales in retail sale of food, beverages and tobacco in specialised stores increased (+5.4%), while in non-specialised stores with food, beverages or tobacco predominating it dropped (-0.9%).

Seasonally adjusted sales for sale and repair of motor vehicles (CZ-NACE 45) increased at constant prices by 1.4%, m-o-m. Sales adjusted for calendar effects increased by 7.1%, y-o-y. Non-adjusted sales increased by 14.3%, y-o-y; sales for repair of motor vehicles increased by 23.5%, y-o-y, and sales for sale of motor vehicles (including spare parts) increased by 12.2%, y-o-y.

For the entire Q1 2017, sales in retail trade, except of motor vehicles and motorcycles (CZ-NACE 47) adjusted for calendar effects increased at constant prices by 5.1%, y-o-y, and non-adjusted sales increased by 4.8% (there were 3 working days more in the Q1 2017 compared to the corresponding period of the previous year). Non-adjusted sales for sale of non-food goods increased by 9.2%, y-o-y, for sale of automotive fuel they increased by 3.3%, while for sale of food they dropped by 0.5%. Sales for sale and repair of motor vehicles (CZ-NACE 45) adjusted for calendar effects increased by 5.3%, y-o-y, non-adjusted sales increased by 9.7%. Non-adjusted sales for repair of motor vehicles increased by 14.5%, y-o-y, and sales for sale of motor vehicles (including spare parts) increased by 8.7%, y-o-y.

Graph 3: Retail<sup>26</sup>, 2016 – 2017, Constant prices, non SA, y-o-y (in%)



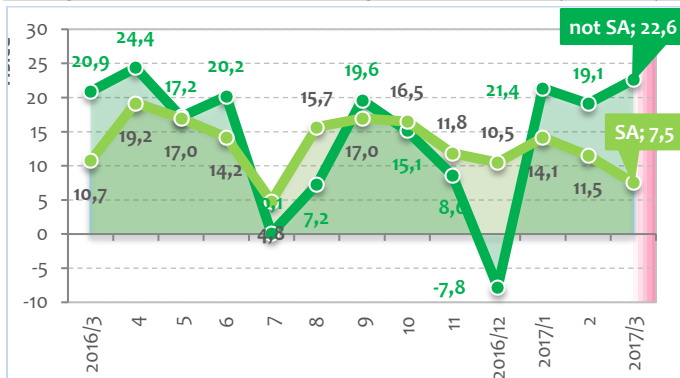
European implementation of the UN classification ISIC, revision 4; CZ-NACE: Classification of Economic Activities according to the CSO.

<sup>26</sup> except of motor vehicles and motorcycles

**EXTERNAL TRADE IN MARCH 2017 – 9.5.**

According to preliminary data, in March 2017 the external trade balance in goods ended in a surplus of CZK22.6bn, which was by CZK1.7bn more, year-on-year (y-o-y).

**Graph 4: External Trade, current prices, 2016 – 2017 (in CZKbn)**



The total balance in the national concept, y-o-y, was influenced mainly by a growth of a surplus in 'machinery and equipment' (by CZK4.0bn), 'motor vehicles' (by CZK3.4bn), 'other transport equipment' (by CZK0.8bn) and 'rubber and plastics products' (by CZK0.5bn). A deficit of trade in 'coke and refined petroleum products' decreased by CZK1.2bn. The total balance was affected in an adverse manner mainly by a deeper deficit of trade in 'crude petroleum and natural gas' (by CZK5.2bn), 'basic metals' (by CZK3.3bn), 'pharmaceutical products' (by CZK0.9bn) and 'food products' (by CZK0.7bn). In March 2017 the trade balance with the EU28 Member States ended in a surplus of CZK64.5bn, and thus it was by CZK6.1bn higher, y-o-y. A deficit of trade with the non-EU countries increased by CZK4.3bn to reach the amount of CZK39.9bn.

Compared to February 2017 the seasonally adjusted exports and imports in the national concept grew by 1.9% and 3.5%, month-on-month, respectively. The development trend shows increasing exports (+0.7%) and imports (+1.7%).

Compared to the same month of 2016, exports and imports grew by 12.7% (to CZK329.9bn) and 13.0% (to CZK307.3bn), respectively.

In the period from January to March 2017 the trade balance surplus in the national concept reached CZK63.1bn which represented an increase by CZK1.3bn, y-o-y. From the beginning of the year exports and imports went up by 7.9% and 8.3%, y-o-y, respectively.

**MOLDOVA SEEKS STEPPED UP CZECH COOPERATION TO DEVELOP ECONOMY, MAINLY IN WINE, CARS, AND MACHINE TOOLS – 10.5.**

The pro-European Moldovan PM Pavel Filip and Minister for Regional Development Vasile Bitca were in Prague Tuesday for a meeting with Czech PM Bohuslav Sobotka and Minister of Industry and Trade Jiří Havlíček. The flagship event was a Czech-Moldovan business forum with presentations and around 65 Czech companies expected to take up the invite to look at what the country of 3.5mn people has to offer. The Czech PM already visited Moldova around a year ago with a similar business agenda prepared.

Moldova would like to see increased Czech corporate investment from the relatively low levels so far. Iulia Petuhov is deputy director of the Moldova Investment and Promotion Organisation (MIEPO) and explained its broad goals in Prague.

**HOSPODÁŘSKÉ NOVINY CHINESE COMPANY YANFENG, SUPPLIER OF AUTOMOTIVE INTERIORS, WILL NOT GET 185MN INCENTIVE YET – 10.5.**

On Wednesday, the Government suspended a discussion on an incentive for Chinese Yanfeng worth up to CZK185mn. The investment should create up to 588 jobs, most of them in Plana, the rest in Zatec. Thanks to the incentive, a development center should also be set up in Plana to test new techniques and procedures for car interior systems. Without government support, the company is likely to change its investment plan in Plana nad Luznici and Zatec. Last year, the State gave out CZK12.5bn, which is CZK7bn more than in 2015. In total, 72 projects were supported. The MIT is now working with CzechInvest on the amendment to the Investment Incentives Act. The proposal is to be submitted to the Government in June. "Emphasis will be placed on projects such as technology centers focusing on applied research, development or innovation of technologically advanced products that have only been implemented to a limited extent in the context of investment incentives," says MIT spokesman Frantisek Kotrba

**TRANSPORT & CONSTRUCTION**

**CZK PASSENGER CAR SALES IN CR UP BY 10% TO 90,808 UNITS IN JAN-APRIL – 4.5.**

The CR's sales of new passenger cars increased by 10% to 90,808 units in January-April, with April reporting a 1.7% drop due to having fewer working days, the Car Importers Association said today.

Skoda Auto car maker ranked first with 27,569 vehicles, followed by Volkswagen with 10,352 cars and Hyundai with 6,656 units. Other car brands included Ford, Dacia and Renault.

The bestselling model was Skoda Octavia with 9,040 cars. The Skoda Fabia model sold 7,161 cars and the Skoda Rapid model ranked third with 3,777 vehicles.

Petrol-fuelled vehicles accounted for 56.5% of the total number, while diesel engines made up 40%.

The average of 443 new vehicles a day were ordered in April, which is a record-breaking number, head of Skoda Auto's Czech representation Lubos Vlcek said.

PwC company analyst Vojtech Oplestil thinks the April drop was caused by a lower number of working days and a relatively high annual comparison basis.

He considers the decline a one-off swing and believes that this year's number of registrations will exceed the record year 2016.

The number of imported used cars declined by 0.5% to 50,874, with vehicles older than ten years representing 53.5%.

Importers seem to have been disappointed at the Czech crown's exchange rate development in April after the end of the CNB's intervention regime, with the import numbers



decreasing significantly both monthly and annually, AAA Auto used car dealer operating director Petr Vanecek said. A total of 5,848 light utility vehicles were registered, which is 2% more year on year. Peugeot sold the highest number of 889 cars, followed by Ford and Fiat. The sales of lorries decreased by 18% to 3,141 vehicles, with the Mercedes, MAN and Volvo brands being bestsellers. The bus registration fell by more than a fifth to 247 units. The motorbike sales stagnated at 5,182 units, where Honda sold 756, BMW 392 and CF Moto 332 motorbikes.

**SKODA AUTO REPORTS BEST Q1 IN HISTORY IN Q1 2017 – 4.5.**

Czech car maker Skoda Auto saw the best Q1 in its history in 2017's Q1, where its sales increased by 28.3% y-o-y to EUR4.3bn (roughly CZK115.7bn) and the company's operating profit grew by 31.7% to EUR415m (CZK11.2bn), the car company said in a press release today.

Skoda Auto reported record numbers in sales, supplies to customers and operating profit in the Q1 of this year, the company said.

The company's return on sales rose by 0.3 percentage point to 9.6%, according to the company.

In the first three months of 2017, Skoda Auto supplied its customers with 283,500 vehicles, which is 2.5% more year on year, with March alone reporting a 2.1% growth to 108,500 units.

Skoda Auto was successful in Q1, now registering a stable growth, board chairman Bernhard Maier said.

However, the automotive year 2017 remains difficult and the volatile development on some markets and tough competition require extreme caution, Maier stated.

The Skoda Superb model, small car Fabia and compact model Rapid reported above-average growth, with the Superb model sales increasing y-o-y by 18.9% to 38,300 units in Q1.

**Skoda Auto's car supplies, sales and operating profit**

	Q1 2017	Q1 2016	Change (%)
Supplies to customers	283,500 vehicles	276,600 vehicles	+ 2.5
Sales	EUR4.3bn	EUR3.4bn	+ 28.3
Operating profit	EUR415m	EUR315m	+ 31.7

**UKRAINE IS INTERESTED IN ŠKODA AUTO'S PLANT – 4.5.**

Ukraine is interested in having the new ŠKODA AUTO production plant in its territory. Ukrainian PM Volodymyr Groysman has stated after talks with ŠKODA AUTO's board of directors' chairman in April. The PM says that Ukraine is ready to help the Czech carmaker e.g. to secure the lots for the new production plant and provide tax deductions. The spokesperson for ŠKODA AUTO, Tomáš Kubík, has commented that ŠKODA is manufacturing cars in Ukraine in the Solomonovo plant in cooperation with local partner Eurocar. The firm is currently leading talks about the future of cooperation with Eurocar, with production expansion as one of the options.

**MOL ČR IS FINALISING FUELLING STATION REBRANDING – 4.5.**

Fuelling station chain MOL Česká Republika has totally 306 fuelling stations now. Almost two thirds of the station are run under the MOL brand, the rest are Pap Oil stations. The no. of clients paying with cards is growing. Non-fuel products

generate almost 40% of the retail sales margin thanks to growing demand for coffee and refreshments in new Fresh Corners. The spokesperson for MOL ČR, Tomáš Pavlík, has stated that MOL has a customer program with hundreds of thousands of members. The company is readying many campaigns for spring and summer 2017, with a campaign focusing on gardens currently underway.

**ŠKODA AUTO OPENS ROLLING LABORATORY FOR EUR 15M – 5.5.**

Carmaker ŠKODA AUTO opened on May 4, 2017, a new rolling laboratory in the engine centre in Mladá Boleslav. The investment totalled almost EUR 15mn (CZK402mn). ŠKODA AUTO's board of directors member responsible for technological development, Christian Strube, has stated that the laboratory marks an expansion of development activities in the electromobility segment. The laboratory, creating gradually 24 jobs, will focus on the fuel development and produced car quality validation. It may be used for the measuring and optimisation of vehicles with petrol, diesel, hybrid and electric actuation with the output of up to 300 kW. The facility is sized 3,633 m2. The key component is the rolling testing facility, stimulating driving resistivity of tested vehicles. The lab will perform 2,600 measurements per year. Two additional rolling testing facilities will be built until 2019.

**PARDUBICE AIRPORT SEES GROWTH IN PASSENGER NUMBERS IN Q1 – 5.5.**

Passenger numbers at the international airport in Pardubice grew by 1,100 y-o-y to 3,668 in the Jan-March period this year, East Bohemian Airport (EBA) company said in a press release today. Passenger numbers started falling in 2014 and a year later regular flights to Saint Petersburg and Moscow were cancelled. Russian clients made up the largest portion of passengers cleared at the airport. The year 2013 saw a record number of 185,000, while in 2016 the number of Russians dived to 30,000. Flights to Saint Petersburg and Moscow have been resumed. London will be a new destination as of September, with flights to be operated by Ireland's Ryanair. Freight services and private business flights are also on the rise, according to the press release.

A new terminal that will be completed this autumn is expected to boost the airport operations.

**Pardubice airport's quarterly results**

Q1	
2017	3,668
2016	2,568
2015	19,273
2014	41,500
2013	40,000

**MOTOSCOOT AND VELOR-X-TRIKE IN COOPERATION WITH CHINESE FIRM SOCO (WUXI) – 9.5.**

Companies Motoscoot and Velor-X-Trike of entrepreneur Pavel Brida in cooperation with Chinese firm Soco (Wuxi) are introducing onto the market electric motorcycle Duck 1200R, designed mainly for young people.

The motorcycle with a Bosch engine has a maximum output of 1950 watts and is able to reach up to 70 kilometres per

hour. "We call it e-Duck for the young. It is conceived for people aged 16 to 17 for whom there is nothing much now, we want to fill the gap on the market," Brida said.

#### AIRPORT PRAGUE WILL OFFER SEVERAL NEW ROUTES DURING SUMMER SEASON – 9.5.

During the summer season Airport Prague will offer several new routes. Transporter Norwegian will add a direct flight to Stavanger on top of its routes from Prague to Oslo and Bergen. Ryanair will offer a new route to Sicily's Trapani. Czech Airlines will introduce regular flights to Danish Aarhus, Swedish Malmö and Italian Verona. Wizzair will newly fly to Iceland's Reykjavík and SmartWings will fly to Spanish destinations such as Almería and Menorca. This was stated for ČIANEWS by spokesman Michal Řehořek, who added that Václav Havel Airport Prague will have the most airlines operating flights to Italy (17 destinations), Great Britain and Spain (14 each).

#### CR TO BE PREPARED FOR EUROPEAN TOLL SERVICE AS OF SEPT – 9.5.

The CR will be prepared to introduce the European Electronic Toll Service (EETS) as of September as the system was successfully tested by the Road and Motorway Directorate (RSD) and Kapsch, a toll system operator in the country, the Transport Ministry said on its website.

The introduction of the system is required by the EU. EETS aims to enable road users to easily pay tolls throughout the whole EU with a single on-board unit.

"The work on further development of the Czech toll system and its opening up to Europe advances at a fast pace," minister Dan Tok said.

"Already in September we will be ready to start negotiations with individual European toll system operators on possible provision of this service in the CR," Tok said.

Cesmad Bohemia hauliers association welcomes the EETS introduction despite its three-year delay, secretary general Vojtech Hromir told CTK.

Kapsch launched the service in Poland and Austria in the past. Based on an amendment to the toll contract, the total cost of the EETS system in the country will be CZK282m excluding VAT.

The Czech toll collection system, which uses the microwave technology, was launched in 2007. It applies to more than 1,400 km of motorways and selected sections of first-class roads. Kapsch currently operates the system based on the criticised contract which the Transport Ministry extended by three years without a standard procurement procedure in August 2016.

By the middle of the year, the ministry is supposed to prepare a tender for a ten-year operation of the toll system in which bidders will be allowed to offer any toll collection technology. During the past ten years, the toll revenue totalled CZK77.5bn. For last year alone, it was CZK9.89bn.

#### ČD WILL LEASE TEN SIEMENS VECTRON LOCOMOTIVES – 9.5.

On May 4, 2017 the České Dráhy (ČD) steering committee granted the company's board of directors' approval to sign a contract for a ten-year lease of ten triple-system Siemens Vectron locomotives with a construction speed of 200 km/h,

including service. The name of the winner of the tender for the lease will be made public by the transporter after the contract is signed. This was confirmed for ČIANEWS by ČD spokesman Radek Joklík, who added that the cost of the lease will be fully covered by the business model calculated for route Prague - Hamburg. He added that ČD will deploy the locomotives on this route in December 2017. By mid-November the transporter will have access to eight machines, the other two will be available by year's end.

#### SOME T3 TRAMS TO BE REMODELED – 9.5.

The classic T3 tram refuses to retire. A pilot version of a rebuilt model will go into service in a few days. If the pilot testing is successful up to 90 T3 trams could be modernized. T3 trams have been the backbone of the Prague tram fleet and have been in service since 1960. There are a few variants depending on when they were built or whether they were imported back from other markets. The trams were originally built in Prague by Českomoravská Kolben-Daněk (ČKD). This is the second time that some of the T3 trams in service are being remodeled. The new version was designed by transportation architect Patrik Kotas, and includes a larger low-floor area to accommodate baby carriages and wheelchairs. The trams will have new electrical equipment and a new look inside and outside. Kotas also designed the modern tram Škoda 15T ForCity Alfa, which went into service in 2010.

The remodeled T3 trams will also be slightly longer than the original ones, as a longer low-floor section will be inserted. The seats will be red and gray plastic. The doors will have an LED safety bar that shows green light when people should board and turns red at the end of the boarding time. The exterior will have a red and cream color design with a distinctive V-shape on the front. The fronts of trams are given distinctive looks so people with baby carriages or wheelchairs will know which entrance they will need as tram approaches.

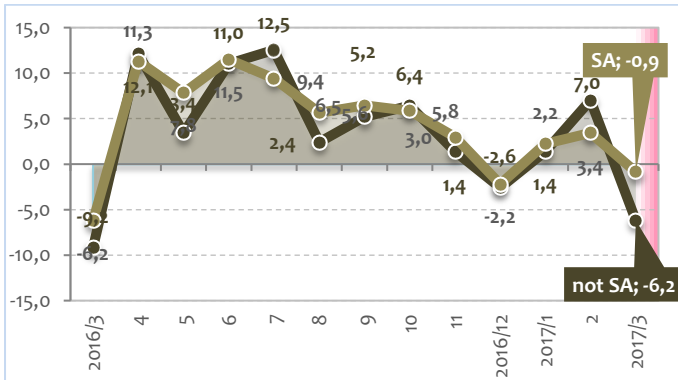
If the testing is successful the conversions could take place next year. Many T3 trams are coming to the end of their projected life. The conversion will add up to another 20 years of utility.

The cost of the conversion was CZK8.4mn, and the pilot tram was rebuilt by Krnovské opravny a strojírný. If the testing is successful the work order for additional trams will have to go to a public tender. The total cost for converting 90 trams could be more than CZK750mn, but it could be lower if some of the work is done in Prague, where the Prague Transit Company has a customization shop.

#### CONSTRUCTION IN MARCH 2017: CONSTRUCTION PRODUCTION INCREASED – 10.5.

In March 2017 the working days adjusted construction output increased by 2.0% y-o-y, in real terms; the unadjusted construction output rose by 6.2%. The planning and building control authorities granted by 8.9% more building permits, y-o-y, and the approximate value of permitted constructions soared by 98.8%, y-o-y. The number of started dwellings jumped up by 53.3%, y-o-y, and the number of completed dwellings decreased by 28.1%, y-o-y.

Graph 5: Construction, constant prices, 2016 – 2017, y-o-y (in%)



**DOPRAVNÍ NOVINY BREXIT HITS THE INTEGRATED AUTOMOBILE INDUSTRY – 11.5.**

European car manufacturers and parts suppliers and accessories warn against the impact of Brexit on the competitiveness of the sector, which accounts for 6.5% of the EU's gross domestic product and employs approximately 12.2mn Europeans across the continent.

The EU is Britain's largest trading partner. More than half of the vehicles and over 90% of commercial vehicles from the UK are bought by customers in Europe. By contrast, more than 80% of the EU's fuel imports to the EU amount to € 42bn. 7 out of 10 cars sold in the British Isles have their origins in European manufacturing and assembly plants. "Car production in the UK and the EU is very closely linked, whether in terms of economic, regulatory or technical standards. Any interference in such a complex degree of integration will have an impact on the production and sales of cars in the UK and the EU and will undoubtedly affect the whole European economy," said CEO of the European car manufacturers association ACEA Erik Jonnaert.

**POLITICS & OTHER**

**PM SOBOTKA TO SUBMIT RESIGNATION ON MAY 4, 2017 – 4.5.**

PM Bohuslav Sobotka (ČSSD) will submit the government's resignation to President Miloš Zeman on May 4, 2017. Minister of Finance Andrej Babiš (ANO) has stated after meeting the President on May 3 that the President will likely accept the resignation. ANO movement is not interested in having the PM post. Minister of Interior Milan Chovanec (ČSSD) shares the opinion with the President that a caretaker government is not a solution. Minister of Agriculture Marian Jurečka (KDU-ČSL) has stated after the government session on May 3 that the resignation will likely gain effect from mid-May 2017. He sees a reconstruction of the current government as an ideal solution. The new government would not include PM Sobotka and Minister of Finance Babiš.

**CZECH PM REVERSES RESIGNATION AFTER PRESIDENT SAYS IT WON'T LEAD TO RESHUFFLE 5.5.**

The Czech PM back-pedaled on an offer to resign on Friday after his plan to bring his government with him was scuppered by an interpretation of the constitution made by the president, who assured the move could be made on an individual basis.

President Milos Zeman, interpreting the Czech constitution, said the PM was free to resign alone, but the move would not dissolve the government. Sobotka said his resignation would now no longer make any sense, considering that the MF Minister Babis, who he accuses of financial irregularities, would retain his post. Instead, he appealed for Babis to stand down on his own accord.

**CUSTODY PROPOSED FOR ONE PERSON IN SPORT SUBSIDIES CASE – 5.5.**

Custody has been proposed for one of the three accused persons in the case of state subsidies paid by the Czech Education Ministry to sport, the Prague High State Attorney's Office said on its website on Thursday and Aktualne.cz wrote the person is deputy Education Minister Simona Kratochvilova.

MF Minister Andrej Babis told DTV audio-visual news channel that the state attorneys have also proposed custody for Prague assemblyman Karel Brezina (Social Democrats, CSSD).

The police have detained a total of ten people, Prague High State Attorney Lenka Bradacova said.

The Attorney's Office has also proposed that Miroslav Pelta, chairman of the Czech Football Association (FACR), be taken into custody, the FACR said in its press release.

In addition to Pelta and Brezina, the chairman of the Czech Union of Sport (CUS), Miroslav Jansta, and Sona Faberova, Prague City Hall's sports department head, have also been detained.

Zdenek Briza, former sport department head at the Education Ministry, has also been questioned.

Bradacova said three persons and one legal entity have been charged with abuse of power, making a bargain in public procurement and breach of trust.

FACR has dismissed the accusation of bad handling subsidies from the Education Ministry.

"FACR declares that it uses all financial and subsidy means with maximum effectiveness and entirely transparently, which regular thorough controls prove," it said.

**ANO PARTY HAS NEW CANDIDATE FOR FINMIN IN CASE ZEMAN SACKS BABIS – 6.5.**

ANO movement has a candidate for new MF Minister in case President Milos Zeman dismisses ANO leader Andrej Babis from the post, Babis told Czech Television (CT) today, but refused to give details.

**FOR BABIŠ TO BE SACKED, GOVT COALITION PACT MUST END FIRST, ZEMAN SAYS – 9.5.**

On Friday, Sobotka (Social Democrats, CSSD) proposed to Zeman to dismiss Babis as of May 9 over suspected tax evasion and influencing of media.

However, Czech PM Bohuslav Sobotka's proposal for President Milos Zeman to dismiss MF Minister Andrej Babis is at variance with the government coalition agreement, which is why the agreement has to be abrogated for the dismissal to be feasible, Zeman's spokesman said after a Zeman-Babis meeting yesterday.

Constitutional lawyers say the constitution does not offer many chances to Zeman not to sack Babiš, and that Zeman should do so without any unnecessary delay. According to Sobotka, Zeman should do so within a few working days.

**VALACHOVÁ RESIGNS FROM MINISTERIAL POST – 10.5.**

On May 9, 2017, Minister of Education, Youth and Sports Kateřina Valachová (ČSSD) announced she was resigning from her post. She said as much and added that the reason for her resignation was that she wanted to support political culture as promoted by the social democrats. Spokesman of the Czech President Jiří Ovčáček said Miloš Zeman would meet Valachová after his return from his visit to China.

**SENATE AND ČSSD CONSIDER CONSTITUTIONAL SUIT AGAINST ZEMAN – 10.5.**

Unless President Miloš Zeman recalls MF Minister Andrej Babiš (ANO) within one week, a group of Senators will propose a discussion of a constitutional suit against the president of the republic. After a meeting of the Senate's Committee on Agenda and Procedure on May 9, 2017, this information was provided by Senate Chairman Milan Štěch (ČSSD). ČSSD is also considering a constitutional suit. MI Minister Milan Chovanec (ČSSD) said that a suit could be filed if President were to keep Babiš in his post in the weeks to come. ČSSD spokesman Mikuláš Klang told ČIANEWS that details about the mechanism of this possible suit had not yet been defined, as this was a political decision that was yet to be made.

**APART FROM HAVLICEK (MIT), SOCIAL DEMOCRAT MINISTERS NOT TO ACCOMPANY ZEMAN TO CHINA – 10.5.**

Social Democrat MI Minister Milan Chovanec, MFA Minister Lubomir Zaoralek and Health Minister Miloslav Ludvik (Social Democrats, ČSSD) told the Presidential Office yesterday that they would not go to the forthcoming trip to China along with President Zeman due to the ongoing government crisis. On the other hand, Industry and Trade Minister Jiri Havlicek (ČSSD) and two ministers for ANO will leave for China as planned.

The trip is scheduled to take place between May 11 and 18.

The delegation was to include Zaoralek, Chovanec, Ludvik, Havlicek, Transport Minister Dan Tok and Regional Development Minister Karla Slechtova (both ANO).

Reacting to the news, Zeman's spokesman Jiri Ovcacek said it was extremely sad if political intrigues were given preference to the CR's interests.

Zaoralek said he would be in the Social Democrat negotiating team.

"I am not going to China over the internal political situation. As a member of the ČSSD board, I will take part of the negotiating team. I am sending a letter with the explanation to the Presidential Office," Zaoralek said, adding that Deputy MFA Minister Martin Tlapa would leave instead of him.

The tension between the Social Democrats and Zeman has come to a head due to a government crisis.

PM Bohuslav Sobotka (ČSSD) insists on the dismissal of MF Minister Andrej Babiš (ANO) due to his dubious financial transactions and suspected tax evasion.

Zeman has refused to sack Babiš, although Sobotka sent a proposal that Babiš be sacked with the validity as of today to him last week.

"Given the current political situation, I cannot take part in the trip to China. I notified the Presidential Office to this effect today," Chovanec said.

Ludvik said at first he was considering whether to leave. Later he tweeted that for working and domestic reasons he would not do so.

After consulting Sobotka, Havlicek did not cancel his participation in the trip.

The ministers for ANO are about to be in the delegation.

"I will not deal with any government crisis there. I have some important talks there," Tok told journalists.

Slechtova, too, will not change her programme, her spokesman Veronika Varosi has told journalists.

"The ministers do not give a damn to the trip. The ČSSD is not interested in the investments worth bns in China or new jobs. The party prefers intrigues," Ovcacek tweeted.



	News outside the time span of this News summary
	CIA News (Česká informační agentura)
	Czech Press Agency (Česká tisková kancelář)
	CSO (Český statistický úřad)
	EFE International News Agency

	Hospodářské noviny Daily
	Prague Daily Monitor
	Prague.tv
	Radio Prague (Český rozhlas)
	Transport and Logistics multimedia