

NEWS SUMMARY OCTOBER 26 – NOVEMBER 1

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ECONOMY & FINANCE

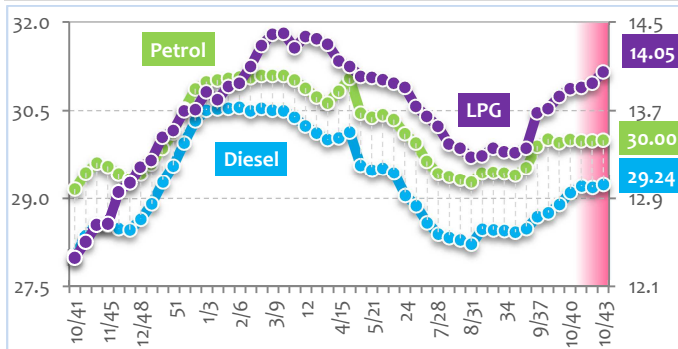
CBA SEES 2017 GROWTH AT 4.3% - 26. 10.

The CBA¹ has revised upwards its growth expectations for the CR² this year to 4.3% from the previous 3.2% in June. June's prediction had also been upped from the CBA's 2.6% forecast in April. It also sees 2018 growth at 3.2% compared with the previous 2.7%. Higher than expected domestic demand and a continued strong export performance are behind the revision.

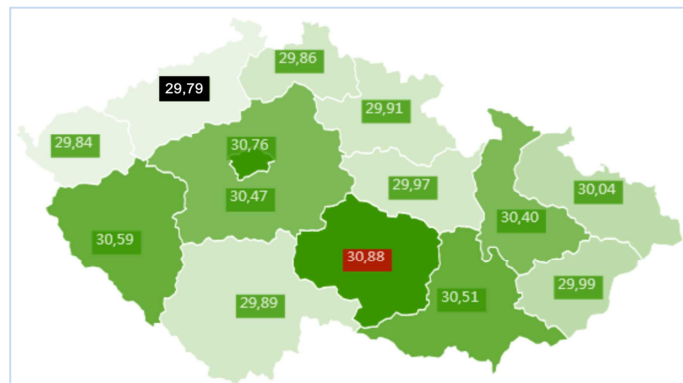
FUEL PRICES – 27. 10.

Natural gas increased by 1h³ to CZK⁴30.00/l⁵ over the past week. Diesel oil increased by 5h to CZK29.24/l.

Graph 1: Average fuel prices⁶, 2016/2017, Month/Week (in CZK/l)



Map 1: Regions, fuel prices, Petrol, 27. 10. 2017⁷ (in CZK/l)



¹ CBA: Czech Banking Association, a voluntary association of legal persons, doing business in banking and in closely connected areas. Membership has two forms, full membership, reserved for banks and for branches of foreign banks, licensed by the Czech National Bank, and associate membership, opened primarily to representative offices of foreign banks and to auxiliary organisations, related to the banking sector. It associates currently 37 banks and branches of foreign banks with full membership status, forming 99% of the banking sector.

² CR: the Czech Republic, a nation state in Central Europe. The Czech Republic covers an area of 78,866 km² with a mostly temperate continental climate and oceanic climate. It is a unitary parliamentary republic, has 10.5 million inhabitants and the capital and largest city is Prague, with over 1.2 million residents.

³ 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.

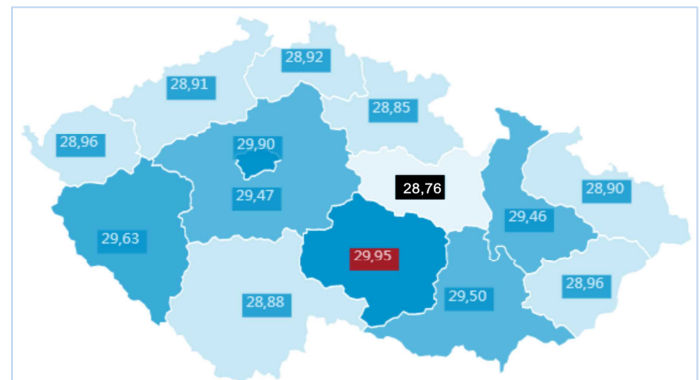
⁴ CZK: Czech Crown, the currency of the CR since 8 February 1993

⁵ l: litre

⁶ 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

⁷ data issued by the CCS Company

Map 2: Regions, fuel prices, Diesel, 27. 10. 2017 (in CZK/l)



CNB⁸ TO DEFINITELY RAISE INTEREST RATES – 29. 10.

The CNB will raise interest rates⁹ at meeting on November 2, with the 2-week repo rate¹⁰ increasing most likely by 0.25 p. p.¹¹, approached analysts agreed.

Analysts do not rule out the option of a 0.5 p. p. hike.

The CNB left interest rates unchanged at its September meeting.

SURPLUS OF MUNICIPALITIES, REGIONS DOWN – 30. 10.

The CR's municipalities ran a CZK31.8bn surplus in Q1¹² – Q3 2017, which is CZK8.6bn less y-o-y¹³, and regions saw their surplus drop annually by CZK3.1bn¹⁴ to CZK12bn, according to the MF¹⁵.

Revenues of 6,248 Czech municipalities amounted to CZK216bn, up by CZK11.2bn, and their expenditures added CZK19.8bn to CZK184.3bn.

Revenues of regions went up by CZK6.9bn to CZK141.7bn, and expenditures rose by CZK10bn to CZK129.7bn.

The growth in revenues of both municipalities and regions was affected mainly by tax revenues.

Revenues are made up, for example, of money from shared taxes, including VAT¹⁶, real estate tax and income tax, with

⁸ CNB: Czech National Bank, is the central bank and financial market supervisor in the Czech Republic and a member of the European System of Central Banks. In accordance with its primary objective, the CNB sets monetary policy, issues banknotes and coins and manages the circulation of the Czech koruna, the payment system and settlement between banks. It also performs supervision of the banking sector, the capital market, the insurance industry, pension funds, credit unions and electronic money institutions, as well as foreign exchange supervision.

⁹ 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.

¹⁰ 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.

¹¹ P. p.: percentage point

¹² Q: * quarter of the year

¹³ Y-o-y: year on year

¹⁴ bn: billion

¹⁵ MF: Ministry of Finance

¹⁶ VAT: Value-added tax

municipalities and regions also getting money from the state budget.

Total consolidated revenues of municipalities, regions, voluntary associations of towns, and Regional Councils of Cohesion Regions grew annually by CZK15.2bn to CZK355.5bn, and expenditures increased by CZK27.8bn to CZK311.2bn. Local budgets thus ended in a CZK44.3bn surplus in Q1 – Q3 2017, which is a CZK12.6bn drop y-o-y.

Annual comparison of the aggregate results is significantly influenced by a change in the regional councils' position and activities connected with transition to the new 2014-2020 programming period, the MF said.

Table 1: Development of revenues and expenditures of local budgets (CZK mn¹⁷)

Regions	Q1-Q3 2017	Q1-Q3 2016
Revenues	141,727.17	134,783.13
Expenditures	129,731.22	119,698.86
Surplus	11,995.96	15,084.27
Municipalities	Q1-Q3 2017	Q1-Q3 2016
Revenues	216,023.24	204,846.32
Expenditures	184,263.12	164,450.45
Surplus	31,760.12	40,395.87

FOREIGN HOLDINGS OF GOVERNMENT BONDS UP – 31. 10.

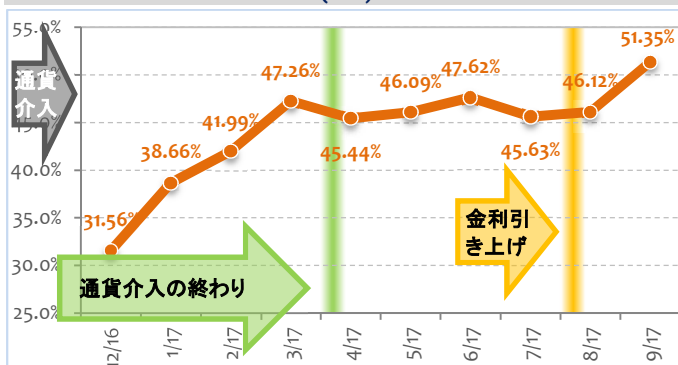
The share of foreign investors holding Czech government bonds jumped to a record of 51.35% at the end of September from 46.1% in August, the MF said.

Foreign investors hold Czech government bonds worth CZK693bn at present.

In July last year, the share of foreign holdings of domestic government bonds stood at less than 26%, in September about 28% and at the end of 2016 nearly 32%. Their share has been growing further since the start of this year.

Interest in Czech government bonds grew with the approaching end of the CNB forex¹⁸ interventions, which occurred on April 6.

Table 2: Share of foreigners investing in Czech government bonds (in %)



The growth of foreign holdings was driven mainly by investors' bet on the crown's firming after the termination of the CNB's currency commitment. Government bonds ranked among the few instruments in which foreign investors could place their money.

The increased demand, however, reduced yields from the Czech bonds. Many times, the yields were even negative.

¹⁷ mn: million

¹⁸ 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.

By the end of September, the state has issued bonds worth CZK1.56tn¹⁹, with foreign bond issues amounting to CZK205.7bn.

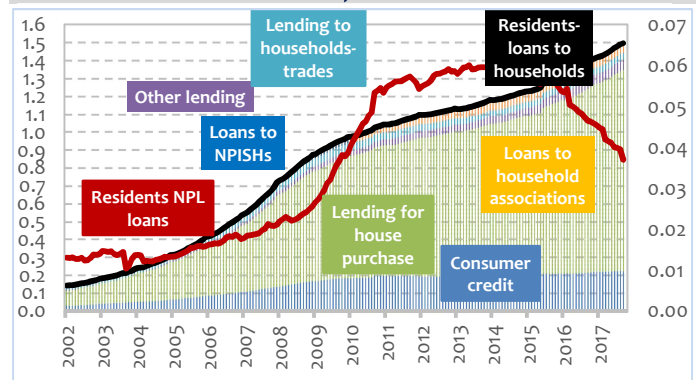
HOUSEHOLD DEBT UP – 31. 10.

Debts of Czech households grew by more than CZK6.5bn month on month to CZK1.51tn in September and were CZK107.8bn higher in annual comparison, according to the CNB.

Czech household debt has been growing since February 2016.

On the other hand, debts of companies fell moderately, by CZK35.8m to closely below CZK1.06tn, but compared with September 2016, they were more than CZK41bn higher.

Graph 2: CNB, Loans to resident households, 2002 – 2017 (in CZK tn)²⁰²¹



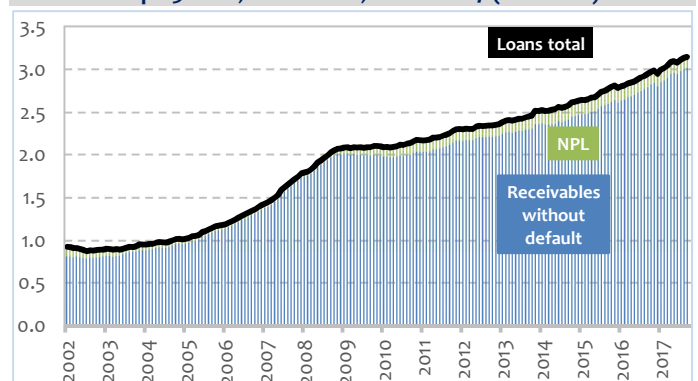
BANK LOANS UP – 31. 10.

The volume of bank loans in the Czech economy increased by 6.8% year on year to CZK3.15tn at the end of September.

Loans for businesses increased by 4.4% to CZK1.03tn and loans for households by 8.3% to CZK1.40tn. The loans thus grew at a pace similar to the previous months.

Households drew new loans for CZK39.2bn in September, down 5.5% y-o-y. The reason was lower interest in loans for housing purposes. New loans for housing purposes for CZK26.5bn were 9.1% lower y-o-y.

Graph 3: CNB, Bank loans, 2002 – 2017 (in CZK tn)



¹⁹ tn: trillion

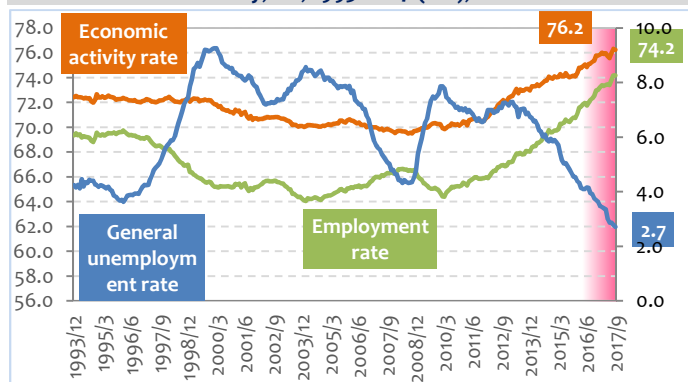
²⁰ NPL: a non-performing loan is a loan that is in default or close to being in default. Many loans become non-performing after being in default for 90 days, but this can depend on the contract terms. According to International Monetary Fund, "A loan is nonperforming when payments of interest and principal are past due by 90 days or more, or at least 90 days of interest payments have been capitalized, refinanced or delayed by agreement, or payments are less than 90 days overdue, but there are other good reasons to doubt that payments will be made in full"

²¹ NPISH: non-profit institutions serving households

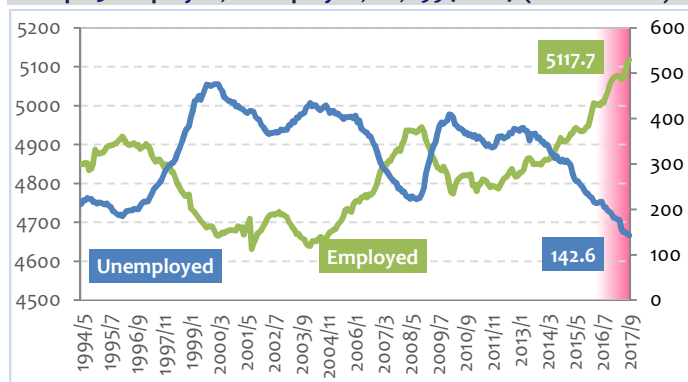
ECONOMIC ACTIVITY RATE – 31. 10.

The **employment rate**²² SA²³, reached 74.2% in September 2017 and increased by 1.8 p. p.²⁴ y-o-y. The **general unemployment rate**²⁵ SA, reached 2.7% in September 2017 and decreased by ▲1.2 p. p. y-o-y. The **economic activity rate**²⁶ SA, reached 76.2% and rose by 1.0 p.p.²⁷ compared to that in September 2016.

Graph 4: Rates of employment, unemployment and economic activity, SA, 1993- 2017 (in%), LFS



Graph 5: Employed, unemployed, SA, 1994 - 2017 (in thousands)



STATE BUDGET SURPLUS RISES – 1. 11.

State budget surplus grew to CZK26.5bn in October from September's CZK17.4bn, and in October last year the state budget ran a surplus of CZK98.3bn, the MF said today, attributing the annual fall mainly to lower European funding. The state budget for the entire year has been approved with a CZK60bn gap.

Revenues from EU funds²⁸ decreased by CZK79.5bn y-o-y in October. Adjusted for revenues and expenditures from EU

funds, Czech state budget ended in a CZK16.8bn surplus at the end of October, compared with a CZK13.5bn surplus seen a year earlier, the MF said.

State budget revenues fell by CZK21.5bn to CZK1,045.2bn as of the end of October and state budget expenditures grew by CZK50.4bn to CZK1,018.8bn.

Total tax revenues without social security payments rose by CZK34.8bn to CZK560.8bn.

VAT revenues went up by about 8% to CZK219.3bn. In the past seven months, VAT collection has grown by around 10% despite the fact that the growth in expenditures for government and household final consumption is moderately below 6%, the MF said.

The MF says that last year's launch of VAT ledger statements and EET²⁹ is behind the faster growth in VAT collection.

The MF went on to say that EET contributed CZK3.2bn to VAT collection in January to September in terms of public budgets. The full-year target is CZK4.3bn.

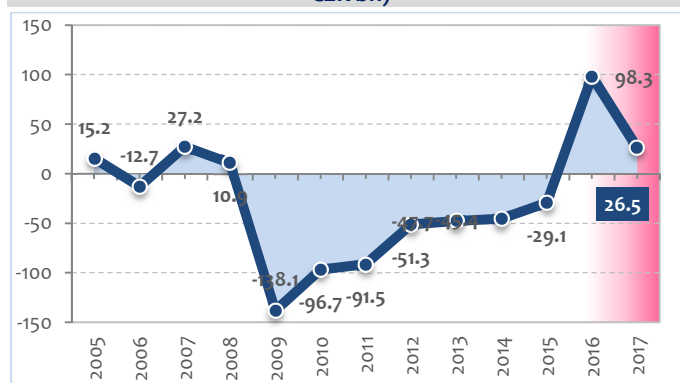
"Based on the data released so far, the real full-year impact of EET on the budget will surpass CZK5bn this year," the MF said.

Excise duty revenues including the energy and solar taxes saw a rise of 2% to CZK128.5bn.

Corporate income tax revenues rose by 3.2% y-o-y to CZK91.9bn.

Social benefits make up a major portion of current expenditures, rising by CZK15.7bn annually to CZK440bn at end-October. A growth in pension expenditures worth some CZK14bn contributed most to the annual hike.

Graph 6: State balance, Period January – October, 2005 - 2017 (in CZK bn)



²² **Employment rate:** the share of the employed persons in the age group 15 – 64 years, as percentage, seasonally adjusted, **data are issued by the CSO based** on the results of the Labour Force Survey (LFS).

²³ **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.

²⁴ **P. p.:** percentage point

²⁵ **General unemployment rate:** the share of the unemployed in the labour force in the age group 15 – 64 years, that is in the total number of the employed and the unemployed, as percentage, seasonally adjusted, **data are issued by the CSO based** on the results of the Labour Force Survey (LFS).

²⁶ **Economic activity rate:** the share of the number of the economically active in the total number of persons in the age group 15 – 64 years, as percentage, seasonally adjusted, **data are issued by the CSO based** on the results of the Labour Force Survey (LFS).

²⁷ **P. p.:** percentage point

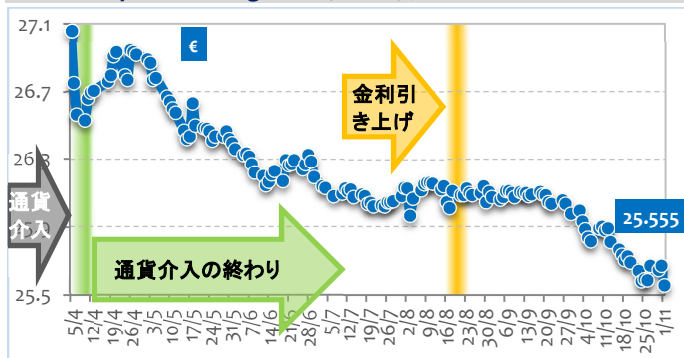
²⁸ **EU Funds:** financial tools set up to implement the regional policy of the EU (CP – Cohesion Policy and CAP – Common Agricultural Policy), funds under CP consist of the Structural Funds (the ERDF – the European Regional Development Fund and the ESF –

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

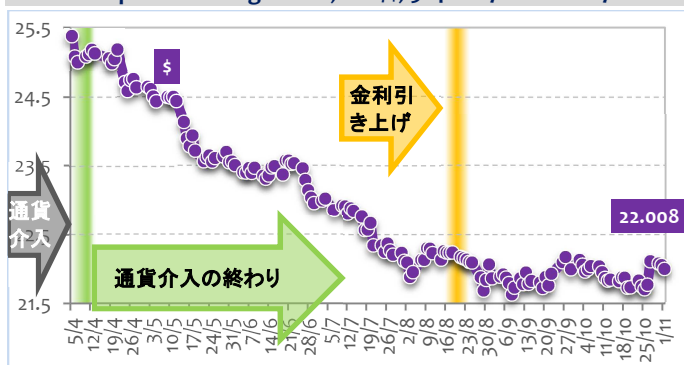
²⁹ **EET:** electronic cash registers system, a method of online registration of sales, when the data on each transaction of merchant are sent online to the financial administration. EET system was launched in the CR on December 1, 2016, it has been introduced already in other countries: in Croatia (2013), in Hungary (2015), where it is operated via a hybrid system of cash registers and online registration, in Slovenia (early 2016); in Slovakia, where online registration of sales is optional. Offline registration of sales using cash registers was introduced also in other 15 EU countries by 2016.

CNB CZK³⁰ vs EURO³¹, US DOLLAR³², YEN – 1. 11.^{33 34 35 36 37}

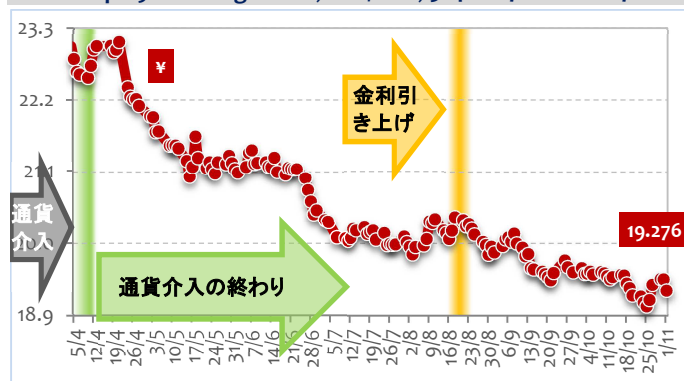
Graph 7: Exchange rates, CZK/€, 5. 4. 2017 – 1. 11. 2017



Graph 8: Exchange rates, CZK/\$, 5. 4. 2017 – 1. 11. 2017



Graph 9: Exchange rates, CZK/100¥, 5. 4. 2017 – 1. 11. 2017



AGRICULTURE & ENVIRONMENT

AGRICULTURE IN Q3 – 30. 10.

In Q3 2017 the meat production amounted to 107 205t (▲2.8%, y-o-y), of which 15,900t³⁸ (▲7.0%) was beef, 50,835 tonnes (▲5.2%) was pig meat, and 40,419t (+2.0%) was poultry meat. External trade in live animals recorded a decline in exports of cattle for further rearing and a constant decrease in imports of piglets. Agricultural producer prices of animals for slaughter went up, y-o-y, for cattle (+3.4%) and for pigs (+8.1%), while those for chicken for slaughter declined (▲1.6%). Dairies and collection centres purchased 731,114,000l of milk (+8.7%) from producers. Prices of milk were, compared to low level of Q3 2016, by 38.4% higher.

According to preliminary results of external trade in live animals in the period from June to August 2017, exports of live animals exceeded imports. This persistent surplus slightly declined, y-o-y, for cattle, while it distinctly decreased for pigs and slightly rose for poultry.

External trade in meat showed a larger negative balance compared to the same period of the last year (▲7,109t for beef, ▲57,556t for pig meat, and ▲19,865t for poultry meat).

The deficit of external trade in beef deepened the most, y-o-y. Its imports increased to 9,652t (+21.5%), while its exports went down to 2,543t (▲2.8%). Beef was imported mostly from Poland, the Netherlands and Germany. It was exported mainly to Slovakia but also to the Netherlands and to Poland. Imports of pig meat recorded a slight y-o-y increase again; in total 66,466t were imported (+3.7%), while its exports declined to 8,910t (▲10.2%). Pig meat came from Germany, Spain and Poland. It was exported mostly to Slovakia.

Increased y-o-y deficit in external trade with poultry meat was caused also by higher imports and lower exports. During the reference period, in total 28,969t (+4.3%) were imported mainly from Poland and 9,104t (▲2.7%) were exported, mostly to Slovakia.

³⁰ 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%.

³¹ EUR: (€) Euro is the official currency of the Eurozone, which consists of 19 of the 28 member states of the European Union

³² 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.

³³ 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.

³⁴ 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.

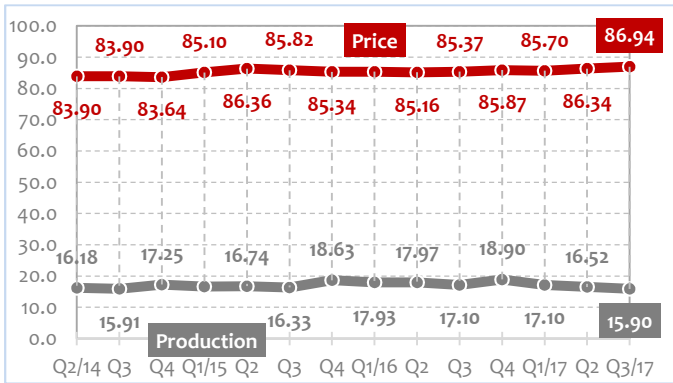
³⁵ Repo rate: The discount rate at which a central bank repurchases government securities from the commercial banks, depending on the level of money supply it decides to maintain in the country's monetary system. To temporarily expand the money supply, the central bank decreases repo rates (so that banks 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.

³⁶ Lombard rate: An interest rate charged by a central bank for very short term loans to other banks against an approved collateral.

³⁷ Discount rate: An interest rate that a central bank charges depository institutions that borrow reserves from it.

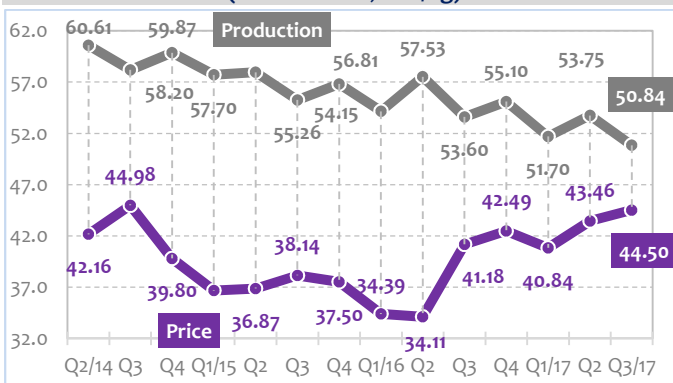
³⁸ t: tonne, metric ton is a non-SI metric unit of mass equal to 1000 kilograms

Graph 10: Beef production and average producer prices, 2014 - 2017 (in thousand t, CZK/kg³⁹)



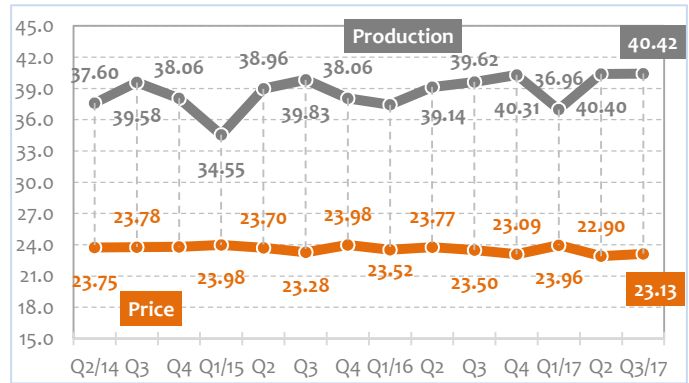
Exports of live cattle (50,000head) distinctly exceeded its imports (1,900 head), although it went slightly down, y-o-y (Δ 3.7%) due to lowered exports of animals for further rearing (31,600 head; Δ 6.7%). Considerably more animals for slaughter were imported (1,400 head and 820t), while their exports remained almost at the same level (18,400 head and 12,012t in live weight). The largest share on exports was recorded for animals sold to Turkey (ones for breeding, for further rearing and also for slaughter); exports of cattle went also to Austria (mostly animals for slaughter).

Graph 11: Pork production and average producer prices, 2014 - 2017 (in thousand t, CZK/kg)



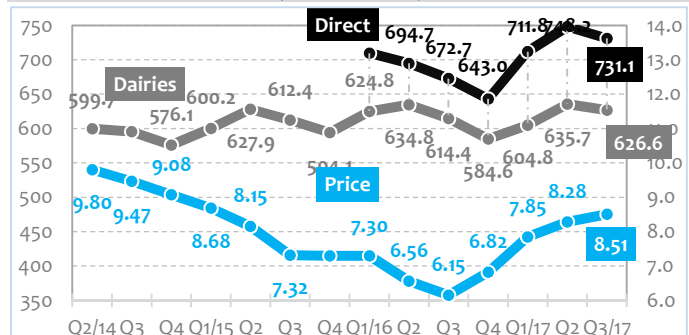
External trade in live pigs recorded significant y-o-y changes during the reference period. Although the category up to 50 kg prevailed steadily in imports of live pigs, only 31,400 head were enough for balancing the demand for piglets as their imports went down to 47,400 head (Δ 10.3%) and their exports reached 16,100 head. Mostly animals for slaughter were exported; their number also declined (to 55,500 head; Δ 10.4%), however the total balance for live pigs remained in surplus. Pigs were imported from Germany (piglets as well as pigs for slaughter), Denmark (pigs for breeding and piglets) and the Netherlands (only piglets); they were exported to Slovakia (mostly pigs for slaughter), Hungary (all categories) and Germany (pigs for slaughter and piglets).

Graph 12: Poultry meat production and average producer prices, 2014 - 2017 (in thousand t, CZK/kg)



External trade in live poultry showed a positive balance both in day-old juveniles and poultry for slaughter. During the reference period, 3.1mn head of day-old chicks were imported (Δ 5.7%, y-o-y) and 22.6mn head were exported (+5.5%). Exports of chicken and hens for slaughter amounted to 7,215t (Δ 9.6%). Countries participating in imports of live poultry the most were Germany (day-old juveniles), Hungary (day-old chicks) and Slovakia (utility day-old chicks, broilers and hens for slaughter). Live poultry went mainly to Slovakia (juveniles of all species and chicken for slaughter), Germany (day-old ducklings, fattened turkeys and chicken) and Poland (all poultry species and categories).

Graph 13: Milk collection and average producer prices, 2014 - 2017 (in mn l, CZK/l)



The distinct surplus in external trade in milk and milk products declined, y-o-y, to 183,419t. Imports went down (Δ 12.4%; to 64 050 tonnes) as well as exports (Δ 10.1%; to 247,470t). Milk and cream had the largest share on the decline on both sides: their imports went down by Δ 9,759t and their exports by Δ 22,424t. The external trade with butter decreased, y-o-y, by Δ 810t (Δ 17.3%) for imports and by Δ 367t (Δ 39.4%) for exports. The main trade partners for milk and milk products were Germany and Slovakia for both directions together with Poland for imports and Italy for exports.



WINDSTORM DAMAGES – 30. 10.

Hurricane-force winds have been battering the CR, taking lives, bringing down trees, power lines and damaging property. The worst problems are reported in the western and central parts of the CR where 4 people were killed by falling trees and thousands of homes were without power. Many roads and rail tracks were blocked by fallen trees and emergency crews have been responding to hundreds of calls since the early hours October 29.

³⁹ Kg: kilogram is the base unit of mass in the International System of Units and is defined as being equal to the mass of the International Prototype of the Kilogram (IPK)

 ABOUT 1/3 OF PLANNED MOTORWAYS IN RISKY AREA – 29. 10.

Geologists have surveyed 72 sections of the CR's planned motorways and class I roads, and found that roughly a 1/3 of them is risky, the Institute of Rock Structure and Mechanics of the CAS⁴⁸ said.

The CGS⁴⁹ contributed to the study which is to be presented to the ŘSD⁵⁰.

One of the problematic sections will be the Frýdek-Místek bypass in northern Moravia, where a number of landslides have been detected.

Active landslides, which are not even in the register of the CGS, have been found near Jičín, eastern Bohemia. Nature keeps developing and an active landslide can appear in the course of 3 years.

Individual sections and their risks are described in the study. The discussion concerned the geological area below the D8 motorway whose section near Litoměřice, northern Bohemia, was destroyed by a landslide in 2013.

 ŠKODA AUTO'S OPERATING PROFITS INCREASED – 30. 10.

According to the VW⁵¹, for the January to September 2017 period Škoda Auto⁵² has posted operating profits totalling €1.2bn. This represents a y-o-y increase of 28.3 %. Sales revenues increased by 22 % to €12.3bn.

Global deliveries to customers grew 3.6 % to 871,082 vehicles. The brand's sales increased from 606,000 to 700,000 vehicles. In terms of demand, interest also increased in models Fabia, Octavia Combi and Superb. This growth was markedly also driven by the new Škoda Kodiaq.

The VW operating profits totalled €13.2bn and whose sales revenues reached €170.9bn.

Škoda Auto hit the annual milestone of 1mn cars produced by the end of October this year, several weeks earlier than last year, and is heading for a record output for the entire year.

 PUBLIC TENDERS- 30. 10.

According to CEEC Research, in the Q1 to Q3 period public investors awarded 18,962 contracts worth an aggregate CZK244.3bn to concrete suppliers.

Material damage in forest and woodlands is being tabulated in the Krkonoše Mountains, where strong winds damaged thousands of cubic metres of wood in the form of snapped branches and falling trees. Damage was made worse because soil was already saturated from extensive rainfall.

Locals as well as tourists have been warned not to enter forest areas until areas are stabilised. Wind at the CR's highest peak, Sněžka, hit a speed of 180 km/h.

The windstorm damaged about 1mn m³ of wood in the forests owned by state-run forest management company LČR⁴⁰, according to the first estimates.

The volume of the damaged wood accounts for about 13% of the full-year amount of logging in the state-owned forests. Forests in northern Bohemia were hit the most hard.

LČR, which owns nearly 1/2 of forests in the CR, would like to process the affected wood by spring of next year.

ČEZ⁴¹ suffered damage amounting to CZK tens of millions, according to its first estimates. It was the 4th worst wind calamity in ČEZ's history.

More than 0.5mn ČEZ clients stayed without electricity on October 29. ČEZ declared a state of emergency in 8 of the 14 Czech regions.

ČEPS⁴² has not recorded any damage on its facilities.

The windstorm interrupted operation on more than 20 regional railway lines, RIA⁴³ said.

ČD⁴⁴ will calculate the damage within several days.

Insurance companies have received thousands of claims amounting to CZK hundreds of millions in connection with the windstorm so far, according to insurers' statements.

The windstorm was the most powerful storm in the CR since hurricane Kyrill that hit the CR in 2007 destroying 6mn m³ of wood and causing damage worth CZK1bn.

 SZIF TO DIVIDE MORE THAN CZK12BN IN SAPS – 31. 10.

The SZIF⁴⁵ will divide more than CZK12bn under the SAPS⁴⁶. SZIF started issuing the verdict and reimbursing the 70% deposit on October 30, 2017. The rate for 2017 is CZK3,377.73/ha⁴⁷. 90% of verdicts are to be issued by December 15, 2017.

⁴⁰ LČR: Forests of the Czech Republic, state enterprise based in Hradec Kralove founded by the Ministry of Agriculture. LCR 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.

⁴¹ 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.

⁴² ČEPS: an exclusive operator of the power grid in the CR based on a licence from the ERU. It maintains, upgrades and develops 41 substations with 71 transformers. ČEPS's power network is now over 5,000 km long. The company is fully owned by the state via the MIT.

⁴³ RIA: Railway Infrastructure Administration (also SŽDC in Czech), is the national railway infrastructure manager in the Czech Republic. Its main customers include passenger train operator České dráhy and its cargo subsidiary ČD Cargo. It manages 9,478 km of tracks in the Czech Republic - all main lines and almost all regional lines.

⁴⁴ ČD: Czech Railways, is the main railway operator in the Czech Republic providing regional and long-distance services.

⁴⁵ SZIF: State Agricultural Intervention Fund, is an accredited paying agency that acts as an intermediary responsible for the administration of financial subsidies allocated from EU funds and Czech national resources. Under the EU's Common Agricultural Policy, EU subsidies are provided from the European Agricultural Guarantee Fund (EAGF) and, in the 2007–2013 and 2014–2020 programming periods, from the European Agricultural Fund for Rural Development (EAFRD) and the European Fisheries Fund (EFF). The Horizontal Rural Development Plan (HRDP) and Operational Programme Rural Development and Multifunctional Agriculture have been replaced by the EAFRD-funded Rural Development Programme (RDP).

⁴⁶ SAPS: Single Area Payment Scheme

⁴⁷ ha: hectare is a non-SI metric system unit of area equal to 10,000 m²

In a y-o-y comparison this represents a 143.8% increase in the number of completed tenders and an 83.0% increase in their volume.

In terms of their number, this represents a 3-year high.

euro JAPANESE LABORATORIES IN BRNO – 30. 10.

The printing company Konica Minolta plans to expand its development centre in Brno by 50%, research laboratories have grown to the current 65 employees from 2015 and due to the sufficiency of high-quality domestic engineers, they will expand further.

Mr. Nakagawa, president of Konica Minolta Business Solutions Europe, said, "We want to move another part of research from Japan. We are working on our new product - workplace hub, which is one of the biggest investments that Konica Minolta will make in the next few years. Hardware is produced in Japan and China, but all software is being developed in Brno."

Morava has a growing role in the strategy of a Japanese company operating in more than 60 countries around the world, which is worth CZK94bn at the Japanese stock market now. "We plan to increase capacity to nearly 100 people," Mr. Nakagawa added. The laboratories have a separate budget funded by Japan of approximately CZK140mn per year.

Minolta, for example, develops so-called widespread reality project in Brno that want to use in its basic business of polygraphy or in healthcare. These are systems that, for example, automatically measure temperature in hospitals and receive additional data from patients without a nurse, with information going electronically directly to a doctor.

Similar to Google, Konica Minolta also works on virtual glasses. It also develops artificial intelligence, something like a virtual secretary that for example automatically counts the ballot in the meeting according to the raised hands or scheduling meetings. The start of the sale of the project is expected to begin in 2020. However, Konica Minolta is the most proud of the hub workplace, which is to be the office of the future.

SENATE'S VISIT TO SOUTH KOREA – 30. 10.

The speaker of the Senate⁵³, Milan Štěch, arrived in South Korea for a 4-day working visit. He is being accompanied by a delegation which includes executives from the CCC⁵⁴ and the president of the CAS Zažimalová. They will meet with the PM of the Republic of Korea and start a business forum.

⁵³ **Senate:** the Senate of the Parliament of the CR, usually referred to as the Senate, is the upper chamber of the Parliament of the Czech Republic. The seat of the Senate is Wallenstein Palace in Prague.

⁵⁴ **CCC:** Czech Chamber of Commerce (also HK ČR in Czech), is an organisation which represents the business community in the Czech Republic and is an essential part of the Czech business environment. The chamber's competencies are defined by Act No. 301/1992 Coll., on the Czech Chamber of Commerce and the Czech Chamber of Agriculture. It is organised into two sections - region and industry-based chamber networks. The region-based network is broken down into district, area and Region chambers of commerce. The industry-based network is made up of business communities divided into four professional associations: Retail and tourism; Industry and transport; Business services and other; and Construction, technical crafts and technical equipment. It protects the interests of its members - small, mid-sized and large companies that are in the region-based chamber network and business communities. The Czech Chamber of Commerce has over 13,000 members organised in 65 regional and 83 industry subdivisions. Membership of the Czech Chamber of Commerce is voluntary.

In addition to talks in Seoul, focused on encouraging new South Korean investment in the CR and expanding cooperation between the two countries in numerous areas, the Czech delegation will visit the city of Busan. Štěch will also open the new site of the Czech Embassy in Seoul.

The special Czech Army aircraft had problems entering the Chinese airspace. It had to circle over the territory of Mongolia for several dozen minutes and then make unplanned landing at the airport in Ulaanbaatar. China, according to an Army Specialist pilot, claims the alleged inconsistencies in the submitted flight plans.

The delegations waited for the new instructions for about 4 hours.

mbrain KOREA PLANS TO BID FOR NUCLEAR PROJECT – 30. 10.

The government of South Korea announced its intention to participate in a bid for the nuclear project in the CR, which is expected to open in late 2018. The CR has yet to confirm the schedule and scope of the project, but South Korea will promote its advanced reactor design and decade-long know-how in operation and development. According to the World Nuclear Association, the CR generates 1/3 of its electricity from 6 nuclear reactors and aims to boost the nuclear energy ratio to more than 50% in 2030. In order to ease concerns that efforts to newly secure contracts could be adversely affected by the domestic nuclear phase-out plan, the South Korean government has pledged to support bids by local firms to export nuclear reactors overseas. South Korea has 40 years of expertise in nuclear reactor development and operation.

CIA CEA OPENS SECOND DIRECT PRAGUE-CHINA ROUTE – 31. 10.

CEA⁵⁵ opened on October 29, 2017, the 2nd direct route between Prague and China. The carrier will thus newly offer 4 flights per week to China. Two lines will continue to fly directly to Shanghai, while the 2 new connections will stop also in Si-an. Tickets from Prague to Si-an start at CZK11,610. CAE uses the Airbus A330-200 aircraft. The average occupancy of flights on the Prague-Shanghai route exceeds 80%.

ČEZ TO SELL VARNA POWER PLANT – 31. 10.

ČEZ will sell black-coal Varna power plant to Bulgarian firm SIGDA OOD whose offer ČEZ has picked as the best in a tender, ČEZ has already agreed on the transaction's conditions with the firm.

The final price will be set on the date of the sale. Power plant Varna with installed output at 1,260MW⁵⁶ is temporarily out of operation since the beginning of 2015.

"The transaction is subject the Bulgarian antimonopoly authority's approval," ČEZ said.

ČEZ halted the Varna's operation at the beginning of 2015 because Bulgaria failed to gain the EU's permit even for its short-term operation. The power plant did not fulfil European environmental norms.

⁵⁵ **CEA:** China Eastern Airlines Corporation Limited is an airline headquartered in Shanghai. It is a major Chinese airline operating international, domestic and regional routes. Its main hubs are at Shanghai Pudong International Airport and Shanghai Hongqiao International Airport, with secondary hubs at Kunming Changshui International Airport and Xi'an Xianyang International Airport. China Eastern Airlines is China's second-largest carrier by passenger numbers.

⁵⁶ **MW:** 10⁶ watts

In the autumn of 2014, ČEZ announced that it had not agreed on the financing of the PP's modernisation with state energy company Bulgarian Energy Holding.

ČEZ wants to leave Bulgaria due to long-lasting disputes with local authorities and because it wants to focus on the CR and CE and RES⁵⁷, for example in Germany and France, where it sees more opportunities.

ČEZ started international arbitration against the Bulgarian government last year. According to the company's statement released at that time, ČEZ has opted for the step after a number of interventions of Bulgarian institutions harming ČEZ's business activities as well as due to the critical situation on the local energy market which does not improve. The size of the claim moves in the order of hundreds of millions of euros.

ČEZ said in September that 5 bidders had been shortlisted for the purchase of its assets in Bulgaria. Besides power plant Varna, ČEZ's assets in Bulgaria comprise electricity distribution and electricity production from renewable sources.

3 investors were interested in the whole package, 1 only in the power plant and the other in everything except for the power plant. ČEZ wants to decide on the sale by the end of this year.

ČEZ is still looking for a potential buyer for companies ČEZ Bulgaria, ČEZ Elektro Bulgaria, ČEZ ICT Bulgaria, ČEZ Razpredenie Bulgaria, ČEZ Trade Bulgaria a Free Energy Project Oreshets.

ČEZ Razpredenie is the most important of the companies. According to ČEZ's annual report, this firm made a CZK343mn net profit last year and its operating revenues reached CZK5.6bn.

ČEZ entered the Bulgarian market in 2004. Its distribution and trading company provides services to come 3mn clients in Bulgaria, in particular in the western part of the country.

ČEK NUMBER OF COMPANIES WITH BRITISH OWNER GROWS – 1. 11.

The number of companies with British owners grows in the CR, 4,821 such companies are currently active in the CR, Bisnode⁵⁸ announced.

There were 4,540 firms with British owners in the CR in 2016 and 2,789 such firms in 2013. Since 2015, the number of companies with British owners has jumped up by 59%.

The figures show that British companies are concerned about Brexit⁵⁹ and more of them therefore get registered abroad, Bisnode said. "The CR, the same as other countries, could benefit from Brexit."

British owners of Czech companies are the 5th most frequent foreign owners after Russians, Slovaks, Ukrainians and Germans. Between the years 2015 and 2016, their number increased by more than 1,500, the highest growth in the last five years.

British owners of Czech firms have subscribed CZK42bn in share capital of Czech firms, the highest figure in the last 4 years.

⁵⁷ RES: renewable sources

⁵⁸ Bisnode: a company that offers decision support in the form of digital business, marketing and credit information. Founded in 1989, Bisnode is present in 19 European countries and has its headquarters in Stockholm, Sweden

⁵⁹ Brexit: The withdrawal of the United Kingdom from the European Union

They rank 7th in the chart of the biggest foreign investors in terms of subscribed capital. The first 3 positions are held by Germany, the Netherlands and Luxembourg, far ahead of the rest.

Table 3: TOP 10 Czech firms with British owners (in CZK bn)

Owner	Czech daughter company	Share capital
ILAD Professional Services	Karlovarska Likernicka	3.39
IRG Steel	Ferona	3.00
Marks & Spencer	Marks & Spencer CR	2.47
Panasonic Europe	Panasonic AVC Networks CZ	2.41
Asahi Breweries Europe	Plzensky Prazdroj	2.00
Bidcorp Foodservice (Europe)	Bidfood CR	1.87
Arriva International	Arriva Transport CR	1.57
FD Europe	FPD Corporation CZ	1.35
Setfirst	Glaxosmithkline	1.10
IMI Overseas Investments	CCI CR	0.87

SOCIAL & HEALTH

ŠKODA AUTO TUS WANT TO RAISE WAGES – 27. 10.

Kovo⁶⁰ Škoda Auto TUs⁶¹ want an increase in the wage tariff and to negotiate bonuses, on which they are cancelling a moratorium. Collective negotiations will begin on November 7, 2017.

The TUs also want to double the premium for employees of CZK4,000 with payment before the end of the year. The aim of Kovo TUs is also to enforce the making of contracts for an indefinite period of time and to thus reduce fluctuation for new employees. Social costs will be negotiated in addition.

EMPLOYMENT IN CR EXCEEDS EU AVERAGE – 31. 10.

The employment rate in the CR totalled 78.2% in Q2 2017. The result exceeds EU average by 5.9 p.p. and is the 3rd highest value in EU (together with UK). Of the neighbouring countries, only Germany reported higher employment rate (79.0%).

In all EU countries, men's employment rate is higher than women's.

CR had employment rate of 86.1% for men, beating all other EU member countries. Sweden continues to report the highest employment rate for women (80.0%).

Women's employment rate in the CR totalled 70.1%.

STAFF TRAINING CONTRIBUTION – 1. 11.

Employers can again apply for contribution in 3rd call in the Support for Vocational Training for Employees II (POVEZ II). The project is being implemented by the LO⁶² within the EU⁶³ OP⁶⁴ Employment in the period from December 2015 to November 30, 2020.

⁶⁰ KOVO: the metalworkers trade union, affiliated member union of ČMKOS, with some 140,000 members.

⁶¹ TU: Trade union, around 1/6 of all employees are union members in the CR.

⁶² LO: Labour Office

⁶³ 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 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.

⁶⁴ OP: Operational programmes are detailed plans in which the Member States set out how money from the EU Funds will be spent during the programming period. They

Employers can get financial contributions to increase the expertise and skills of existing and future employees. It also helps those who have just started employment and need more time to learn. Self-employed persons can also take part in programme.

Application for contributions is done electronically through a web application.

SURVEYS & RATINGS & OTHERS

ANO LEADER FORMING NEW GOVERNMENT - 31. 10.

President Zeman has tasked Babiš, the leader of the ANO⁶⁵, with forming a new government. The president said he supported Babiš' plan to form a minority government and would appeal to ChD⁶⁶ to give it a vote of confidence.

The president said he was strictly opposed to early elections and would give Babiš a 2nd attempt at forming a cabinet if his minority government fails in a confidence vote in the ChD.

Babiš, who was rebuffed by the traditional parties during coalition negotiations, has said he will form a minority government made up of ANO ministers and unaffiliated experts and will ask the ChD for a vote of confidence in his cabinet before Christmas. There is concern that with support from the president he could govern the CR for some time even if he failed to win a confidence vote.

CTK CONDITIONS IN MANUFACTURING INDUSTRY IMPROVE – 1. 11.

Conditions in the manufacturing sector improved in October when the PMI⁶⁷ rose to 58.5 points from September's 56.6 points, which is the biggest growth rate in more than 6 years.

The October survey showed the biggest improvement in production operating conditions since April 2011. The new orders growth rate was fastest since May 2014.

The October output of manufacturers reported the fastest growth rate in 4 months, with new and export orders registering a significant rise as well.



can be drawn up for a specific region or a country-wide thematic goal. For the European Territorial Cooperation goal, cross-border or interregional operational programmes are drawn up.

⁶⁵ ANO: ANO 2011, centre-right party

⁶⁶ ChD: Chamber of Deputies, is the lower house of the bicameral Parliament of the CR. The seat of the Chamber of Deputies is Thun Palace in Malá Strana, Prague.

⁶⁷ PMI: Purchasing Managers' Index - index is based on the state of new orders, stocks at factories, delivery deadlines, and the recruitment of new workers. Any score higher than 50 is still in positive territory.

News outside the time span of this News summary	
	CEZ
	CIA News (Česká informační agentura)
	Czech Press Agency (Česká tisková kancelář)
	Czech Statistical Office (Český statistický úřad)
	Euro Magazine
	M-Brain, News monitoring
	Ministry of Finance of the Czech Republic
	Novinky.cz
	Radio Prague (Český rozhlas)