

NEWS SUMMARY OCTOBER 5 – OCTOBER 11

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ECONOMY & FINANCE

CIA GOVERNMENT INSTITUTIONS' FISCAL SURPLUS UP TO CZK

46.1BN – 5.10.

Government institutions sector generated surplus of CZK 46.10bn (3.64% of GDP) in Q2 2017, up 1.26 p.p. y/y.

The changed balance (up CZK 17.2bn) was driven primarily by government institutions (up CZK 14.4bn).

Government institutions' indebtedness increased to 39.43% of GDP. Government institutions' income grew 8.6%, expenditures 5.5%.

The data were made public by the Czech Statistical Office (ČSÚ).

CTK CNB SEIZES 2,029 FAKE BANKNOTES AND COINS IN JAN-SEPT

– 5.10.

The Czech National Bank (CNB) seized 2,029 fake and altered banknotes and coins in the first three quarters of this year, a drop of 2% y-o-y, with the number of fake euros rising and the number of counterfeit dollars and crowns falling, the CNB said on its website today.

The number of fake banknotes and coins in Czech crowns decreased to 893 from 1,096 a year ago.

The number of fake euros rose from 743 to 871. The number of counterfeit dollars fell from 215 to 180.

The centra bank also seized 368 money imitations, compared with 2,992 in the same period a year ago.

Last year, as many as 3,646 counterfeit and altered banknotes and coins of all currencies were detected in the country, one third less in annual terms.

At the end of last year, more than 2.2bn banknotes and coins were in circulation in the CR, 6% more than the year before.

The value of the money in circulation rose from CZK508bn in 2015 to some CZK555bn last year.

CTK NO. OF BUSINESS BANKRUPTCIES IN CR DOWN IN Q1-Q3 –

CREDITREFORM – 5.10.

A total of 1,247 business bankruptcies were declared in the CR in the first three quarters of this year, which is 248 fewer annually, Creditreform company told CTK today.

The number of legal entities' bankruptcies fell by 96 to 588, and the number of sole traders' bankruptcies dropped by 152 to 659, Creditreform said.

The amendment to the insolvency law valid as of July 2017 significantly impacted the number of filed insolvency petitions, according to Creditreform.

While June saw an increase, July's number of filed insolvency petitions plunged to a quarter of the average of 2017's first half. Numbers grew in the following two months, approaching a half of the H1 average.

In the first nine months of 2017, the total number of insolvency petitions fell annually by a fifth, with companies and sole traders registering a drop of 23% and 19.6%, respectively.

As many as 18,008 insolvency petitions were filed in Q1-Q3, with 1,445 being against companies and 16,563 against consumers.

Creditreform expects the number of insolvency petitions against companies and consumers to decline or stagnate until the end of this year due to the positive economic development and the amended insolvency law.

No. of bankruptcies declared by legal entities and sole traders

2000	2,491
2001	2,473
2002	2,155
2003	1,728
2004	1,411
2005	1,236
2006	1,245
2007	1,115
2008*	1,141
2009*	1,553
2010*	1,601
2011*	1,778
2012*	1,899
2013*	2,224
2014*	2,403
2015*	2,191
2016*	1,982
Q3 2017*	1,247

*In 2008, an insolvency law took effect and new methodology was introduced. Insolvency petitions turned down right away for lack of assets are no longer part of bankruptcy data.

CTK STATE WANTS TO COLLECT CZK35BN MORE IN TAXES IN 2018

– 8.10.

The state plans to collect CZK722.3bn in taxes next year, which is CZK57.3bn more compared to budget approved for this year, and CZK34.8bn more compared to this year's expected tax revenues, according to the 2018 budget draft.

Value-added tax is supposed to account for the biggest part, bringing nearly CZK281bn in the state budget, according to the budget draft.

Total state budget revenues should grow to CZK1,314.5bn next year, which is CZK65.2bn more compared to budget approved for this year.

State budget revenues include non-tax revenues from fees, social insurance revenues, and money from the EU.

The increase in VAT collection will be affected mainly by the economic growth, but also by the introduction of VAT ledger statements and electronic registrations of sales (EET), according to the government.

Based on a conservative estimate, VAT ledger statements will bring at least CZK11.7bn next year, the government said.

The compound tax quota is expected to add 0.4 percentage points to 34.4% annually. The compound tax quota shows the

share of taxes, and mandatory social payments, for example, in gross domestic product.

Municipalities' share in VAT collected is supposed to grow to 23.58% as of next year, with municipalities getting about CZK9bn more.

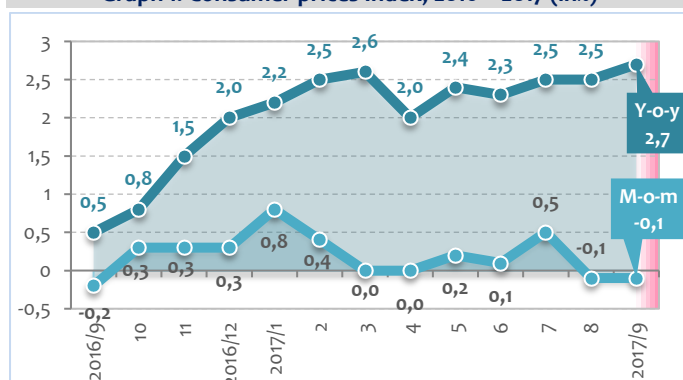
Selected tax and non-tax revenues of state budget (CZK bn)

Item	Expected revenues in 2017	Revenues in 2018's budget draft
Total tax revenues	687.5	722.3
VAT	270.2	280.9
Corporate income tax	114.2	118.4
Individual income tax	112.2	127.9
Income tax of individuals submitting tax return (self-employed)	5.9	6.8
Excise duty	149.8	152.8
Tax on real estate acquisition	12.2	12.0
Gambling tax	5.0	4.8
Tax stamps sales	-	1.0
Administrative fees	-	1.4

CONSUMER PRICE INDICES – 9. 10.

Consumer prices in September dropped compared with August by ▲0.1%. This development was primarily due to the decrease in prices in 'recreation and culture'. The y-o-y growth of consumer prices amounted to 2.7%, which was 0.2 p. p. up on August.

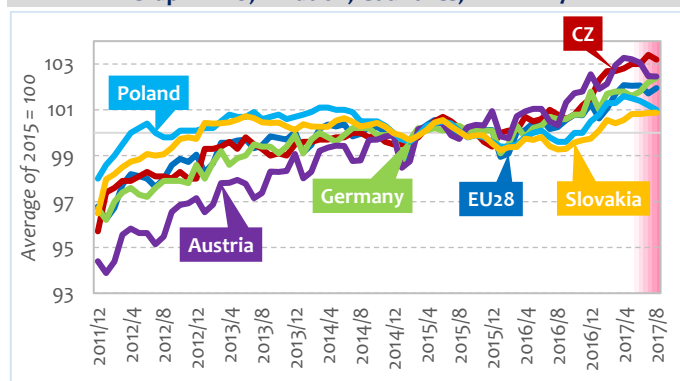
Graph 1: Consumer prices Index, 2016 – 2017 (in%)



According to preliminary data of Eurostat, the y-o-y change in the average HICP in the EU28 member states amounted to 1.7% in August, i.e. 0.2 p. p. up on July. The rise in prices was the highest in Lithuania (4.6%) and Estonia (4.2%) and the lowest in Ireland (0.4%). In Slovakia, the price increase accelerated to 1.6% in August from 1.5% in July. In Germany, prices were higher by 1.8% (1.5% in July).

According to preliminary calculations, the HICP in the CR in September went down by ▲0.1%, m-o-m, and increased by 2.5%, y-o-y. The MUICP flash estimate for the EA in September 2017 was 1.5%, y-o-y, as Eurostat announced.

Graph 2: EU, Inflation, Countries, 2011 - 2017



FURTHER GROWTH IN RATES IS CONSISTENT WITH ECONOMIC DEVELOPMENT – 9.10.

The Bank Board of the Czech National Bank (ČNB) agreed on September 27, 2017 that a gradual increase in domestic interest rates was consistent with the current economic situation from both the price and financial stability perspectives.

From this point of view, the August interest rate increase was assessed as having been the right step towards normalising monetary policy.

The prevailing view was that the risk arising from delaying the rise in rates was low. There was also a prevailing view that it would be better to raise interest rates in small gradual steps.

NO. OF UNRELIABLE VAT PAYERS UP BY 66% AT END-SEPT – BISNODE – 9.10.

The CR's number of unreliable value-added tax payers rose annually by 66% to 10,219 at the end of September, with the number of Prague-based defaulters accounting for over a half of the total figure for the first time since 2013, Bisnode consulting company said today.

The number of companies erased from the register of VAT defaulters has been growing significantly, according to Bisnode's statistics.

A total of 111 entities were removed from the register in the third quarter of 2016, while it was 371 in Q3 2017 and 736 over the entire 2017, Bisnode analyst Petra Stepanova said.

Companies that do not have tax documents in order and are imposed at least a CZK500,000 VAT and/or companies suspected of participating in fraud are considered unreliable. Each company that is purposely and/or repeatedly ignoring tax return deadlines is also registered as unreliable.

Companies with sales of up to CZK10m constitute almost a half of the overall number of VAT defaulters, followed by entities that do not make their turnover public.

CZECHS MUST REMAIN IN EU HARD CORE, ADOPT EURO QUICKLY – PM – 9.10.

There is no other path for the CR, with its economy dependent on exports, than to remain part of the EU core and adopt the euro as soon as possible, Prime Minister Bohuslav Sobotka (Social Democrats, CSSD) said at the conference of the Czech Confederation of Industry today. Branding all promoters of the Czech departure from the EU fools and semi-fools, Sobotka said he considers the

remaining in the EU core the only way to ensure the country's security and economic prosperity.

Sobotka mentioned "a few urgent tasks" for the new government to tackle after being established following the October 20-21 general election.

"The economic development of Europe's most industrial country [the CR] depends not only on an abundance of workforce but also on transport infrastructure. It is turning out that a law on road and railway construction is needed, because we face neither a lack of money nor a low preparedness of such projects, but evil will on the part of various groups and individuals permanently challenging transport construction projects. This [law] will be the most effective way [to tackle the problem]," Sobotka said.

He said the new government will also have to deal with the future of the Czech energy sector.

"A change to the energy mix must be prepared. On the one hand, stability must be preserved. On the other hand, it is necessary to observe the limits stemming from the Paris treaty on [the restriction of] emissions," Sobotka said.

"In 2025 at the latest, it is necessary to start building a new bloc in the Dukovany nuclear power plant. The prices of energy must remain affordable. Together with high-speed Internet, it is crucial for the transition to digitised industry, which will bring a new potential," Sobotka said.

He said the state should go an example for others to follow in introducing digitisation.

Furthermore, the new government should work on the country switching from an economy whose comparative advantage lies in cheap labour to an economy generating products with a higher added value, Sobotka continued.

"Investment incentives must no longer eye the number of newly created jobs, but the height of the added value, and they should go to small and medium-sized companies," Sobotka said.

However, the CR still is not a part of the euro zone, which Sobotka considers an uncertainty for the future.

"All modernisation measures will work only if we are part of the free internal market and of the core of the EU's economically strong members. We must fight to prevent barriers from arising on the internal market and on the euro zone borders," Sobotka said.

CZK VS EURO¹, US DOLLAR², YEN – 11. 10.

On April 6, the CNB ended its forex³ intervention regime that was launched early in November 2013 out of fear of deflation with the aim to weaken the crown and keep the exchange rate near CZK27/€.

¹ EUR: (€) Euro is the official currency of the Eurozone, which consists of 19 of the 28 member states of the European Union

² USD: \$, USD, the United States dollar is the official currency of the United States and its overseas territories. It is the currency most used in international transactions and is the world's most dominant reserve currency.

³ Forex: foreign exchange market is a global decentralized market for the trading of currencies. This includes all aspects of buying, selling and exchanging currencies at current or determined prices.

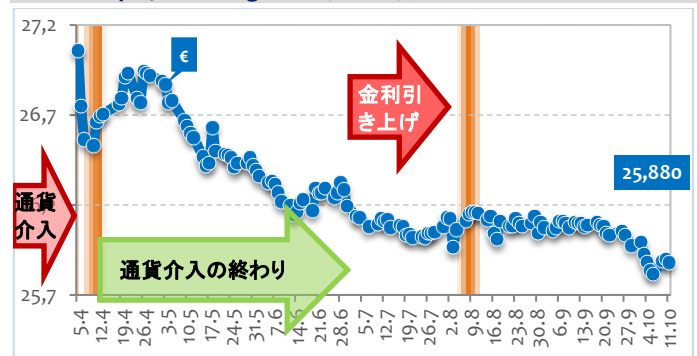
⁴ CNB: Czech National Bank

⁵ Interest rates on bank deposits and loans are derived from the central bank's rates. Companies have to pay higher interest for loans and households pay more for loans for housing purposes.

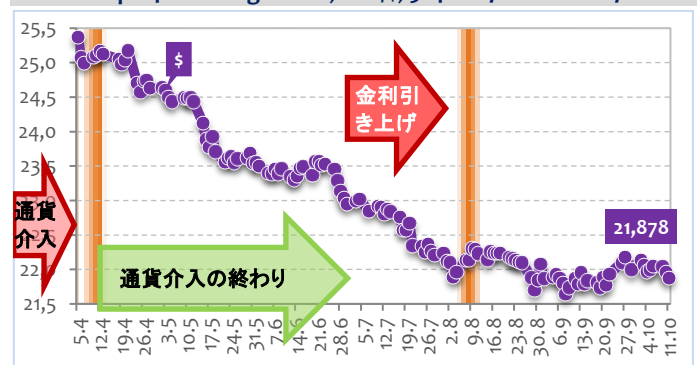
⁶ The CNB changed interest rates the last time in November 2012 when it cut them to the current record-low level. Since that time, the two-week repo rate has been at 0.05%.

On August 3, the CNB⁴ raised interest rates⁵ for the first time since February 2008⁶, the 2-week repo rate⁷ increased by 0.2 p. p. to 0.25%, the Lombard rate⁸ by 0.25 p. p. to 0.5%, and the discount rate⁹ stayed at 0.05%.

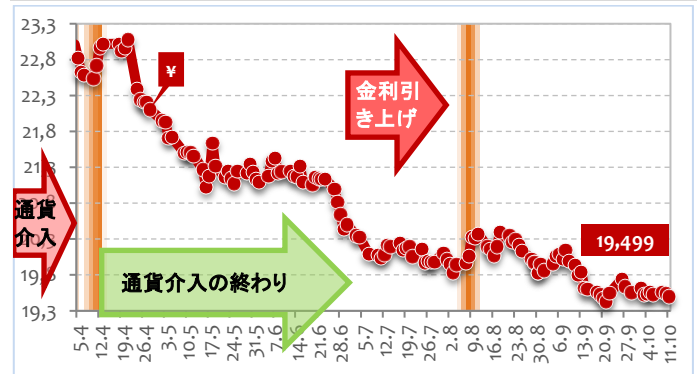
Graph 3: Exchange rates, CZK/€, 5. 4. 2017 – 11. 10. 2017



Graph 4: Exchange rates, CZK/\$, 5. 4. 2017 – 11. 10. 2017



Graph 5: Exchange rates, CZK/100¥, 5. 4. 2017 – 11. 10. 2017



NO. OF CZECH FIRMS WITH OWNERS IN TAX HAVENS DOWN TO 13,132 IN Q3 – 11.10.

The number of Czech companies with owners based in tax havens dropped by 53 to 13,132 in the first nine months of this

In the last rate increase in February 2008, the two-week repo rate grew to 3.75%. Then the CNB was cutting the rates.

⁷ Repo rate: The discount rate at which a central bank repurchases government securities from the commercial banks, depending on the level of money supply it decides to maintain in the country's monetary system. To temporarily expand the money supply, the central bank decreases repo rates (so that banks can swap their holdings of government securities for cash). To contract the money supply it increases the repo rates. Alternatively, the central bank decides on a desired level of money supply and lets the market determine the appropriate repo rate. Repo is short for repossession.

⁸ Lombard rate: An interest rate charged by a central bank for very short term loans to other banks against an approved collateral.

⁹ Discount rate: An interest rate that a central bank charges depository institutions that borrow reserves from it.

year, with the number decreasing from 2015, according to statistics published by Bisnode consulting company today. Owners based in tax havens control 2.8% of Czech companies, investing over CZK378bn in their share capital, Bisnode said. The fact that entrepreneurs are losing interest in tax havens is related to the increasing international pressure. However, the popularity of Hong Kong, Malta and the United Arab Emirates is still on the rise.

Reasons for the drop include a positive development in the Czech legislation, the Panama Papers scandal, strengthening regulation worldwide, and the bank secrecy development, Bisnode analyst Petra Stepanova said.

Tax haven is a country with low or no taxation of foreign companies with the goal of gaining foreign capital and making the country an important financial centre.

The CR is losing up to tens of billions of crowns a year due to tax havens, according to analysts. Even larger damage is caused by money laundering and crime concealment.

The tax havens issue has become topical in the spring of 2016 when the Panama Papers scandal revealed that tens of prominent political and business figures hide their profits in tax havens. The leaked documents of law firm Mossack Fonseca detected 283 Czechs, according to the Czech Centre for Investigative Journalism.

No. of Czech companies with owners in tax havens

Country	Q3 2017	2016	2015
Bahamas	38	39	41
Belize	200	203	194
Bermuda Islands	4	5	5
British Virgin Islands	398	414	433
Gibraltar	72	72	72
Guernsey (Great Britain)	21	25	31
Hong Kong	183	137	97
Jersey (Great Britain)	37	39	43
Cayman Islands	14	18	20
Cyprus	2,198	2,175	2,151
Liechtenstein	213	216	225
Luxembourg	946	968	1,068
Malta	292	259	223
Monaco	69	63	61
Marshall Islands	150	133	90
Dutch Antilles	10	13	17
Netherlands	3,831	3,912	4,194
Panama	229	239	247
Isle of Man	33	34	39
Republic of Seychelles	833	873	886
United Arab Emirates	335	313	292
United States of America	3,026	3,035	2,990
Total	13,132	13,185	13,419

LABOUR & SOCIAL & HEALTH

EC SUES CR DUE TO FREE MOVEMENT DIRECTIVE – 6.10.

European Commission has lodged a complaint to the Court of Justice of the European Union against the CR and Luxembourg, as the countries failed to report full implementation of Directive 2014/54/EU on measures facilitating the exercise of rights conferred on workers in the

context of freedom of movement for workers into the national law. Member countries were obliged to put into effect legal and administrative norms to achieve compliance with the Directive by May 21, 2016, and to notify the European Commission promptly.

FAR MORE FOREIGNERS THAN BEFORE CRISIS EMPLOYED IN CR

– 9.10.

About 382,900 foreigners were employed in the CR at the end of 2016, which is nearly 100,000 more than in 2008, during the boom before the financial crisis, according to a Labour Ministry report worked out for the tripartite council. Three-fourth of the foreigners were from other European Union member states. In the long term, the largest group the foreign employees are Slovaks. Last year, they represented 42% of the foreign employees (161,559).

The second largest group are Ukrainians, 54,600 of whom worked in the country in 2016. Other employed foreigners from outside of the EU were Russians (8,290) and Vietnamese (6,565).

Nearly three-fourths of the employed foreigners were from the EU, Switzerland and the European Economic Area (EEA - Norway, Iceland and Liechtenstein) last year.

In 2016, 31,522 employees were Romanian, 31,355 were Polish and 25,784 Bulgarian.

In 2008, there were about 284,600 foreign employees in the CR.

The Labour Ministry used to release monthly figures on foreign employees, but expert estimates have been used after a database change since 2012.

Three out of ten foreign employees are unskilled labourers, one out of five manipulates with machines. Three out of ten work in manufacturing industry and one in six do paperwork and supportive activities.

EU foreigners do not need any work permit in the country. Foreign graduates from Czech secondary schools and universities do not need it either, nor is it required from asylum holders and foreigners with permanent residence in the country.

All other foreigners must receive permits from the Employment Office. Several government projects aim to simplify and speed up access to the Czech labour market. The Interior Ministry issues special employment cards.

The unemployment rate in the CR is record low, 3.8% in September. It is now the lowest in the EU. According to the Employment Office, there were 284,915 job seekers and 206,081 vacancies.

The Labour Ministry concluded that the Czech market reached the level of natural unemployment, which means that everybody who wants to work under the offered conditions has a job. The vacancies and unemployed are due to low qualifications, low salaries and unwillingness to work. Czech employers would like more foreigners to come to work in the country. They say they cannot meet the demand because they do not have enough workers.

Confederation of Industry head Jaroslav Hanak today called on the government to allow for easier employment of people from Ukraine, Mongolia, Kazakhstan and Vietnam.

Trade unions claim that companies fail to find employees because they offer bad working conditions and low pay.

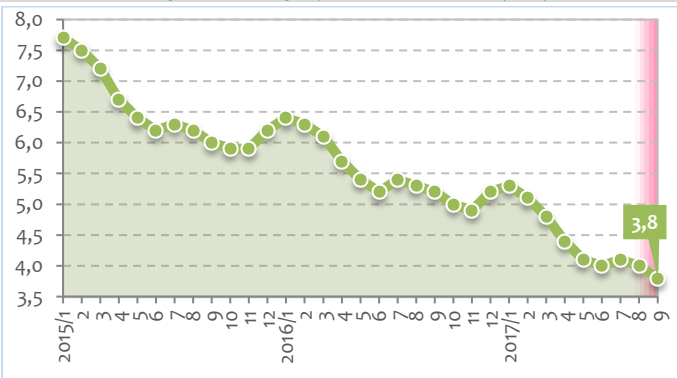
CMKOS umbrella union leader Josef Stredula said entrepreneurs should not seek employees only in poorer states, but also among the unemployed in Western countries.

Number of of foreigners employed in the CR in 2001-2016 according to Employment Office data

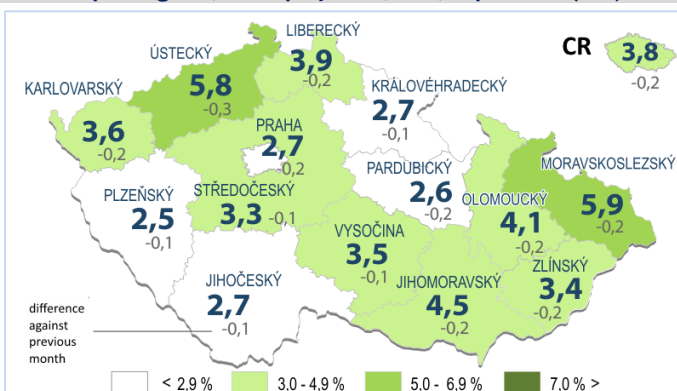
Year	Number of foreign employees
2001	103,652
2002	101,179
2003	105,738
2004	107,984
2005	151,736
2006	185,075
2007	240,242
2008	284,551
2009	230,709
2010	215,367
2011	217,862
2012	221,944
2013	224,284
2014	260,999
2015	323,244
2016	382,889

UNEMPLOYMENT – 9. 10.

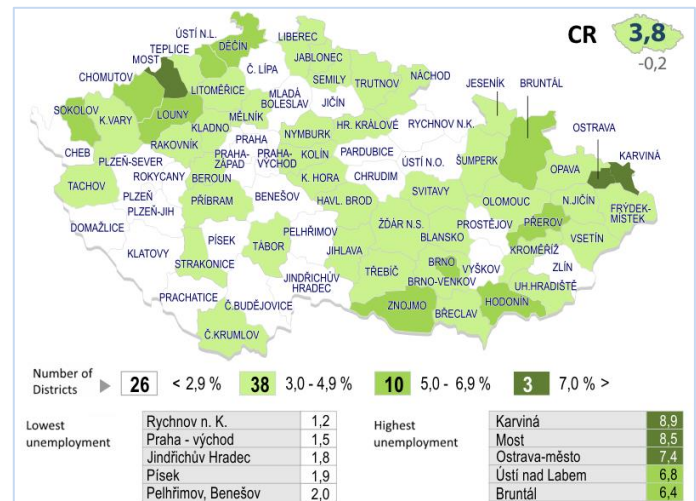
Graph 6: Unemployment, 2015- 2017 (in %)



Map 1: Regions, Unemployment, 2017, September (in %)



Map 2: Districts, Unemployment, 2017, September (in %)



Unemployment¹⁰ in the CR¹¹ has gone down and is currently at its lowest level since May 1998. According to the latest figures from the LO¹², 3.8% of the potential workforce was jobless in May, down by 0.2 p.p.¹³ on the previous months. Meanwhile, the number of vacancies has been gradually increasing and currently stands at over 206,000.

AGRICULTURE & ENVIRONMENT

UP TO 50% OF SELLING PRICE OF BUTTER GOES TO RETAILERS – JURECKA – 5.10.

Retailers are responsible for the high price of butter to a considerable extent as up to a half of its selling price goes to them, Agriculture Minister Marian Jurecka said today. The growth is linked to the global market situation where demand is rising and supply is limited, Jurecka told CTK at the opening of the fruit and vegetable trade show Flora Olomouc. The Confederation of Commerce and Tourism (SOCR) claims margins of retail chains on butter are not high and that they should not be blamed for the price hike.

Jurecka said farmers now sell a litre of milk for some CZK8.4, the same price as in 2004, when butter sold for CZK25 (250 g). Based on an analysis of the selling price of butter (250 g), the ministry found out that farmers get about 17 to 20% of the price, food producers some 25 to 30% and the rest goes to retailers.

In August, dairies were selling butter for CZK35 on average, and its price in shops ranged between CZK50 and CZK70, said Jurecka.

Czech milk production had been rising in the past three years, and the country is self-sufficient in milk.

SOCR head Marta Novakova said retailers should not be blamed for high butter prices. The confederation asked large retail chains, which are its members, to provide it with data on butter margins, which showed that margins range between 8 and 20%, the average at 14%, Novakova told CTK. The butter price hike is a swing that is influenced by demand and supply and by global developments, she said.

¹⁰ **Unemployment rate:** indicator of registered unemployment, the share of unemployed persons, which represents the share of all unemployed job applicants under the Employment Act no. 435/2004 24, who can immediately take up a job, in the age group 15-64 from all residents of the same age, as percentage, **data are issued by the MLSA (LO) based on registered unemployed persons.**

¹¹ **CR:** the CR

¹² **LO:** Labour Office

¹³ **P. p.:** percentage point

CTK CHERRY TOMATO GREENHOUSES BOOMING IN CR – 6.10.

The growing of cherry tomatoes in greenhouses is experiencing boom in the CR, with new modern greenhouses covering 20 hectares and the demand for cherry tomatoes growing notably both at home and abroad, Jaroslav Zeman, the head of the Czech Vegetable Growers Association, has told CTK.

About 10-12 hectares of new tomato greenhouses will be put into operation this year, and further projects are being planned for the near future, Zeman said.

Agricultural cooperative Zemedelske druzstvo in Hanovice near Olomouc, for instance, has invested more than CZK150m in building tomato greenhouses. According to its chairman, domestic production of tomatoes lags behind consumption markedly.

"About 100,000 tonnes of tomatoes are imported to the CR annually, while the CR produces only about 6,000 tonnes," he said.

The price of cherry tomatoes in shops ranges between CZK150 and CZK250 per kilo.

Investments in greenhouses may reduce the CR's dependence on tomato imports.

According to data from the Czech Statistical Office (CSU), tomatoes worth CZK2.776bn were imported to the CR last year, while Czech exports amounted to less than CZK370m.

Tomatoes are imported mainly from the Netherlands, Spain, Morocco, Germany and Slovakia.

Export and import of fresh, cooled tomatoes in 2005-2017 (in CZK bn)

Year	Imports	Exports
2005	1.684	0.152
2006	1.943	0.226
2007	2.224	0.311
2008	2.154	0.330
2009	2.130	0.287
2010	2.530	0.413
2011	2.098	0.343
2012	2.323	0.327
2013	2.347	0.286
2014	2.479	0.284
2015	2.683	0.293
2016	2.776	0.368
2017 *	1.980	0.242

CTK CR'S BUTTER PRICE IS LOWER THAN AT BEGINNING OF 1990s – ANALYST – 8.10.

Price of butter in the CR is currently lower than it was at the beginning of the 1990s considering the average wage, while it is higher than in 2013, for example, Quant fund economist Ales Michl told CTK referring to data of the Czech Statistical Office (CSU).

The CR's butter consumption has been growing in the long term, according to CSU.

In 2015, butter consumption was 5.5 kilogramme per capita, annually nearly 8% more. In 2007, the average Czech ate 4.2 kg of butter.

With the 1989 average wage people could buy 371 250-gramme butter sticks, while it was 189 in 1991, and 698 in 2013. Nowadays, people can afford 489 butter sticks.

In 1989, the average wage was CZK3,170 and a stick of butter cost CZK10, whereas the current average wage is CZK29,346 and butter costs about CZK60 per stick.

The increasing butter price is impacted by the combination of the global market's higher demand and a lack of material necessary for its production, according to the Czech Agriculture Minister Marian Jurecka.

After the end of the EU milk quotas regime, there was a milk crisis as its production fell in the EU, Australia and New Zealand, which are the world's main producers. Moreover, China's demand for butter and dairy products has increased this year.

Retailers are partially responsible for the high price of butter as up to a half of its selling price goes to them, Jurecka said.

The ministry found out that farmers get about 17 to 24% of the price, food producers some 30 to 32%, and the rest goes to retailers. The share going to retailers amounts to 37 to 43% excluding value-added tax, the ministry said.

Retailers said they are not to blame for expensive butter.

The Confederation of Commerce and Tourism (SOCR) asked large retail chains, which are its members, to provide it with data on butter margins, which showed that margins range between 8 and 20%, the average at 14%, SOCR head Marta Novakova has told CTK earlier.

The CR's milk production dropped by 1.8% to 1.495bn litres in the first six months of this year, with farmers from the Vysocina, South Moravia, Olomouc and Moravia-Silesia regions being the only ones to increase output.

INDUSTRY & TRADE & ENERGY & FDI

CTA THE HYUNDAI PLANT IN NOŠOVICE PRODUCED 79,000 CARS IN 3Q – 5.10.

The Hyundai Motor Manufacturing Czech plant in Nošovice produced 79,000 cars in 3Q 2017. Since the beginning of the year, it is 267,800 cars. The approved plan for the year 2017 expects production of 350,000 vehicles. The model, of which the highest number of cars was produced in this quarter, was Hyundai Tucson (156,400 cars; 66% of the volume of production). Hyundai i30 of the third generation followed with a total of 59,250 cars (22%). Cars from the HMMC plant were exported to 64 countries. In the first nine months, the greatest demand came from the Great Britain (nearly 35,000 cars), Germany (more than 31,500 cars), Italy (24,250) and Spain (24,140).

CTA ŠKODA AUTO REGISTERS 1,500 ORDERS OF CNG CARS – 5.10.

Carmaker ŠKODA AUTO has registered more than 1,500 orders of ŠKODA OCTAVIA G-TEC and ŠKODA CITIGO G-TEC models, running on compressed natural gas (CNG), in 2017. The carmaker's PR manager, Vítězslav Pelc, has told ČIANEWS that ŠKODA OCTAVIA G-TEC is the best-selling new alternative fuel vehicle in the CR. Used CNG car sales in the

ŠKODA Plus program grew by 350% in 8M 2017 to 310 Octavia CNG vehicles.

CTK CR IS AND WILL REMAIN HOME OF SKODA AUTO – MAIER – 5.10.

The CR is and will remain the home of car maker Skoda Auto, and Skoda's Czech production plants are and will stay most important, Skoda board chairman Maier said in a letter to employees made available to CTK.

Maier thus neither confirmed nor refuted the speculations that part of Skoda's production will be moved to Germany. According to Maier, the company is reaching the limits of its capacity. The company relies on the high engagement and flexibility of all its employees and on cooperation with its trade unions.

However, the demand is so high that it is necessary to examine the possibilities of further extension of capacities. In this regard, the unique production union of the Volkswagen group is very beneficial. The intention is to cover production peaks only, Maier said.

According to information from the Reuters news agency, Volkswagen managers and trade unions want to move some of Skoda's production to Germany and to make Skoda pay more for shared technology in an effort to curb the competition that Skoda poses for the key VW brand.

According to Skoda Auto unions leader Jaroslav Povsik, Volkswagen is trying to solve its current crisis by the transfer of Skoda's production.

"VW Passat is not doing well, but they (VW) see that the (Skoda) Superb is selling well and they would like to take it there," Povsik said.

If some of Skoda's production is moved to Germany, about 2,000 jobs might cease to exist, according to Povsik.

However, according to economists polled by CTK, the potential transfer of some of Skoda's production should not lead to a reduction of staff numbers at Skoda because the company is struggling with a lack of capacities in the CR. Over the past three years, Skoda Auto's operating profit more than doubled to EUR1.2bn (CZK31bn) in 2016. Its profit margin thus reached 8.7%, which is the second highest level inside the VW group after Porsche. The profit margin of the VW brand, on the other hand, fell to 1.8% as a result of a decrease in operating profit.

CEZ INVEST WILL AGAIN SUPPORT STARTUPS IN THE CZECHSTARTER PROJECT – 5.10.

CzechInvest agency for support for enterprising and investments will accept applications to the next call of the CzechStarter project from November 2 to November 16, 2017. The project enables startups to receive experience from the business environment from selected mentors. The most successful ones will have the opportunity of attending a two-week stay in the Silicon Valley after seven months. Director of CzechInvest startup department Markéta Havlová said that the payment of mentoring costs reaches 85%, the costs

¹⁴ **CoP**: constant prices are used to measure the true growth of a series, i.e. adjusting for the effects of price inflation.

¹⁵ **SA**: seasonally adjusted, Seasonal adjustment is a statistical method for removing the seasonal component of a time series that exhibits a seasonal pattern, which allows to analyse the trend of a time series independently of the seasonal components.

¹⁶ **M-o-m**: month on month

related to the journey and the stay in Silicon Valley up to 100% and one startup may reach support of more than CZK 700,000 in total.

GOVERNMENT TO DISCUSS A CHANGE IN THE SYSTEM OF INVESTMENT INCENTIVES – 5.10.

On October 11, 2017, the government of PM Bohuslav Sobotka (ČSSD) will discuss a change in the system of investment incentives. The agenda also includes the budget of the State Fund of Transport Infrastructure for the year 2018 and the medium-term outlook on the years 2019 and 2020.

ČEZ'S ELECTROMOBILITY DIVISION TO RAISE NO. OF RECHARGING STATIONS TO 130 – 6.10.

Utility ČEZ's Electromobility division plans to expand the network of recharging stations for electric vehicles to more than 130 by 2018. The group currently operates 80 stations. For home recharging, ČEZ offers Wallboxes, cables and sockets, as well as the C27d and D27d advantageous night rates for recharging. Readied new features include one-off payments for recharging on the road and an electricity product with free EV recharging in stations.

VW CURRENTLY NOT PLANNING ANY CHANGES TO SKODA AUTO - VW SPOKESMAN – 6.10.

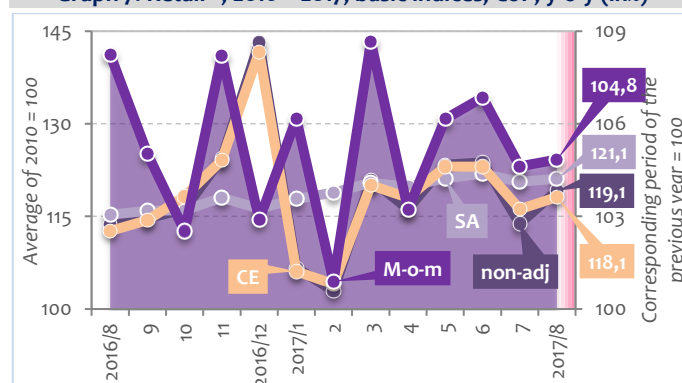
German car concern Volkswagen (VW) is not planning any changes to Czech brand Skoda Auto at the moment, VW spokesman told CTK commenting on the information about moving part of Skoda Auto's production to Germany.

According to information from the Reuters news agency, VW managers and trade unions want to move some of Skoda's production to Germany and to make Skoda pay more for shared technology.

RETAIL TRADE – 6.10.

In August 2017, CoP¹⁴ SA¹⁵ sales in retail trade at constant prices increased by 0.4%, m-o-m¹⁶. CE¹⁷ sales increased by 4.8%, y-o-y¹⁸, the same as non-adj¹⁹.

Graph 7: Retail²⁰, 2016 – 2017, basic indices, CoP, y-o-y (in%)



¹⁷ **CE**: adjusted for calendar effects, the pre-adjustment for calendar effects involves removing from the time series calendar effects such as working days/trading days effect, leap year effect and moving holidays effects.

¹⁸ **Y-o-y**: year on year

¹⁹ **Non-adj**: non-adjusted

²⁰ *except of motor vehicles and motorcycles*

EXTERNAL TRADE – 6. 10.

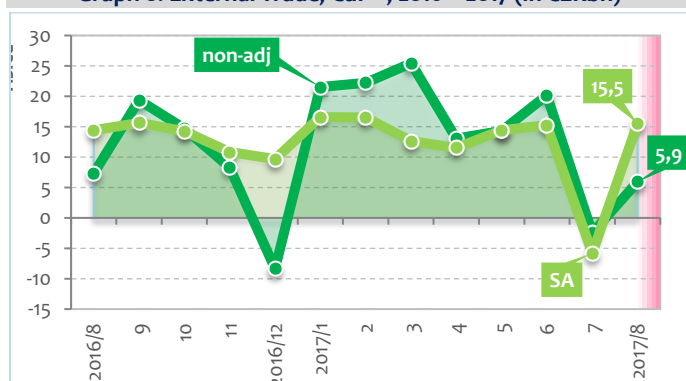
According to preliminary data, in August 2017 the external trade balance in goods ended in a surplus of CZK5.9bn²¹, which was by CZK1.4bn lower y-o-y.

The total NC²² trade balance was unfavourably influenced mainly by a larger deficit of balance in 'crude petroleum and natural gas' and 'basic metals' by CZK3.4bn and CZK2.4bn, respectively, y-o-y. Surplus of balance in 'motor vehicles, trailers and semitrailers' went down by CZK1.1bn due to higher imports, y-o-y.

A decrease in deficit in 'computer, electronic and optical products' by CZK3.0bn brought the main positive effect on the total trade balance and deficit in 'coke and refined petroleum products' shrank by CZK2.4bn.

In August 2017 the trade balance with the EU28²³ Member States ended in a surplus of CZK45.9bn, and thus it was by CZK2.0bn higher, y-o-y. The trade deficit with the non-EU countries widened by CZK3.8bn to reach the amount of CZK 38.8 bn. Compared to July 2017 the NC SA exports and imports rose by 12.7% and 4.5% respectively. The development trend shows decreasing exports (▲0.1%) and increasing imports (+1.1%). Compared to the same month of 2016, exports and imports rose by 4.0% (to CZK273.1bn) and by 4.7% (to CZK267.2bn), respectively. In the period from January to August 2017 the NC trade balance surplus reached CZK120.1bn which represented a decrease by ▲CZK9.5bn, y-o-y. From the beginning of the year exports and imports went up by 6.4% and 7.3%, respectively, y-o-y.

Graph 8: External Trade, CuP²⁴, 2016 – 2017 (in CZKbn)



INDUSTRY – 9. 10.

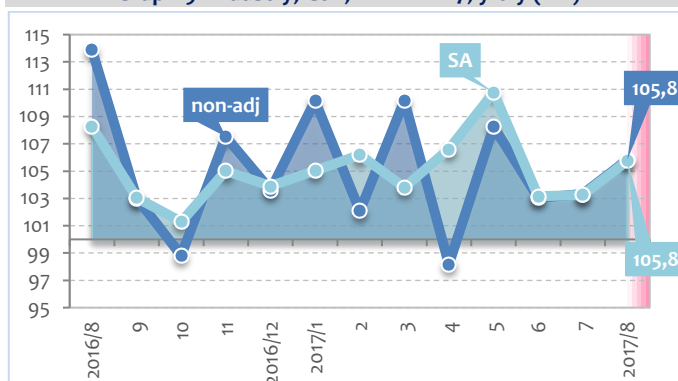
In August 2017, SA industrial production increased at constant prices by 5.8%y-o-y and by 14.3%, m-o-m. The value of new orders increased by 4.9%, y-o-y.

The following contributed the most to the y-o-y increase of industrial production: electricity, gas, steam and air conditioning supply (+1.3 p.p., +14.1%), manufacture of motor vehicles, trailers and semi-trailers (+1.1 p.p., +5.2%), manufacture of fabricated metal products (+0.6 p.p., +6.4%). Industrial production decreased in repair and installation of machinery and equipment (▲0.4 p.p., ▲10.7%), manufacture of other transport equipment (▲0.2 p.p., ▲10.6%), and mining and quarrying (▲0.1 p.p., ▲3.2%).

²¹ bn: bn

²² National Concept: 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.

Graph 9: Industry, CoP, 2016 – 2017, y-o-y (in%)



CZECH EXPORTS TO GROW TO AROUND CZK4,000BN THIS

YEAR – MINISTRY – 9.10.

Czech exports have been growing for seven years in a row and are expected to reach around CZK4,000bn this year, Deputy Industry and Trade Minister Vladimír Bartl said at the International Engineering Fair (MSV) in Brno today.

Exports to EU countries are flourishing and demand from former Soviet Union countries, from Asian countries as well as from Canada is reviving, Bartl said.

In the first half of this year, the falling trend in exports to Russia was reverted. While between 2014-2016 exports to Russia fell by CZK37.8bn, which means by a third, in January-July this year they rose by 15% year on year.

The Industry and Trade Ministry is trying to diversify exports with the help of state-run export insurer EGAP.

"Last year we helped exporters to enter 39 countries, compared with 42 in the previous year. This year we have succeeded in entering more than 30 countries and I expect the figures at the end of the year to be similar as in previous years. We have managed to enter relatively new countries such as Papua-New Guinea, Columbia, Bolivia and Laos," EGAP head Jan Procházka said.

Support of exports to countries outside the EU is part of long-term strategy. "In the past two years we have launched foreign offices in Iran, Peru and Singapore, among others, and opened further offices in Bangalore, India, and Lagos, Nigeria," Bartl said.

"We would also like to open offices in Seoul, South Korea, and Munich, Germany, in the near future. By trading with the strong German partners Czech exporters gain precious experience and contacts to non-EU markets. A notable part of our exports to Germany goes to countries outside the EU," Bartl said.

CZECH PARLIAMENT TO DEBATE LITHIUM MINING NEXT WEEK –

9.10.

The Chamber of Deputies, the lower house of Czech parliament, will debate lithium mining at an extraordinary session on Monday afternoon, its chairman Jan Hamáček (Social Democrats, CSSD) said today, while the Senate, the upper house, is to deal with the case on Wednesday.

²³ EU28: 28 member states of the EU, which are party to the founding treaties of the union and thereby subject to the privileges and obligations of membership

²⁴ CuP: current (or "nominal") prices for each year are in the value of the currency for that particular year, are influenced by the effect of price inflation.

The Chamber session was initiated by a group of the opposition Communist (KSCM) MPs.

The Senior government Social Democrats want to debate the lithium mining case at the Wednesday session of the Senate, CSSD acting chairman Milan Chovanec said today.

He said in a statement he would not like to wait for convoking an extraordinary session of the lower house, which the Communists along with the government ANO movement demanded.

"We will refute all mendacious accusations by ANO. The public will thereby be able to learn who the real culprit is," Chovanec said, commenting on the agenda of the Wednesday debate in the Senate.

The Senate is likely to deal with the lithium mining case in early evening hours on Wednesday, within its regular session, for which the opposition Civic Democrats (ODS) have asked. Prime Minister Bohuslav Sobotka (CSSD) is also to attend the debate on lithium mining in the Senate, Stech added.

Industry and Trade Minister Jiri Havlicek (CSSD) signed a memorandum of understanding with the Australian firm European Metals Holdings (EMH) last Monday.

ANO chairman Andrej Babis criticised him for this.

The Industry and Trade Ministry caused no problems with lithium, according to the CSSD.

"It (Industry Ministry) is just removing the damage committed by Environment Minister for ANO Richard Brabec," Chovanec said, backing up Havlicek.

Havlicek dismissed at the weekend that the document would mean a threat to the CR in case of possible international disputes about investment protection. The memorandum is not binding and no obligations or commitments of the CR ensue from it, Havlicek said.

On the other hand, Babis and some Communists are of the view that the CR faces an international arbitration on the basis of the memorandum.

A state company should provide lithium mining, Babis said.

By accusing the CSSD and Havlicek, Babis is just attempting to create an artificial affair to cover up his own problems, Chovanec said.

He also cited Babis's letter on the planned memorandum, in which the minister said the agreement was one of the right steps opening space to cooperation in lithium ore mining and treatment of this raw material and to the placement of processing and final production capacities in the CR.

"The ANO movement is spreading a lot of lies and half-truths around lithium mining and this is why we consider it important to debate the whole affair in parliament," Chovanec said.

"While Brabec' ministry, headed by ANO, was sweeping the path to mining for an Australian firm silently, Havlicek is trying to save as much as possible for the CR," Sobotka tweeted.

According to estimates, the CR has around 3% of all global lithium reserves, most of them in Cinovec, north Bohemia, and a small deposit is in the Slavkovsky les protected landscape area, west Bohemia. The Czech Geomet firm, owned by the EMH, plans underground lithium mining. The company wants to open an old tin mine for the purpose.

ŠKODA AUTO ESTIMATES REGISTRATIONS IN CR WILL GROW

TO UP TO 90,000 – 10.10.

Carmaker ŠKODA AUTO predicts that vehicle registrations in the CR will grow 7-9% to 88,000-90,000 in the full year of 2017. The brand predicts that its market share will be stable at over 33%.

In 9M 2017, ŠKODA AUTO saw registrations grow 4.2% to 63,664. Registrations in September alone totalled 6,813. The best-selling models were OCTAVIA (20,484), FABIA (16,495) and RAPID (8,900).

SKODA AUTO SELLS 112,900 CARS IN SEPT, ITS BEST MONTHLY RESULT – 10.10.

Skoda Auto, the largest Czech car manufacturer, supplied 112,900 cars to customers in September, which was 5.4% more y-o-y and the best monthly result in its history, Skoda Auto said in a press release today.

SUV Kodiaq boosted the company's sales and Octavia remained the best-selling model, the company said.

Sales in Western Europe added nearly 6% (48,500 cars). In Eastern Europe and in Russia, sales grew by tens of percent (10,200 units including Russian market).

Conversely, sales went down modestly in China, Skoda's largest market, the car maker said.

Skoda Auto said it expected the Chinese market to fall, attributing the drop to the Octavia and Rapid models' facelift. Chinese supplies reached 30,600 units, down from 32,000 cars supplied last September. Skoda envisages that sales in China will return to normal towards the end of the year.

Skoda sold more than 37,000 Octavias in September, an annual drop of 8.5%. Fabias and Rapids, too, saw a modest decline to 19,000 units each, while supplies of the Superb model grew to nearly 14,000 units. Citigo, sold only in Europe, reported 3,900 units, nearly 15% fewer y-o-y. Kodiaq was doing well, its sales in September exceeding 13,000 units.

The large SUV Skoda Kodiaq, which was successfully released into the market in February this year, is a real driving force and a significant pillar of the positive development of the company's car sales, said Alain Favey, Skoda Auto board member in charge of sales and marketing.

Skoda believes the new model Karoq, whose sale begins in some countries in October, will enhance the company's sales. Sales in Central Europe added more than 8% to 16,400 units.

Domestic sales were more than 11% higher at 7,800 units.

Skoda Auto sold 1,600 cars in India in September, an annual hike of 37%.

Skoda Auto, a part of German concern Volkswagen, runs three factories in the CR, employing about 30,000 people. It also makes cars in China, Russia, Slovakia and India, mostly by means of partnerships, and in Ukraine and Kazakhstan, in cooperation with local partners.

Skoda Auto supplied 1,127,700 cars to customers last year, exceeding the level of onemn cars for the third year in a row.

SKODA TO PRODUCE ELECTRIC CAR BATTERIES UNDER

CONTRACT WITH VW – 10.10.

Czech car maker Skoda Auto has gained a contract from its parent group Volkswagen to produce batteries for electric

cars at its plant in Mlada Boleslav, daily Mlada fronta Dnes writes in its regional supplement for Central Bohemia today. It is a fundamental product of the future, thanks to which new jobs will be created. Neither their number nor the total scope of the contract is known as yet, but the extent of the production is expected to cover at least the production of Skoda electric cars, the paper writes.

"This is a very important topic because the share of diesel engine sales is falling and nobody seems to be able to reverse this trend. We therefore need new products to have a future," Skoda Auto trade unions leader Jaroslav Povsik told the daily.

According to Skoda Auto unions, employees regard the contract as a certainty for the future.

Individual plants owned by Volkswagen compete for contracts, and the group wants to concentrate the production of component parts for electric cars mainly in Germany. The group, including Skoda, plans to replace part of current car production by electric cars. Trade unions, however, fear that this will bring a decrease in the production of standard engines and gear boxes and will lead to a reduction of jobs.

According to the paper, Skoda plans to produce its current models Superb and Kodiaq with electric engines, and later it intends to launch an entirely new car.

On Wednesday, the government and representatives of the car industry are to sign a memorandum on cooperation in further development of the sector, particularly in the development of electric and autonomous cars and in production digitisation.

CTK CZECH TRADE WITH RUSSIA RISING MODESTLY AFTER YEARS OF SLOWDOWN – 10.10.

Czech trade with Russia is growing slightly after years of slowdown and sanctions, and in the first seven months of this year, Czech exports rose by 15% y-o-y to CZK46.5bn, with imports from Russia growing faster, by 54% to CZK70.7bn, the Industry and Trade Ministry said.

Russia makes up 1.8% of total Czech exports.

"On the Russian market, there is a big potential for export of Czech products and services also in the future," Industry and Trade Ministry spokesman Frantisek Kotrba told CTK at the International Engineering Fair (MSV) in Brno.

In previous years, Czech exports were in decline because of the EU's sanctions against Russia.

In 2014, Czech exports amounted to CZK113bn, while last year it was CZK75bn.

Some companies, for instance, Brno-based engineering group Alta saw a drop in its Russian sales.

In many respects, the Russian market is of key importance for Czech companies, said Confederation of Industry president Jaroslav Hanak.

Some Czech companies were acting or are acting as general contractors in Russia, a role they mostly failed to play in other countries, said Hanak.

"In connection with the sanctions, we had stressed in the past that our companies were not willing to leave the Russian market, and so they started seeking ways how they could stay there," said Hanak.

Firms have overcome their initial problems and now they know how to orient themselves in the regime of sanctions. They have more information about what they can or cannot export, and some of them even moved their operations to Russia in spite of the fact that they had to raise their costs, Hanak said.

CTK CR'S EXPORTS TO FRANCE EXCEED CZK100BN IN H1 – 10.10.

Czech exports to France exceeded CZK100bn in the first half of this year, growing by 6.2% annually, and imports increased by 9.3% to over CZK70bn, representatives of the French-Czech Chamber of Commerce told CTK at the International Engineering Fair (MSV) in Brno today.

Czech exports to France include engineering equipment, electronics, Czech cars and vehicles of French brands made in the CR, with said items accounting for 70% of the total volume.

The Czech export volume to France has tripled since the CR entered the EU in 2004, with imports from the country increasing 1.6-fold.

Last year, trade between the two countries exceeded EUR10bn (CZK270bn).

The CR is France's second most important trading partner among the new member states, the French-Czech Chamber of Commerce sales manager and deputy head Michal Macko said.

In a long term, France is the CR's fifth most significant trading partner, and its fifth largest investor, Macko stated.

The total value of French investment in the country is estimated at CZK165bn, with the volume growing by 9.5% over the past year, Macko said.

Annual turnover of 500 French companies operating in the CR exceeds CZK350bn, he added.

Important investment projects of the past few years include Valeo research and development centre, employing 600 engineers developing and testing self-driving car parts. Toyota Peugeot Citroen Automobile employs 2,700 people, and Faurecia technology supplier has seven production plants and 4,500 employees in the CR. Saint Gobain Sekurit has invested in a new windscreen production line.

Export and import articles include appliances, machinery and metal products. France has a surplus of balance with pharmaceutical and cosmetic products.

The number of French companies interested in the Czech market keeps increasing. There are about 20 of them attending the MSV fair.

CTK CR'S TRADE WITH ITALY TO BE PROBABLY RECORD AGAIN THIS YEAR – 10.10.

Czech trade with Italy will probably reach a record value this year, the same as last year, and will exceed EUR12bn (CZK310bn), Italian-Czech Chamber of Commerce and Industry secretary general Matteo Mariani said at the International Engineering Fair (MSV) in Brno today.

In the first eight months of this year, trade turnover between the two countries increased by 5.3% year on year to EUR8.18bn (CZK211bn).

Czech companies have exported goods for EUR4.3bn to Italy thus far this year, 3.6% more than a year earlier.

Imports of Italian companies to the CR are worth EUR3.88bn thus far this year, up 7.2% y-o-y.

Italian companies export to the CR machinery and transport equipment. Sales of consumer goods have grown notably as well, for example furniture, clothing and footwear. Wine prevails in the food sector.

Machinery and transport equipment dominate also Czech exports to Italy. Exports of chemicals and raw materials to Italy went up significantly as well. Sales of tobacco products and equipment for scientific and research purposes have increased sharply.

Mariani estimates this year's value of trade between the two countries at EUR12.5bn against last year's EUR11.8bn.

More than 1,000 Italian companies are active in the CR, Mariani said.

CTK CHINESE GROUP CEFC BUYS 49.99 PCT IN CANARIA TRAVEL – 10.10.

China's CEFC²⁵ Group (Europe) Company has acquired 49.99% in tour operator Canaria Travel, CEFC announced to CTK today, adding that nothing will change on Canaria Travel management.

CEFC has bought the stake from Unimex Group and EH Group. The majority stake will further be controlled by entrepreneur Lenka Vikova via TO - Servis company.

CEFC also holds a minority stake in air carrier Travel Service controlled by Unimex group.

Canaria Travel's sales reached CZK487m last year.

Canaria Travel shareholders will now together take care of its further development, according to the press release.

The acquisition of the stake in the tour operator specialising in the Canary Islands will allow CEFC to strengthen its activities in tourism and raise the offer for clients of the group's companies.

"CEFC sees the entry in Canaria Travel as another opportunity for the development of its tourism division which ranks among the main activities in the group's business in Europe," said CEFC Group (Europe) Company executive vice-president Marcela Hrda.

The acquisition follows CEFC's activities in air travel and fits in its plans for creating an offer of travels around interesting destinations for tourists from China.

The group's key events in tourism were a capital investment in Travel Service, investment in Invia Group, active in seven countries, and the purchase of five-star hotels Mandarin Oriental Prague, Le Palais Art Hotel Prague and Motel One, for example, Hrda said.

CEFC has picked the CR as the seat for its European activities, it now employs over 4,000 people in the country.

CEFC has implemented investments worth CZK36bn in the CR thus far and the value of the investments which are being completed is CZK17bn.

Besides the stake in Travel Service, the group made a capital investment in J&T Finance Group, it also controls Pivovary

²⁵ CEFC: China CEFC Energy Company Limited, through its subsidiaries, engages in trading of oil, petrochemical products, and oil storage. The company is based in Shanghai, China. CEFC China has picked the CR as the main seat for its European activities. Since September 2015, it has bought into Czech beer maker Pivovary Lobkowicz Group (PLG), J&T Finance Group, engineering company Zdas, air carrier

Lobkowicz Group brewery and is the majority owner of football club Slavia.

Travel Service is a unit of Unimex Group, owned by entrepreneurs Jiri Simane and Jaromir Smejkal.

The company, which has been operating on the market since 1997, is the leader in charter transport in the CR, Slovakia, Hungary and Poland. The company will take control of a majority stake in Czech Airlines (CSA).

CTK CZECH FIRMS LIKE TO INVEST IN RUSSIAN SPEAKING STATES, BALKANS – 10.10.

Czech companies invest the most frequently in Russian-speaking countries, the Balkans and Turkey but few investments target Africa and South America thus far, according to information released by state-owned insurer EGAP at the International Engineering Fair (MSV) in Brno today.

The low investment volume of Czech firms in Africa and South America is linked with lower exports to these territories.

"When I put it a lot simpler, the willingness of Czech companies to invest falls with the growing distance from the CR," said EGAP's CEO Jan Prochazka.

Many Czech investments in Eastern Asia have been successful but Czechs started in this area also projects which failed, in particular due to the insufficient adaptation to the complicated local conditions and relations, said EGAP's representatives.

The number of Czech investments abroad is increasing in general and so is the interest to insure these deals, the insurer noted.

"We have lately registered the highest interest in our investment insurance products. Investment insurance has thus replaced supplier loans at the top of the list of our products," Prochazka said.

Besides large companies investing in the energy sector or the manufacturing industry, insurance of investments of small and medium-sized companies is growing as well," Prochazka remarked.

With respect to the fact that most investors do not finance their foreign investments solely from own resources, EGAP supports also financing of investments from a bank loan.

"For banks financing investment plans, we are insuring the risk of non-payment of the loan for territorial as well as commercial reasons," Prochazka said.

The basic precondition for EGAP to support an investment of a Czech company is that a company based in the CR decides to invest abroad with at least a three-year investment plan.

The investor should hold a stake in a foreign subsidiary or should set up such subsidiary.

CTK CZECH BUSINESS REPRESENTATION TO EU TO OPERATE FOR 3 MORE YRS – 10.10.

The Czech Business Representation to the EU in Brussels (CEBRE) will lobby for Czech entrepreneurs' interests for

Travel Service, online seller of trips Invia.cz, media group Medea Group, publishing house Empresa Media and television group Barrandov. CEFC also owns two five-star Prague hotels - Mandarin Oriental Prague and Le Palais Art Hotel Prague and a historic building of former Zivnobanka in Prague centre. It is also the majority owner of soccer club Slavia Praha.

three more years, as an amendment to the contract was signed by its founders at the Brno International Engineering Fair (MSV) today.

CEBRE was established 15 years ago by the Czech Industry and Trade Ministry, CzechTrade agency, Confederation of Employers' and Entrepreneurs' Associations, Confederation of Industry, and Chamber of Commerce.

CEBRE's tasks include lobbying for Czech entrepreneurs' advantage within the road package negotiations concerning future organisation of the single market in terms of posting of workers.

France's and Germany's national regulations are currently significantly complicating the international lorry transport due to minimum wage requirements and other aspects, which increases costs of Czech hauliers.

"CEBRE is a very good project which is key for our country from its entering the EU (in 2004)," the Confederation of Industry president Jaroslav Hanak said.

The CR should attempt to adopt the euro as quickly as possible, as a big share of entrepreneurs are already using it, Hanak said.

CEBRE also provides latest information from Brussels. "Mainly small and medium-sized companies appreciate our help," the Chamber of Commerce vice-president Irena Bartonova Palkova said.

Industry and Trade Minister Jiri Havlicek said that contract on CEBRE's operation is expected to be renewed every two years after 2020, provided business associations are interested and CEBRE still works according to their needs.

GOVT, PRODUCERS BACK NEW TECHNOLOGIES IN CAR INDUSTRY
- 11.10.

The government and representatives of the automotive industry today signed a memorandum aimed at facilitating development of new technologies in production of automobiles and keeping up with foreign producers, Prime Minister Bohuslav Sobotka said at today's press meeting.

The memorandum focuses on three areas, namely development of electric cars and of fully or partly autonomous vehicles and digitisation.

Securing the Czech automotive industry's future has a fundamental influence on the Czech economy and employment.

"Alternative fuels and toughening of emission limits cannot be stopped. Investments in electromobility, digitisation and autonomous vehicles are therefore a must," said Automotive Industry Association (AutoSAP) president Bohdan Wojnar.

These are global trends, other countries also invest in these areas. The CR should not stay behind in this sense, he stated. The Czech automotive industry employs 150,000 people directly but indirectly, it is creating jobs for some 400,000 people. Car production is at the same time an important export sector, it makes up a quarter of the total domestic exports and creates 9% of GDP, Sobotka declared.

Among the concrete measures to which the government and representatives of industry have pledged today is

construction of a chain of charging stations for electric cars to which the government will further financially contribute.

To make electric cars more attractive for potential buyers, there will be all kinds of advantages for these vehicles.

"Besides the mix of public support and private money for the construction of charging stations, it is also necessary to work, for example, on legislation which could contribute to the development of new technologies," Wojnar said.

A backbone network of fast charging stations is a must for changing the thinking of people who due to its absence prefer vehicles with combustion engines, he noted.

Building of a dense network of charging stations, moreover, is needed because the CR is an important transit country, Sobotka added.

The government will also try to create preconditions for domestic producers to be able to test new autonomous vehicles at training grounds directly in the CR.

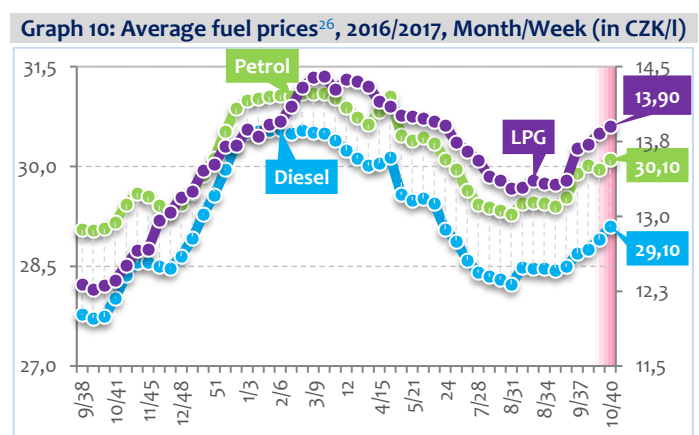
Skoda Auto board chairman Bernhard Maier welcomes the memorandum. The automotive industry is now undergoing the biggest transformation in its history, he told CTK.

In the coming five to ten years, there may be more changes than in the last 50 years.

Framework conditions have to be created for the new challenges with which the automotive industry is grappling, Maier remarked. He considers the memorandum an important pillar which will enable keeping of the jobs in the CR. Czech car manufacturers are currently reaching record-high production volumes. However, it is necessary that they do not lag behind in technological development and that they lay foundations for future prosperity, Wojnar remarked. Sales of domestic car makers and car parts suppliers increased by 12% to a record CZK1,020bn last year. Exports grew by 11% to CZK865bn.

The share of car exports in total sales has risen by 6 percentage points since the year 2009 to the current almost 85%. Every 23 seconds, one car is produced in the CR. A record 1.34mn cars were produced in the country last year.

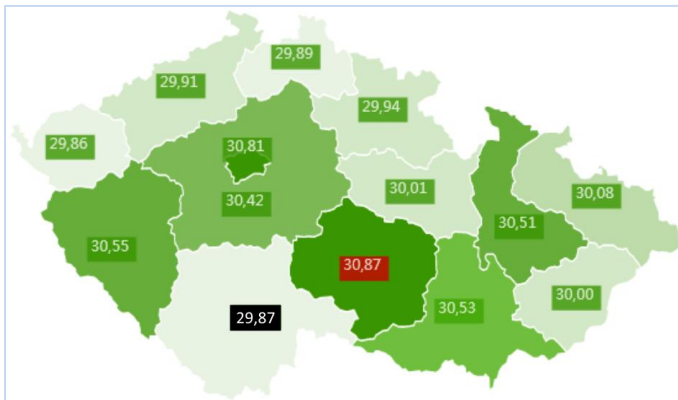
TRANSPORT & CONSTRUCTION
FUEL PRICES – 6. 10.



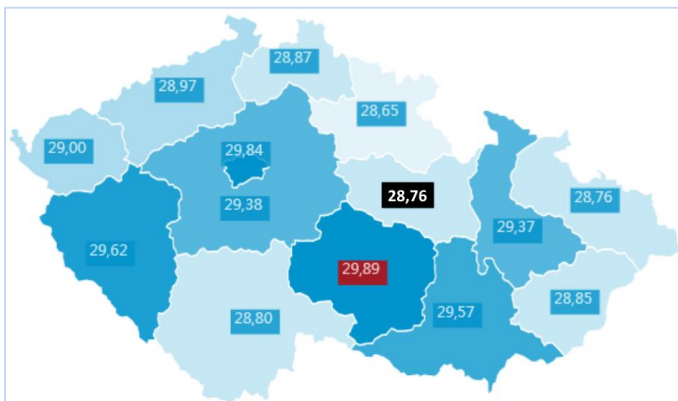
²⁶ Consumer price indices calculated from the weekly price survey are not qualitatively adjusted and thus do not express the net price development applied at inflation measurement, data issued by the CSO

Natural 95 decreased by ▲5h²⁷ to CZK²⁸30.10/l²⁹ over the past week. Diesel oil increased by ▲20h to CZK29.10/l.

Map 3: Regions, fuel prices, Petrol, 6. 10. 2017³⁰ (in CZK/l)



Map 4: Regions, fuel prices, Diesel, 6. 10. 2017 (in CZK/l)



TRAVEL SERVICE WILL BECOME MAJORITY SHAREHOLDER IN ČSA – 9.10.

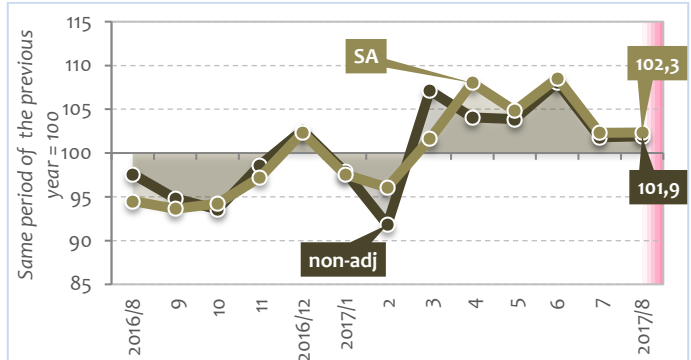
Travel Service has agreed with current shareholders in Czech Airlines (ČSA), Korean Air and PRISKO, on an acquisition of their stakes. Travel Service currently holds a stake of 34% in ČSA and it will become the majority shareholder with a stake of 97.74% after the transaction is settled. Travel Service would hold a stake of 78.74% in the company if the state represented by PRISKO withdrew from the deal.

The transaction will likely be closed three months after the transaction receives regulatory permits in several countries. According to Jiří Šimáně, the chairman of the board of directors of the company, the goal is to build a strong airline running a fleet of 70 - 80 airplanes. Travel Service and its subsidiaries recorded consolidated revenues totalling nearly CZK 17.1bn in 2016.

CONSTRUCTION – 9. 10.

In August 2017 the SA construction output increased by 1.9% y-o-y, in real terms. The planning and building control authorities granted by 4.7% more building permits, y-o-y, and the approximate value of permitted constructions soared by 40.3%, y-o-y. The number of started dwellings jumped up by 29.1%, y-o-y, and the number of completed dwellings grew by 29.6%, y-o-y.

Graph 11: Construction, basic indices, 2016 – 2017, y-o-y (in%)



SURVEYS & STUDIES & RATINGS

43% OF FIRMS PLAN TO INVEST INTO TECHNOLOGIES – 5.10.

Totally 43% of Czech entrepreneurs predict that investments into machinery and technologies will grow in 2018. The survey by the Czech Chamber of Commerce indicates that 82% of companies raised their employees' wages in 2017, most frequently by 5%. One in six companies reported salary hike of over 7%. Most companies plan to raise wages for a third of workers by more than 5% in 2018. 65% of companies reported an increase in regulatory burden in 2017.

CZECH TRUSTING STROPNICKY, OKAMURA MORE THAN BABIS – POLL – 5.10.

Czechs tend to trust more Defence Minister Martin Stropnický (ANO) and leader of the populist Freedom and Direct Democracy (SPD) Tomio Okamura than ANO leader Andrej Babiš, according to a poll conducted by the CVVM institute and released today.

Babiš was leading in previous polls, but trust in him fell from 59% in January 2015 down to the current 37%.

This September, Stropnický became the most trustworthy politician. He was also the only out of the 26 watched politicians to be trusted more than distrusted.

Some 43% of Czechs said they trusted Stropnický, while distrust in him was expressed by 41%.

Okamura is trusted by 39% and distrusted by 49% of Czechs. Trust in Babiš has reached 37% and distrust 56%.

No other politician is trusted by more than 30%.

When it comes to Social Democrat election leader Lubomír Zaorálek, he was right behind Babiš. He was trusted by 26% and distrusted by 56%.

The CVVM said the trust in Babiš was persistently above 50% between 2014 and 2015.

However, since the beginning of 2015, it started falling, last year it dipped under 50% and this September under 40%.

This development may be due to his alleged implication in some financial scandals.

When it comes to distrust, TOP 09 leader Miroslav Kalousek has scored the highest figure of 81%, followed by Zaorálek and Babiš, both with 56%.

The poll was conducted on a sample of 970 Czechs over 15 between September 4 and 14.

²⁷ 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.

²⁸ CZK: Czech Crown, the currency of the CR since 8 February 1993

²⁹ l: litre

³⁰ data issued by the CCS Company

CIA 64% OF TOWNS AND MUNICIPALITIES DO NOT HAVE A SMART CITY STRATEGY – 5.10.

A majority of Czech towns and municipalities (64%) do not have any smart strategy yet. At the same time, for 70% of them smart city is a relevant topic for development. This is according to a survey by the Czech-German Trade and Industrial Chamber (ČNOPK). According to the survey, too, 20% of small municipalities have introduced a smart solution in some area, while in the case of towns it is 75%. For 67% of small municipalities, the topic of smart city is a new one and they have been dealing with it for less than a year.

CIA 43% OF FIRMS ARE CHANGING BUSINESS MODEL DUE TO INDUSTRY 4.0 – 6.10.

Totally 43% of companies plan to change their business model in the next three years due to the tools brought by new industrial revolution (Industry 4.0).

Almost three quarters of companies plan to invest into various instruments linked to industry and production automation and digitalisation.

This stems from a survey by Ernst & Young (EY).

76% of companies view Industry 4.0 as an opportunity for further development of business activities.

CTK CZECHS ARE SECOND BEST IN EU AT PAYING OFF DEBTS – SOLUS – 9.10.

Czechs are second best at paying off their debts in the European Union, following Germany, with the CR improving significantly over the past ten years, the Solus association told CTK today referring to Eurostat's data.

In 2007, Czech households fell behind Estonia, Denmark, the Netherlands, Luxembourg and Austria in paying off debts, Solus said.

Solus provides its members with information about clients having problems with paying off their debts.

A little over 4% of Czech households have outstanding debts, while it is nearly 8% in Slovakia and 7% in Austria, Solus head Ludek Cermak said.

It is necessary to compare economically and culturally similar countries within the chart, he added.

There are more registers providing companies with information on loan history of clients in the CR, Cermak said.

Thanks to the Solus registers telecommunication companies and other segments have access to data, markedly improving the whole picture of client payment discipline.

In a survey, not all debt defaulters admit their debt, Cermak stated. New consumer protection legislation should bring a major positive effect in the future.

MISCELLANEOUS

CIA B. SOBOTKA TO DISCUSS POSSIBLE TRANSFER OF PRODUCTION OF ŠKODA AUTO – 5.10.

Prime minister Bohuslav Sobotka (ČSSD) wants to meet representatives of the management of ŠKODA AUTO, the trade unions of the company and to discuss the information about a possible transfer of part of production from the CR to Germany. The priority of the government is to continue to develop and modernise the production capacities and production of the company in the CR. The Cabinet is

interested in all planned investments of VW and Škoda to be carried out in the CR and in production not being transferred abroad. As ČIANEWS has informed earlier, ŠKODA AUTO is considering a transfer of production of the successor of the SUPERB model to Germany. The chairperson of the Employees' Council, Jaroslav Povšik, has added to this that the trade unions want to prevent this move.

CTK CZECH NEXT CENSUS TO BE HELD MOSTLY ONLINE – 5.10.

The 2021 population census will be mainly held online and its form will be considerably shorter than in 2011, under the population census bill the Czech Statistical Office (CSU) sent for comments at the end of September, CSU spokeswoman Petra Bacova told journalists today.

Six years ago, the form was filled online by roughly one-quarter of Czechs, but this time the interest is expected to be double, Bacova said.

The CSU reckons with a maximum use of administrative data sources. It will use the data available to the civil service and it can also take them over from other institutions and authorities, Bacova said.

The population will no longer be filling in the "house form" and one half of the "flat form."

In the previous census, held in 2011, people had to fill in 47 items in the census form, but in 2021 it will be only 20.

Most population will take part in the census via the Internet, Bacova said.

"The field workers will only complete the census for the households that will not fill in the data on-line," CSU chairwoman Iva Ritschelova said.

The CSU has decided that Bacova will be the spokeswoman for the census.

The population and housing censuses have been held in 10-year intervals on the territory of the CR since 1869. The online option was introduced in 2011.

In the latest census, the CSU collected almost 17.5mn online or paper forms.

CIA M. ŠTĚCH DISCUSSED ECONOMIC COOPERATION IN ARMENIA – 6.10.

Low business exchange between the CR and Armenia offers, according to Senate chairman Milan Štěch, potential for launching stable cooperation in specific areas. According to Mr. Štěch, energy, transport, healthcare and food industries seem to have high potential. This was stated by Mr. Štěch on October 5, 2017, during his official visit to Armenia, where he has discussed stabilisation and development of mutual economic cooperation, primarily trade, as well as cooperation in science and services. Mr. Štěch has assured the Armenians that CR complies with the ban on the export of arms to neighbouring Azerbaijan.

CTK ANO LOSING BUT CLEAR WINNER, KSCM SECOND, TOP 09 MAY FAIL – POLL – 8.10.

The ANO movement of Andrej Babis is losing preferences, but it remains the clear favourite two weeks before the Czech general election with 26.5% of the vote, followed by the Communists (KSCM; 14.2 percent) and the Social Democrats (ČSSD; 12.2 percent), according to a poll by STEM and

STEM/MARK agencies that the commercial Nova TV released tonight.

The Civic Democrats (ODS) would win 8.9% and Freedom and Direct Democracy (SPD) of Tomio Okamura 8.2%, the poll showed.

The Pirates (6.1 percent) and the Christian Democrats (KDU-CSL; 5.8 percent) would also win parliamentary seats, TV Nova reported.

However, the right-wing TOP 09 (4.9 percent) may fail to cross the 5-percent threshold to enter the Chamber of Deputies, the poll indicated.

The Mayors and Independents (STAN) would gain 3.1% of the vote and the Greens 3%, Nova said.

Results of the latest STEM and STEM/MARK polls and the 2013 general election

Party	June 17 poll	Sept 17 poll for MfD	Poll for Nova	2013 election
ANO	32.9	27.7	26.5	18.65
KSCM	14.3	11.9	14.2	14.91
CSSD	13.3	11.7	12.2	20.45
ODS	9.1	7.5	8.9	7.72
SPD	4.5	9.2	8.2	-
Pirates	3.1	7.4	6.1	2.66
KDU-CSL	6.7	5.8	5.8	6.78
TOP 09	6.2	6.7	4.9	11.99
STAN	1.9	2.9	3.1	-
Greens	2.0	3.3	3	3.19

CONFEDERATION OF INDUSTRY PRAISES GOVERNMENT'S WORK – 9.10.

Confederation of Industry head Jaroslav Hanak, speaking at the Confederation's assembly in Brno today, praised the Czech government, whose mandate is to end in a few days, for support of research and development, for employment of prisoners and for the introduction of electronic registration of sales (EET).

On the other hand, Hanak criticised the government for the current situation in the transport infrastructure and for the growing number of civil servants and bureaucrats.

According to Hanak, the government was lucky that it could govern at a time of good economic situation and development. It also managed to regulate the cash-flow and to meet the planned state budgets.

Though unemployment is at record-low levels, it does not mean good news for employees in industry.

"It is a tragedy. The sectors of business, industry, transport and retails are lacking more than 200,000 employees," Hanak said.

According to Hanak, it is necessary to bring workers from abroad, for example from Ukraine, Belarus, Vietnam and Mongolia.

In reaction to this, Industry and Trade Minister Jiri Havlicek said that quotas for Ukrainian workers had already been increased.

The fact that 60% of prisoners are employed is a chance for the future, Hanak also said.

Hanak also praised the government for its support of exports. "This year we expect a fantastic record. The Czech exports

are expected to show a turnover of more than CZK4,000bn," Hanak said.

US SENATORS ACKNOWLEDGE S. LING AS AMBASSADOR TO CR – 9.10.

The US Senate has approved the appointment of Stephen B. King as ambassador to the CR. He will replace Andrew H. Schapiro.

ZEMAN QUESTIONS RUSSIA SANCTIONS IN STRASBOURG SPEECH – 10.10.

The Czech president, Miloš Zeman, has questioned the effectiveness of international sanctions against Russia over its annexation of Ukraine's Crimea region. In an address to the Council of Europe Parliamentary Assembly in Strasbourg on Tuesday, Mr. Zeman compared the sanctions to Washington's long-running embargo against Cuba, which failed to end the Castro regime.

The Czech head of state said that granting Kosovo independence was not a reasonable decision and that one standard applied to Kosovo and another to Crimea.

Mr. Zeman also told the European officials that his wife was in possession of a pistol and gun license, meaning he was not protected by his security detail alone but also by her.

DEPENDENCE ON EXPORTS IS ONE OF FEW RISKS OF CZECH ECONOMY—STUDY – 10.10.

Dependance on exports remains to be one of the few risks of the Czech economy, as it carries with itself potential vulnerability in connection with changes in the euro zone or with problems in other countries, according to a study conducted by credit insurer Atradius.

Atradius places the CR among the most politically stable countries in Central and Eastern Europe.

The forecast for the development of individual sectors of the Czech economy envisages a positive development of the car industry and transport in particular. The credit risk in these sectors remains very low, according to Atradius.

The situation with agriculture, the chemical industry, the financial sector and food processing is similar, the study has revealed.

The textile industry, construction and the production of building materials, on the other hand, show a relative high credit risk, Atradius said.

The growing Czech economy is driven mainly by stable household consumption, which grew at an average pace of 2.6% between 2014 and 2016. Atradius expects it to grow by 3.1% in 2017.

Household consumption stays in the positive figures thanks to the favourable situation on the market, low unemployment, growing wages and advantageous loan conditions, according to the study.


The state debt remains low in comparison with other countries in the region (36% of GDP), and the state budget surplus which was achieved thanks to better observation of tax regulations last year will be replaced by a slight deficit due to higher public expenditures and investments in 2017 and 2018, according to Atradius's estimates.

The CR thus should not have a problem to meet the criteria for admission to the euro zone, though such a step is still

improbable with regard to disagreements among political parties and the negative public opinion, Atradius noted.

"Despite the positive outlooks, the dependence on exports, which is one of the strongest in the entire EU, remains a potential risk for the Czech economy. Thanks to foreign investments, the CR has strong links with international structures, and losses incurred in foreign trade, for example as a result of Brexit or changes in the euro zone, might affect it adversely," Atradius head Marketa Strzinkova said.

Britain remains one of the CR's biggest trading partners, receiving more than 5% of Czech exports.

 **ZEMAN OPPOSING ANTI-RUSSIA SANCTIONS AT ODDS WITH CZECH POLICY-PM – 10.10.**

President Milos Zeman had no mandate from the cabinet for his speech in the Council of Europe (CE) and his words are at sharp variance with Czech foreign policy, PM Bohuslav Sobotka said today, in reaction to Zeman challenging the anti-Russia sanctions and accepting the annexation of Crimea. In his speech in the CE Parliamentary Assembly earlier today, Zeman said the annexation by Russia in 2014 is a fait accompli. He suggested that Ukraine seek agreement with Moscow on compensation, and he criticised the West's anti-Russian sanctions as ineffective.

"The CR advocates the observance of international law. The EU's sanctions against Russia are linked to the fulfilment of the Minsk agreements and cannot be lifted without the agreements being fulfilled," Sobotka (Social Democrats, CSSD) wrote on Twitter.

Earlier today, Foreign Minister Lubomir Zaoralek (CSSD), too, defended the preservation of the sanctions pending the Minsk agreements' fulfilment.

He said Zeman's words are not the position Prague has been promoting on international forums.

"We cannot stay indifferent to what happened with Crimea and also in Donbas. Changing state borders and violating international agreements is something we cannot keep silent on," Zaoralek said.

Zeman was also criticised by representatives of other Czech government parties.

"Today, 79 years have elapsed since the Czechoslovak borderland was occupied by the Nazi Germany. The compensation for Europe was not the desired peace, but [extermination] camps and gas," the Culture Ministry headed by Daniel Herman (Christian Democrats, KDU-CSL) has tweeted.

European Parliament Czech Deputy President Pavel Telicka (ANO) said Zeman acts beyond his powers and the government should deal with his CE speech.

"After Zeman's CE speech, I expect all state-building parties and movements to call on their voters not to support Zeman in the [Czech direct presidential] election in January," Telicka said.


Opposition TOP 09 head Miroslav Kalousek said Zeman harmed the CR's reputation abroad once again, and


opposition Civic Democrat (ODS) deputy head Martin Kupka spoke of "another foul" of President Zeman.


Tomio Okamura, who heads the minor opposition Freedom and Direct Democracy (SPD), told CTK, however, that Crimea has always been Russian and its inhabitants themselves decided on its separation from Ukraine and switch to Russia. That is why a Russian annexation of Crimea cannot be spoken about, Okamura said.

"A century ago, we did not annex Czechoslovakia either. At the time, we simply freely decided to live in a state of our own," Okamura said, referring to the establishment of Czechoslovakia as a successor to the Austro-Hungarian Empire at the end of WWI.



 News outside the time span of this News summary

 CIA News (Česká informační agentura)

 CNB (Česká národní banka)



Czech Press Agency (Česká tisková kancelář)
Czech Statistical Office (Český statistický úřad)
Ministry of Labour and Social Affairs of the CR
Radio Prague (Český rozhlas)