

NEWS SUMMARY NOVEMBER 9 – NOVEMBER 15

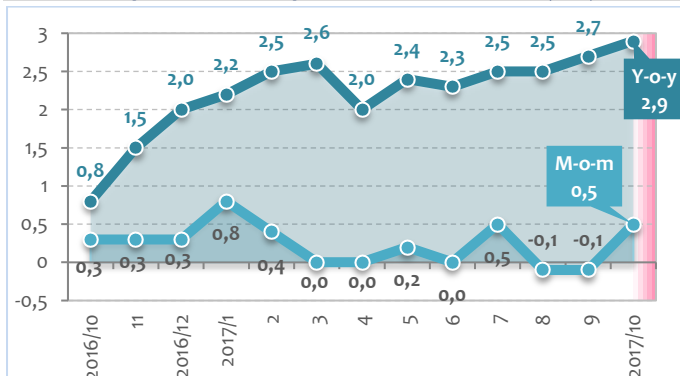
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ECONOMY & FINANCE

CONSUMER PRICE INDICES – 9. 11.

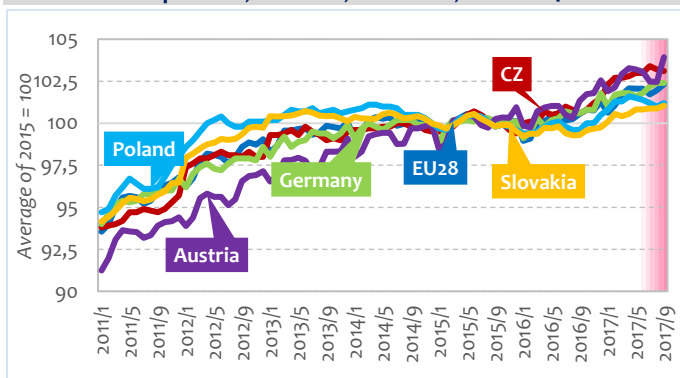
Consumer prices in October went up compared with September by 0.5%. This development was primarily due to the growth of prices in 'food and non-alcoholic beverages'. The y-o-y rise in consumer prices amounted to 2.9%, which was 0.2% p. p.¹ up on September. This was the highest y-o-y² rise in prices since October 2012.

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



According to preliminary data of Eurostat³, the y-o-y change in the average HICP⁴ in the EU28⁵ member states amounted to 1.8% in September, i.e. 0.1 p. p. up on August. The rise in prices was the highest in Lithuania (4.6%) and Estonia (3.9%) and the lowest in Cyprus (0.1%). In Slovakia, the price increase accelerated to 1.8% in September from 1.6% in August. In Germany, prices were higher by 1.8% in September (the same as in August).

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



According to preliminary calculations, the HICP in the CR in October went up by 0.5%, m-o-m⁶, and by 2.8%, y-o-y. The MUICP⁷ flash estimate for the EA⁸ in October 2017 was 1.4%, y-o-y.

¹ P. p.: percentage point

² Y-o-y: year on year

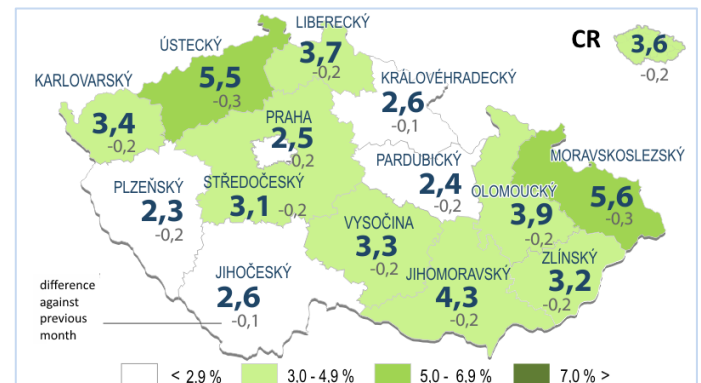
³ Eurostat: Eurostat is a Directorate-General of the European Commission. Its main responsibilities are to provide statistical information to the institutions of the EU and to promote the harmonisation of statistical methods across its member states and candidates for accession as well as EFTA countries.

⁴ HICP: Harmonized Index of Consumer Prices

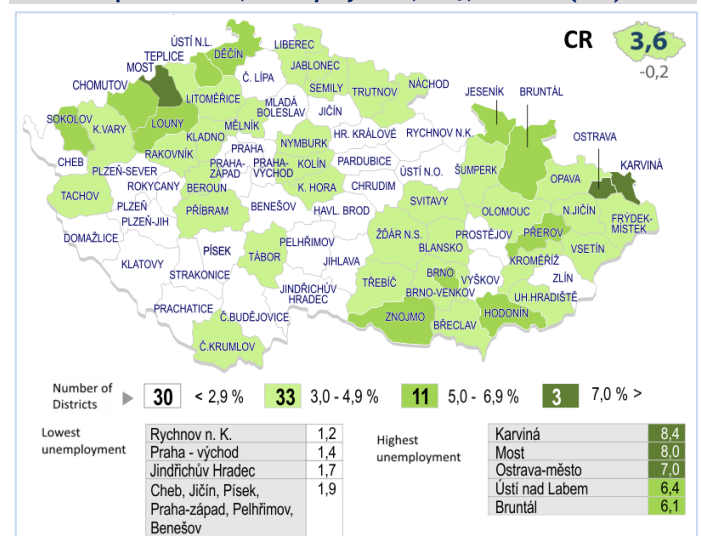
UNEMPLOYMENT DOWN – 9. 11.

The share of unemployment persons in the CR dropped to 3.6% as of October 31, 2017, from 5.0% a year ago and 3.8% last month. LO⁹ has informed that it registered 271,173 job applicants, down 13,742 on September 2017 and 95,071 y/y. The total no. of job applicants reached the lowest value since December 1997 (268,902).

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



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



Of all job applicants, 248,510 were immediately available. The total no. of available job positions increased in both m-o-m and y-o-y comparisons. Employers were offering 209,866 job positions through LOs in October 2017. CR had the lowest unemployment rate in the entire EU according to the latest data from Eurostat (September 2017).

⁵ 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

⁶ M-o-m: month on month

⁷ MUICP: Monetary Union Index of Consumer Prices

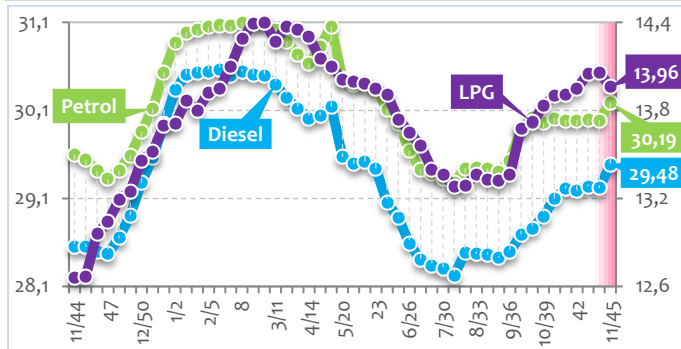
⁸ EA: Eurozone, officially called the euro area is a monetary union of 19 European Union (EU) member states that have adopted the euro (€) as their common currency and sole legal tender.

⁹ LO: Labour Office

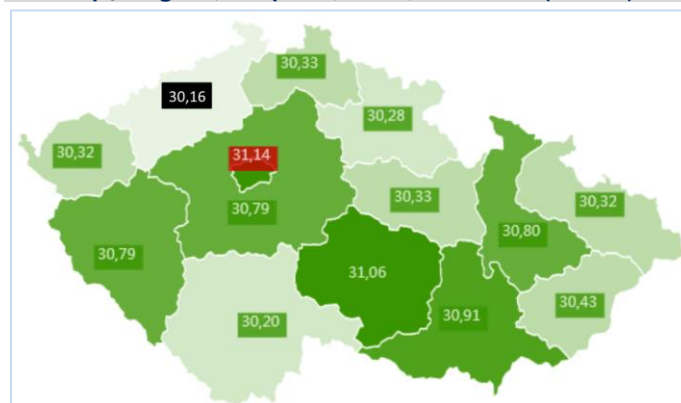
FUEL PRICES – 10. 11.

Natural gas increased by 20h¹⁰ to CZK¹¹30.19/l¹² over the past week. Diesel oil increased by 26h to CZK^{29.48}/l.

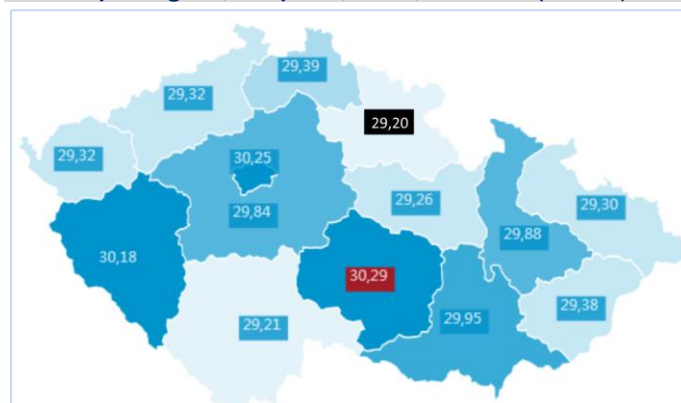
Graph 3: Average fuel prices¹³, 2016/2017, Month/Week (in CZK/l)



Map 3: Regions, fuel prices, Petrol, 10. 11. 2017¹⁴ (in CZK/l)



Map 4: Regions, fuel prices, Diesel, 10. 11. 2017 (in CZK/l)



ECONOMY OF CR WILL GROW - 10. 11.

According to the EC's¹⁵ fall forecast, the growth rate of the Czech economy will reach 4.3% in 2017. In 2018 the dynamic

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

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

¹² l: litre

¹³ Consumer price indices calculated from the weekly price survey are not qualitatively adjusted and thus do not express the net price development applied at inflation measurement, data issued by the CSO

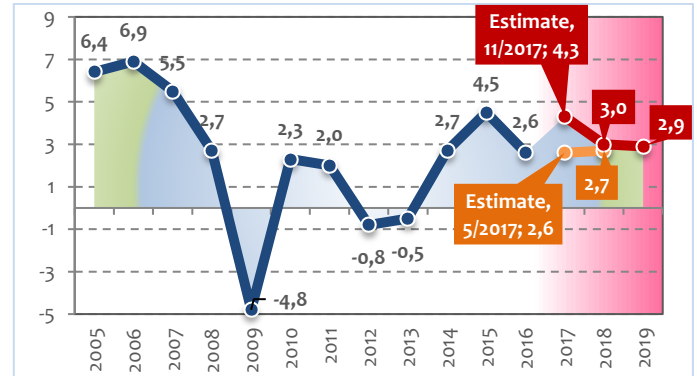
¹⁴ data issued by the CCS Company

¹⁵ EC: European Commission, is the executive body of the EU responsible for proposing legislation, implementing decisions, upholding the EU treaties and managing the day-to-day business of the EU.

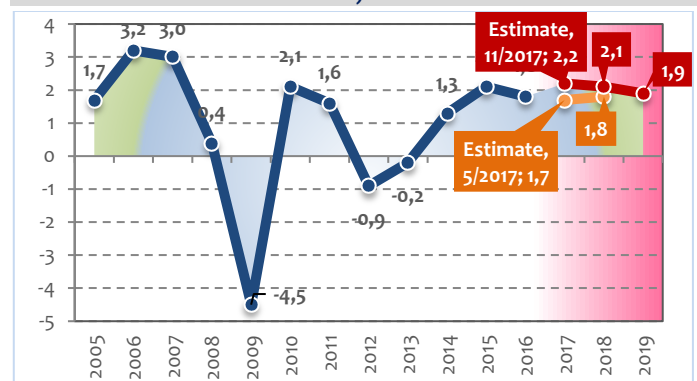
¹⁶ EU: European Union, is a politico-economic union of 28 member states that are located primarily in Europe. It has an area of 4,324,782 km², and an estimated population of over 510mn. The EU has developed an internal single market through a standardised system of laws that apply in all member states. EU policies aim to ensure

will slow to 3.0% and in 2019 it will slow to 2.9%. The EC also said that the Czech economy is among the fastest growing economies in the EU¹⁶ but that better results are prevented by a lack of labour (Romania 5.7%, Malta 5.6%, Ireland 4.8%, Slovenia 4.7%, Estonia 4.4%). In 2017 unemployment should fall to 3.0%, from 4.0%. In 2018 and 2019 the unemployment rate will fall to 2.9%, thus remaining the lowest in the EU. The EC expects inflation 2.4% in 2017. In 2018 the growth of consumer prices will reach 2.1% and in 2019 it will slow to 2.0%.

Graph 4: GDP growth, 2005–2019, EC estimate, 2017–2019 (in %)



Graph 5: EA, GDP growth, 2005–2019, EC estimate, 2017–2019 (in %)



2017 BUDGET COULD END WITH SMALL SURPLUS – 12. 11.

This year's state budget, including EU subsidies, could end up with a surplus of up to CZK10bn¹⁷, MF¹⁸ Minister Pilný said. The state budget surplus rose at the end of October to a yearly high of CZK26.5bn, but dropped from last year's CZK98.3bn surplus because of reduced EU subsidies. The budget envisages a deficit of CZK60bn.

ECONOMIC GROWTH SLOWS IN Q₃ – 15. 11.

In the Q₃¹⁹ of 2017, the economy continued to grow, q-o-q²⁰. According to the preliminary estimate, the SA²¹ GDP²²

the free movement of people, goods, services, and capital within the internal market, enact legislation in justice and home affairs, and maintain common policies on trade, agriculture, fisheries, and regional development. Within the Schengen Area, passport controls have been abolished. A monetary union was established in 1999 and came into full force in 2002, and is composed of 19 EU member states which use the euro currency.

¹⁷ bn: billion

¹⁸ MF: Ministry of Finance

¹⁹ Q: * quarter of the year

²⁰ Q-o-q: quarter to quarter

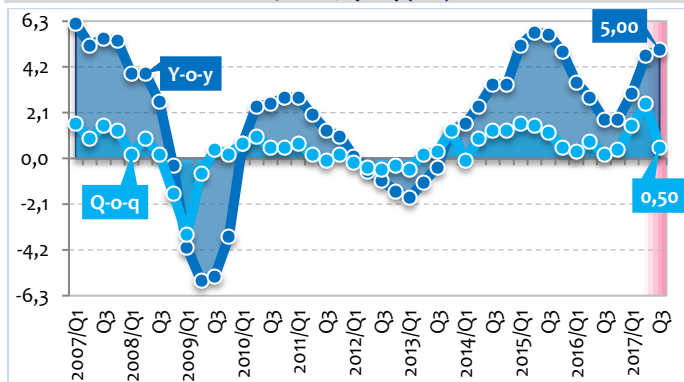
²¹ SA: seasonally adjusted, Seasonal adjustment is a statistical method for removing the seasonal component of a time series that exhibits a seasonal pattern, which allows to analyse the trend of a time series independently of the seasonal components.

²² GDP: Gross domestic product, an aggregate measure of production equal to the sum of all resident and institutional units engaged in production in a period (plus any taxes, and minus any subsidies, on products not included in the value of their outputs).

increased by 5.0%, y-o-y; compared to the Q₂ 2017 it increased by 0.5%.

According to the preliminary estimate, the y-o-y growth was contributed to equally by all main expenditure components of the GDP. Domestic demand grew owing to steadily increasing consumption of households and continuing growth of investment expenditures. Most of economic activities of the national economy were successful, especially industry, but also economic activities of services.

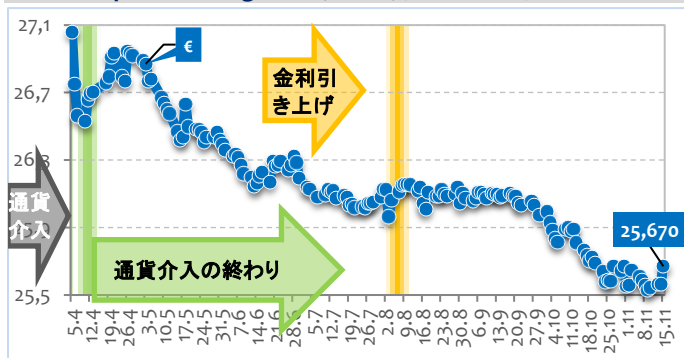
Graph 6: GDP growth, preliminary estimate, purchaser's prices, 2013-2017, q-o-q (in%)



On the labour market, the employment continued to grow. In the Q₃ 2017, employment²² was by 0.8% higher, q-o-q, and compared to Q₃ 2016 it increased by 2.0%.

CNB CZK²³ vs EURO²⁴, US DOLLAR²⁵, YEN – 15. 11. ^{26 27 28 29 30}

Graph 7: Exchange rates, CZK/€, 5. 4. 2017 – 15. 11. 2017



GDP can be determined in three ways, all of which should, in principle, give the same result. They are the **production approach**, the **income approach**, or the **expenditure approach**.

The production approach sums the outputs of every class of enterprise to arrive at the total. The expenditure approach assumes the value of the total product must be equal to people's total expenditures in buying things. The income approach determines GDP by finding the sum of all producers' incomes.

GDP = GVA + Taxes on products - Subsidies on products

²³ On April 6, the CNB ended its forex 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 CZ27/€.

On August 3, the CNB raised interest rates for the first time since February 2008, the 2-week repo rate increased by 0.2 p. p. to 0.25%, the Lombard rate by 0.25 p. p. to 0.5%, and the discount rate stayed at 0.05%.

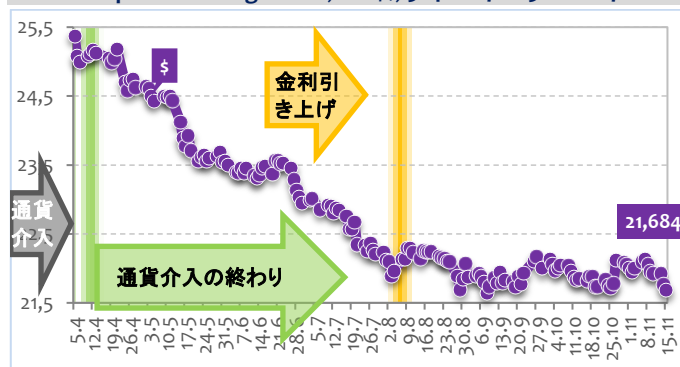
²⁴ EUR: (€) Euro is the official currency of the Eurozone, which consists of 19 of the 28 member states of the European Union

²⁵ 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.

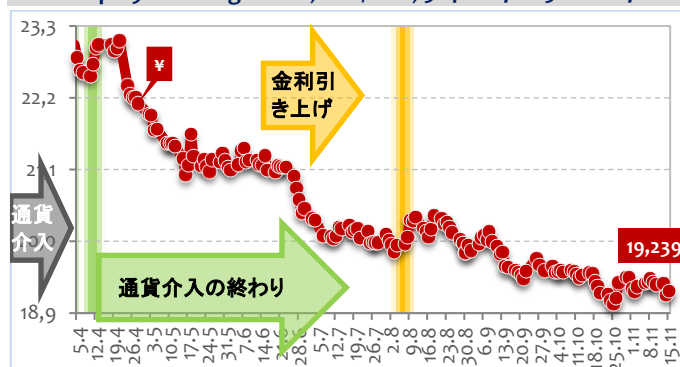
²⁶ Interest rates on bank deposits and loans are derived from the central bank's rates. Companies have to pay higher interest for loans and households pay more for loans for housing purposes.

²⁷ 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%. In the last rate increase in February 2008, the two-week repo rate grew to 3.75%. Then the CNB was cutting the rates.

Graph 8: Exchange rates, CZK/\$, 5. 4. 2017 – 15. 11. 2017



Graph 9: Exchange rates, CZK/100¥, 5. 4. 2017 – 15. 11. 2017



AGRICULTURE & ENVIRONMENT



FOREIGN AGRICULTURE TRADE DEFICIT RISES – 9. 11.

The CR's foreign agriculture trade deficit grew annually by roughly a 1/5 to CZK20.86bn in the Q₁-Q₃ 2017, as exports dropped by CZK1.6bn to CZK148bn while imports rose by CZK1.8bn to CZK168.95bn, according to information based on data of the CSO³¹.

According to AACR³², the CR's³³ foreign agriculture trade deficit will exceed CZK25bn for the entire year, which is a 20-year average. The CR keeps facing the same problem. Agriculture imports are increasing and exports fail to compensate for that.

²⁸ **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.

²⁹ **Lombard rate:** An interest rate charged by a central bank for very short term loans to other banks against an approved collateral.

³⁰ **Discount rate:** An interest rate that a central bank charges depository institutions that borrow reserves from it.

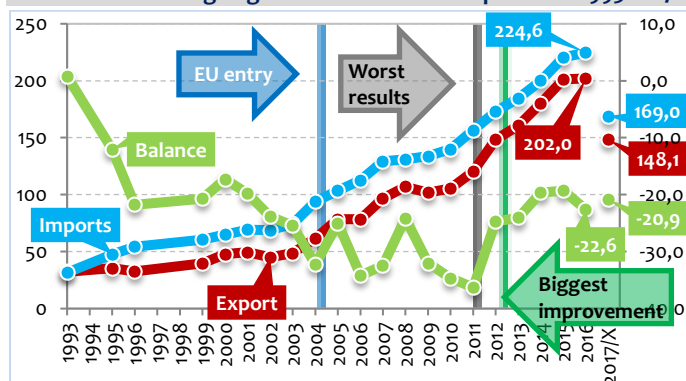
³¹ **CSO:** Czech Statistical Office, is the main organization which collects, analyses and disseminates statistical information for the benefit of the various parts of the local and national governments of the CR. It accomplishes this goal through the management of the Czech Statistical Service.

³² **AACR:** Agriculture Association of the CR, Zemědělský svaz ČR; Organization of employers - entrepreneurs in agriculture. It is a voluntary, independent, non-governmental and non-political association of legal and natural persons - agricultural business companies, agricultural cooperatives, sales cooperatives and companies, farmers and other entrepreneurs whose business is primarily focused on agriculture, breeding, and services. As one of the three agricultural communities it is incorporated into the Agrarian Chamber of the CR together with the Czech-Moravian Association of Agricultural Entrepreneurs and the Agrarian Union of the CR.

³³ **CR:** the Czech Republic, a nation state in Central Europe. The CR covers an area of 78,866 km² with a mostly temperate continental climate and oceanic climate. It is a

The AACR expects the import volume for this year to be similar to last year's when it reached CZK225bn. The 2016 import volume was 2 bigger than reported in 2004, the year of the CR's entry into the EU, and 7 times bigger compared to 1993, the year of the country's establishment, the AACR said. Dramatic import increases mean domestic agriculture production hampering, especially animal production.

Table 1: CR's foreign agriculture trade development in 1993-2017



The CR exports mainly unprocessed raw commodities and tobacco products. Deficit of trade in meat deepened annually by CZK2bn, accounting for 80% of the overall foreign agriculture trade deficit. It concerns mainly pork imports from Germany and Poland.

MA³⁴ Minister Jurečka said in spring than he would like for the foreign agriculture trade to be balanced by 2020. The MA has posted agricultural diplomats for example to China, Saudi Arabia, Serbia and Russia. Last year's foreign agriculture trade deficit increased by CZK3.3bn to CZK22.6bn, with imports and exports totalling CZK224.6bn and CZK202bn, respectively.

LČR UP WITH GROSS PROFIT – 9. 11.

LČR³⁵ raised its gross profit annually by 3.5% to CZK4.04bn in Q1-Q3 2017 due to a bigger logging volume and slightly higher timber prices in H1 2017.

However, the current timber market situation caused by wind and bark beetle calamities is impacting LČR's profits negatively.

LČR's contribution to the state budget should amount to CZK3.5bn this year. It would be the lowest payment since 2013 when LČR started contributing. LČR paid CZK5.6bn to the state budget at the end of last year, CZK8.22bn in 2015, CZK6.5bn in 2014 and CZK6bn in 2013.

LČR owns nearly a 1/2 of the CR's forests. LČR's revenues from sales of own products and services rose by 5.8% to CZK8.6bn in Q1-Q3 2017. Timber output went up by 5.7% to 6.31mn³⁶ m³. The Q1-Q3 results do not reflect the timber prices drop coming in September after the market's being flooded with calamity wood.

unitary parliamentary republic, has 10.5 million inhabitants and the capital and largest city is Prague, with over 1.2 million residents.

³⁴ MA: Ministry of Agriculture

³⁵ LČR: Forests of the CR, state enterprise based in Hradec Kralove founded by the Ministry of Agriculture. LČR main activity is the management of the majority of forests (over 1.3 million ha), which are owned by the CR. Furthermore, the company is in charge of nearly 20,000 kilometres of small watercourses.

³⁶ mn: million

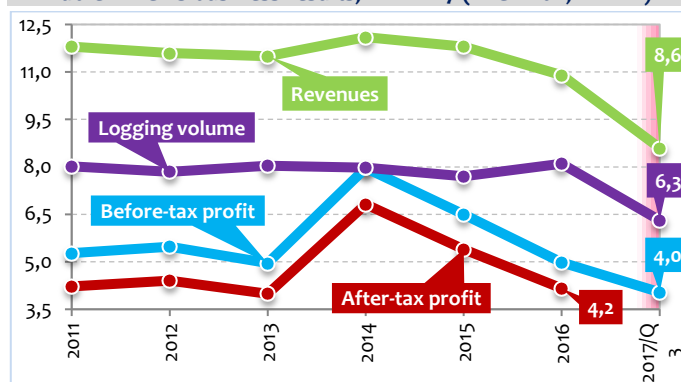
³⁷ Saint Martin's Wine: the first wines of the vintage, which are consumed and, according to the tradition, one can make a toast with for the first time on the feast day of St Martin, 11th November. These wines are refreshing and fruity and, although that

"The Q₄ will be significantly different from the previous quarters," LČR said, adding that the profit volume for entire 2017 will not be much different from the current Q₁-Q₃ figure. Calamity wood is sold at markedly lower prices. LČR is only conducting salvage felling.

The Herwart windstorm, hitting the CR at the end of October, left state forests with about 1.5mn m³ of damaged wood.

Last year, LČR saw its net profit drop annually from CZK5.4bn to CZK4.16bn, attributing the decline to a bigger salvage logging volume, and a change in reserves.

Table 2: LČR's business results, 2011-2017 (in CZK bn, mn m³)



By the end of November, LČR wants to declare new tenders for territorial units on which forestry companies terminated contracts which were loss-making due to calamities. The total volume of logging put out to tender could be about 7.5mn m³ and companies could submit their bids until the end of December or the beginning of January.

LČR originally intended to call the tenders at the beginning of November, however, it had to postpone it due to the Herwart windstorm changing the volume of wood for logging.

LČR had provided companies with the option to terminate their contracts early based on the government's decision from September 25. Forestry companies have ended contracts with LČR on 96 out of 127 affected territorial units, with the contracts terminating at the end of this year. Every year, LČR calls 5-year tenders covering forestry work on about a fifth of its area.

The possibility of termination concerns complex contracts expiring at the end of 2018-2021, but it does not apply to the current 2018+ tender.

SAINT MARTIN'S WINE GOES ON SALE – 11. 11.

The Saint Martin's wine³⁷ went on sale on December 11, when Czechs are celebrating the Feast of Saint Martin, which has become an occasion for winemakers to present their young wines. Events featuring wine tasting are traditionally held at various venues around the CR. This year, sellers expect around 2.2mn bottles of Saint Martin's to go on the market, which is a slight drop on the previous year.

they have only matured for a few weeks, they manage to achieve their distinctive character. Wines which are sold under the collective designation (the logo of Saint Martin on his white horse on the label), must comply with the required criteria and their release on the market has to be approved each year by the specialised committee. Bottles are also required to have the collectively used cork stoppers with capsules or screw-top closures bearing the trade-mark "Svatomartinské". Only early-ripening varieties are permitted for the production. White wine: Müller-Thurgau, Frühroter Veltliner, Moravian Muscat; Red wine: Blauer Portugieser and Saint Laurent; Rosé and blancs de noirs: Blauer Portugieser, Zweigeltrebe and Saint Laurent. It is recommended to consume these wines by the following spring, after which time the wine may lose its expressive taste and freshness.

INDUSTRY & TRANSPORT & INVESTMENTS

TOYOTA CE SALES – 9. 11.

Toyota CE-Czech sold in the CR a total of 851 cars in October 2017. It thus ranks 9th on the market. It occupied the 3rd position among corporate clients (467 registrations). A total of 7,338 cars branded Toyota have been registered in the CR since the beginning of the year 2017. This represents a growth by 50%. Toyota's market share reaches 3%.

SECURING POSTAL SERVICES – 9. 11.

The CTO³⁸ will secure the global availability of postal services even after January 1, 2018, when the validity of the current license held by CP³⁹ expires. CTO rejected CP's application for a postal license for a period from January 1, 2018 to December 31, 2022. The law makes it possible for CTO to directly decide on the execution of duties. CP informed that it fulfilled all conditions of the public tender. The company would have to raise prices of its services due to the decision made by CTO. Customers would thus pay CZK25 for a letter instead of current CZK16. MI⁴⁰ Minister Chovanec thinks the decision made by CTO was absurd. He said that would ask the PM⁴¹ for the discussion of the matter at the next meeting of the government.

ČD TENDER FOR RAILROAD WAGONS – 9. 11.

ČD⁴² will open tenders for new railroad wagons with the estimated approximate value of ca. CZK20bn. ČD has specified that it will seek 90 wagons and 31 long-distance electric locomotives, 30 electric and 8 diesel regional locomotives and 5 non-traction push-pull trains for regional transport in 7 tenders. The company will enter into general agreements with winners and buy the locomotives only if it will obtain partial funding from the Transportation II Operational Programme (OPD II) or will reach an agreement on reimbursement with the parties ordering transport services.

SMALL LEAK IN DUKOVANY⁴³ UNIT 4 – 9. 11.

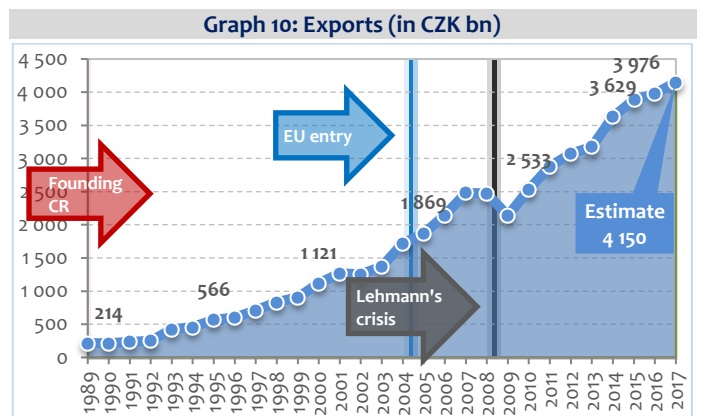
Technicians found a minor leak in a small measuring piping in the shut-down unit 4 of Dukovany NPP's⁴⁴ secondary part, repairs will begin on Friday, the NPP announced. The work will probably take several days. The unit was taken offline due to increased flow of non-radioactive water in its closed drainage system. "In harmony with the set rules, checks of other equipment will be made during the shutdown as well," NPP added. The end of the shutdown is the end of a demanding period of several-month shutdowns, linked in particular with the NPP's preparations for further long-term operation.

³⁸ CTO: Czech Telecommunication Office, a central administrative body for the execution of state administration in matters of Electronic Communications, including market regulation and definition of the conditions for business activities in the areas of electronic communications and postal services (also ČTÚ in Czech).
³⁹ CP: Czech Post, is the state owned postal company of the CR. With its headquarters in Prague, the corporation has around 31,000 employees. Czech Post primary serves in the CR but also delivers to other countries.
⁴⁰ MI: Ministry of the Interior
⁴¹ PM: Prime Minister
⁴² ČD: Czech Railways, is the main railway operator in the Czech Republic providing regional and long-distance services.
⁴³ Dukovany NPP: Dukovany NPP annually supplies approximately 14 TWhr of electric energy to the national power network. NPP is owned and operated by ČEZ Group. Dukovany covers a 1/5 of the total electricity consumption in the CR with its installed

CZECH EXPORTS TO SET NEW RECORD – 10. 11.

The CR's exports will set a new record this year, amounting to CZK4,150bn, according to the CAE's⁴⁵ estimate. Exports of Czech companies rose annually by 5.4% to CZK3,120bn from January to September. The share of EU member states in the overall export volume grew slightly to 83.8%.

The system of external economic relations support has to be as effective as possible, Deputy MFA⁴⁶ Minister Tlapa said. There should be an economy ministry instead of MIT⁴⁷, and a ministry of foreign affairs and trade instead of the MFA. Czech exporters have to increase the export value added. The Czech crown's firming and pressure on wage costs growth diminish the competitiveness of Czech companies, he said. The CR's competitiveness starts with the system of education, investment in innovation, and the state's effectiveness in the business environment, he added. There is no immediate threat to exports at the moment, however, there are some risky factors, the CAE said. The factors include a lack of workforce, the CZK's strengthening, and wage pressure regardless of the workforce productivity rise. Companies are currently lacking 200,000 employees. The shortage has cost the Czech export CZK200bn.



The CAE has said earlier that the CR's wage growth, with dynamics significantly exceeding the workforce productivity increase, can in the future have a fatal impact on the competitiveness of Czech products abroad. Each percent gained by the crown cuts the Czech export growth by 0.4 p. p., and the lack of people has an even bigger impact of 1.5 to 5 p. p., experts said. Last year, the CR's export volume reached its all-time high of CZK3,970bn. Former MIT Minister Mládek said that for the first time ever the Czech export accounted for more than 1% of the world's volume.

output of 2,040MW. The NPP has 4 units. ČEZ has submitted request for new licences for further operation of units 3 and 4 to the SONS. Current 10-year licences for the units will expire at the end of this year. SONS has granted new operation licences for units 1 and 2.
⁴⁴ NPP: Nuclear Power Plant
⁴⁵ CAE: Czech Association of Exporters, a voluntary association that represents its members in the promotion of common interests, a transparent, non-discriminatory and free business environment in order to maintain and increase the competitiveness of domestic companies and companies, especially export companies. AE acts with state administration bodies, promotes its goals in the media, organizes educational, social and promotional actions aimed at achieving the goals.
⁴⁶ MFA: Ministry of Foreign Affairs
⁴⁷ MIT: Ministry of Industry and Trade

The state export supporting system includes the CEB⁴⁸, the EGAP⁴⁹, and the CzechTrade⁵⁰.

IHNED.cz INVESTOR FOR LITHIUM⁵¹ – 10. 11.

RSJ⁵² is actively seeking investors for buying all or part of its lithium companies, Cínovecká deponie and Sanaka Industry. RSJ⁵³ owns slag sites left from tin and wolfram mining. They contain an estimated 40,000t of lithium carbonate, which rose in price this summer to \$14,000/t.

The 2nd group interested in lithium is the EMH⁵⁴ owning Geomet⁵⁵ that plans underground lithium mining. Lithium mining in the CR became a heavily politicized issue ahead of the recent election. In the run-up, Andrej Babiš, whose ANO⁵⁶ won the election, several times labelled the MoU⁵⁷ that the MIT signed with EMH as a theft.

ŠKODA POWER⁵⁸ WILL SUPPLY TO DENMARK – 10. 11.

Škoda Power has signed a contract with DONG Energy Denmark for the delivery of a machine room for biomass power plant Asnčs in Danish Kalundborg. The value of the contract totals roughly €14mn. The machine room will have a maximum output of 30MW⁵⁹. It will be equipped with an innovative double-body turbine. The first deliveries will take place in 2018. Assembly should be completed at the start of 2019 with the gradual launch of the project. The project should be handed over to the client at the end of 2019.

HOSPODÁRSKÉ NOVINY ČEZ⁶⁰ SELLS ŠKODA PRAHA – 13.11.

ČEZ is trying to get the money wherever it can. In addition to a distribution company in Bulgaria for which it offers CZK8-9bn to bidders, another sale could be closed by the end of the year - regarding a traditional Czech design company Škoda Praha⁶¹.

⁴⁸ CEB: Czech Export Bank, a specialised, directly and indirectly state-owned banking institution. Established in 1995, it forms one of the pillars of the government's pro-export policy system. Its mission is to support Czech exports and the renown of the Czech Republic as a well-established international exporter, and thus promote the overall competitiveness of Czech products throughout the world. CEB focuses on financial services related to exports.

⁴⁹ EGAP: Export Guarantee and Insurance Corporation is a credit insurance corporation insuring credit connected with exports of goods and services from the Czech Republic against political and commercial risks uninsurable by commercial insurance. EGAP was founded in 1992 as a joint stock company fully owned by the state. The Czech Republic exercises its shareholder rights through the Czech Ministry of Finance, the Czech Ministry of Industry and Trade, the Czech Ministry of Foreign Affairs and the Czech Ministry of Agriculture. Its activities are governed by the Insurance Law and the Act No. 58/1995 Coll., on insuring and financing state supported export.

⁵⁰ CzechTrade: National trade promotion agency of the Ministry of Industry and Trade of the CR, established by the MIT in May 1997. The agency is an official contact partner for those foreign companies looking for qualified Czech-based suppliers of products, providers of services or investors. CzechTrade operates worldwide via 47 foreign representatives.

⁵¹ According to estimates, the CR has around 3% of all global lithium reserves, most of them in Cínovec and a small deposit is in the Slavkovský les protected landscape area. 2/3 of lithium deposits in the Ore Mountains are in the CR and 1/3 in Germany. Lithium ore mining is being prepared also in Germany and with respect to the simpler approval conditions, the mining will probably start there earlier than in the CR.

⁵² RSJ Securities: Investment group around billionaire Karel Janeček. It controls Cínovecká Deponie and Sanaka Industry companies.

⁵³ RSJ has already invested CZK hundreds of millions in the project; however, the company is prepared to invest even more. Sanaka Industry expects the amount of extractable pure lithium in Horní Slavkov at 5,500t. The extraction is planned for 13 years, but it will also depend on what customer chain will be created in the CR and how big the demand for the raw material will be. Investments of around CZK10bn are expected. Cínovecká Deponie Company wants to mine lithium ore in Cínovec wants to use surface mining. The company already has all permits for the mining.

⁵⁴ EMH: Australian company European Metals Holdings Ltd.

⁵⁵ The Geomet wants to open an old tin mine for the purpose. Geomet has started preliminary cooperation with HE3DA Company which will start building a plant for

production of batteries for electric cars and energy banks, for example, in Horní Suchá, North Moravia, in the middle of October. The Australian investor could start mining of lithium, which is used for production of batteries, in the year 2022. It plans to mine 37mn t of lithium ore in 21 years.

There are several large international companies interested, this includes Rosatom⁶² and KEPCO⁶³. Interest has been further confirmed by Chinese engineering company Guangdong Electric Power Design Institutes and Czech company Ferrit, which deals with mining technics. ČEZ CEO Daniel Beneš does not want to disclose details. He only confirmed last week that there are several candidates. "We are testing the market if there is an investor to enter the company and help to take part in projects in new markets, but there are still several variants, and, there is still the possibility that we will let a partner to entry the company partially or that we will sell it completely."

The reasons why the Koreans, the Russians or the Chinese are interested in Škoda Prague are fairly clear. Besides buying 60 years of its history, and with hundreds of references to power plants built around the world, a nuclear tender is also playing its role.

ČEZ plans to open a competition for one nuclear unit to Dukovany next spring. And how else a company would improve its bargaining position than by buying a company that supplied all 6 local units and also contributed to their modernization? The Ferrit role is not that clear.

The "market testing" mentioned has been going on for almost a year. On behalf of ČEZ, interested parties are addressed by Deloitte consulting firm. The Japanese-Indonesian company Nikko Securities, who wanted to use Škoda Prague's know-how in the construction of power plants in the small-scale market, was the most serious candidate in the spring so far. But there was no selling at the end.

Partner search makes sense for ČEZ. The company otherwise focuses primarily on the operation of energy sources and networks, not on their construction.

⁵⁶ ANO: ANO 2011, centre-right party

⁵⁷ The EMH has said that it wants to negotiate the possibility of extraction of lithium at Cínovec in Teplice in the Ore Mountains with the new government. According to the EMH, it is ready to meet the obligations of a MoU. The firm has already negotiated with the state enterprise Diamo. It is unclear what tack the next government will take.

⁵⁸ Škoda Power: a Czech a subsidiary of the Doosan Group. It is an OEM steam turbine designer and manufacturer that provides systems, components and maintenance services to fossil and nuclear power generation plants, municipal waste-to-energy and biomass incineration plants, and any manufacturing or petrochemicals application that requires turbo generator technology.

⁵⁹ MW: 10⁶ watts

⁶⁰ ČEZ: ČEZ Group is a conglomerate of 96 companies (including the parent company ČEZ, a.s.), 72 of them in the CR. It is involved in the electricity generation, trade, distribution and heat, as well as coal mining.

⁶¹ Škoda Praha: engineering company, a unit of ČEZ, a supplier of turnkey energy facilities. In its 60-year history it has supplied over 40,000 MW of coal-fired and nuclear power plants to countries all over the world.

⁶² Rosatom: Rosatom State Atomic Energy Corporation, a state corporation (non-profit organization) in Russia, established in 2007, the regulatory body of the Russian nuclear complex. It is headquartered in Moscow. Rosatom is the only vendor in the world able to offer the nuclear industry's entire range of products and services. It runs all nuclear assets of the Russian Federation, both civil and weapons. Along with commercial activities which move forward nuclear power and nuclear fuel cycle facilities, it acts as a governmental agent, primarily in the field of national security (nuclear deterrence), nuclear and radiation safety, basic and applied science.

⁶³ Kepeco: Korea Electric Power Corporation, better known as KEPCO, is the largest electric utility in South Korea, responsible for the generation, transmission and distribution of electricity and the development of electric power projects including those in nuclear power, wind power and coal. KEPCO is responsible for 93% of Korea's electricity generation.

ČEZ gained full control over Škoda Praha in 2005. Next to it, there is Škoda Praha Invest, but its activity is gradually dampening.

Both ČEZ companies helped to realize the reconstruction of its power plants for more than CZK100bn. For ČEZ, Škoda Praha has built or modernized coal units in Tušimice, Ledvice and Pruněřov and the steam-power plant in Počeradý.

The plan was to concentrate on foreign markets. There, however, the Prague company fails to find more important contracts. The only major project, it acquired, was the construction of the Pljevlja thermal power station in Montenegro for CZK9.5bn. However, it did not get the funding for it as the CEB and the EGAP insurance company have considered the project too risky.

"The power plant is now being projected by Škoda Praha for GE. It is a low-risk business, but there will be no share of Czech supply, because the CEB rejected it," says Beneš. Škoda Praha got a modest profit last year - it earned CZK2mn in revenues of CZK127mn. For 2014 and 2015, however, its loss was CZK118mn.

CTK **CI⁶⁴ BACKS 2-YR TRANSITORY PERIOD FOR BREXIT – 13. 11.**

The CI supports a 2-year transitory period for Brexit, it would mean predictability and the possibility to prepare for new conditions of mutual trade, the CI said.

Representatives of European associations from a broad variety of industries, including the CI, held talks with British PM May in London.

Representatives of European business at the meeting warned against Great Britain's departure from the EU without a trade agreement.

They at the same time backed May's efforts to negotiate a 2-year transitory period which would give space for preparation for new conditions of mutual trade.

"It is necessary that Great Britain comes up with clear conditions for setting of relations between the EU countries and Great Britain when it leaves the EU," the CI stressed.

It confirmed before the meeting that European business associations call on the British government to complete the first stage of the negotiations.

Among the issues that remain to be solved in this stage are the rights of people from the EU in Great Britain and in particular Great Britain's financial pledges to the EU. Great Britain will leave the EU as of March 29, 2019.

"We want to set the relations between the EU and United Kingdom so that it does not cause new tariff or administrative barriers. Securing smooth access to the British market is of key importance," CI commented on meeting.

CI, together with a Polish official, were the only guests from CEE⁶⁵ at the meeting.

⁶⁴ **CI:** Confederation of Industry, Svaz průmyslu a dopravy, is an employer association in the Czech Republic founded in 1990. It is non-governmental, independent organization that influences the economic and social policy of the government and acting on the creation of optimal conditions for doing business. It defends the interests of employers in European and world organizations, especially as a member of the Confederation of European Business. The Association brings together 31 sectoral professional or regional associations and associations, 126 individual member companies and 6 observers, 11,000 companies employing 1.3 million workers.

⁶⁵ **CEE:** Central and Eastern Europe, is a generic term for the group of countries in Central Europe, Southeast Europe, Northern Europe (Baltic countries), and Eastern Europe

⁶⁶ **EIA:** Environmental Impact Assessment

Business needs a transitory period during which Great Britain will still be part of the EU internal market and the Customs Union, the CI stressed. "This period should be as much as possible similar to the current situation so that companies do not have to adjust themselves twice", first to the transitory period and then to the new setting of the relations. "During that time, Great Britain should have all the relevant rights and duties in the EU," the CI said.

Great Britain is the 4th most important trading partner for the CR.

CTK **ČEZ ASKING FOR EIA⁶⁶ FOR DUKOVANY – 13. 11.**

ČEZ⁶⁷ has asked for an EIA of the construction of planned new units at the Dukovany NPP, submitting documentation necessary for the EIA process to the ME⁶⁸, ČEZ said.

The state energy concept envisages the construction of one or two nuclear units at both Dukovany and Temelín⁶⁹ NPPs plants.

All administrative groundwork and the EIA have been prepared for the option of one or two units, representing necessary basis for the future decision, ČEZ said.

Provided a decision is made, a new nuclear unit in the CR will be built at Dukovany, ČEZ said in June.

The decision is hampered by uncertainties about the project's financing.

The election-winning ANO leader Babiš had said repeatedly as MF Minister of the current government that ČEZ should be the one to finance the unit's construction.

That could, however, be unfavourable for minority shareholders, which is why there have been speculations about a possible split-up or transformation of the ČEZ.

The new unit should replace Dukovany's current units which will be shut down approximately in 2035-2037.

The construction at Dukovany will significantly contribute to maintaining and creating new jobs, and the social life of the whole region, ČEZ said. In the CR's conditions, nuclear energy is still considered one of the best solutions in terms of economy and ecology, and an EIA is a precondition for a decision about the construction. EIA is conducted when required by the law. "The European energy sector is going through a period of changes and insecurities, and ČEZ wants to be prepared for all future development options," ČEZ added.

In April 2014, Sobotka's government did not provide state guarantees for the construction of two new units at Temelín. Subsequently, ČEZ cancelled its tender for the construction.

The new units' construction was originally planned to be completed in 2025, with analysts' estimates of costs between CZK200bn and CZK300bn.

ČEZ has submitted request for new licences for further operation of units 3 and 4 to the SONS⁷⁰. Current 10-year

⁶⁷ **ČEZ:** ČEZ Group is a conglomerate of 96 companies (including the parent company ČEZ, a.s.), 72 of them in the CR. It is involved in the electricity generation, trade, distribution and heat, as well as coal mining.

⁶⁸ **ME:** Ministry of the Environment

⁶⁹ **Temelín NPP:** Temelín NPP is owned by ČEZ Group, which employs 1000 workers at this site. It is, with 2,000 MW of installed capacity and 4 units, largest power resource in the Czech Republic.

⁷⁰ **SONS:** State Office for Nuclear Safety, a governmental body as stipulated by Act. No. 2/1969 Coll., headed by Chairman appointed by the Government of the Czech Republic. The SÚJB is a regulatory body responsible for governmental administration and supervision in the fields of uses of nuclear energy and radiation and of radiation

licences for the units will expire at the end of this year. SONS has granted new operation licences for units 1 and 2.

ČEZ prolonged units' shutdowns due to preparations for further long-term operation. Extended and extraordinary shutdowns were also linked to poor-quality X-ray pictures of welds revealed at Dukovany in 2015.

NO. OF SELF-EMPLOYED IN CR GROWS – 13. 11.

The number of entrepreneurs who actually make a living from self-employment in the CR increased by 18,000 to 999,000 from January to the end of September of this year, according to the ČSSZ⁷¹.

Last year, the number of self-employed people rose by 5,000. The highest number of self-employed people is registered in Prague (177,000) and in the Central Bohemia and South Moravia regions (137,000 and 110,000, respectively).

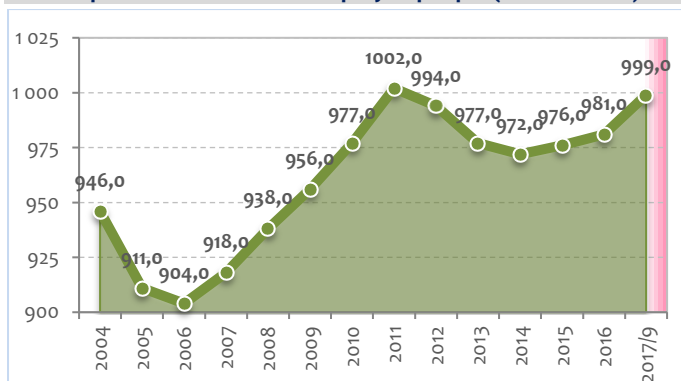
The number of those who perform self-employment as their main gainful activity rose by 12,000 to 590,000. The number of those who run their own business just as a subsidiary source of income increased by 5,000 to 409,000.

The stable number of self-employed people running their own business as the main gainful activity is good news and corresponds to the favourable development of the domestic economy, ASMP⁷² said.

As regards the increase in the number of the self-employed running business as a subsidiary source of income, the reasons are related to their situation as employees. For instance, there has been a rise in the number of women, particularly mothers with children, who achieve more flexible working hours this way. Statistically, the number of new female entrepreneurs grows twice faster than the number of men.

Small enterprises with 1 to 9 employees account for more than 95% of the total number of businesses in the CR. Together they employ more than 1/3 of all employees in the CR.

Graph 11: Number of self-employed people (in thousands)



protection. The authority and responsibilities of the SÚJB, as stipulated by on Peaceful Utilisation of Nuclear Energy and Ionising Radiation (Atomic Act).

⁷¹ ČSSZ: Czech Social Security Administration

⁷² AMSP: Association of Small and Medium-Sized Enterprises and Crafts in the CR

⁷³ Škoda Auto: is a Czech automobile manufacturer founded in 1895 as Laurin & Klement. It is headquartered in Mladá Boleslav, Bohemia, Czech Republic. The car manufacturer was acquired by Škoda Works in 1925 and became a wholly owned subsidiary of the Volkswagen Group in 2000, positioned as the entry brand to the group. Its total global sales reached 1.127 million cars in 2016.

⁷⁴ SUV: a sport utility vehicle or suburban utility vehicle, a vehicle classified as a light truck, but operated as a family vehicle. They are similar to a large station wagon or estate car, usually equipped with four-wheel drive for on- or off-road ability. Some SUVs include the towing capacity of a pickup truck with the passenger-carrying space of a minivan or large sedan.

ŠKODA'S DELIVERIES GROW – 14. 11.

Škoda Auto⁷³ delivered 107,400 cars in October 2017, which represents a growth by 9.7% y-o-y. Deliveries in Europe grew 11.3%. The brand improved its position also in Russia (+23.8%) and India (+7.7%).

The company thinks that impulses for a further growth will be provided by the new model Škoda Karoq. The compact SUV⁷⁴ entered the first markets at the end of October 2017. Customers have already received 1,400 units of the model. Deliveries of the large SUV Škoda Kodiaq totalled 74,100 units in a period from February to October.

According to Škoda Auto, the outlook for next months was optimistic thanks to a growth in Europe and Russia and successful sales of new SUVs.

SOCIAL & HEALTH

HEPATITIS A REGISTERED IN ÚSTÍ REGION – 10. 11.

A Hepatitis A⁷⁵ epidemic has continued to spread in the region of Ústí, with 30 new cases registered. The epidemic led towns in the region to take special hygienic measures, for example, at a voting booth at an elementary school in the recent elections where disinfectant gel and napkins were offered.

In all, 237 people in the region have contracted the disease since August. Ground zero for the epidemic was originally in socially-excluded areas, a local epidemiologist confirmed.

CZECHS TAKING MORE DEBTS DESPITE FARING BETTER – 12. 11.

Even though the financial situation of Czechs keeps improving, they take increasingly more debts, as their average debt has increased from CZK10,000 per capita 20 years ago to the current CZK135,000 per capita.

While in 1997, the average Czech's debt accounted for mere 8% of his income, now it accounts for 40%.

In 1997, Czechs had debts totalling CZK110bn. At present, their aggregate debts exceed CZK1,400bn.

While in 1997 consumer debt equalled CZK395 per capita, in 2017 it reached CZK20,853.

The amount of unpaid debts has tripled since 2002. Unpaid consumer debts have even increased 9 times.

While 15 years ago Czechs owed CZK200 for consumer goods on average, at present they owe CZK2,000 on average.

According to a survey conducted by the CVVM⁷⁶, 47% of Czechs have loans at present, compared with 2/5 in 2010 and 39% in 2011.

Czechs' attitude towards consumer loans has changed over the past 7 years. At present, they consider it acceptable to take loans not only for the purchase of a car but also for a vacation, a washing machine or a television set.

⁷⁵ Hepatitis A: is an infectious disease of the liver caused by the hepatitis A virus (HAV). Many cases have few or no symptoms, especially in the young. The time between infection and symptoms, in those who develop them, is between 2 and 6 weeks. When symptoms occur, they typically last 8 weeks and may include nausea, vomiting, diarrhea, jaundice, fever, and abdominal pain. Around 10–15% of people experience a recurrence of symptoms during the 6 months after the initial infection. Acute liver failure may rarely occur, with this being more common in the elderly. It is usually spread by eating food or drinking water contaminated with infected feces. It may also be spread through close contact with an infectious person. After a single infection, a person is immune for the rest of his or her life. Diagnosis requires blood testing, as the symptoms are similar to those of a number of other diseases. It is 1 of 5 known hepatitis viruses: A, B, C, D, and E.

⁷⁶ CVVM: Public Opinion Research Centre of the Institute of Sociology of the Academy of Sciences of the CR

In recent years, Czechs have become able to repay their debts faster and better. The average collected amount has increased by almost 2% against 2014 and 2016.

According to data from the CSO, wages in the CR have approximately doubled by CZK14,370 since 2000. Taking into account inflation growth, Czechs fared the best in 2002 and 2003, when wages were growing faster than prices. In contrast, the worst situation was in 2012 and 2013, when wage growth lagged behind prices.

Last year, real wages rose by an above-average 3.5%.

Czechs' costs of living expressed by consumer prices have increased by almost 2/3, according to the CSO. The biggest price rise was registered in the segments of housing, water supplies and health care, while the biggest price decrease was recorded in clothing and footwear and household furnishings and repairs.

SURVEYS & RATINGS & OTHERS

CTK PRAGUE TO HOST JAPANESE CULTURE FESTIVAL – 10. 11.

The Japan Week festival aimed at promoting traditional Japanese culture and intercultural understanding will host almost 1,300 Japanese artists, both professionals and amateurs, in Prague on November 18-23.

Within the festival, visitors may see the traditional Japanese way of tea preparation, fencing performances, puppet theatre, calligraphy and dance shows as well.

CTK SANTA CLAUS AS CHRISTMAS ADS' – 10. 11.

Over a 1/2 (54%) of Czechs dislike Santa Claus as a motif in Christmas advertisements, while only 6% dislike Christian motifs such as angels, Nativity scenes and shepherds, according to the AKA⁷⁷ has shown.

A total of 57% of those polled said they can remember some Christmas advertisement.

The younger the respondents, the more easily they can remember any. In the age category of 18-35, 3/4 of respondents said they could remember a Christmas advertisement.

About 64% respondents admitted that Christmas advertisements inspired them in purchasing presents and other items.

☰ 9 CANDIDATES IN THE PRESIDENTIAL ELECTION – 10. 11.


No more than 9 candidates of 20 who registered to run in the presidential election this week will be eligible, the MI confirmed. According to the MI, 11 candidates did not fulfil the necessary legal requirements, either failing to submit enough signatures from the public or from lawmakers or filed after the deadline October 7. A total of 8 would-be candidates submitted no signatures at all.


Those running in the election on January 13th, 2018, range between the ages of 41 and 74.


⁷⁷ AKA: Czech Association of Communication Agencies

⁷⁸ STEM: Public Opinion Research company, private company focusing on statistical surveys of public opinion on various topics

News outside the time span of this News summary

 CIA News (Česká informační agentura)

 CNB (Česká národní banka)

 Czech Press Agency (Česká tisková kancelář)

CTK CZECHS PREFER DOMESTIC PRODUCTS – 13. 11.

A 1/3 of Czechs prefer Czech products and only 2% of the population prefer foreign producers, according to the STEM⁷⁸.

As much as 45% of those polled said they make decisions based on the strength of the brand, position on the market or tradition.

Czechs take a rather negative stance on acquisitions of domestic firms by foreigners.

People over 45 and those without a school leaving examination are more inclined to choose Czech products, the poll has shown.

Czechs mainly prefer domestic foodstuffs and financial services. As regards fashion, cosmetics and cars, people opt for foreign brands.

More than a 1/3 of respondents think the Czech brand may be harmed if taken over by a foreign company. About a 1/2 of Czechs hold the view that it depends on circumstances and 12% said such acquisitions are good for Czech brands.

1/3 of Czechs is considering switching to a new product if the traditional Czech product is rebranded by the new owner.


An overwhelming majority of Czechs said the foreign investor should preserve the name of the Czech product as well as its features after the company's takeover, and 7 in 10 respondents think it may improve its image if the new owner further develops the Czech brand it acquires.


CTK ZEMAN TO VISIT RUSSIA – 15. 11.


President Zeman will meet PM Medvedev and former Soviet President Gorbachev during his visit to Russia next week.


Zeman would start his visit to Russia by a meeting with President Putin in Sochi.


Zeman is to arrive in Sochi on November 20, and meet Putin there on November 21. Negotiations between Czech and Russian delegations will also be held within this meeting.


 Czech Statistical Office (Český statistický úřad)

 European Commission

 HOSPODÁŘSKÉ NOVINY Hospodářské noviny Daily

 iHned.cz, news portal Hospodářské noviny

 Labour Office of the CR

 Radio Prague (Český rozhlas)