

NEWS SUMMARY JUNE 1 – JUNE 7

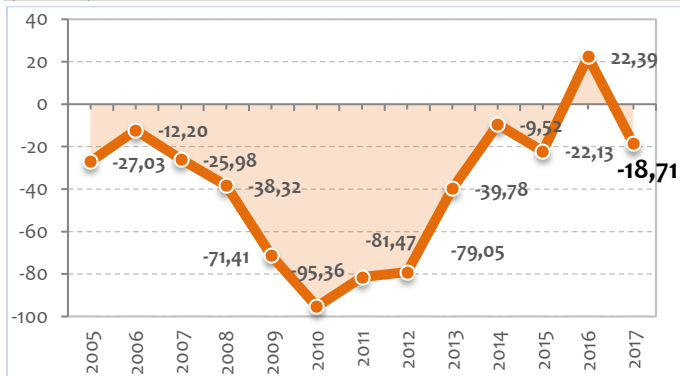
注:本報告は、チェコ政府公表資料、新聞、インターネット等報道資料をとりまとめたもの。
詳細情報については、それぞれの情報ソースを参照願いたい。

ECONOMY & FINANCE

CTF STATE BUDGET RUNS CZK18.7BN DEFICIT IN MAY, 1ST DEFICIT THIS YEAR- 1.6.

The Czech state budget ended in a deficit of CZK18.7bn² in May, which was its first deficit this year, the main reason being lower EU funding,³ the Finance Ministry said today.

Graph 1: Deficit/surplus of the State Budget, Jan-May 2005-2017 (CZK bn)



The budget had a CZK6.3bn surplus in April, and at the end of May last year, its surplus reached CZK22.4bn.

The state budget has been approved with a CZK60bn gap for the entire year.

The amount of money from the EU posted an annual drop of CZK72bn at the end May, the ministry said. EU funding was relatively high mainly in the first half of last year. Adjusted for EU funds, the state budget posted a deficit of CZK35.6bn this May and a CZK49bn deficit at the end of May last year, the ministry said.

"Today's figure confirms that government finances are returning to normal this year, which is chronic deficit (in economy)," said Komerční banka's Marek Drimal.

Last year's extraordinary surplus was only achieved thanks to EU funding for co-financed projects that had been implemented previously, Drimal said. The state budget will run a deficit of some CZK45bn at the end of the year, he added.

Unless macroeconomic parameters worsen significantly in the second of the year, the CZK60bn gap can possibly be maintained this year, said UniCredit Bank chief economist Pavel Sobisek.

Budget revenues went down by CZK36.4bn to CZK496.4bn in annual terms, with total spending rising by CZK4.7bn to CZK515.1bn. Tax revenues excluding social security payments were CZK16.6bn higher at CZK243.8bn in annual terms.

VAT revenues increased by CZK8.9bn to CZK103bn thanks to ledger statements, which proved to be a highly effective tool in the fight against tax evasion, the ministry said.

On the other hand, a cut in VAT⁴ rate on restaurant services from 21 to 15% because of the launch of electronic registration of sales (EET) had a negative impact on tax collection. The Financial Administration's blocking of a lower y-o-y amount of questionable excessive VAT deductions, too, had a negative impact on tax revenues.

Excise duty collection grew by CZK0.3bn y-o-y to CZK59.8bn. Social allowances constitute a major portion of budget expenditures. Their amount reached CZK220.2bn at end-May, displaying an annual rise of CZK9bn.

The state budget envisages a total social welfare expenditure of CZK530.5bn for this year.

CTF GOVT TO DISCUSS PLAN TO REVIVE 3 CZECH REGIONS IN JUNE – MINISTRY – 1.6.

The Czech cabinet will likely discuss the economic restructuring plan for the Moravia-Silesia, Usti and Karlovy Vary regions in the second or the third week of June, Regional Development Minister Karla Slechtová said at the conference Re:start today.

Prime Minister Bohuslav Sobotka said the gap between these regions and the rest of the country has been widening.

He pointed out this was the first comprehensive plan of restructuring such a big area.

"The state must support its revitalisation," he said.

Coal phase-out in these regions has had impacts on their competitiveness, environment and social sphere, said Sobotka.

Monday's meeting of the tripartite council (government, employers, unions) backed the proposal which is now in a comments procedure.

The costs of the plan will be some CZK42bn in the next three years, with CZK6.1bn allocated for this year, CZK11.4bn for next year and more than CZK25bn to be spent in 2019.

Most of the money for 2017/2018 has already been earmarked, said Gabriela Nekolová, a deputy to the three regions' representative.

More funds will be provided within the European structural and investment funds and the privatisation fund.

The project aims to help people in the regions improve their living and working conditions and prevent an outflow of residents, covering spheres such as workforce, research and innovation, environment, business activity and people's debts and their education.

In the Usti Region, for instance, the government is considering testing the production of autonomous cars, with a possible participation of the town of Usti nad Labem, universities and science and technology parks in international pilot projects regarding driverless cars.

Under a Labour Ministry proposal, regions afflicted by a slowdown in mining and heavy industry activities might get a

¹ CZK: Czech Crown, the currency of the CR since 8 February 1993

² bn: billion

³ EU Funds: financial tools set up to implement the regional policy of the EU (CP – Cohesion Policy and CAP – Common Agricultural Policy), funds under CP consist of the Structural Funds (the ERDF – the European Regional Development Fund and the ESF –

the European Social Fund), and the CF – the Cohesion Fund. Funds under the CAP, consist of the EAGF – the European Agricultural Guarantee Fund, the EAFRD – the European Agricultural Fund for Rural Development, and the EFF – the European Fisheries Fund.

⁴ VAT: Value-added tax

boost from the so-called silver economy aimed at promoting services and products for the elderly in today's society.

CZECH ECONOMY RISES FASTER IN Q1 THAN PREDICTED BY CNB – 2.6.

Czech economic growth in Q1⁵ was 0.4 percentage point higher than the CNB's⁶ estimate both y-o-y and quarter on quarter, CNB monetary section head Tomas Holub said today. First-quarter gross domestic product (GDP) posted an annual rise of 2.9% and a rise of 1.3% compared to last quarter of 2016, according to revised statistical data released today.

The annual growth deviation from the CNB forecast was caused by higher-than-expected gross capital formation stemming from a markedly slower fall of fixed investments. "This shows that negative effects of last year's drop in government investments are fading away," said Holub. These investments were cut because of a slower start of funding within the new EU budget period, he added.

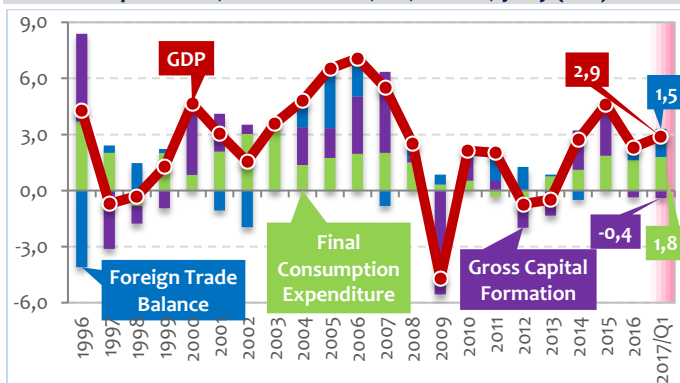
An annual rise of government consumption was higher than expected by the CNB, while household consumption grew slower than the central bank predicted. "Nevertheless this demand item remains the strongest and the most stable driver of the domestic economic growth," Holub said.

All in all the CNB stated that Q1 GDP growth acceleration was faster compared to its estimate. The central bank envisages a rise of 3% for this year and a similar growth rate for 2018.

GDP RESOURCES AND USES – Q1 – 2.6.

The SA adjusted GDP was by 1.3% higher than in the previous quarter. The economy was thus growing q-o-q the fastest for the last 2 years. In the y-o-y comparison, the real GDP growth rate was 2.9%.

Graph 2: GDP, Contributions, SA, annual, y-o-y (in %)



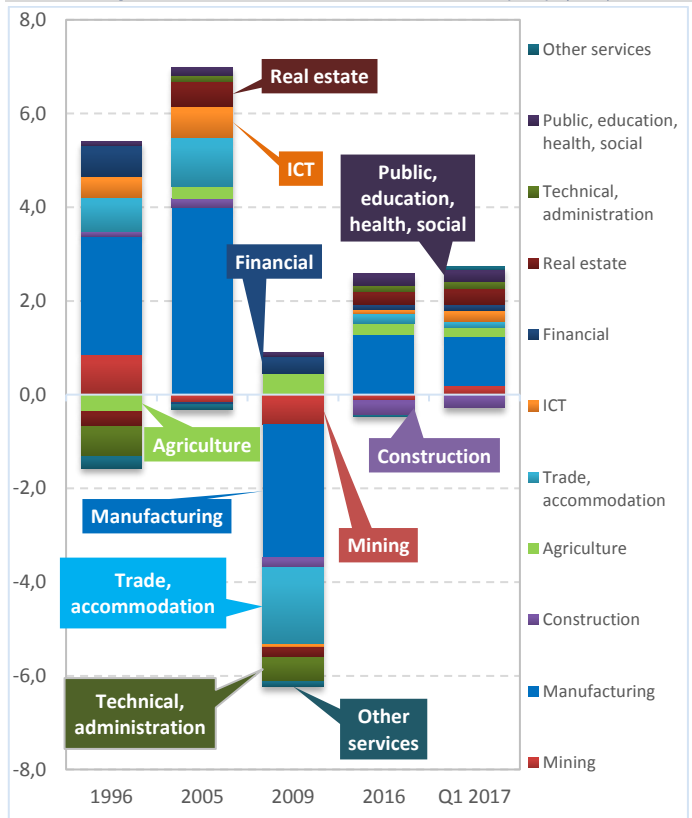
⁵ Q1: 1st quarter of the year
⁶ CNB: Czech National Bank

⁷ GVA: Gross Value Added, is a measure in economics of the value of goods and services produced in an area, industry or sector of an economy. In national accounts GVA is output minus intermediate consumption; it is a balancing item of the national accounts' production account.

GVA = GDP - Taxes on products + Subsidies on products =

⁸ 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).

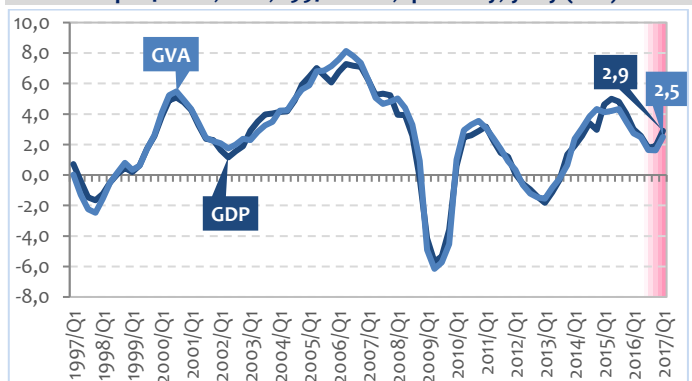
Graph 3: GVA⁷, Contributions, SA, annual, y-o-y (in %)



In 2016, the GDP⁸ for 2016 was by 2.3% higher than in 2015.

The GVA increased by 1.3%, q-o-q, and by 2.5%, y-o-y. Most industries of the economy profited from the strong external and domestic demand. Manufacturing, which was driven mainly by automotive industry and related industries contributed the most significantly to the y-o-y GVA growth (+1.1 p.p.). The renewed production in chemical industry also contributed to the faster growth. The GVA of manufacturing increased by 1.0%, q-o-q, and by 3.9%, y-o-y. Most of economic activities of services were growing, too. Compared to the Q4⁹ 2016, the GVA in construction increased by 3.3%, although in the y-o-y comparison it was still a 4.9% decrease.

Graph 4: GDP, GVA, 1997 – 2016, quarterly, y-o-y (in %)



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

⁹ Q4: 4th quarter of the year

On the demand side, the GDP growth in the Q1 was supported mainly by the external demand and steadily growing household consumption. The y-o-y GDP growth (+2.9%) was contributed to by external trade (+1.7 p.p.) and final consumption expenditure of households (+1.0 p.p.).

Final consumption expenditure of households was 0.5% up, q-o-q, and 2.8% up, y-o-y. The same as in the previous year, household expenditure grew especially on durable and semi-durable goods. Final consumption expenditure of general government increased by 1.4%, q-o-q, and by 2.4%, y-o-y.

Investment activity was 0.6% down, y-o-y, especially due to the drop of investments to other buildings and structures. Fixed capital formation was by 3.6% up, q-o-q.

The economy was successful in the Q1 2017 mainly thanks to stronger external demand. **External trade balance** in the Q1 2017 at current prices reached the value of CZK 86.0 bn.

Exports, which increased in real terms by 5.4%, y-o-y, was driven especially by trade in transport equipment, machinery, and electrical equipment. The growth of **imports** by 3.9% was significantly contributed to by sub-deliveries for the automotive industry, manufacture of electrical equipment, and trade in basic metals.

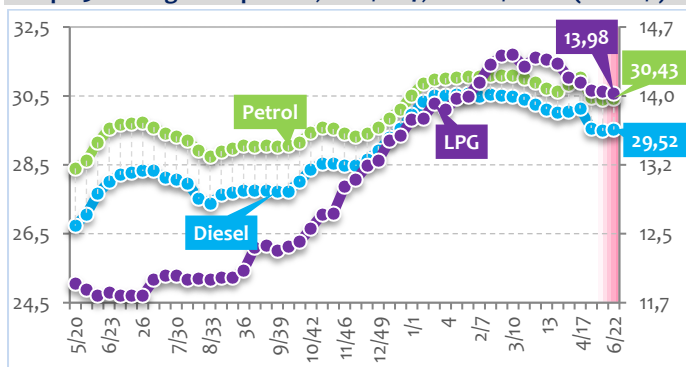
From the point of view of **price development** in the Q1 2017, the y-o-y deflator of final consumption expenditure of households reached 2.8% and the deflator of capital formation 1.1%. Faster growth of import prices over export prices was an important factor decreasing the overall GDP deflator, which was 0.9%.

The Czech economy growth continued to be accompanied by the growth of employment. **Employment** was by 0.6% up, q-o-q, and compared to the corresponding quarter of the previous year it increased by 1.5%.

FUEL PRICES – 2.6.

Natural gas increased by 4 h¹⁰ to CZK¹¹30.43/ l¹² over the past week. The average price of diesel oil increased by 3h to CZK29.52/l.

Graph 5: Average fuel prices¹³, 2016/2017, Month/Week (in CZK/l)¹⁴

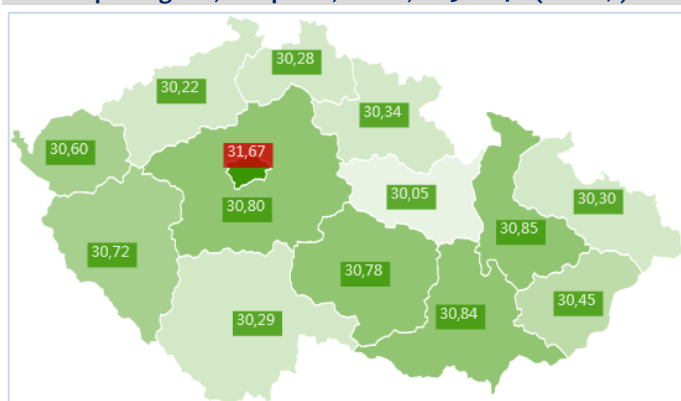


¹⁰ H: Heller, a term was used for a coin valued at 1/100 of a CZK, it continues to be used as a means of calculation since the CNB removed the coins themselves from circulation in 2008 and notionally replaced them with rounding to the next CZK.

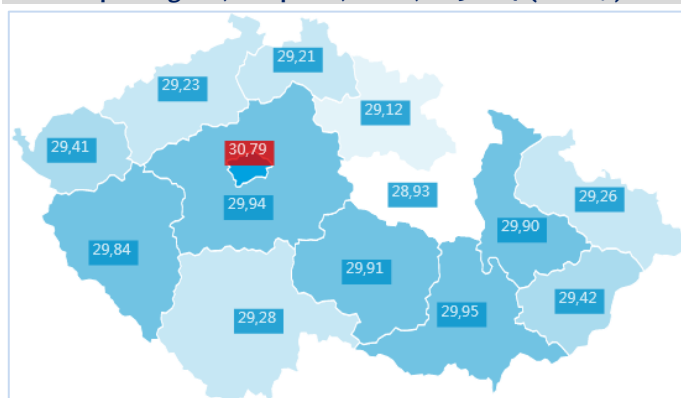
¹¹ CZK: Czech Crown, the currency of the CR since 8 February 1993

¹² 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.

Map 1: Regions, fuel prices, Petrol, 12. 5. 2017¹⁵ (in CZK/l)



Map 2: Regions, fuel prices, Diesel, 12. 5. 2017 (in CZK/l)



BDO: SMOKING BAN WILL BE POSITIVE BUDGET-WISE – 5.6.

The drop in the revenues of restaurant establishments as a result of the smoking ban will total units of percent.

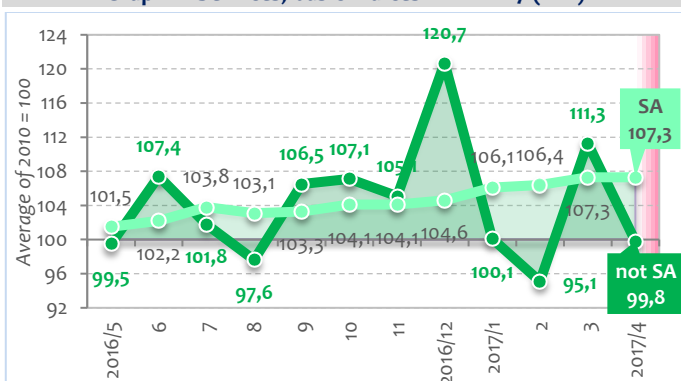
This is estimated by BDO company analysts.

The volume of tobacco products sold will fall slightly but economists expect a return to previous levels in coming years. The effect on the state budget should be positive in the long run.

Costs tied to the treatment of illnesses directly caused by smoking are higher than tax income for the state.

SERVICES – APRIL – 5.6.

Graph 6: Services, basic indices. 2016-2017 (in %)



¹³ 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

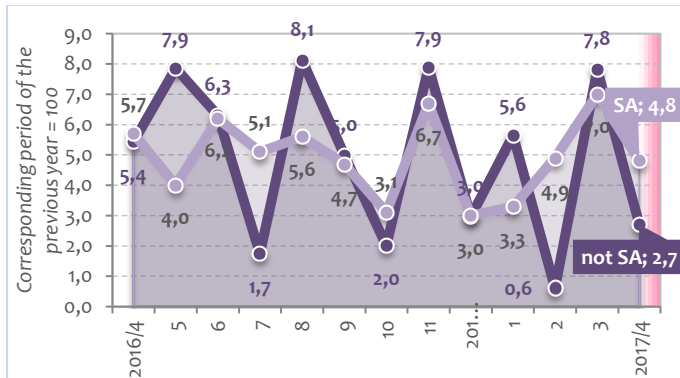
¹⁴* Exception in time series, data issued by the CCS Company

¹⁵ data issued by the CCS Company

RETAIL TRADE – APRIL - 6. 6.

In April 2017, SA sales in retail trade at constant prices decreased by 0.8%, m-o-m. SA sales increased by 4.8%, y-o-y, non-SA sales increased by 2.7%, y-o-y.

Graph 7: Retail¹⁶, 2016 – 2017, Constant prices, y-o-y (in %)

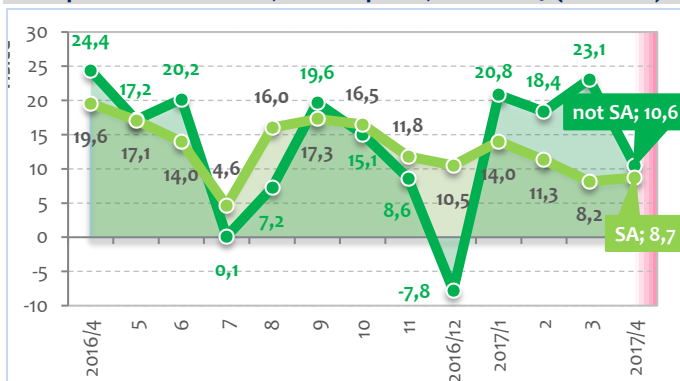


EXTERNAL TRADE – APRIL - 6. 6.

According to preliminary data, in April 2017 the external trade balance in goods ended in a surplus of CZK10.6bn, which was by CZK13.8bn lower, y-o-y.

The total trade balance in the national concept¹⁷ is being affected by high positive balance of trade in ‘motor vehicles (including their parts and accessories)’ in the long term and yet, the balance fell in April 2017, y-o-y, by CZK6.4bn because of the lower exports. Similarly the ‘fabricated metal products, except machinery and equipment’ influenced the total balance of trade. The surplus of it decreased by CZK1.7bn, y-o-y.

Graph 8: External Trade, current prices, 2016 – 2017 (in CZKbn)



OECD PUTS CZECH GDP GROWTH FOR THIS YEAR AT 2.9% – MINISTRY – 7. 6.

The Organisation for Economic Co-operation and Development (OECD) in its latest economic outlook expects growth of the Czech economy to reach 2.9% this year and 2.6% next year, while last year Czech GDP expanded by 2.4 percent, the Foreign Ministry told CTK today.

Domestic demand is to be the main growth factor.

"The OECD appreciates the growth in domestic demand and foreign trade and the favourable situation on the labour market," said deputy minister Martin Tlapa.

"The positive evaluation is linked not only with the development of the global economy but also with the economic reforms of the current government," he remarked. "I am glad that the OECD praises the success of the Czech economy which is the result of implementation of its recommendations. From the point of view of the advanced world, we are a successful country," Tlapa declared.

The Finance Ministry in its latest estimates expects Czech GDP to add 2.5% this year as well as in 2018.

Compared with the OECD forecast, the ministry expects slower growth in household consumption this year with a similar drop in savings and almost identical forecast for inflation and development on the labour market.

The OECD estimates that inflation in the CR¹⁸ should increase to more than 2% this year and the situation on the labour market is to keep improving. The government sector's debt to GDP ratio is to be gradually falling in the coming years thanks to moderate budget surpluses.

The CNB in its May forecast puts GDP growth at 2.9% for this year, the same as the OECD. For next year, the central bank predicts a 2.8% GDP growth.

DATA CONFIRM CONSUMPTION WILL BE GDP GROWTH DRIVER – ANALYSTS – 6. 6.

Today's retail sales data for April show that household consumption remains the driver of the economic growth, analysts addressed by CTK have said.

April's weaker growth is a temporary swing caused by calendar effects, they agreed.

Retail sales, excluding cars, slowed their annual hike to 2.7% in April from a revised 8.7% figure in March, the data being influenced by the fact that April this year was three working days shorter than last year and that Easter holidays were in March last year.

The April statistics confirm that after the successful first quarter the main driving force of the economic growth - household consumption - did not seize up and its good performance continues, said Komerční banka analyst Viktor Zeisel.

UniCredit Bank analyst Patrik Rozumbersky, too, said the consumption of households will remain the pillar of the Czech economic growth.

"The strong annual dynamics of the segment of non-food goods signal that people's expenses have risen recently mainly in the area of superfluous goods," said CTK's main analyst Lukas Kovanda.

"The growth in consumption will be boosted by rising wages in both the business and public sphere," he said.

The April swing which was caused by the opposing factors should be perceived as a one-off phenomenon, said Generali Investments CEE chief economist Radomir Jac.

"Retail sales will return to solid growth in the coming months and household consumption will stay a key driver of the Czech economic growth this year," said Jac.

¹⁶ except of motor vehicles and motorcycles

¹⁷ The national concept of external trade reflects export and import performance of the Czech economy, i.e. the external trade balance of the CR as well. It measures real trade in

goods carried out between Czech and foreign entities, i.e. a change of ownership between residents and non-residents.

¹⁸ CR: the Czech Republic

**CTK NO. OF COMPANY BANKRUPTCIES IN MAY LOWEST IN 9 YEARS
- CRIF - 6.6.**

A total of 53 company bankruptcies were declared in the country in May, which was the lowest figure in nine years, according to data presented to CTK by CRIF - Czech Credit Bureau company today.

May saw 1,181 personal bankruptcies, 60 more on the month, data have shown.

Bankruptcies of businesses have been kept at very low levels in the past two years, their numbers stagnating on average in recent months, said CRIF analyst Vera Kamenickova.

Most companies went bankrupt in Prague in May (23), with the South Bohemia Region recording six bankruptcies.

There were no bankruptcies in the Pardubice, Liberec and Plzen regions.

Nineteen bankruptcies, the highest amount, were declared in trade. Industry recorded nine bankruptcies. Two bankruptcies were registered in agriculture and mining.

LIDOVÉ NOVINY THE CR SURFS MORE SLOWLY THAN THE REST OF EUROPE - 6.6.

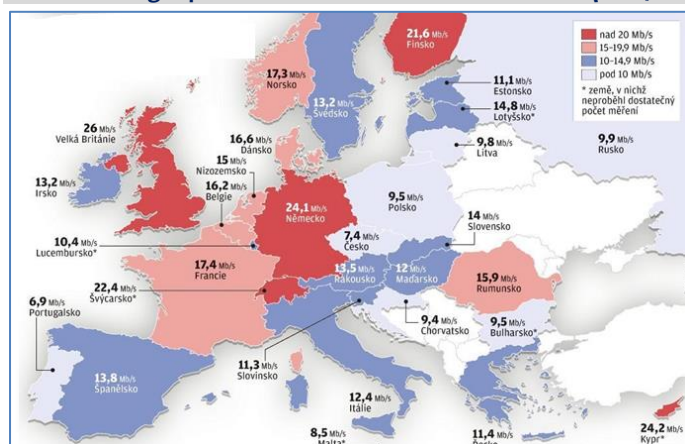
The CR, according to Akamai's regular measurement of the fixed Internet connection, was among the top 10 a few years ago. Unfortunately, it is not true anymore. Moreover, the latest analysis shows that the mobile data connection level is also poor. Among the European countries, the CR ended the last but one.

According to the Akamai analysis, the average mobile internet connection rate in the CR was only 7.4Mb/s in the Q1 of this year. The only worse in Europe was Portugal with a result of 6.9 Mb/s. The vast majority of countries are above 10 Mb/s. Often, for example, in Finland, it is 21.6Mbps, and in the UK even 26Mbps.

Speed.com's own speed measurement was also conducted by Seznam.cz last year. Both the statistics of Seznam.cz and Akamai show that most Czechs connect at a rate of less than 10Mb/s.

According to the government strategy Digital CR should have achieved this speed 3 years ago. Internet users' hopes, therefore, are now opposed to the EU, which has earmarked CZK14bn of subsidies to support fast internet in the CR.

Chart 1: Average speed of mobile internet connection in Q1 2017



Mobile operators have questioned the results saying that the Akamai server network, through which flows about up to 30%

of global Internet traffic annually, has limited real-time connection speeds in the CR.

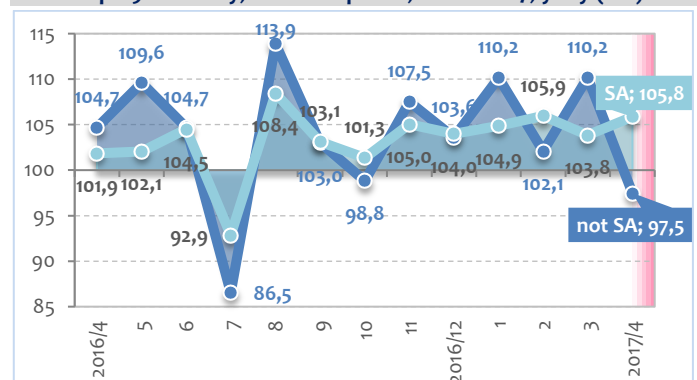
ČZ STROJÍRNA TO SHIP RING GRINDING LINE TO THAILAND - 6.6.

ČZ Strojírna, member of ČZ group, is completing the modernisation and repair of the bearing ring grinding and honing line for Schaeffer. After the project is completed, the machinery will be sent to the firm's production plant in Thailand, where a similar line manufactured also by ČZ Strojírna, has been in use since 2016.

INDUSTRY - APRIL - 7. 6.

In April 2017, SA industrial production increased at constant prices by 5.9%, y-o-y. Non SA industrial production was lower by 2.5%, y-o-y. SA industrial production increased by 0.6%, m-o-m. The value of new orders decreased by 3.2%, y-o-y.

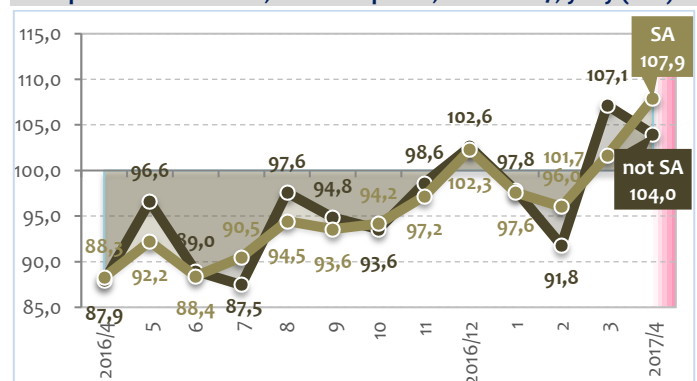
Graph 9: Industry, constant prices, 2016 - 2017, y-o-y (in %)



CONSTRUCTION - APRIL - 7. 6.

In April 2017 the SA construction output increased by 9.6% y-o-y, in real terms; the non SA construction output rose by 4.0%. The planning and building control authorities granted by 6.5% less building permits, y-o-y, and the approximate value of permitted constructions fell by 21.4%, y-o-y. The number of started dwellings increased by 0.5%, y-o-y, and the number of completed dwellings jumped up by 36.6%, y-o-y.

Graph 10: Construction, constant prices, 2016 - 2017, y-o-y (in %)



HK ČR: ADOPTION OF THE EURO IS NOT TOPICAL FOR MOST COMPANIES IN CR - 7.6.

A total of 76 % of companies in the CR are not convinced that the question of euro adoption is so topical that the next government would set a fixed future date for its adoption early during its mandate. This is according to an opinion poll among entrepreneurs, which has been carried out by the

Chamber of Commerce of the CR (HK ČR). 24 % of the respondents were clearly for an early setting of a fixed date for accession to the Eurozone. 313 small and medium entrepreneurial subjects with a turnover of even more than CZK 1bn participated in the opinion poll.

EGAP HAS CANCELLED SPECIFIC ARRANGEMENTS FOR THE UKRAINE AND BELARUS – 7.6.

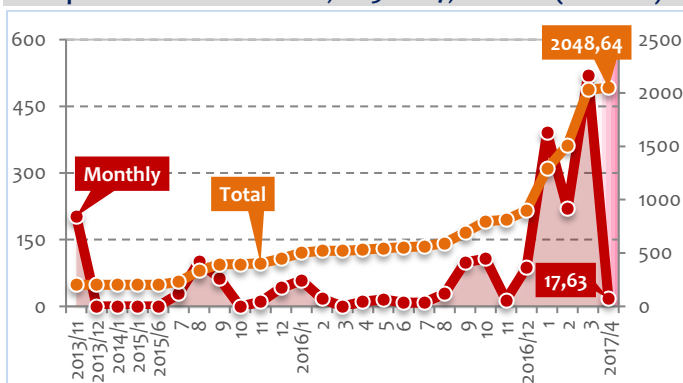
The Export Guarantee and Insurance Company (EGAP) has cancelled specific arrangements and regime for approving insurance of export to the Ukraine and Belarus.

According to OECD categorization, both countries belong to the riskiest category no. 7. For new business cases, EGAP will approach them the same way as other countries in this risk category.

For both countries, the export insurance company has set up new territorial limits. For the Ukraine it is CZK 2.5bn and for Belarus it is CZK 7.2bn.

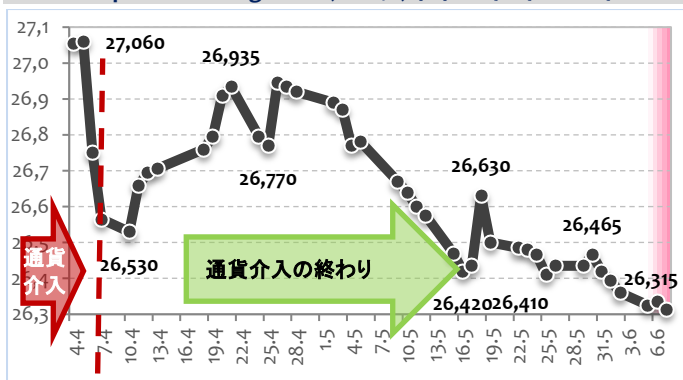
FOREX INTERVENTION – 7.6.

Graph 11: Forex interventions, 2013 – 2017, Estimate (in CZKbn)



CROWN VS EURO – 7.6.

Graph 12: Exchange rates, CZK/€, 4. 4. 2017 – 7. 6. 2017



P. BĚLOBRÁDEK: GOVERNMENT SUPPORTS COMMERCIALISATION OF THE RESULTS OF SCIENCE – 7.6.

Support of start-ups and risk capital funds is the key for the CR.

Deputy prime Pavel Bělobrádek (KDU-ČSL) said this at the conference of the Czech-Moravian Guarantee and development Bank (ČMZRB), adding that in cooperation with ČMZRB, the government now offers interest-free loans and guarantee for loans provided by commercial banks within the Operational Programme Enterprise and Innovations.

These are thus not pure subsidies but support of commercialisation of the results of science and research by lowering the threshold of accessibility of risk capital, which will, according to the deputy prime minister, widen the circle of recipients, who can be supported from the given volume of money.

MIT WILL PROVIDE CZK 500M FOR INDUSTRY 4.0 – 7.6.

The ministry of industry and trade of the CR (MIT) will prepare a special call for introducing elements of industry 4.0 into practice. The call will be announced in September 2017 and approximately CZK 500m will probably be allocated for it. Minister of industry and trade Jiří Havlíček (ČSSD) announced this at the seminar on the Future of Steelworks in the CR on May 6, 2017. The aim of the seminar was, among other things, to outline the options for application of Industry 4.0 in steelworks.

AGRICULTURE & ENVIRONMENT

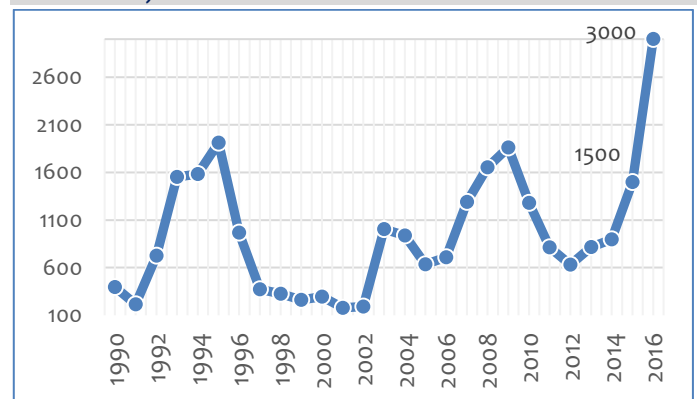
RECORD-HIGH 3M CUBIC METRES OF WOOD ARE BEETLE INFESTED IN 2016 – 1.6.

Experts from the Forest Protection Service registered a record-high volume of 3mn cubic metres of logged wood infested by bark beetle in the CR last year, twice more than in 2015, the Forestry and Game Management Research Institute told CTK today.

The data has been collected from 70% of the country, while data from the remaining 30% is not available. In the entire country, up to 4.3mn cubic metres of logged wood are estimated to be infested by bark beetle.

The biggest problems have been reported in central and northern Moravia and in Silesia.

Graph 13: Volume of bark beetle infested spruce wood (in thousand cubic metres)



PAIR OF WHOOPER SWANS NESTS IN CR FOR FIRST TIME – 5.6.

A pair of the whooper swan (cygnus cygnus) has nested for the first time in the CR, namely in the Zamecky (Chateau) Pond in Chropyne, and it has four young, Jiri Safranek, from the Moravian Ornithological Society, told CTK today.

"The whooper swans nest in small lakes in the tundra in the north-east of Europe. They appear in this country during migration or they rarely winter in the country. An exception is a whooper swan, which has been staying throughout the year mainly in central Moravia for 11 years. It has nested for the first time this year and it is taking care of four young together with the male," Safranek said.

The female is ringed and fitted with a collar with the 7R42 code. It was ringed at wintering grounds in Germany in January 2006, when it was already adult.

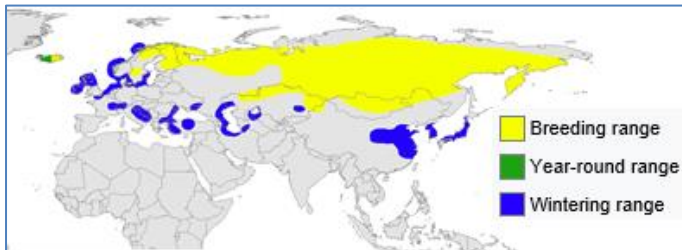
"It is a mystery why it did not return to its northern native place and settled in Moravia," Safranek said.

In addition to south Moravian ponds, the bird has also appeared in Hungary and Poland.

The swan pair were taking their turns in brooding for more than a month. Their nest was well hidden in dense reeds.

"On June 4, they took their young to the open surface for the first time to the great joy of ornithologists as well as local nature devotees," Safranek said.

Chart 2: Usual distribution of Whooper swan in the world



BA AGRMIN WANTS TO TALK ABOUT SUPPORT FOR RURAL SERVICES – 6.6.

The Czech Ministry of Agriculture has announced that on June 5, 2017, the government accepted the paper submitted by Minister Marian Jurečka (KDU-ČSL) to support rural services. According to it, the co-responsible ministries should start talking about concrete possibilities of assistance, such as a direct support of shops in small municipalities. Jurečka also proposes a change in tax collection, as small municipalities can only draw insufficient shares of it. Another systemic solution could be a financial support of local governments that provide or are involved in the operation of stores.

CTK TIMBER LOGGING IN CZECH FORESTS UP 9% TO 17.6M M3 IN 2016 – 6.6.

Timber logging in Czech forests increased by 9% to 17.6mn cubic metres without bark, the third highest volume in the time of the monitoring, the CSO announced in a press release today.

The growth in the logged volume was partly due to salvage logging which comprises logging of trees that have been damaged by strong winds or insects. Its volume rose by 1.2mn cubic metres to 9.4mn cubic metres last year.

Almost 80% of the logged timber was of spruce trees, followed by pine and beech trees.

"Dry spells and insects have been affecting the condition of forests in the last few years, for example bark beetle. Due to this factor, the condition of spruce forests is deteriorating, mainly in Moravia and Silesia, so the amount of salvage logging grows," CSO chairwoman Iva Ritschelova explained. Data from forest protection service LOS confirm this. LOS registered a record volume of 3mn cubic metres of timber from trees hit by bark beetle last year, twice higher than a year earlier.

The data that experts are gaining from forest protection services and forest owners are for around 70% of the Czech

territory. When making calculation for the whole country, the amount could reach up to 4.3mn cubic metres of timber hit by bark beetle.

The worst situation last year was in regions Olomouc and Moravia-Silesia where the share of salvage logging reached almost 90 percent, according to CSO data.

"Salvage logging in these two regions made up almost a half of salvage logging in the whole country and 29% of the total amount of timber logged in the CR," said CSO's agriculture, forestry and environmental statistics department head Jiri Hrbek.

Forest company Lesy CR CEO Daniel Szorad said earlier already that he hoped that thanks to the colder spring weather, there could be only two bark beetle swarmings this year instead of the usual three.

The area of Czech forests keeps growing, last year it increased by 1,500 hectares to 2.7mn hectares of land, which represents 34% of the CR's territory.

CSO data show that 13,132 people worked in Czech forests last year and half of them were manual workers.

Their average gross monthly wage reached CZK25,602, 2.8% higher than in 2015.

CTK URANIUM TO BE REMOVED FROM CZECH DRINKING WATER BY END OF JUNE – 6.6.

The new technology with which to remove uranium from drinking water for the inhabitants of the Mesto Libava village will be set in operation at its source Velka Strelna by the end of June, Jana Zechmeisterova, from the Defence Ministry press department, told CTK today.

The plant costs 5.4mn crowns without VAT, Zechmeisterova said.

Experts found out recently that one litre of the water contained up to 24 micrograms of uranium, while 15 micrograms is the admissible level.

Experts then recommended that children and pregnant women should not drink the water for the time being.

Substitute drinking water supplies have been secured for Mesto Libava, a village with over 500 inhabitants, which was part of the Libava military training ground until 2016.

The special technology to remove uranium from the drinking water will be delivered by the INFORM-CONSULT-AQUA firm, with which the military has signed a contract.

"The supplier has implemented similar technologies in roughly 12 water treatment plants in the CR and it has the required permits from the State Office for Nuclear Safety," Zechmeisterova said.

The technology is being prepared in the firm's headquarters and the work on technological preparation for its installation is underway, she added.

"During the construction of the new water treatment plant, substitute provision of drinking water will be secured for children under seven, and pregnant and nursing mothers," Zechmeisterova said.

"According to a decision of the regional sanitary office in Olomouc, north Moravia, the rest of the population can use the water without any limitations," she added.

Experts say the uranium in the water was not connected with the military use of the area.

"Based on a comprehensive analysis of the Velka Strelna water source, a laboratory has found out that the uranium present in the water originates from a natural source. It appears in the water due to the rock composition of the soil," Zechmeisterova said.

The Libava military training ground spreads across five districts, Olomouc, Prerov, Bruntal, Opava a Novy Jicin. Its total area was 327 square kilometres. Last year, it was reduced by one third in order to cut the costs, the military said.

The training ground was established in 1946. Some 2500 Soviet soldiers were permanently located there after the Soviet occupation of former Czechoslovakia in 1968 and thousands of them were arriving with military hardware for regular exercises.

When the Soviet military left the area after the communist regime collapsed in Czechoslovakia at the end of 1989, it left over a huge amount of unexploded ammunition and soil contaminated with oil products. The removal of the environmental damage lasted several years and cost hundreds of millions of crowns.

FUR FARM BAN VOTED IN LOWER HOUSE – 7.6.

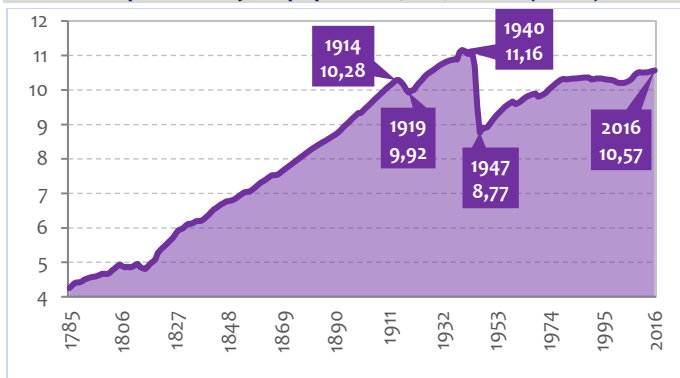
The lower house of the Czech parliament has passed a ban on fur farms following a stormy debate. The ban should take effect from the end of January 2019 after an attempt to put it back failed. Around nine such farms, mostly raising mink and foxes, are present in the CR. The owners can claim compensation from the state. The ban was backed by a petition signed by 46,000 people. Opponents of the ban warn that illegal farms could be created where the state has no oversight over the animals' welfare.

LABOUR & SOCIAL & HEALTH

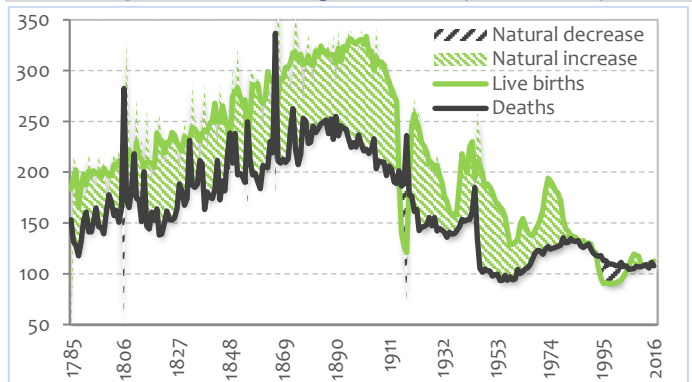


POPULATION

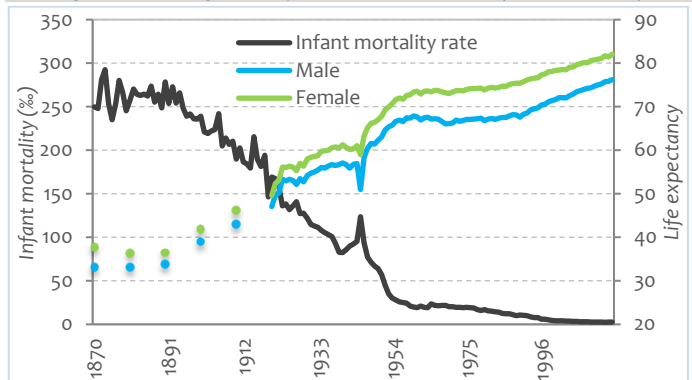
Graph 14: Mid-year population, 1785 – 2016 (in mn)



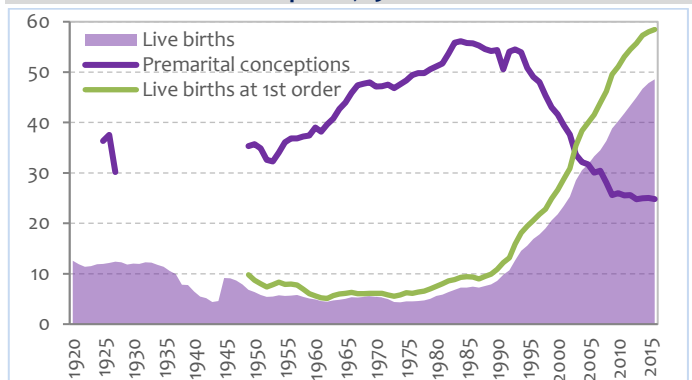
Graph 15: Natural change, 1785–2016 (in thousands)



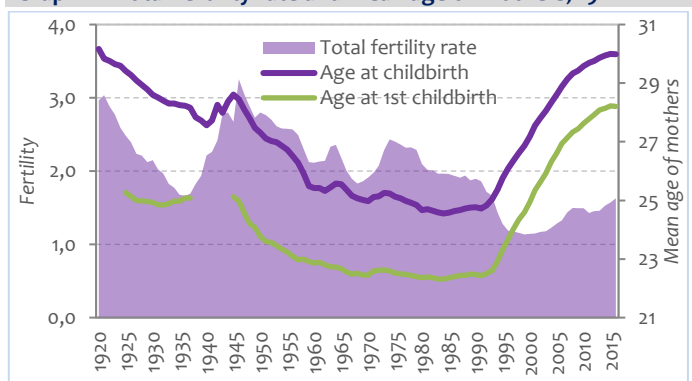
Graph 16: Life expectancy at birth, 1870–2016 (in thousands)¹⁹



Graph 17: Percentage of births outside marriage and premarital conceptions, 1920–2016



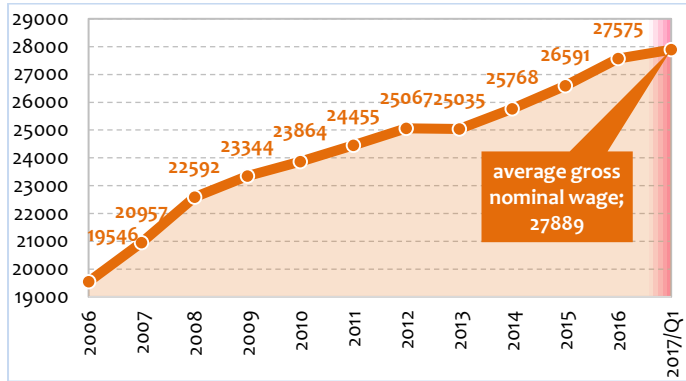
Graph 18: Total fertility rate and mean age of mothers, 1920–2016



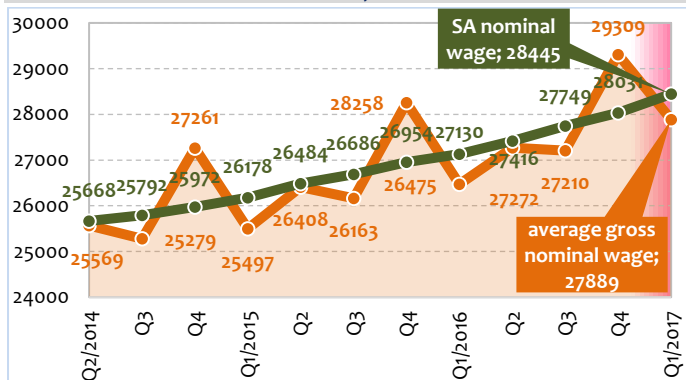
¹⁹ Life expectancy at birth (up to 1920 estimates)

CTK WAGES – Q1 – 5.6.

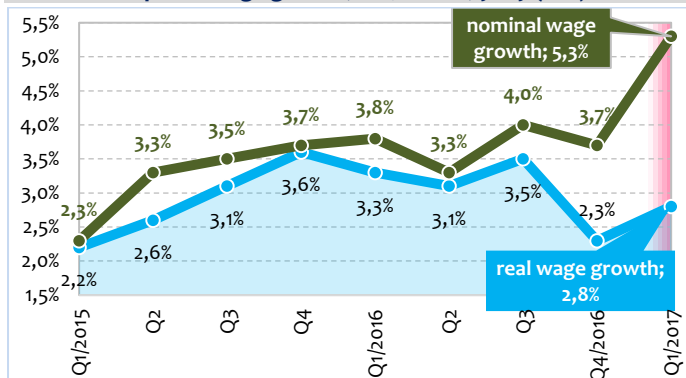
Graph 19: Average gross nominal wage, 2006 – Q1 2017 (in CZK)



Graph 20: Average gross nominal wages, 2014 – 2016, q-o-q (in CZK)



Graph 21: Wage growth, 2015 – 2017, y-o-y (in %)



CTK WAGES TO CONTINUE RISING THANKS TO LOW

UNEMPLOYMENT – ANALYSTS – 5.6.

Low unemployment, a lack of labour and the rising minimum wage are behind a pickup in wages, with the Czech average wage to increase by some 5% this year, analysts told CTK. Private consumption will remain the driver of the economic growth this year thanks to this development, they said. However, some of them pointed out such a pay rise is not sustainable in the long run because of the competitiveness of the Czech economy.

Q1 average gross monthly wage grew by an annual rate of 5.3% to CZK27,889, rising by 2.8% in real terms, statisticians said. The average wage has been rising in the country since the start of 2014.

"An ever more urgent lack of workforce and a major rise of the minimum wage are accelerating pay rises," said UniCredit Bank chief economist Pavel Sobisek.

Wages will rise by 5% this year, with the pace to be sufficient for private consumption to be the main driving force of the economy, he said.

"Wages were boosted by tension on the labour market, with unemployment at the lowest level since 2008," said Raiffeisenbank analyst Monika Junicke. The low jobless rate provides a good negotiating position for employees and trade unions, which may raise pressures on wages. "We expect the average nominal wage to increase by 4.5% this year," said Junicke.

The stable growth in wages will be affecting positively household consumption, which is the most stable item of gross domestic product (GDP), said ACZKenta analyst Miroslav Novak.

"In addition, a piece of good news is that both the external and the internal economic development imply a similar wage hike will continue in the next quarters this year," said Novak. CSOB analyst Petr Dufek said wages may rise by nearly 3% in real terms this year.

"This, in fact, corresponds with previous expectations, causing no additional inflationary pressures that might force the CNB to react soon by an increase of interest rates," said Dufek.

ING chief analyst Jakub Seidler said employees in catering and accommodation saw the fastest wage increase because of the launch of the electronic registration of sales (EET) and the ongoing minimum wage rise. "This 11% rise will have a mild effect on the overall wage dynamics this year, sending it a few tens of a percentage point higher," said Seidler.

Deloitte chief economist David Marek said that the current pace of pay rises is not sustainable in the long run. "Wages are growing faster than labour productivity, with unit labour costs rising for the second year in a row and price competitiveness deteriorating. Along with the crown's firming, this is a dangerous combination for the export-reliant economy focused mainly on the production and exports of low value-added goods," Marek said.

CTK HK ČR AND ČESMAD: EC DECISION IS DISDAIN FOR CZECH CARRIERS – 6.6.

The Czech Chamber of Commerce (HK ČR) and ČESMAD Bohemia consider the decision of the European Commission (EC) to alleviate the demands of some countries for the minimum wage of truck drivers to be disdainful to Czech entrepreneurs active in transportation. ČESMAD Bohemia president Vladimír Starosta said that to require foreign carriers to fulfil all local working conditions and to manage separate registers for working hours in various countries and languages constituted an inappropriate administrative burden and artificially increased the costs of Czech carriers. Employers are facing a fine of up to EUR 500,000 for non-adherence to the duties. This information was provided by the Chamber of Commerce.

CTK CZECH UNEMPLOYMENT SEEN FALLING TO 4.1% IN MAY – 6.6.

Czech unemployment fell to 4.1% in May from 4.4% in the previous month because of the ongoing economic growth and seasonal work, analysts said in a CTK poll.

The Czech Employment Office will publish official data on June 8.

The situation on the labour market has entered a stage where labour demand is higher than supply in many respects, said ACZKenta analyst Miroslav Novak.

"A number of offered vacancies are very difficult or even impossible to fill. This mainly applies to qualified and less-qualified jobs in industry and jobs for drivers," said Novak.

"There is presently not a single district in the CR where unemployment would exceed 10 percent, which is quite unique in the country's modern history," said Cyrus chief analyst Lukas Kovanda.

CZECH TOURISTS MAY TRAVEL TO VIETNAM WITHOUT VISAS – 7.6.

Short-term visas for Czech tourists travelling to Vietnam may be lifted, Czech President Zeman agreed with his Vietnamese counterpart Tran Dai Quang today, Zeman told reporters after their meeting.

The unilateral introduction of the visa exemption is yet to be negotiated.

Zeman also asked the general secretary of the Communist Party of Vietnam, Nguyen Phu Trong, to support the visa waiver.

Both presidents agreed on the introduction of a direct flight between Ho Chi Minh City and Prague, Zeman said.

He also invited Quang to the CR.

Zeman told reporters that they had reached an agreement to remove two major obstacles to the development of Czech-Vietnamese relations.

The first is no direct air service and the other one is the existence of short-term tourist visas that prevent a high number of Czech tourists from travelling to Vietnam, he said. Vietnam has already approved a visa waiver for German and French tourists, he added.

"I am glad that I can tell you that both presidents have agreed on both the introduction of a direct flight between Ho Chi Minh City and Prague and on the lifting of short-term tourist visas," Zeman said.

If the direct air service were established, the CR would be prepared to open a consulate in Ho Chi Minh City, he added. The Vietnamese authorities must yet decide on the visa waiver, Presidential Office foreign section head Rudolf Jindrak said. He added that talks on this issue would continue with other Vietnamese representatives.

If they were successful, this would be a unilateral step taken by Vietnam. The EU would have to approve the lifting of visas for the Vietnamese travelling to the CR.

Zeman met other Vietnamese politicians later today, including Deputy Prime Minister Vuong Dinh Huem and Trong whom he called the most powerful man of Vietnam.

Zeman asked him for his support during the talks in Vietnam. "We have signed a number of significant agreements, but two are still open - on a direct air service between Ho Chi Minh City and Prague and on the visa waiver for Czech tourists. I am aware that the agreements may not be materialised without your support," Zeman said.

Zeman also invited Quang to the CR. He said they both liked Pilsner beer and that he would like to take Quang to the Pilsner brewery in Plzen, west Bohemia, during his visit.

Zeman also reminded that seven contracts between Czech and Vietnamese firms had been signed during a Czech-Vietnamese business seminar on Tuesday.

"They include a significant contract worth 20mn dollars on the construction of a hotel complex at the seaside," Zeman said.

He added that he believed this contract would be "the beginning of the expansion of Czech tourism to Vietnam," which he called a beautiful tourist destination.

Last year, 13,591 Czechs travelled to Vietnam, which is twice more than in 2010, the Association of Czech Travel Agencies has said, referring to data of the Vietnamese State Agency for Tourism (VNAT).

About 3000 Czechs annually go to Vietnam with a tourist agency.

"There are several reasons for the rising popularity of this attractive exotic destination. Vietnam is considered a safe country with an authentic Asian atmosphere, a virgin landscape and famous cuisine," association executive director Tereza Pickova said.

Czechs like mainly round trips from northern to southern Vietnam and stays in the southern area of central Vietnam and on the largest Phu Quoc island in the Gulf of Thailand where they can even travel without visas, she added.

Quang said the presidents had also talked about support for trade agreement between the European Union and Vietnam, the improvement of bilateral trade and navigation in the South China Sea.

Quang thanked the CR for the conditions of the Vietnamese ethnic minority living there.

Some 65,000 Vietnamese live in the CR with a population of 10.5mn, according to statistics.

HAMÉ INVESTS INTO PRODUCTION AND PORTFOLIO EXPANSION IN RUSSIA – 7.6.

Foodstuffs company Hamé plans to expand into production and portfolio expansion in Russia in 2017, specifically into ready-made sauces and baby food products.

In May and June Hamé is running a campaign in Russia promoting meat products, mainly pates and canned meat.

Hamé's PR manager Petr Kopáček has confirmed to ČIANEWS that the durable and cold foodstuffs producer is utilizing for the campaign the full marketing mix, incl. TV and radio advertising.

Mr. Kopáček has added that Hamé focuses also on online and Russian social networks.

INDUSTRY & ENERGY & INVESTMENT

MO SIGNS CONTRACTS WORTH CZK 750M AT IDET – 2.6.

The Ministry of Defence of the CR (MO) has closed contracts in the value of CZK 750m at the defence and safety technology fair IDET 2017 in Brno. Aero Vodochody Aerospace will deliver 16 units of digital multi-purpose displays for fighters L-159 for over CZK 30m. State-owned LOM Praha will modernise five helicopters Mi-17 and the Military Technical Institute will supply a radar centre for CZK 95m. MO will get four units of laser containers for fighters JAS-39 C/D Gripen for CZK 383m from Rafael Advanced Defense Systems and OWT will repair two units of catching

devices at aircrafts BAK 12 and deliver spare parts for aircrafts ZLS-98B and ZLS BAK-12.

CTK CZECH GLASS PRODUCTION ON THE RISE – 2.6.

Czech glass production keeps growing, by an annual rate of 5% on average in recent years, and its sales volumes reached some CZK43bn, a level seen before the economic crisis, according to a CTK poll.

Some 80% of production volumes are exported.

A further growth of the industry is, however, hindered by a lack of workforce, companies said.

Data of the Association of the Glass and Ceramic Industry of the CR show that there were 108 glass companies, with 20+ staff, in the country in the middle of last year, employing 18,980 people in total.

The workforce in the industry before the 2008 economic crisis surpassed 24,000, while in 2001 the industry registered 32,460 employees, their sales being comparable.

Flat glass producers play a significant role within the industry, with AGC Flat Glass Czech being number one company in this segment and employing 4,000 people. However, it struggles with a shortage of qualified labour.

Companies producing utility glass are mainly faced with this problem. Kavalierglass, for instance, cannot launch some of its activities because it lacks workers although its staff numbers have doubled to 1,850 since the economic crisis.

There is also a lack of workers in handmade glass production, a poll has revealed.

CTK NO. OF NEW HOME-BUILDING SAVINGS CONTRACTS DOWN BY 28% IN Q1 – 4.6.

Building societies on the Czech market signed 86,000 new contracts on home-building savings in the first quarter of this year, 28% fewer than a year ago, the Finance Ministry has said on its website.

The average target amount of the new contracts rose by CZK55,000 to CZK406,000 on the year.

The total number home-building saving contracts has been falling steadily since 2003.

As of the end of March, 3.28mn contracts were signed, about 30,000 fewer than at the end of 2016.

The total number of housing loans decreased by 13,000 year-on-year to 637,000.

The volume of granted loans stagnated at CZK240.6bn.

The ratio between the volume of loans and the amount of savings rose to 66.8 percent.

The Finance Ministry provided CZK3.9bn to building societies as an annual advance payment of state support for last year in April.

Last year, the ministry paid out CZK4.28bn in state support to clients of building societies.

CTK FINES FOR BREACHES OF PRICE REGULATIONS ARE LOWER IN 2016 – 4.6.

Czech authorities carried out 3,158 inspections into prices of goods and services last year, down by 1,100 year-on-year, and imposed fines worth CZK298m for violations of price regulations, down from CZK486m in 2015, according to a report on price inspection that the government has submitted to the Chamber of Deputies.

The amount of fines that came into effect reached CZK78m. The volume of collected fines amounted to CZK26m, which was a year-on-year decrease of CZK146m.

According to the report, the results of inspections show insufficient respecting of price regulations by a considerable number of the entities inspected.

Fines imposed for erroneous calculation of prices of drinking and waste water amounted to CZK1.1m.

The Energy Regulatory Office (ERU) imposed fines worth over CZK222m.

The ERU did not, however, inspect prices in the area of renewable sources of energy even though the amended energy law transferred this task from the State Energy Inspection to the ERU. The ERU argued that the law on the competences of different authorities in the area of price inspection had not been amended at the same time.

"ERU's approach means that there is actually no price supervision over an area in which financial support worth about CZK44bn will be paid out this year," the government said in the report.

Volume of fines imposed for violations of price regulations

Year	No. Of inspections	Amount of imposed fines in CZKmn	Amount of paid fines in CZKmn
2016	3,158	298.483	26.038
2015	4,323	486.37	172.37
2014	4,030	31.951	14.668
2013	3,936	29.517	7.346
2012	3,905	17.589	8.760
2011	3,497	21.076	6.828
2010	4,011	34.079	9.426
2009	3,550	66.919	11.809

in THE PRIORITY IS THE COMPLETION OF DUKOVANY, THERE IS NO TIME TO LOSE – 5.6.

If a decision to build a new nuclear unit in the CR is made, it will be built at the Dukovany nuclear power plant, Bohdan Zronek, head of power utility CEZ's nuclear energy division and director of the Temelin nuclear power plant, said in an interview for CTK today.

The potential construction includes the option that a contract with a sole strategic partner will be signed after an initial selection out of several suppliers, Zronek said.

In April 2014, CEZ cancelled a tender for the construction of two new units at Temelin after the government refused to provide state guarantees.

Owing to this postponement, it now makes sense to start building a new unit at Dukovany so that operation at the locality is maintained, Zronek said.

The current Dukovany units are to be closed in 2035-2037.

"An ideal scenario is to prepare the potential construction of a new unit at Dukovany in such a way so that the current units can be replaced gradually," Zronek said.

In order to meet this plan it is now high time to make the decision on the construction. It has to be made during the term of office of the next government at the latest, according to Zronek.

The involvement of the government is of key importance, he added.

"Wherever in the world new nuclear power plants are built, the role of the state is unquestionable. There is always some form of state support, even though not directly financial," Zronek noted.

The national action plan of nuclear energy development envisages the construction of one unit at Dukovany and one at Temelin, with a possible extension to two units at both nuclear plants. Dukovany, which is older than Temelin, is given priority.

Zronek has been heading the newly formed nuclear division at CEZ since the beginning of June. He has also become the company's board member. He will be heading the Temelin plant until the end of August, when he will be replaced by Jan Kruml.

This year's task of the new division is to obtain licences for further operation of all units of Dukovany. "We also have to complete shutdowns of nuclear units and prepare further steps, including a renewal of licence for Temelin by 2020," Zronek said.

CTK GOVT INTERRUPTS TALKS ABOUT RAW MATERIALS POLICY – 5.6.

The government interrupted talks about the CR's raw materials' policy today, according to Industry and Trade Ministry information, the planned strategy is to be for around 15 years, the cabinet's press department announced.

In the strategy, the ministry proposes, among other things, processing of a document concerning modern high-tech materials in the CR's territory, for example lithium.

Stances of investors, which CTK addressed in April, show that investment in mining of this commodity in the Ore Mountains (Krusne hory) could move in the order of billions of crowns.

Lithium is used for the production of batteries and its mining could start in a few years.

"In this area, deposits of niobium, tantalum and rubidium are also interesting. They could make the potential mining financially interesting. All these metals are important components, for instance, for the use of alternative energy sources and production of special materials," says the ministry's document.

Safety of supplies stays as the CR's priority in the raw materials policy. Among other strategic targets, the ministry mentions economically acceptable prices of raw materials for processing companies and consumers and effective use of raw materials from domestic sources.

The now valid raw materials policy from the year 1999 contains similar goals.

For example, as regards black coal mining, the document recalls that the CR still has relatively high coal deposits in the order of billions of tonnes but mining would not pay off in all the deposits.

Pointing at the current problems of black coal mining company OKD, the document notes that the situation in European black coal mining is complicated now due to the current low global prices of the commodity. "In the current situation, keeping operation in at least part of the localities is a priority," the document says.

Maintaining long-term ability to mine brown coal is a must for the CR. Also as plan B for the case that for some reason, new nuclear units are not built or the CR has to close some of its nuclear reactors, the document says.

The document also deals with future uranium mining. The ministry said this year in February that it would not propose mining in a new uranium deposit for now.

"With respect to the current uranium prices on global commodity exchanges, it can be said that under the current conditions, uranium mining in the CR is not profitable or would even be loss-making," says the document.

Mining of principal raw materials is falling permanently in the CR in the long term. Brown coal and stone for construction are being mined the most.

The government today tasked the Finance Ministry that its representative at a general meeting of energy company CEZ to take place on June 21 votes for the proposals approved by the supervisory board, including the proposed dividend, Prime Minister Bohuslav Sobotka said at a press conference after the government meeting.

CEZ's management has proposed a CZK33 dividend per share before tax. In the last four years, the company paid CZK40 per share in dividends.

CEZ's board also this year for the first time since 2001, when the company started paying dividends, proposed to use part of retained profits from the past years for the dividend payment.

In total, CZK17.8bn is to be paid to the shareholders and the state as CEZ's majority owner is to get CZK12.4bn.

CEZ's management also for the first time in 16 years does not propose payment of bonuses to members of the board of directors and supervisory board. CEZ is the biggest Czech energy company.

The government today also interrupted talks on a proposal for the improvement of public infrastructure near industrial zone Kvasiny, East Bohemia, the government's press department said.

For the improvement of infrastructure near Kvasiny, CZK3bn more than planned could be used from the public money in the coming years, so the total costs would reach CZK6bn. The plan includes construction of tenement flats, more money for the police and bypasses of towns.

"We have interrupted talks about the document for 14 days, more details will be added for us to decide on concrete projects which will improve the situation in the region," Sobotka said at the press conference.

Region Hradec Kralove governor Jiri Stepan sees the fact that talks on the topic have been interrupted as unpleasant. "I understand that this means only a delay before the final approval," he told CTK.

The highest amount of the money, an estimated over CZK3.2bn, is to be used for the construction and repairs of motorways. More than CZK700m is to go for the setup and preparation of a 35-hectare zone in which sub-suppliers of car maker Skoda Auto and other investors would build their plants in the future. The region already has investors for 90% of plots of land in the zone.

The proposal for the government points at the fact that the current situation in the area does not correspond with original plans from 2015. The dynamic development of Skoda

Auto's plant in Kvasiny and of the neighbouring industrial zone thanks to Skoda Auto's investments is exceeding expectations.

This means an excessive burden on roads and motorways and a high growth in the number of people living in the locality, says the report.

A study that the region has got made shows that the investment would back additional exports worth CZK20.5bn annually, corporate income tax revenues would increase by CZK248m and smaller companies would register a CZK892m annual growth in demand.

CR'S PASSENGER CAR SALES UP BY 11% TO RECORD 27,009 UNITS IN MAY – 5.6.

The CR's new passenger car sales increased year-on-year by 11% to record-breaking 27,009 units in May, exceeding March's maximum of 26,786 cars, and the market grew by 10% to 117,817 vehicles sold in the first five months of this year, the Car Importers Association (SDA) said today.

From January to May, Skoda Auto car maker ranked first, selling 36,681 vehicles, which is 3% more. Volkswagen and Hyundai followed, with the former adding annually 25% to 12,906 cars and the latter reporting a 3% growth to 8,390 sold units. Other car brands included Ford, Dacia and Renault.

The share of petrol-fuelled vehicles in the total number was 57 percent.

Companies accounted for 75% of the overall car sales.

Skoda Auto's sales exceeded 9,000 cars for the first time in May, with its market share growing to 34 percent. The number of ordered vehicles topped 10,000, Skoda Auto CR head Lubos Vlcek said.

The Skoda Octavia model was the bestseller, followed by Skoda Fabia, Skoda Rapid, Skoda Superb and Volkswagen Golf. This year's new SUV model of Skoda Auto, Kodiaq, made the top ten list.

The number of imported used cars increased by 0.8% to 66,873, where vehicles older than ten years represented 53.8% of the total volume.

The number of light utility vehicles registrations stagnated y-o-y at 7,468, with Peugeot ranking first with 1,121 cars, Fiat second with 994 cars and Ford third with 955 cars.

The sales of lorries dropped by 16% to 4,021 units. Mercedes-Benz, MAN and Volvo brands sold the most.

The bus sales declined to 322 units. Iveco Bus company reported 89 registrations, Setra 62 and SOR 49 vehicles.

The sales of motorbikes decreased by 4% to 7,362 units, with brands Honda, BMW and Yamaha selling the most.

TRANSPORTMIN ISSUED BUILDING PERMIT FOR HIGHWAY D11 WORTH CZK 6.5BN – 5.6.

The Czech Transport Ministry issued a building permit for the continuation of highway D11 from Hradec Králové in the direction of Smiřice. This is the first of nine priority structures for which the European Commission has permitted an exemption from the new environmental impact assessment (EIA). Transport Minister Dan Ťok (on behalf of ANO) said that the Czech Road and Motorways Directorate could start construction in fall 2017. A total of 15.5 km of highway could

be completed in 2021. The anticipated price is CZK 6.5bn without VAT.

SALES OF CR'S AUTOMOTIVE INDUSTRY UP 12% TO CZK1,020BN IN 2016 – 6.6.

Sales of car makers and car parts suppliers in the CR grew by 12% to a record CZK1,020bn last year, exceeding the CZK1,000bn level for the first time, representatives of the Automotive Industry Association AutoSAP announced at today's press conference.

Exports of AutoSAP member companies increased by 11% to CZK865bn.

"One car is produced in the CR every 23 seconds," said AutoSAP president Bohdan Wojnar.

He estimates that when including the results of companies which are not the association's members, sales in the sector moved around CZK1,200bn.

"At the beginning of the year, we announced that this year's growth pace cannot be as strong as last year's two-digit rise. We expect a growth around 5 to 6 percent," he added.

The share of these companies' sales in total industrial production in the CR reached 24.4 percent, 2.4 percentage points higher than in 2015. Car makers contributed 21.7% to the country's total exports.

Czech car makers invested CZK16.9bn in research and development last year and CZK11.1bn was invested by sub-suppliers. A total of 7,000 people work in research in the sector.

Passenger car production in the CR went up by 8% to 1.344mn²⁰ cars last year. Output grew in Skoda Auto, Hyundai, as well as in TPCA.

Lorry production, represented by company Tatra Trucks, jumped up by a half to 1,326 lorries, bus production dropped by 3% to 4,388 buses and motorcycle production in Jawa Moto sank by 29% to 1,228 units.

Sales of car parts suppliers grew by 14.6% to CZK445.3bn last year and their exports increased by 13 percent. The supplier companies employed 76,649 people last year, 65% of all people working in the automotive industry.

"We would produce even more but we are in the phase when we have to reject clients because of lack of employees," said the association's vice-president Pavel Juricek who represents the supplier sector.

Workforce in the automotive industry in AutoSAP member companies went up by 4.5% to 117,948 people. A growth was registered by final producers, suppliers and other companies and organisations in the sector.

Average wage in the automotive sector increased by 3.7% to CZK34,820 a month. Average wage in blue-collar professions was at CZK28,842, 4.6% higher than the total average wage in the CR.

"There is a lack of qualified people. The state does not help us so we have to help ourselves," said AutoSAP vice-president Miroslav Dvorak.

Many producers had to open own schools and apprentice centres to secure for them qualified people in the future, he added.

²⁰ mn: million

Car makers are preparing signing of a memorandum on the future of the Czech automotive industry with the government.

Three groups of experts are working on the document, for the areas of electromobility, autonomous management and digitisation.

**CTI CZECH FIRMS SIGNING CONTRACTS IN VIETNAM DURING
ZEMAN'S VISIT – 6.6.**

Czech businesspeople have signed seven contracts and memorandums, including those on digitation of the civil service, and the sale of drugs and optic fibres, during President Milos Zeman's ongoing visit to Vietnam today.

The contracts were signed on the occasion of the Czech-Vietnamese trade forum held within the framework of Zeman's visit.

During his trip to Vietnam and Kazakhstan, Zeman is accompanied by a business mission with 60 members from 50 companies. It includes former prime minister Petr Necas (2010-2013) and former foreign minister Jan Kavan (1998-2002).

The trip for the businesspeople is organised by the Czech Confederation of Industry. Along with the business forum, it stages a Wednesday seminar in Ho Chi Minh City.

Zeman will skip the event in view of his problems from during recent visit to China where he felt rather tired.

In his speech to the businesspeople, Zeman highlighted the Vietnamese community living in the CR and its integration into society as well as Vietnam's economic development.

He said he could see some shortcomings in the relations with Vietnam, naming the lacking direct air connection and the question of visas.

"If we want to encourage tourism, it would be good to cancel short-term visas for Czechs," Zeman said.

He is likely to discuss the issue with his Vietnamese counterpart Tran Dai Quang, but Vietnam is not about to lift the visa requirements.

Zeman also mentioned two failed Czech investments, but did not name the specific companies. He said one of the investments was resolved today, which was a friendly gesture.

Czech Confederation of Industry President Jaroslav Hanak said the mission included firms from various spheres such as manufacturing, information and communication technologies, energy, engineering and transport.

Seven of them signed contracts with their partners in Hanoi today. The drugs, dietary supplements and cosmetics maker Clinex was among them.

Jiri Starecek, chairman of the Clinex board of directors, said the firm was delivering four products to Vietnam and the number was newly to be enlarged to 12.

"These are products on the basis of drugs and dietary supplements such as vitamins which are not here," Starecek said.

The Vietnamese partner will be delivering the goods to individual pharmacies.

Starecek estimated the volume of the trade at 3.5mn dollars in the next two years.

A contract was also signed by Optokon, a telecommunications and optic fibers maker.

Its head Jiri Stefl told journalists that the contract was quite important for Optokon, enabling a larger access to the Vietnamese market.

"It is necessary to provide all servicing to our products and more support for a large array of customers," Stefl said.

The deal relates to the sphere of telecommunications market and products for military applications.

In the first year, the contract will involve orders for about 250,000 dollars and the next steps will depend on the Vietnamese side, Stefl said.

The Drevojas firm signed a contract on the delivery of a ceramic press and the Na Homolce hospital on cooperation with the Friendship Hospital in Hanoi.

Techniserv IT plan to cooperate with the Vietnamese on the digitation of the civil service. Contracts were also signed by the firms Vari Jsc. and East Sea Group.

In 2015, the Czech exports amounted to 2.4bn crowns and imports to 15.6bn.

On Thursday, Zeman and his wife Ivana will go to Kazakhstan and they will return to the CR on June 10.

**CTI PROFIT OF STEEL MAKERS IN CR UP 1% TO CZK2.7BN IN 2016
– 6.6.**

Steel companies in the CR showed a CZK2.7bn pre-tax profit last year, up 1% against 2015, and their sales fell by 5.4% to CZK79.5bn, outgoing director of Hutnictvi zeleza (the Steel Federation) Jaroslav Raab said on the start of a conference today.

The data are for companies which are members of Ocelarska unie, the successor of Hutnictvi zeleza.

The profit was achieved thanks to cost optimisation and higher exports. Czech steel firms exported over 5mn tonnes of steel in 2016, ArcelorMittal Ostrava (AMO) head Ashok Patil said at conference Future of Steel Industry in the CR today.

Exports increased by 7.9% last year and 92% of exports targetted EU countries. The highest exports went to Germany, Poland, Slovakia, Italy, Hungary and Austria, for example. Imports grew by 5.8% to 6.6mn tonnes.

Last year was difficult for Czech steel producers, company Trinecke zelezarny CEO Jan Czudek remarked.

"The year was marked by the risk of market status recognition for China, new anti-dumping regulations and negotiations about the form of trading in carbon credits in the years 2021 to 2030," he said.

"The EU's decisions at the political level, which are influencing the functioning and future of steel companies in the CR in a fundamental way, unfortunately took up a major part of our efforts last year," Czudek added.

Pig iron production in the CR grew by 3.3% to 4.17mn tonnes last year and raw steel production increased by 0.8% to 5.31mn tonnes.

For Czech steel production to continue in the CR, companies have to adjust their capacity to demand and focus on production of the most progressive nanotechnologies, he noted.

However, for this, we need to be sure about things like prices of energies and future form of system of trading in greenhouse gas emissions. We have the appetite and

strength to compete with steel production from the whole world but we need equal conditions," Czudek declared. Industry and Trade Minister Jiri Havlicek said that the steel sector in the CR can compete only with highly sophisticated production.

"Drastic innovation of products and processing is important, as is stress on research and development. Use of industrial scrap can serve as an example," he added.

Ocelarska unie, the successor of the Steel Federation, groups together 15 steel companies. Its key members are Trinecke zelezarny, ArcelorMittal Ostrava and Vitkovice Steel.

With almost 16,000 employees and total sales worth CZK80bn, this is an important sector association with production activities concentrated mainly in region Moravia-Silesia.

Business results of domestic steel makers and outlooks for future (CZK bn)

	2012	2013	2014	2015	2016	2017*	2018*	2019*	2020*
Total sales	92.70	86.10	90.43	83.99	79.50	82.00	85.00	89.00	91.00
Pre-tax profit	0.40	1.90	9.38	2.67	2.70	5.00	5.50	6.00	6.50

* estimate

CTK CZECHS LACK CONFIDENCE IN FUTURE OF THEIR BUSINESS – MICROSOFT – 6.6.

Czechs are the second most sceptical nation in Europe as regards the future of their business activities as only 41% of owners and employees of small and midsized companies in the country are optimistic, according to a survey of company Microsoft.

Only Greece with 26% of optimists is worse off. Microsoft made the survey among 13,000 small and midsized companies in 20 European countries, including 1,000 firms from the CR.

In Poland, for example, 73% of entrepreneurs have confidence in the future of their business, in Germany the share stands at 69% and in Slovakia at 66 percent.

"The Czech scepticism may be linked also with the fact that many companies lack a sufficiently thorough development plan," said Ondrej Novodvorsky of Microsoft CR.

Only around 30% of Czech small and medium-sized companies have a written business plan for more than six months.

Czech entrepreneurs focus rather on short-term priorities, they rely on intuition and the instability of cash flow often stands in the way of their long-term planning.

A quarter of firms intend to raise investments in information technologies in the coming years but more than a half of companies are not satisfied with the current level of investments.

Around 29% of companies do not plan to invest and almost a half of companies do not yet know.

Only 14% of Czech firms, the lowest number in Europe, decide on their investments in technologies at regular meetings dealing with market trends and company needs.

For four out of ten Czech firms, digital transformation means in particular the switch from paper to digital form of work (39 percent).

Almost a half (46 percent) of the respondents imagine digital transformation as automation in basic areas, that means management of client relations, applications and services for finances, accounting and inventories or an instrument for analysing business and market data. This is at the level of the European average.

CTK CEZ BUYS NINE WIND PARK PROJECTS IN FRANCE – 6.6.

CEZ group bought nine wind park projects in six regions in France from ABO Wind developer, Martin Schreier, CEZ spokesperson for renewables, told CTK today, without disclosing the price of the deal.

The projects are at an advanced preparatory stage, he said.

It is the first deal on the French renewable energy market, said Tomas Pleskac, head of the CEZ new energy and distribution section.

"Similar acquisitions in countries with a stable regulatory environment help us implement our strategy aimed at raising the operating profit from renewables before depreciation by CZK3bn in 2020," Pleskac said.

Within this project, CEZ may own a total installed capacity of up to 100 megawatts (MW) in France in five years, Schreier said.

The power plants are entitled to aid in the form of a guaranteed purchasing price for 15 years, he added.

So far CEZ has been active in the wind power industry in the CR, Germany, Romania and Turkey. The total installed capacity of its wind parks in Europe currently exceeds 700 MW. The installed capacity of Temelin nuclear facility is some 2,000 MW.

CEZ, the largest Czech energy company, saw its Q1 net profit fall by 13% y-o-y to CZK8.7bn. Sales reached CZK52.8bn, an annual increase of some 2 percent.

ABO Wind has been operating on the market for 20 years. It has built 616 wind turbines in Europe, with an aggregate installed capacity of more than 1,300 MW, 286 MW of which are in France.

GA ŠKODA AUTO LAUNCHES OCTAVIA RS 245 SPORTS MODEL – 7.6.

Carmaker ŠKODA AUTO is putting on sale the ŠKODA OCTAVIA RS 245 model. The sports model from the best-selling model family offers output of 180 kW (245 HP), up 11 kW on the previously strongest ŠKODA OCTAVIA RS 230. The vehicle is available as a liftback and station wagon. Maximum speed is limited to 250 km/h. The model accelerates from 0 to 100 km/h in 6.6 seconds.

GA KBA: ŠKODA CAR REGISTRATIONS IN GERMANY UP TO 79,322 – 7.6.

ŠKODA car registrations in Germany in 5M 2017 grew by 3.9% to 79,322. ŠKODA accounted for 5.4% of all registrations. ŠKODA car registrations in May 2017 alone increased by 14.1% to 18,544 and the brand held a market share of 5.7%. This stems from the statistics of the German Federal Motor Transport Authority (KBA).

POLITICS & OTHER

**CTK AUSTRIAN PRESIDENT TO PAY OFFICIAL VISIT TO PRAGUE ON
JUNE 26-27 – 6.6.**

Austrian President Alexander Van der Bellen will on June 26 arrive for a two-day official visit to the CR during which he will meet his Czech counterpart Milos Zeman, presidential spokesman Jiri Ovcacek wrote on the Prague Castle's web page today.

Zeman invited Van der Bellen, who assumed the post in January, at the end of March.

Zeman sees the development of Czech-Austrian relations in the past decades positively, according to a letter that the Presidential Office sent to the media.

In addition to the traditional political and economic partnership of the two countries, which are bound by a joint past [within the Austro-Hungarian empire], Zeman pointed out the "positive change" in the mutual perception of citizens of both countries, their respect and toleration and growing personal contacts and cross-border cooperation.

During last year's repeated presidential election in Austria, Zeman supported Van der Bellen's rival, Norbert Hofer (Austrian Freedom Party) in Prague.

Hofer tightly lost to Van der Bellen, former Green Party chairman, in the May 2016 election, but the Constitutional Court later abolished the election over discrepancies in counting correspondence votes.

Zeman welcomed this, saying he was on Hofer's side because he does not like Green parties.

Some politicians blamed Zeman for interfering in the Austrian election by the reception of Hofer.

Van der Bellen repeated his victory in the new election last December.

**CTK ONE THIRD OF CZECHS SATISFIED WITH EU MEMBERSHIP –
POLL – 6.6.**

The number of Czechs satisfied with EU membership rose from 25% in April 2016 to 32% last April and about 60% of people believe that the country should be an EU member, according to a CVVM poll released today.

The Czechs' satisfaction with EU membership returned to the figures of 2015. Last year, it was one of the lowest in history. It reached the highest levels in the crisis years 2008 and 2009, when it stood at 40 percent.

Along with the rise in satisfaction, the number of the dissatisfied decreased during the past year, from last year's 39% to 33% this year.

The highest level of satisfaction is shown by young people, while the number of the dissatisfied rises with age.

A bigger share of the satisfied is also among managers and the voters of the Christian Democrats (KDU-CSL), the Greens, the Pirates and TOP 09.

Pensioners and leftist-minded voters are more often dissatisfied.

The number of people who say the CR should be an EU member rose from 50% last year and 59% in 2015 to 60% this year.

About every seventh Czech citizen often feels being an EU citizen and another 43% of people have sometimes this feeling.

About 40% of Czechs never feel as EU citizens.

The poll also showed that about one third of citizens are proud of EU membership, but 57% do not have this feeling.

The poll was conducted on April 3-13.

Another poll, released by the organisers of the recent international Globsec conference, showed that the Czechs are the most Eurosceptic out of the inhabitants of seven central and south-east European countries.

The EU was assessed more positively by inhabitants of Slovakia, Hungary, Poland, Bulgaria, Romania and Croatia than by Czechs.

Czech Prime Minister Bohuslav Sobotka ascribed people's critical view of Europe to the inability to quickly resolve the massive migrant crisis.

**CTK CZECH POLICE OPEN NEW IMMIGRATION OFFICE IN SKODA AUTO
ZONE – 6.6.**

The Czech police opened an immigration office in Solnice to help solve the problems with foreigners employed in the Skoda Auto car maker and other factories in the Kvasiny-Solnice industrial zone, regional police chief David Fulka has told CTK.

Six police officers will serve there round-the-clock. Their number is to increase to 16 in the future, Fulka said.

The police office returned to Solnice after some 30 years.

This is one of the police activities to help improve the security situation in the region, Police President Tomas Tuhy, who took part in its opening, said today.

Apart from the foreigner police, the new office can be used by other police forces, such as the traffic police.

The new office is expected to intensify checks of foreign employees in the industrial zone.

It is situated in a municipal building in the square near the Solnice Town Hall.

"The town had the building reconstructed for 0.5mn crowns of which Skoda Auto donated 200,000. The police will lease the building," Solnice Mayor Jan Hostinsky said.

The police spent about onemn crowns on computers and other equipment in the new office. It operates as part of the immigration section of the Regional Police Headquarters.

Problems in Kvasiny and its surroundings emerged when thousands of new employees, often foreigners, arrived in the Kvasiny-Solnice industrial zone to primarily work in the expanding Skoda Auto plant. As a consequence, petty crime as well as the number of traffic offences have been rising.

The police started to deal with this situation intensively in September 2016. They reinforced patrols in the locality in January.

Skoda Auto has invested bns of crowns to enlarge its plant in Kvasiny massively. The number of its employees increased by 2600 by the end of last year. The plant has some 7000 employees now and it continues recruiting new ones.

Some 10,500 people work in the Solnice-Kvasiny industrial zone, including 3000 foreigners, mainly Poles, but also citizens of other East European countries.

**CTK CZECH FORMIN TO TALK WITH JUNCKER ON EU, MIGRATION
ON FRIDAY – 7.6.**

Czech Foreign Minister Lubomir Zaoralek will meet European Commission President Jean-Claude Juncker on Friday to

discuss with him the future of the European Union and to explain to him the Czech disagreement with the EC's migrant policy, Zaoralek said today.

They will meet within a DESCOP international security conference on European defence cooperation in Prague.

Zaoralek said he also wants to speak with Juncker about the insufficient coming closer between the eastern and western parts of the EU.

Zaoralek said he will inform Juncker of the CR's stances and interests in the current debate on the future of the European Union.

"I believe that the European Union today has cohesion politicians, who are not helping cohesion. The economic convergence of Europe's different parts ended sometimes in 2008," he said.

"It seems to me that Europe is not capable of tackling problems that it will be faced with unless it starts pursuing an effective policy in the spheres of cohesion and convergence," Zaoralek said.

He said he also wants to inform Juncker about "the essence of the position of Central and East European countries, including the CR, about our opinion of the current situation and why we object to some things connected with migration," Zaoralek said.

The CR disagrees with the system of the distribution of migrants across EU countries based on quotas.

The government decided on Monday that the country will not accept any more migrants from Italy and Greece within the redistribution mechanism.

The DESCOP conference will also be attended by the EU High Representative for Foreign Affairs and Security Policy, Federica Mogherini, European Defence Agency director Jarge Domec, French Defence Minister Sylvie Goulard and Rose Gottemoeller, NATO deputy secretary-general.

The CR will be represented by Prime Minister Bohuslav Sobotka, Zaoralek (both Social Democrats, CSSD) and Defence Minister Martin Stropnický (ANO).

©