

NEWS SUMMARY JULY 20 – JULY 26

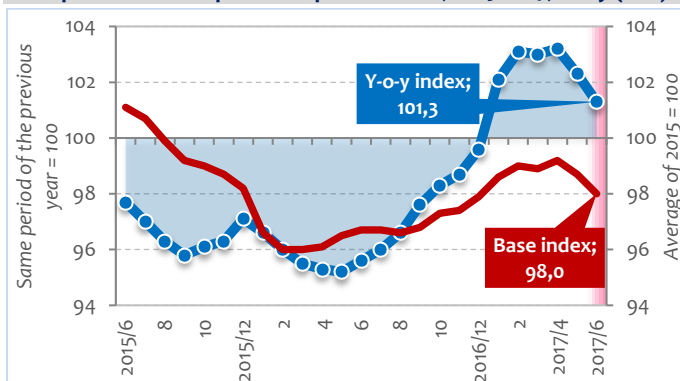
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ECONOMY & FINANCE

PRODUCER PRICE INDICES – 20.7.

In June 2017 compared with the previous month, agricultural producer prices went up by 0.9% and construction work prices grew by 0.2%. Industrial producer prices decreased by 0.7% and prices of market services were lower by 0.1%. In comparison to June 2016, agricultural producer prices went up by 12.5% and industrial producer prices rose by 1.3%. Construction work prices and prices of market services were both higher by 1.5% and 1.1%, respectively.

Graph 1: Industrial producer price indices, 2015-2017, Y-o-y (in %)



M-o-m comparison:

Prices of industrial producers went down by 0.7%. This is the largest price decreasing since January 2016. Prices decreased the most importantly in ‘coke, refined petroleum products’. Lower were prices in ‘chemicals and chemical products’ (-2.7%), ‘basic metals, fabricated metal products’ (-0.9%) and ‘transport equipment’ (-0.8%). Higher were prices in ‘food products, beverages, tobacco’ (+0.4%), thereof ‘preserved meat and meat products’ (+1.5%) and ‘dairy products’ (+1.1%).

Y-o-y comparison:

Prices of industrial producers rose by 1.3% (+2.3% in May). Higher were prices in ‘basic metals, fabricated metal products’ (+5.7%) and ‘mining and quarrying’ (+4.1%). Prices rose in ‘food products, beverages, tobacco’ (+4.0%), thereof ‘dairy products’ (+13.0%) and ‘preserved meat and meat products’ (+6.9%). Prices went down in ‘transport equipment’ (-2.5%) and ‘electricity, gas, steam and air conditioning’ (-1.1%). Among the main industrial groupings, prices of ‘non-durable consumer goods’ (+3.9%) increased the most.

Industrial producer prices in the EU – May 2017 (preliminary data)

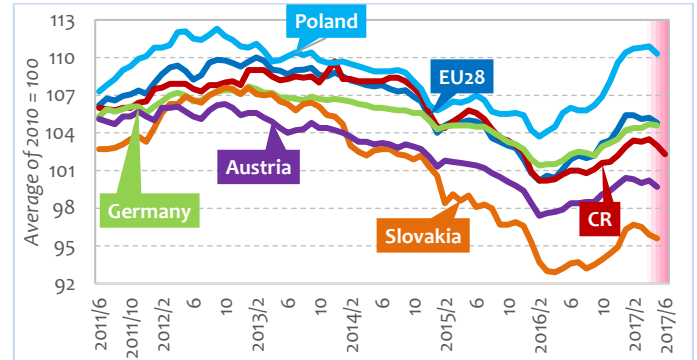
According to the Eurostat News Releases, industrial producer prices went down in May by 0.4% (+0.1% in April) in EU28, m-o-m. Prices decreased the most in Greece (-1.9%). Lower were prices in the CR, Austria and Poland (-0.5% all), Slovakia (-0.3%) and Germany (-0.1%). Prices rose the most in Ireland (+1.1%).

Industrial producer prices were higher in May by 3.7% (+4.8% in April) in EU28, y-o-y.

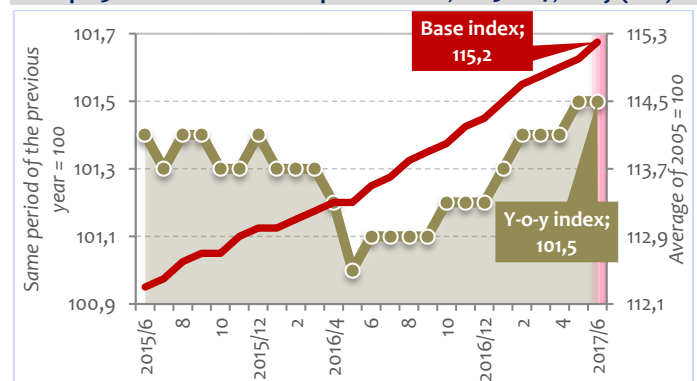
The largest increase was recorded in Belgium (+9.0%). Prices rose in Poland (+4.5%), Germany (+2.8%), Slovakia (+2.6%), the

CR (+2.3%) and Austria (+1.8%). Price decrease was observed only in Luxembourg (-3.0%).

Graph 2: Industrial producer price indices, International comparison, 2011-2017, monthly data (2010 average = 100)



Graph 3: Construction work price indices, 2015-2017, Y-o-y (in %)



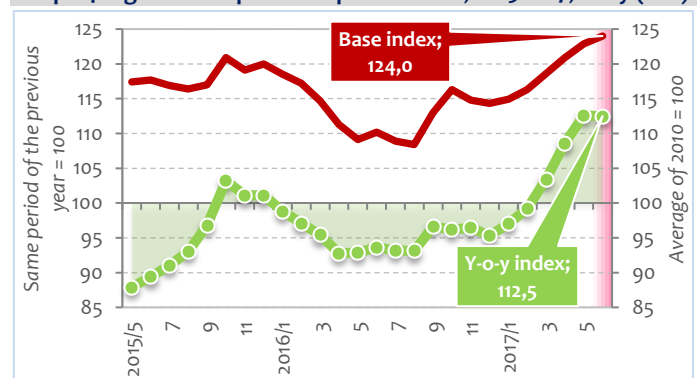
M-o-m comparison:

According to an estimate, construction work prices rose by 0.2% and construction material input prices fell by 0.3%.

Y-o-y comparison:

According to an estimate, construction work prices rose by 1.5% (like in May) and construction material input prices grew by 2.0% (+2.6% in May).

Graph 4: Agricultural producer price indices, 2015-2017, Y-o-y (in %)



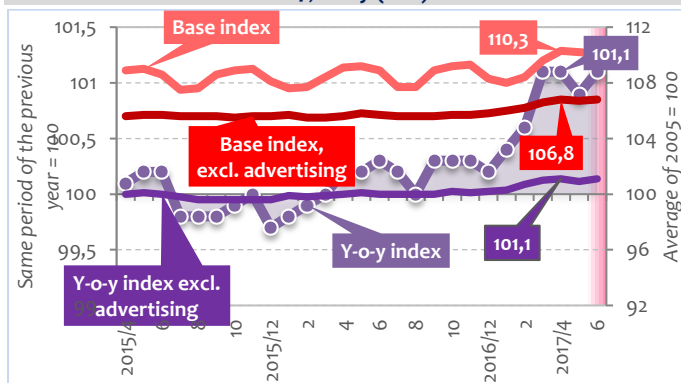
M-o-m comparison:

Agricultural producer prices grew by 0.9%. Prices of milk (+0.5%), cattle for slaughter (+1.0%), pigs for slaughter (+3.8%), fresh vegetables (+4.3%), potatoes (+11.9%) and fresh fruit (+37.0%) went up. Prices of oil plants (-2.0%), eggs (-2.2%) and poultry (-5.3%) went down.

Y-o-y comparison:

Agricultural producer prices were higher by 12.5% (+12.6% in May). Prices of crop products grew by 7.5% due to increasing prices of fresh fruit (+12.6%), oil plants (+5.3%) and cereals (+3.1%). Prices of potatoes (-17.6%) and fresh vegetables (-14.1%) went down. Prices of animal products went up by 18.9%. Higher were prices of milk (+33.1%), pigs for slaughter (+25.7%) and eggs (+14.4%).

Graph 5: Market services price indices in business sphere, 2015-2017, Y-o-y (in %)



M-o-m comparison:

Market services prices in the business sphere dropped by 0.1% due to the price decreasing of 'advertising and market research services' (-2.4%) and 'telecommunications services' (-0.4%). Higher were prices of 'employment services' (+2.4%), 'computer programming, consultancy and related services' (+0.2%) and 'land transport services and transport services via pipelines' (+0.1%). Market services prices excluding advertising services went up by 0.1%.

Y-o-y comparison:

Prices of **market services in the business sphere** were higher by 1.1% (+0.9% in May). Increasing were prices in 'insurance, reinsurance and pension funding services, except compulsory social security' (+5.3%) 'postal and courier services' (+2.7%) and 'advertising and market research services' (+2.4%). Decreasing were prices of 'telecommunications services' by 1.1%. Market services prices excluding advertising services increased by 1.0% (+0.9% in May).

SENATE SAYS GOV'T SHOULD OUTLINE PLAN FOR EURO

INTRODUCTION - 21.7.

The Czech government should outline a clear plan for the euro introduction in the country because euro zone membership is going to be the main division line between EU member states, the Czech Senate said within its debate on the EC's plans for the EU future development.

At the same time, the senators expressed their opposition to creating a multi-speed EU. This should be an extreme solution only, they said.

Prague has not set any date for its euro zone entry as yet.

PM Bohuslav Sobotka (Social Democrats, CSSD) recently said the decision is up to the next cabinet to emerge from the October 20-21 general election.

According to former deputy PM Andrej Babis, whose ANO movement is expected to win the election, the country will not switch to the euro if he became PM.

Babis has labelled the euro, the common European currency, as a "collapsing" project.

In June, President Milos Zeman said the CR has been prepared for the euro zone entry for almost 10 years, and he said the Czechs "irrationally fear" the step.

Similarly, Czech Central Bank Governor Jiri Rusnok said the country is prepared for and would cope with the transition to the euro.

Nevertheless, a huge gap persists between the CR and the euro zone in terms of prices and incomes, and the gap should be reduced before the adoption of the euro, Rusnok said.

CZK CLOSING AT NEW ALL-TIME HIGH AGAINST EUR SINCE INTERVENTIONS - 21.7.

INTERVENTIONS - 21.7.

The Czech CZK closed at a new all-time high against the euro since the start of forex interventions in November 2013, trading 8 hellers stronger at CZK26.02/EUR at 17:00, according to data from the server Patria Online.

Though the CZK firmed briefly up to CZK25.995/EUR on Thursday, eventually it closed beyond CZK26.

CR'S STATE DEBT GROWS BY CZK175BN TO CZK1,789BN IN H1

- 21.7.

The CR's state debt grew by some CZK175bn to CZK1,789bn in H1 because the Finance Ministry was taking advantage of favourable conditions on the market and continued selling government bonds, the ministry said in a press release today. The ministry said it aimed to secure a financial reserve or to refinance a part of the debt under more advantageous circumstances.

Per capita debt is some CZK169,000, which is almost the same figure as at the end of March.

Even after the end of the central bank's forex intervention regime the ministry is selling government bonds to mature in up to five years with negative yields, it said.

"Overall, the issue of treasury bills and mid-term government bonds with negative yields brought in more than CZK1bn in the first half of the year," the ministry said.

Thanks to these funds the government could - as of July 1 - raise wages of security corps' officers by 10% and those of culture employees and the non-teaching staff in the sphere of education by 9.4%, with salaries of social workers posting a rise of 23%, Finance Minister Ivan Pilny said.

For public finance, a steep temporary growth in the debt figure is not a problem at the moment, said Cyrrus chief analyst Lukas Kovanda.

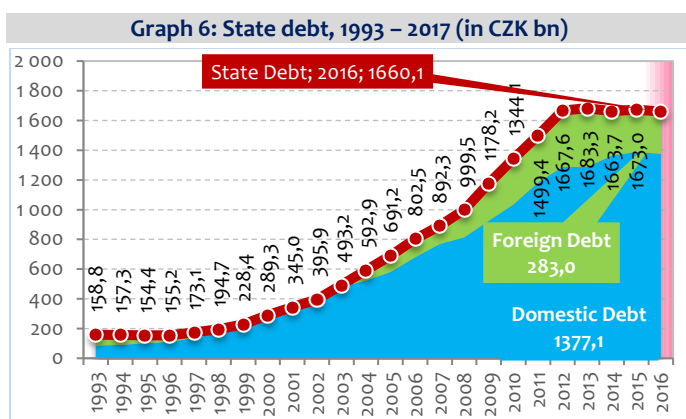
However, unequal timing of the accrual of the debt and especially the debt structure, that is growing dependence on short-term finance that can be a risk to the borrower, is a problem, said Kovanda.

In Q2, the ministry sought to issue mid- and long-term government bonds with a longer maturity. It managed to issue CZK22.8bn worth of these bonds with an average maturity of up to 9.6 years, displaying a rise of 4.6 years compared to the previous quarter.

During the Jan-June period, bond issues totalled CZK127.6bn, with an average yield at 0.05%.

In May, the then finance minister Andrej Babis said that the state debt will reach CZK1,613bn at the end of this year, which is the same figure as last year.

In the past few weeks, there were almost no bond issues, however, the ministry will have to resume issuing bonds towards the end of the year, said Komerční banka analyst Marek Drmal.



GOVERNMENT APPROVES PRAGUE'S CANDIDACY FOR EBA SEAT – 24.7.

The Czech government definitively approved today Prague's bid for a new seat of the European Banking Authority (EBA) that would move from London after Brexit, the government commissioner for the candidacy, Karel Dobes, has told reporters.

Prague will face a strong competition, but it presents security and a good access as its main advantages, he added.

The Czech capital has prepared a suitable administrative building near the centre to host the EBA. It will be completed at the beginning of 2019.

Dobes told reporters that the CR need not prove a number of necessary data since Prague has been successfully hosting the European Global Navigation Satellite Systems Agency (GSA) for five years.

The criteria the contenders are to meet include the assertion that the relevant authority would start operating in its new seat as of the day of Brexit, the new seat's accessibility and enough education opportunities for the employees' partners and children.

Further criteria are access to the labour market as well as welfare and health care for the employees' partners and children.

The CR sums up the advantages of its offer in an English brochure.

Prague is placed 30th among 60 world cities in terms of the attractiveness of housing, business and tourism in a survey conducted by the Ipsos agency. Its respondents from 26 countries assessed Prague as the 15th most attractive tourist destination. On the contrary, Prague was average in the housing category and it ended up in the last third of the assessed cities in job and career opportunities.

The most attractive European cities are London, Paris and Zurich in the Ipsos poll. Praha was 15th out of 22 European metropolises.

The EU member states must submit their candidacies for the agencies' seats by July 31. A political debate on them will take place in October, followed by a voting in November.

The decision on the EMA's new seat, which Slovakia is seeking, among others, will be made first. Its winner must not seek the EBA's seat then.

VAT COLLECTION IN CR GROWS TO CZK180BN IN H1 – 25.7.

Tax authorities collected about CZK180bn in value added tax (VAT) in the first half of this year, which is an annual rise of 14%, according to data published by the Financial Administration on its website.

Corporate income tax collection increased by 8% to about CZK93bn. Individual income tax grew annually as well.

Total state revenues from tax collection excluding social security payments increased by 9%, of CZK40bn, to CZK461.3bn.

VAT and both income taxes rank among "shared taxes" whose revenues flow to both the state budget and budgets of municipalities and regions.

Regions receive 8.92% and municipalities 23.58% of the total gross corporate income tax and individual income tax revenues.

As regards VAT, municipalities receive 21.4% and regions 8.92% of the revenues.

Municipalities's share in VAT increased as of this year. At the same time, however, they no longer receive 30% of revenues from individual income taxes of the self-employed.

As of next year, municipalities' share in VAT is to rise to 23.58% under an amendment passed by the Senate last week. The bill is yet to be signed by the head of state.

Thanks to the amendment, municipalities will be able to receive an additional CZK8.5bn annually.

State budget revenues from VAT collection amounted to CZK125.3bn in H1, CZK13bn y-o-y. Corporate income tax collection contributed CZK65.6bn to the state coffers, CZK8bn more y-o-y.

According to statistics of the Finance Ministry, the state also collected CZK76.2bn in excise duties in H1, nearly CZK1bn more than a year ago.

The state also collected almost CZK3bn in taxes from gambling and technical games (gambling games played via technical devices operated by the bettors themselves).

Collection of shared taxes in 2016 and 2017 (CZK bn)		
	Collection as of June 30, 2017	Collection as of June 30, 2016
VAT	179.7	157.5
Corporate income tax	93.3	86.7
Individual income tax (employment)	77.9	69.2
Individual income tax (special rate)	7.3	7.6
Individual income tax (self-employed)	1.3	0.9
Revenues from lotteries	0.8	1.2
Tax on gambling games excluding technical games	0.8	-
Tax on technical games	2.1	-

PRICES OF NEW FLATS IN PRAGUE GROW, DEMAND EXCEEDS

OFFER – 26.7.

The average price of new flats sold in Prague increased by 15 percent year-on-year to CZK75,791 per square metre at the end of the first quarter, according to statistics of developers Trigema, Skanska Reality and Central Group presented at a press conference today.

In comparison with the previous quarter, the price rose by 5 percent. The number of sold flats decreased by 15 percent year-on-year to 2,850.

"There is still a shortage of new flats on the Prague market, which is why their prices keep growing. Even though the price level may seem to be relatively high, the prices will continue to grow. I expect them to rise by 5 percent by the year's end. The demand is still higher than the offer," Central Group board chairman Dusan Kunovsky said.

In the past two years, the average price of new flats in Prague increased by more than a third.

Last year, developers sold 6,650 flats in Prague.

According to Trigema board chairman Marcel Soural, the sales will fall below 6,000 flats this year.

The price difference between new flats and old flats in Prague is the lowest among large cities in Central Europe, consulting firm KPMG CR partner Pavel Kliment said at a press conference today.

While the average price of old flats offered in Prague at the end of H1 was CZK76,740 per square metre, the average price of new flats was CZK86,511, which means 12.7 percent higher, according to Kliment.

In Berlin or Cologne, for instance, the difference reaches almost 40 percent, Kliment added.

"The relatively low difference between prices of new flats and prices of old flats in comparison to cities in neighbouring countries is one of consequences of the lack of new flats on the Prague market," Kliment said.

Average price of new flats in Prague per square metre (incl. VAT)

Period	Price (in CZK)
Q2 2013	54,308
Q3 2013	54,401
Q4 2013	54,738
Q1 2014	55,800
Q2 2014	55,500
Q3 2014	55,751
Q4 2014	56,177
Q1 2015	56,178
Q2 2015	55,555
Q3 2015	58,156
Q4 2015	59,885
Q1 2016	60,517
Q2 2016	65,922
Q3 2016	69,517
Q4 2016	71,567
Q1 2017	72,131
Q2 2017	75,791

AGRICULTURE & ENVIRONMENT

V4 ASKS EU TO DEAL WITH DUAL QUALITY OF FOOD ITEMS –

20.7.

PMs of the Visegrad Four countries have adopted a joint declaration that asks EU bodies to urgently deal with the problem of dual quality of food items and to adapt Union legislation accordingly, if necessary. PM Bohuslav Sobotka (ČSSD) considers this practice to be deceiving and therefore sanctionable. Within the framework of the talks about the migration crisis and the procedure regarding the breach of contract due to relocation commitments, the PM said that the CR was ready to immediately provide financial help of almost EUR 900,000 towards the activities of the Libyan coast guard and to help Italy in returning illegal migrants. The V4 summit under the leadership of Hungary took place in Budapest on July 19, 2017.

HUNDREDS OF PRAGUERS DIE PREMATURELY DUE TO AIR

POLLUTION – 20.7.

More than 500 Praguers die prematurely every year as a result of air pollution with fine dust particles mainly produced by road vehicles, according to a study focusing on health risks that the organisers presented today.

Miroslav Suta, from the Centre for the Environment and Health NGO, told journalists that the most frequent cause of these deaths are cardiovascular diseases.

"Apart from early deaths, the Prague air pollution is also behind the hospitalisation of people with serious respiratory and cardiovascular diseases and an increased number of bronchitis patients and asthmatic symptoms among children," Suta said.

He said the main source of fine dust are cars with a diesel engine, mainly those without a dust filter.

The situation is the worst at the Prague-Florenc central bus station where coaches are waiting with their engines running. The city has set maximum possible dust particle limits, but they have been set politically, not based on expert opinions, and still they fail to be observed, Suta said.

In addition, the limits recommended by the World Health Organisation (WHO) are tougher. They are set at 20 micrograms per square meter, compared with Prague's 40 micrograms.

Suta mentioned the situation in Berlin where the air improved as a result of the introduction of low-emission zones. Prague has been discussing taking a similar step for seven years, he said.

In Stockholm, the number of cars in the town centre dropped by one fourth after entry fees were introduced.

The estimated numbers of early deaths have been annually released by the National Health Institute based on demographic figures and the average air pollution levels at various places in Prague. For the year 2015, it estimated the number of Praguers' early deaths at 520, and for the two preceding years at 700 and 800, respectively.

Nationwide, their number is estimated at up to 12,000 a year. The WHO said the CR annually loses up to 8% of GDP as a result of dust-air pollution.

CR'S AGRICULTURE MINISTER JURECKA LEAVES FOR GHANA, ETHIOPIA – 21.7.

Czech Agriculture Minister Marian Jurecka has gone for a five-day mission in Ghana and Ethiopia, wanting to support the tradition of exports of sugar refinery equipment and agriculture machinery, the Agriculture Ministry said in a press release today.

Jurecka will meet with Ghana's and Ethiopia's agriculture ministers and presidents, the press release said.

He will visit a fruit processing plant and a pineapple plantation.

Jurecka said he sees many opportunities in Ghana for re-establishing long tradition of Czech exports such as sugar refinery equipment and leather processing and agriculture machinery production plants.

Issues discussed in Ethiopia will include possibilities of trade and investment cooperation in the animal production development, plant protection, milk processing and the segments of sugar and beer, the Czech Agriculture Ministry's spokeswoman Marketa Jezkova said.

The CR imports coffee, vegetables, footwear and leather from Ethiopia. It exports mainly non-agriculture products, such as iron and steel products, to the country.

The CR's main activities on the Ghana's market include the Kumasi shoe factory and Czech company focused on agriculture technology and a project for the development of small farmers, Jezkova stated.

SENATE APPROVES BAN ON FUR FARMS – 21.7.

The Senate approved a ban on fur farms after a 2-hour debate on Thursday. The ban, which still has to be signed by the president, should take effect from the end of January 2019. At the moment, around 9 such farms, mostly raising mink and foxes, are present in the CR. The owners can claim compensation from the state. Opponents of the ban warn that illegal farms could be created where the state has no oversight over the animals' welfare. Some 46,000 people signed a petition against fur farms in the CR.

CR TO INVEST TENS OF BNS OF CZK TO FIGHT DROUGHT – GOVT – 24.7.

The Czech government today approved a strategy to fight drought planning to invest tens of bns of CZK in the fight and counting on the possibility to raise water and sewerage prices during drought emergency based on the growing water consumption, the Government Office has said.

The main goal is to cut water outflow from the Czech territory, the Office said.

"The report states that drinking water resources are sufficient in the CR but it also warns that nearly one-fifth of the country's territory is threatened with drought," PM Bohuslav Sobotka said.

Important steps in the fight against drought include building new dams, making changes in the use of water in industry and agriculture as well as laying emphasis on enlightenment and monitoring of drought.

The Environment Ministry has allocated CZK13.5bn worth of EU money for the relevant projects, with another CZK6.5bn to be provided until 2020.

From national funds, CZK240m has been allocated for the project Destovka this year and more money will be sought, the ministry said.

The Agriculture Ministry wants to earmark CZK14.2bn in aid until 2021, planning to provide another CZK3.5bn for co-financing projects.

The ministries are now preparing an extensive amendment to the water law.

CHOCOLATE SWEETS CONSUMPTION IS DECLINING IN CR – 25.7.

Czech consumption of chocolate sweets has been decreasing, with the average Czech eating less than 4kg a year, and people are gradually more interested in product contents preferring those with less sugar, said nutritionist Karolina Hlavata of Vim, co jim a piju (I know what I eat and drink) initiative.

Producers have been trying to lower the sugar content. Nestle company has globally committed itself to reduce the sugar content in its products by 5% by the end of 2020, company spokeswoman Andrea Brozova told CTK.

Chocolate sweets consumption started dropping in 2012.

In 2015, the CR's consumption of chocolate and chocolate products declined annually by 5.8% to 3.6kg per capita, according to the latest data of the Czech Statistical Office (CSU).

Chocolate consumption went down to 2.6kg and non-chocolate sweets consumption decreased by almost 10% to 2.8 kg per capita in 2015.

Big part of sweets is exported from the CR, for example to Great Britain.

Last year, the country's exports of sweets without cocoa powder amounted to CZK4.4bn, down from 2015's CZK4.56bn, with more than CZK1.1bn worth of exports heading to Great Britain and CZK832mn to Slovakia.

LABOUR & SOCIAL & HEALTH

STUDY: HIGH NUMBER OF VACANCIES NOT TRANSLATING MUCH INTO WAGE RISES – 20.7.

Despite the high number of unfilled jobs in the CR, local firms are in the main offering remuneration that is not far above the minimum wage.

Companies are not reacting flexibly to the situation on the labour market and around a third of available jobs have been offered for a period of six months or more, according to the study released this week. It was prepared by analysts from the bank ČSOB, who tracked 50,000 vacancies advertised by the national Office of Labour for more than half a year.

Czech firms are particularly looking to make hires in manufacturing and assembly. However, in Prague, for instance, these rank among sectors with the lowest pay. ČSOB analyst Petr Dufek suggests this could reflect a high number of foreign labourers in the capital.

Across the country the Office of Labour is advertising roughly 10,500 vacancies for assembly workers and 9,500 jobs as unskilled labourers. While gross pay in those areas reaches no higher than CZK16,000 a month (the national average monthly salary is CZK27,900), in the last six months employers have only increased wages in these fields by CZK400 on average.

The ČSOB study says that the profession of cook has been the hardest to fill in the last six months. However, employers are only offering trained cooks an average of CZK 14,000 a month, which is less than what supermarket cashiers receive. At the end of June, there were over 183,000 unfilled jobs in the CR. Unemployment last month stood at 4.0%, the lowest level for 19 years.

CTK CZECH SENATE NODS TO HIGHER SICKNESS BENEFITS FOR LONG-ILL PEOPLE – 20.7.

The benefits going to employees on a long sickness leave will increase as of next year, according to a bill the Czech Senate passed today, which raises the sickness benefits by 6% to 66% of the assessment base from the 31st day of the illness and to 72% from the 61st day.

The step is expected to raise the state expenditures by CZK2.4bn next year and by CZK2.5 and CZK2.7bn in 2019 and 2020, respectively.

The bill also simplifies entrepreneurs' paperwork linked to the payment of sickness insurance.

To take effect, the bill needs President Milos Zeman's signature.

At present, employees receive nothing in the first three days of illness. Afterwards, they receive a wage compensation from their employers until the 14th day.

Senate chairman Milan Stech (Social Democrats, CSSD) said the new bill is the minimum on which the coalition council of government parties' leaders and the Tripartite, a body comprised of representatives of the government, unions and employers, have reached consensus.

He said the present sickness benefits system may cause troubles to families afflicted by a long illness.

The bill was supported by 49 senators, 14 abstained from the vote and none voted against the bill.

The bill also introduces electronic sick notes but their paper form will be preserved simultaneously.

A new register of treating doctors will be launched, run by the Labour and Social Affairs Ministry.

CTK 5 CZECH MPs TO FLY TO CHINA, 2 DEPUTIES CANCELLED VISIT – 20.7.

5 instead of the originally planned 7 Czech deputies will pay a week-long visit to the Chinese Sichuan province, the Chamber of Deputies press department told CTK today.

Two MPs, Gabriela Peckova (opposition TOP 09) and Pavla Golasowska (government Christian Democrats, KDU-CSL) have cancelled their participation in the delegation.

The delegation will be headed by Vaclav Klucka (government Social Democrats, CSSD).

It will be comprised of Bohuslav Chalupa (government ANO), Sona Markova (opposition Communists, KSCM), Radim Holecek (for opposition Civic Democrats, ODS) and Marek Cernoch (opposition Dawn).

The programme includes talks with official representatives of the province.

CTK OVER 500 TB PATIENTS REPORTED IN CR IN 2016 – 21.7.

A total of 517 cases of tuberculosis (TB) were registered in the CR last year, which was one case fewer than in 2015,

according to a report the Institute of Health Information and Statistics (UZIS) has posted on its web page.

The highest number of cases were reported in Prague. 26 people, including 5 in Prague, died of the disease in 2016.

One third of all patients registered last year were foreigners. Blanket vaccination against TB was launched in 1953, but the practice was quit in 2010.

The disease is more frequent among men than women, with men constituting 70% of all cases.

Most TB patients are aged 40 to 59, but the number of people under 20 rose twice y-o-y in 2016.

Out of the total of 500 patients last year, 151 were foreigners, most often from Ukraine (41). There were 21 influenced persons from each Romania, Slovakia and Vietnam.

The treatment of patients without insurance costs the hospital 60,000 to 300,000 CZK. Annually, about CZK3mn are paid for it.

UZIS draws information from the Tuberculosis Register administered by the Health Ministry. The register is a part of the information system of public health protection and doctors are obliged to report every TB case to it.

Prague Daily Morning PENSION SYSTEM IS SUSTAINABLE WITHOUT REFORM, GOVT'S STUDY SHOWS – 21.7.

The current Czech pay-as-you-go pension system is sustainable in spite of population ageing, Vladimir Spidla, chief aide to PM Bohuslav Sobotka (Social Democrats, CSSD), told journalists today, referring to a Government Office's study that is available to CTK.

No major reform of the pension system is needed, said Spidla, head of the Masaryk Democratic Academy, which is a think tank of the CSSD.

Demographic parameters are not going to change by 2080 to such an extent that would cause the disintegration of the system, he added.

The study, which is to be posted on the Government Office website on Monday, was worked out by the government's analysis section and it describes pension reforms in Central Europe, the Baltic states, Sweden, Switzerland and Latin America.

Many experts say the pensions can be high enough only if the system is changed and people also start saving for their old age on their own.

One of the parameters of the pension system is the retirement age, which has gradually been rising the CR and its ceiling is set at the age of 65 at present.

The authors of the study point out that pension reforms focus on making the system sustainable rather than on the situation of pensioners. Spidla said the debate concerns privatisation, though it should rather deal with different pension levels of men and women.

The pension insurance for parents of several children might be lowered and fictitious accounts used in Sweden might be introduced into the state pay-as-you-go system.

Possible changes to the pension system were discussed by a special commission comprising experts and members of the major parties. Spidla said it would be advisable that this commission resume its work after the autumn general election.

CTK WORKFORCE IN CZECH AGRICULTURE FALLS BY 0.7 % TO 100,200 IN 2016 – 23.7.

The Czech agriculture workforce was cut by 0.7% y-o-y to 100,200 last year, more than a half of workers aged over 45, the Agriculture Ministry said in a draft report on Czech agriculture (Green Report), which CTK has at its disposal. The number of workers went down by 1.2% in 2015, with previous years recording bigger falls. The share of agriculture in the total workforce dipped to 1.9%. The age composition of agriculture is a problem in most countries including the CR, the report said. The 45-59 age group had the highest share of 39.4% in Czech agriculture in Q4 last year, followed by the 30-44 range, with 36.4%. There was almost 12% of people up to 29 years, with employees older than 60 years constituting more than 12% of the total figure. There were 27.4% of women in the sector. In 2015, there were 51.3% of employees with secondary education without a school-leaving examination, with more than 27% having this exam. More than 11% had university education and 8% had primary or incomplete education. Wages in agriculture including forestry and fishing stayed below the national average and wages in industry. Last year's pay increased by 4.2% (by 3% in industry) to CZK22,379 a month.

Agriculture workforce in 2011-16 (in thousands)

	2011	2012	2013	2014	2015	2016
Total	109.6	105.4	103.5	102.1	100.9	100.2

CTK NUMBER OF FOREIGNERS APPLYING FOR CZECH ASYLUM DROPS THIS YEAR – 24.7.

A total of 713 foreigners applied for asylum in the CR in the first six months of the year, which is 52 fewer y-o-y, according to the latest report released by the asylum and migration department of the Interior Ministry. The biggest number of applications, or more than one third of all, was submitted by Ukrainians. They have long been the most frequent asylum applicants. This year there were 254 applicants from Ukraine, which was eight more than in the same period last year. Citizens of Azerbaijan in second position filed 56 applications and Georgians followed with 52 applications. Citizens of each Armenia, Syria, Vietnam, Cuba and Russia filed 24 to 48 applications. The number of Iraqis interested in Czech asylum dropped from 131 last year to 17 this year. Last year's number can be ascribed to the project of resettling Christian refugees from Iraq, which the government abolished after a part of them left for Germany and the rest returned home. According to the Interior Ministry's statistics, asylum was granted to 23 people in January-June and another 67 received complementary protection, which is granted for a beforehand set period. This type of protection is usually granted to people who failed with their asylum applications, but would face a threat if they returned home now.

Czech authorities rejected 615 asylum applications or halted the proceedings. Another 827 applications were waiting for settlement as from end-June.

Last year, 1475 foreigners applied for asylum in the CR, which was 50 fewer than in 2015. In 2010-13, the number of applicants was below 1000, but before, several thousands of applicants annually were no exception. The year 2001 with more than 18,000 was an extreme case.

CTK CZECH PENSION SYSTEM CONTINUES TO DECREASE IN H1 OF 2017 – 24.7.

The deficit of the Czech pension system continued to decrease in the first half of the year and it was at one third of the same period of 2013 and almost at 50% compared to 2015, according to the data by the Czech Social Security Administration (CSSZ) CTK has received.

Even so, the deficit stood at CZK 7.51bn.

According to the report, the situation of the pension system has been improving thanks to a high employment and growing salaries.

Unemployment was at a record low 4% in June, the lowest since 1998.

The pension system had a surplus in 2008 for the last time. In 2009, the deficit reached CZK30.5bn, in 2012 and 2013 it was close to CZK50bn. Since then, it has been decreasing thanks to the favourable economic situation.

Some experts say the favourable situation is due to the current boom and warn that it can quickly worsen as soon as a next crisis comes.

During the previous recession, the government made cuts and temporarily put a brake on pensions indexation for 3 years.

The incumbent government of Bohuslav Sobotka (Social Democrats, CSSD) reduced the three-year period to two years. Pensions should be indexed more as from next year.

They should be raised by a half of the growth of real wages instead of the current one third and the rise in the prices of the goods that seniors buy most often.

Various attempts have been made to change the pension system in reaction to the unfavourable demographic development.

CTK CZECH EMIGRANTS RETURN FROM WEST TO ENJOY LOW LIVING COSTS- PRESS – 25.7.

Rising wages and their expected further growth, declining unemployment rate, relatively low costs of living and strengthening national currencies are a reason for East European emigrants, including Czechs, to return home from the West, daily Hospodarske noviny (HN) writes today.

As the EU gradually expanded in the past years, more and more people left Central and East Europe to work in the West. Last year, at least 7mn people lived in the West who came from the six countries that entered the EU after 2004, HN writes and indicates that this is an official figure and their real number was even higher.

Out of the Central and East European nations, the share of Czechs leaving for the West was the lowest, 1.7% of the population, or 184,000 people, compared with four and more% of Slovaks and Hungarians, the daily writes.

According to the latest study released by the Colliers International consulting company, the emigration has reached the climax. From now on, the number of those returning home from the West will prevail over those heading westwards.

There are more reasons behind this trend, the main being the recent faster growth of wages, lower taxes and costs of housing in the emigrants' original home countries, HN writes, referring to the V4, Bulgaria and Romania.

These factors influence the net income and also people's decision on where to live, the paper continues.

In the past years, the highest number of emigrating Czechs left to work in Germany (28%) and Britain (26%), the paper writes.

Britain's decision to leave the EU has already had effect. The Central and East European net immigration to Britain reached only 5,000 last year, compared with the annual 30,000 to 50,000 in the previous years, HN writes.

Central European economies are short of skilled workforce and emigrants' return will benefit them. The relevant states' tax revenues will increase as will the demand for consumer goods and real estate in these countries, the paper writes.

"In Western European cities, even university graduates [from the East] do unskilled jobs in wine bars and pubs," Robinson said.

There are 51,720 Czechs among the total of 1,650,000 immigrants from the six eastern countries in Germany.

Out of Britain's total of 1,360,000 east European immigrants, 45,000 are Czechs.

The figures for Austria are 340,000/39,730, for France 250,000/8820, for Belgium 190,000/690, for the Netherlands 170,000/870, for Ireland 150,000/5310, for Sweden 140,000/1830, for Norway 130,000/2230, for Switzerland 120,000/14,710, for Denmark 80,000/1540, for Portugal 40,000/270 and for Finland 10,000/250, while the figures for Spain have been unavailable, the paper writes, citing data released by Colliers, Eurostat and other sources.

INDUSTRY & ENERGY & TRADE

INDUSTRYMIN: LITHIUM BATTERY PRODUCTION PLANTS UNDER CONSTRUCTION IN CR – 20.7.

There are several plants for the production of lithium batteries in the CR, with additional plants under construction. Owners include HE3DA, A123 Systems and EV Battery. Japanese firm Central Glass plans to invest into a facility for the production of electrolyte for electric vehicles in Pardubice. The information was provided by the MIT.

BUDEJOVICKY BUDVAR'S SALES HIT RECORD OF CZK2.54BN IN 2016 – 20.7.

Sales of Czech state-run brewery Budejovicky Budvar, one of the 4 biggest breweries in the country, increased by 2.9% to an all-time high of CZK2.54bn last year, while its gross profit decreased by almost 4% to CZK337.3mn, economic director Petr Zacek told CTK today.

Pre-tax profit was affected adversely by the development of exchange rates, particularly the appreciation of the Czech CZK against the British pound.

According to Zacek, 2016 was the most successful year in the company's history in terms of sales.

Last year, its exports accounted for more than one fifth of total Czech beer exports.

"In 2016, exports made up 60.4% of the total sales of Budvar beer. The beer was exported to 77 countries. The brewery made investments worth CZK407m last year and plans to expand in the future. By 2019 it wants to build its third bottling line to extend capacities for bottled beer.

Great Britain is one of Budejovicky Budvar's key export markets. Plans for British company Carlsberg to distribute Budejovicky Budvar's products in Britain have been scrapped. "Our subsidiary Budweiser Budvar UK Ltd. will continue its activity and we expect its further development. Our sales in Britain show a growing tendency, partly thanks to the fact that we have opened five tank pubs in Britain over the past year," Zacek said.

Budejovicky Budvar's management has changed this year, as long-standing head Jiri Bocek has been replaced by Petr Dvorak, a former manager of the Plzensky Prazdroj brewery. Bocek had been heading the brewery since 1991.

Last year, Budejovicky Budvar sold 1.61mn hectolitres of beer, which is the biggest amount in the company's history.

Over the past 11 years, the brewery has increased its output by 40%.

PETROL PRICE IN CR GOING DOWN, REACHING CZK29.60/L – 20.7.

Petrol prices at filling stations in the CR decreased after a brief stagnation again, the average price of top-selling Natural 95 going down by 8 hellers to CZK29.60 per litre over the past week, according to data from the CCS company.

The average price of diesel oil decreased by 5 hellers to CZK28.47 per litre.

Czech fuel prices have been falling steadily since April. The decrease in petrol prices halted briefly last week.

Average fuel prices in CR as of July 19 (in CZK/litre):

Region	Natural 95	Diesel oil
CR average	29.60	28.47
Prague	30.59	29.63
South Bohemia	29.29	28.14
South Moravia	30.03	29.00
Karlovy Vary	29.35	28.17
Hradec Kralove	29.17	27.81
Liberec	29.34	28.24
Moravia-Silesia	29.46	28.18
Olomouc	29.82	28.77
Pardubice	29.13	27.83
Plzen	29.86	28.83
Central Bohemia	29.92	28.86
Usti	29.19	28.00
Vysocina	29.88	28.90
Zlin	29.38	28.23

MOST CZECH ARMS EXPORTED TO IRAQ LAST YEAR – 20.7.

Czech authorities granted 1,180 licences for the export of arms and military materiel last year, with most arms heading for Iraq, says a report that will be discussed by the cabinet on Monday.

Last year's exports reached a record amount of CZK18.2bn, a rise from CZK15bn in 2015.

Exports to Iraq totalled CZK1.66bn, followed by the United Arab Emirates (CZK1.4bn), Slovakia (CZK1.15bn) and Egypt (CZK1.1bn).

The export of firearms and ammunition to non-EU countries amounted to CZK3.4bn, with major markets being the USA, Canada and Thailand.

In terms of dual-use technology and goods, the Industry and Trade Ministry granted 428 licences for export to 70 countries. Products were mostly supplied to Russia, China and India. This equipment represents items in the industrial, nuclear, chemical and biological spheres that are primarily designed for civilian use but can also be used for military purposes.

Apart from the export of military materiel, the government decided to donate handguns and cartridges worth CZK21.4mn to the US administration to support Iraqi armed and security forces in their fight against Islamic State. The cabinet also approved donation of handguns and cartridges worth CZK14.2mn to Jordan's government.

A total of 251 legal entities and two individuals were authorised to trade in military material abroad at the end of last year.

Exports make up 90% of Czech arms companies' production volumes, while in other EU and NATO countries it is between 10 and 30% of the overall production.

A lack of workers will hinder a growth in arms exports this year, Jiri Hynek, the head of the Defence and Security Industry Association, told CTK recently.

Producers have reached the limits of their production capacities, mostly failing to find new employees. Demand is high but Czech producers are unable to meet it, Hynek said.

Czech military materiel exports in 1999 - 2016 (CZK bn)

Year	Export
1999	3.32
2000	3.09
2001	2.06
2002	2.37
2003	2.64
2004	2.86
2005	2.62
2006	2.63
2007	4.83
2008	4.73
2009	4.63
2010	5.48
2011	4.51
2012	6.77
2013	7.43
2014	11.77
2015	15.13
2016	18.24

CTK TEMELIN SUCCESSFULLY COMPLETES REACTOR CONTAINMENT TEST – 21.7.

Technicians at Temelin nuclear power plant have finished a three-day safety test of the shutdown unit 2 reactor's

protective envelope during the night, with the test being successful, Temelin spokesman Petr Suler said.

The power plant can now complete the shutdown related to fuel replacement, which should last until the middle of August.

During the test, which is conducted once in four years, technicians pumped nearly 50 tonnes of modified air in the enclosed space, Suler said.

Containment is one of the main safety barriers of the power plant. It protects reactor and other important technology equipment of the primary circuit from extreme events such as earthquakes, tornados, heavy raining or blast waves.

The test was successful, its results showing an expected trend, head of the system engineers group Lubos Fyrbach said.

Last year, Temelin generated 12.1 terawatt hours (TWh) of electricity, nearly 2 TWh less annually, which was caused by shutdowns. It still produced the biggest amount of power among Czech sources and its output would cover ten-month consumption of Czech households.

CTK ENERGY SOURCES APPROVED BY EC TO GET STATE AID RETROSPECTIVELY – 24.7.

Czech energy sources that have obtained an approval from the EC can receive state aid retrospectively, according to the amendment to the decree on supported sources of energy approved by the government today, the Industry and Trade Ministry said.

The amendment will enable the Electricity Market Operator (OTE) to pay state aid retrospectively to those sources that have not been receiving it for some time but have obtained the EC approval in the meantime.

According to the ministry, state aid worth CZK323.4mn should be paid retrospectively to 414 sources.

The approved document will replace a decree of 2015 that was intended to enable the Energy Regulatory Office (ERU) to release state aid worth up to CZK42bn to a majority of producers of energy from renewable sources for 2016.

The state aid increased from about CZK3bn in 2006 to more than CZK40bn in the past three years. In total, nearly CZK250bn have been paid out in support of "green energy" since 2006.

CTK CZECH MILITARY TO BUY ARMoured VEHICLES FOR NINEBN CZK – 24.7.

The Czech military will buy more than 140 new armoured vehicles for CZK9.2bn in the next few years on the basis of the contracts submitted by Defence Minister Martin Stropnický (ANO) that the government approved today, he has tweeted.

This will be the biggest military purchase during the whole four-year term of the current coalition government of the Social Democrats (ČSSD), ANO and the Christian Democrats (KDU-ČSL).

The military will spend up to CZK4.4bn on 80 light armoured vehicles with the Iveco chassis and CZK4.8bn on 62 Tatra 6x6 armoured vehicles from the Tatra Export supplier.

The light armoured vehicles will serve the units of radiation surveillance in Liberec, north Bohemia, for the automatic detection of the presence of radioactive, chemical and

biological substances in space, the tactical taking of samples as well as the processing and sending of data to military units. The new vehicles will replace outdated equipment. The state Military Research Institute, which is authorised to handle combat chemical substances necessary for testing the vehicles, will supply them to the military by the end of 2022. Tatra Export will supply the other 62 Titus armoured vehicles in 2020-2024.

One-third of them are to coordinate the artillery and mortar units' firing. Another six will serve as command and staff vehicles and the remaining 36 will be used to secure and transfer information.

The government also approved some other military contracts worth 124mn CZK in total today.

By November 2019, the military wants to buy and install a radiocommunication system to secure the transfer of the air control system from the analogue to the digital. The Military Research Institute will supply the equipment for up to 95mn CZK.

Another CZK39mn will go to the purchase of systems of the military air information service.

The Defence Ministry, primarily its armament section, has been criticised for delayed contracts on significant upgrading projects.

CTK CESKE DRAHY SEES NO. OF PASSENGERS GROW BY 1.3M IN H1 Y-O-Y – 25.7.

Czech state-run railway operator Ceske drahy (CD) transported 86.9mn passengers in H1 of the year, representing an annual rise of 1.3mn people, CD CEO Pavel Krtek told CTK today.

Passenger numbers went up in both domestic and international transport.

It is good news that passengers numbers were on the rise at a time of growing competition, Krtek said, attributing it to the rising quality of the rolling stock and shorter journeys on modernised railway lines.

Transport performance increased by 146mn passenger-km (the transport of one passenger per km) to 3.7bn, which translates into a per capita journey of some 350km in the Jan-June period (distance from Prague to Ostrava, northern Moravia).

Passenger numbers have been rising in the long run, especially on commuter and long-distance trains.

Ceske drahy carried 171.5mn passengers in 2016, 1.8mn more y-o-y.

Data from the Transport Ministry show that the total number of passengers on Czech railways increased by 1.5% to 179mn last year.

Ceske drahy made a net profit of CZK882mn in 2016, while a year earlier it recorded a loss of CZK1.35bn.

ČIA ENVIRONMENT SPENDS OVER CZK 2BN ON WASTE COLLECTION, SORTING AND EXPLOITATION – 26.7.

Totally 632 new projects aimed to reduce the amount of communal waste sent to dumping site.

The Ministry of Environment has allocated subsidies totalling over CZK2.036bn for these projects.

Regions, municipalities and waste collection companies have applied subsidies for the collection, sorting and exploitation

of waste as part of the 41st call in the Environmental Operational Programme in fall 2016. The State Environment Fund, which administers the call, received 900 applications for almost CZK3bn over three months.

The requested sum exceeded the allocation by CZK1.85bn.

The allocation was thus raised by almost CZK187mn. Two thirds of projects have succeeded.

IN THE CR MAY LOSE BILLIONS DUE TO "NON-BURNING" CIGARETTES – 26.7.

Philip Morris has now begun to sell a device in which the tobacco does not burn but only gets warm on the Czech market. The smoker inhales nicotine, but not tar and other harmful substances. The problem, however, is that this product, called Iqos, is not yet subject, as opposed to traditional cigarettes, to excise duty. If a larger number of smokers start using it, the CR may lose some billions of CZK on taxes.

Deputy Minister of Finance Alena Schillerová said, they are working on preparing the necessary amendment to the Act on excise duty, but it will run until January 2019 before it can come into effect.

Other companies that produce non-smoking cigarettes in the world, such as British American Tobacco and Japan International Tobacco, want to also benefit from this situation to increase profit.

TRANSPORTATION & INVESTMENT & RDI

CHINA INVESTMENT FORUM 2017 – 18.7.

Projects involving representatives of China and 16 Central and Eastern European states are being discussed at a two-day Chinese investment forum taking place at Prague Castle. The Forum has been attended by 500 Chinese visitors, including 7 governors and a member of the Communist Party of China, Liu Yun-shan.

At the start of the meeting on Tuesday the Czech PM Bohuslav Sobotka, spoke about the huge growth in the number of Chinese tourists visiting his country, a number he said could reach half a million this year.

Czech President Miloš Zeman is also taking part in the investment forum and will welcome Liu Yanshan, one of the top leaders of China's Communist Party, to Prague Castle. The forum builds on China's Silk Road initiative to boost its international investments and cooperation.

Česká televize CZECH-CHINESE INVESTMENT FORUM – 18.7.

The head of CzechInvest Kucera said that CzechInvest is currently negotiating 20 projects with the Chinese side. If all of them are carried, which he does not expect, they would total to CZK60bn.

Approximately 8 projects is from the automotive industry and related sectors, next 8 from electronics, electrical engineering and battery systems. The rest includes areas where Chinese companies are interested in penetrating the pan-European market. According to him, about 40% of all projects involve higher added value investments, with a higher share of new technologies.

The volume of Chinese investments in the Czech Republic should reach CZK232bn by 2020, according to the agreements signed by the two countries' presidents.

MD TO INCREASE VLTAVA WATERWAY PARAMETERS FOR CZK 1.66BN – 20.7.

At the end of 2017, the Czech Ministry of Transport (MD) is planning to start construction work to increase the parameters of the Vltava waterway. The project with costs of CZK1.66bn will be completed in 2020. It includes the reconstruction of 12 bridges as well as the construction of new moorings for boats in the Štvanice lock. The draft for cargo transport in Prague should increase to 2.2mn from the current 1.8mn, with boats then being able to transport 30% more cargo. It will also include the construction of the Prague-Old Town lock.

CR AND AUSTRIA TO BOOST SCIENCE COOPERATION – 20.7.

The CR and Austria will promote cooperation in the field of science according to a memorandum Czech Foreign Minister Lubomir Zaoralek and former Austrian president Heinz Fischer signed today, the Foreign Ministry has said in a press release.

Fischer is now board chairman of the Vienna Institute for Human Sciences (IWM). The two countries have agreed to financially support the institute.

The agreement aims to boost the institute's role in the exchange of knowledge in human and social sciences in Central Europe, the Czech ministry said.

A special emphasis is laid on reinforcing the Czech-Austrian dialogue and on support for research into the work of Czech philosopher Jan Patocka, particularly his works focused on Europe.

Patocka (1907-77) was the first spokesman for the Czechoslovak Charter 77 human rights manifesto. He died after interrogation of several hours by the StB communist state police.

According to the agreement, the Czech Foreign Ministry will support the institute's research with CZK5mn annually during the next three years.

The financial contribution includes scholarships for Czech scientists.

Poland has had a similar agreement with the IWM for several years. The IWM, founded in 1982, aims to support dialogue between scientists and intellectuals from western and Eastern Europe.

PRAGUE MAGISTRATE: DPP TO INVEST CZK 2BN+ INTO TRAMWAY NETWORK – 20.7.

Prague Public Transit Company (DPP) will open before 2030 the construction of more than 20 new tramway routes. Three of the routes are scheduled to be completed within five years. In the first phase, a 2.4km section from Divoká Šárka to Dědina will be added. The cost is estimated at CZK893.2mn. A new 1.9km route is planned from Sídliště Barrandov via Holyně to Slivenec, at the cost of CZK691.1mn. The third readied project involves the prolongation of the route from Modřany to Libuš by 2.1km to the future D metro station location. The costs are estimated at CZK500mn. Tramway loops are planned at Zahradní Město and near the A Depo Hostivař metro station.

OPERATION OF FIXED D1 MOTORWAY'S SECTION STARTS TODAY – 20.7.

The D1 motorway's repaired section between exits 168 Devet krizu and 162 Velka Bites in the direction of Prague is being put into operation today, the Road and Motorway Directorate (RSD) spokesman Jan Rydl told journalists.

The fixed section is 5.4kms long. Its surface is supposed to last for up to 30 years, builders said.

Transport Minister Dan Tok, who looked over the repaired section today, said that the repair schedule of the whole motorway is valid and the reconstruction should be completed in 2020.

The budget of the D1 update is set at a maximum of about CZK20bn. The figure is not expected to be exceeded, Rydl said, adding that RSD managed to secure prices significantly lower than anticipated mainly in the first third of builder selection procedures thanks to a specific market situation.

During the section's reconstruction, one new bridge was built, one was fixed and two were removed.

The reconstruction started in April 2016, lasting 15 months, and it cost CZK685mn, VAT excluded, according to the contract.

The work was carried out by an association for D1's modernisation on section 22 formed by companies Alpine Bau CZ, OHL ZS and EUROVIA CS.

"This is the seventh updated section of D1," Tok said.

The D1 motorway reconstruction has been divided in 21 sections. Another two sections should be put into operation by the end of this year.

PARDUBICE AIRPORT HANDLES 81% MORE PASSENGERS Y-O-Y IN H1 – 21.7.

The Pardubice airport processed 11,467 passengers in the first half of this year, which is 81% more year on year, East Bohemian Airport company head Hana Smejkalova told CTK today.

The airport has gradually been gaining new clients.

However, its numbers are far from the record-breaking first half of 2013 when nearly 87,000 passengers passed through the airport.

The 81% increase was caused mainly by Saint Petersburg-Pardubice lines seeing part of the Russian clientele return, Smejkalova said.

Flights from Pardubice to London Stansted Airport will be provided as of autumn, expected to bring up to 15,000 more passengers.

Last year, the Pardubice airport handled about 30,000 people. Flights to Saint Petersburg were resumed in March 2017.

In November, a new terminal will be put into operation. The new building and road have been built since June 2016 and the project is supposed to cost CZK265mn.

East Bohemian Airport is owned by Pardubice town and the Pardubice Region.

MIT: FIRST CALL FOR BROWNFIELD USE REACHES CZK 100MN – 21.7.

The MIT of the CR has opened the first pilot call in the programme Regeneration and Business Use of Brownfield 2017 in the amount of CZK 100mn. The goal of the programme

is to find and apply solutions for the use of brownfields on the territory of structurally impacted regions.

CTK PARTIES FOR CHANGE OF INVESTMENT INCENTIVES SYSTEM AFTER ELECTION – 23.7.

Most political parties state in their election programmes they are in favour of a change to the system of investment incentives after the general election on October 20-21, according to a CTK poll among parties that have a chance to get to the Chamber of Deputies.

Business associations, too, agreed that the existing system should be changed and the state should largely support investments with high value added and development of new products in the country.

Seventy-two projects were promised investment incentives from the state last year, and their total amount reached CZK12.5bn.

CTK NEARLY A QUARTER OF SMALLER CZECH COMPS USE ROBOTS – SURVEY – 23.7.

Almost one-quarter of smaller Czech companies use machines in the production process, with nearly a half of them planning to expand automation, said a survey carried out by CSOB bank among 500 small and mid-sized enterprises (SMEs).

Two-thirds of SMEs do not use any machines and have no plans to do so, while 10% want to use robots in manufacturing, the poll showed.

Karel Havlicek, the head of the Association of Small and Medium-sized Enterprises (AMSP), said the 25% share of SMEs using robots is not a small number. This implies SMEs have good sense because decisions on investments in automation should not be made based on a general trend but because companies really need it. The need will be gradually rising due to the pressures of the market, especially suppliers and customers, or the state, said Havlicek.

Small and mid-sized companies are well aware of the fact that they will have to deal with issues regarding automation and industrial revolution based on the Internet, remote data management and interlinked relationships with suppliers, customers and the state, Havlicek noted.

However, they are not willing to take too big a risk or, "in other words, they still see their priorities in something else," Havlicek pointed out.

The survey showed that 66% and 40% of SMEs are in favour of automation because they want to raise productivity and quality, respectively. The lack of qualified workers is a major reason to use robots for 40% of SMEs, and expansion and making production cheaper is the fourth reason, being given by 18% of small and medium-sized enterprises.

CTK AIRPORT IN PRAGUE HANDLING 21% MORE PASSENGERS IN H1 – 24.7.

The Vaclav Havel Airport Prague handled 6.76mn passengers in H1, which was 21% more y-o-y, with passengers flying mostly in Europe but flights from Prague to Africa and the Middle and Far East recorded the biggest growth in passenger numbers, Letiste Praha said today.

The management of Letiste Praha, a company operating the airport, said in a press release the outlook for the rest of the

year is optimistic as well. The total number of passengers cleared this year is projected to approach 15mn. The reason is more seats on planes and a higher use of the seating capacity.

This trend started in September 2016, and now the seating capacity is used at some 80% on average, which is quite a big number, said Letiste Praha board chairman Vaclav Rehor.

Strong summer holidays will also have a positive impact on passenger numbers.

Passengers on European flights made up 90% of the total figure.

The number of passengers flying from Prague to African destinations soared by 81% annually, and the number of passengers on flights to the Far and Middle East posted a rise of 70 and nearly 21%, respectively.

Great Britain was the most frequently visited destination, while the most popular destination in the first half was Moscow ahead of Paris, Letiste Praha said.

In terms of countries, Russia was the fastest growing destination, with passenger numbers growing by 39% y-o-y. Italy was next, with a growth being 2 percentage points lower.

The airport also saw a growth in the amount of carried goods, rising by 14% in annual terms to some 37,000 tonnes.

CIA CZECHINVEST ACCEPTS APPLICATIONS FOR BROWNFIELD SUPPORT BY OCTOBER 20 – 25.7.

CzechInvest will accept the first applications to support brownfield reconstruction by October 20, 2017. In the Regeneration and Entrepreneurial Use of Brownfields programme, CZK2bn from the state budget has been allocated. The recipients can be municipalities and regions in structurally affected and economically disadvantaged regions. One project can get up to CZK50mn. The programme of the Czech MIT is planned from 2017 to 2023. It will provide CZK100mn in 2017.

CIA ŠKODA AUTO OPENS AUTOMATIC WAREHOUSE FOR EUR 8MN – 26.7.

Czech automaker ŠKODA AUTO has opened a new automatic warehouse for smaller parts in its Kvasiny-based plant.

According to the company, the construction of the warehouse was one of the largest logistic projects in the new history of ŠKODA AUTO.

The automaker invested EUR 8mn in the warehouse and it copes with an annual saving on costs in the amount of over EUR 1m.

The warehouse offers an automatic intake and dispensing with help of robots.

CIA ČD TRANSPORTED 86.9MN PASSENGERS IN H1 2017 – 26.7.

Czech Railways (ČD) transported 86.9mn passengers in H1 2017, up 1.3mn y/y. The railroad company's board of directors' chairman Pavel Krtek has stated that passenger numbers grew both in national and international transport. ČD's transport output grew by 146mn person-km to 3.70 billion person-km. According to Mr. Krtek, the results were driven by higher quality of services, active business policy and acceleration of transport on selected lines.

MISCELLANEOUS

OPENCARD DEFINITELY ENDING – 20.7.

The Opencard project is definitively coming to an end. Prague City Hall has terminated the operation of the Prague center for the card's services, the PKS. The city was paying CZK 144,000 a month, totaling some CZK1.7mn a year, for the operation of the center. The Opencard has not been issued since last year when it was replaced by Lítačka, a new chip card to hold coupons for public transportation.

The replacement card Lítačka was launched in early 2016 but some Opencards will remain valid until 2020.

“No one has to worry that the end of the system will cause any complications or inconvenience. It is rather a formal step, but it is very important for the city because it removes the last vestiges of Opencard,” Krnáčková (ANO) said.

Lítačka is valid on the metro, bus, tram and the funicular up to Petřín. The card also functions as a library card. The card also can be used for a discount at several museums and tourist attractions. Due to EU privacy rules, the card can be issued anonymously.

Lítačka cards are supplied by the firm XT-Card and the system is administered by municipal firm Operátor ICT.

HAISMAN TO BE CZECH DIPLOMATIC REPRESENTATIVE IN KOSOVO – 21.7.

Tomas Haisman, an Interior Ministry's senior official who headed the asylum and migration department, ended in the post last week and he will become the CR's diplomatic representative in Kosovo this autumn, daily Hospodarske noviny (HN) writes today.

His post at the Interior Ministry was taken over by Pavla Novotna, Haisman's long-time deputy, a week ago.

In the 1990s, Haisman formulated the principles of the Czech approach to migrants and until recently he was deciding about the fate of Czech asylum applicants, HN writes.

It writes that of late, Haisman spoke sharply against the influx of refugees to Europe. Last autumn, he appeared at a seminar of migration in the Chamber of Deputies at which he made several negative statements about migrants.

Haisman also rejected EU quotas for migrants redistribution among member countries, HN writes.

The plan to send Haisman to Kosovo has been confirmed for HN by diplomatic sources. The Foreign Ministry does not comment on personnel changes beforehand.

The 3-year mandate of Ivo Silhavy, current head of the diplomatic mission in Pristina, expires this summer, HN writes. It writes that Haisman will take over the post this autumn at the earliest. He is not yet a Foreign Ministry employee and he must undergo some training. He will be charge d'affaires in Kosovo, HN writes.

BRITISH BREXIT MINISTER TO MEET CZECH DIPLOMACY CHIEF ON JULY 25 – 21.7.

David Davis, British Minister for Exiting the EU, is to talk to Czech Foreign Affairs Minister Lubomir Zaoralek about issues related to Brexit in Prague on Tuesday, Zaoralek's office said in a press release today.

The CR is strongly interested in the maintaining of the best possible mutual relations with Britain even after its departure from the EU, the office said.

To achieve this, the rights and duties of both sides should be balanced, it added, referring to the ongoing negotiations about the future relations between the United Kingdom and the EU.

Davis will arrive in Prague shortly after the end of the second round of negotiations between London and Brussels. The points of controversy after this round are the role of the EU Court of Justice in securing the rights of EU citizens in Britain and the conditions of the financial settlement. The negotiators about Brexit are to meet at the end of August.

The Brexit conditions are to be agreed on this autumn so that both sides can ratify the treaty as of March 2019, which is the official date of Britain's exit.

The EU chief negotiator for Brexit is Michel Barnier. The Czech government said before its priorities were to maintain the equal rights of Czech citizens staying in Britain and the financial settlement of the British commitments towards the EU. The EU member countries decided to proceed jointly in the negotiations.

CZECH GOVERNMENT APPROVES SYSTEMS RAISING AIRPORTS SECURITY – 24.7.

Face- and car number plates-reading systems will be introduced at Czech international airports outside Prague, where such a system has already been in operation, but it will be extended to other parts of the facility, the government decided today.

PM Bohuslav Sobotka told journalists that the measures will cost about CZK672mn.

The Interior Ministry wants the airports in Karlovy Vary, west Bohemia, Brno, Ostrava, north Moravia, and Pardubice, east Bohemia, to have the same security standards as the Prague Vaclav Havel Airport.

All airports are also to get documents- and boarding passes-readers.

In total, the measures will cost about CZK585mn, 482mn of which will go from the Interior Ministry's budget. The systems are to be introduced by the end of 2020.

The Interior Ministry said the airports outside Prague also have an insufficient level of integration of security systems and a low capacity of control of dangerous objects and chemical substances. They lack a blanket radiation detection and shortcomings exist in control of entrance to airport spaces closed to the public.

The Vaclav Havel Airport will get 145 special cameras capable of reading faces and compare them with the database of persons wanted, the ministry said in a press release.

The airport is also to get 30 more surveillance cameras.


The apparatuses will be placed in the transit space so that they can reach the passenger boarding bridges, individual fingers of airport terminals and connecting spaces, the ministry said.

Modernisation in Prague will cost about CZK89mn from the Interior Ministry's budget.

Sobotka said airports will also make a big contribution to the security measures.

He said the Prague airport's system is unique by its extent.

The Brno airport served more than 400,000 passengers last year, the Ostrava one about 250,000. Some 50,000 used the services of the Pardubice airport and 25,000 passengers travelled from Karlovy Vary.

 **KDU-CSL CRITICISES STAN'S DECISION TO RUN SOLO IN
CZECH ELECTION – 25.7.**

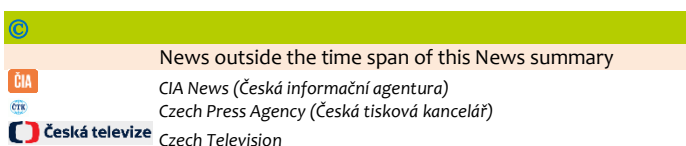
Today's decision of the Mayors and Independents (STAN) to run in the Czech general election solo and not with the Christian Democrats (KDU-CSL) means an unnecessary splitting of forces and the threat of a one-party monopoly, the KDU-CSL has said in a press release sent to CTK.

STAN reacted to the KDU-CSL's decision from last week to change the form of their cooperation. Instead of the previously agreed election coalition, it proposed that STAN candidates can be running on the KDU-CSL's lists.

The latest opinion polls show that the KDU-CSL and STAN coalition would not cross the 10% threshold. This is also why the KDU-CSL leadership called on STAN to run on the Christian Democrat lists of candidates, which the movement rejected today.

According to the latest opinion polls, the government ANO movement would win the election with some 30% of the vote, much ahead of other parties, while the KDU-CSL would gain about 7% and STAN under 2%.

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