

## NEWS SUMMARY MARCH 22 – MARCH 28

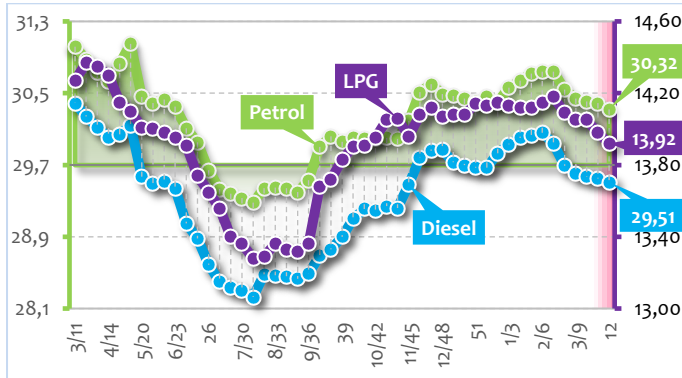
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詳細情報については、それぞれの情報ソースを参照願いたい。

### ECONOMY & FINANCE

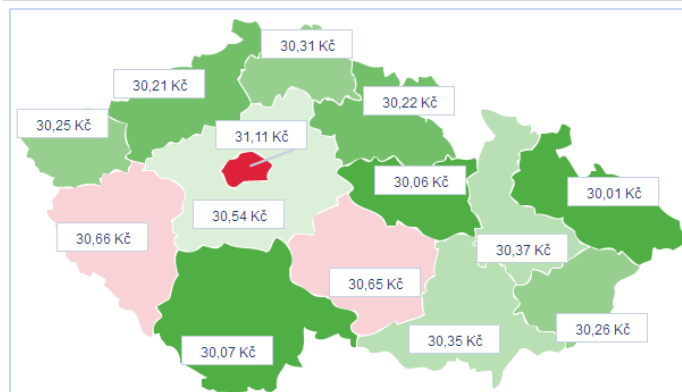
#### FUEL PRICES – 23. 3.

Natural gas decreased by ▲7h<sup>1</sup> to CZK<sup>2</sup>30.32/l<sup>3</sup> over the past week. Diesel oil decreased by ▲4h to CZK29.51/l.

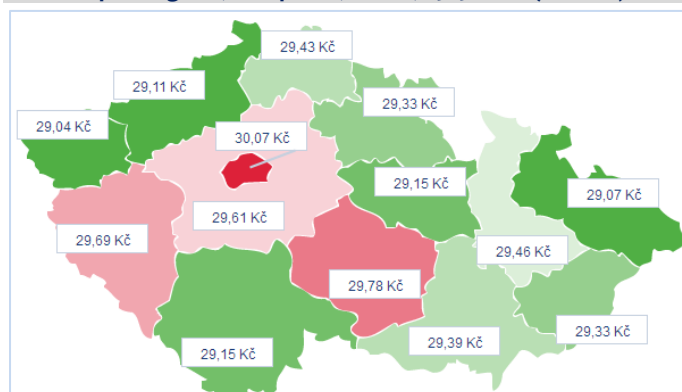
Graph 1: Average fuel prices<sup>4</sup>, 2017 – 2018, Month/Week (in CZK/l)



Map 1: Regions, fuel prices, Petrol, 23. 3. 2018<sup>5</sup> (in CZK/l)



Map 2: Regions, fuel prices, Diesel, 23. 3. 2018 (in CZK/l)



#### BUSINESS CYCLE SURVEY – 26. 3.

Overall confidence in economy decreased slightly. The composite<sup>6</sup> confidence indicator decreased slightly by ▲0.2

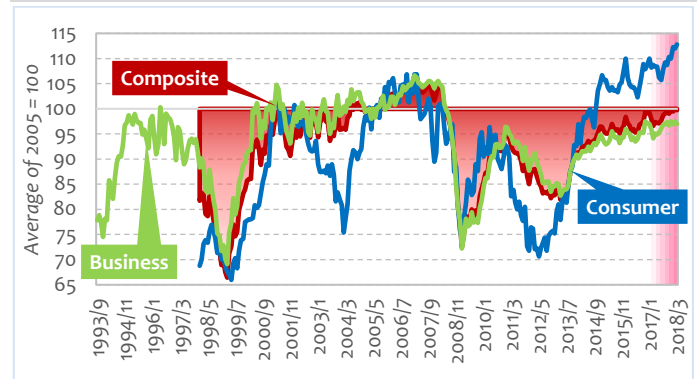
<sup>1</sup> h: Heller, a term was used for a coin valued at 1/100 of a CZK, it continues to be used as a means of calculation since the CNB removed the coins themselves from circulation in 2008 and notionally replaced them with rounding to the next CZK.

<sup>2</sup> CZK: Czech Crown, the currency of the CR since 8 February 1993

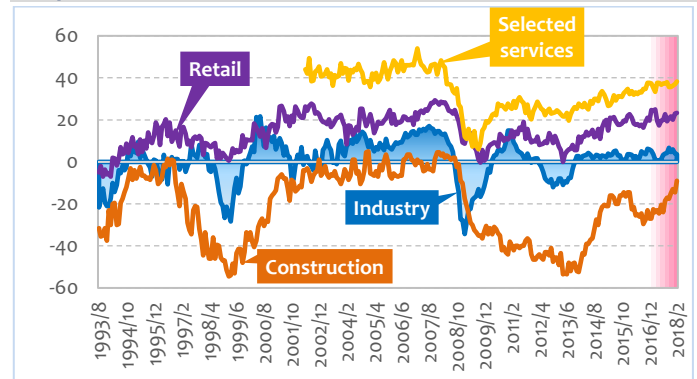
<sup>3</sup> l: litre

p. p.<sup>7</sup> to 99.7 m-o-m<sup>8</sup>. Confidence of entrepreneurs decreased slightly by ▲0.5 p. p. to 97.0 compared to February. Consumer confidence indicator increased slightly by 0.8 p. p. to 112.8, m-o-m. Composite confidence indicator, entrepreneurs' confidence indicator and consumer confidence indicator are higher, compared to March 2017.

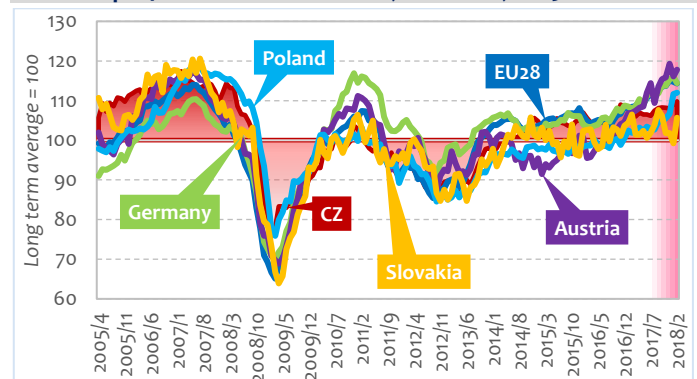
Graph 2: Confidence Indicators, SA, Overall, Basic Indices, 1993 – 2018



Graph 3: Confidence Indicators, SA, Sectors, Balances, 1993 – 2018



Graph 4: Confidence Indicators, Countries, 2005 – 2018



<sup>4</sup> 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

<sup>5</sup> data issued by the mBenzin.cz

<sup>6</sup> economic sentiment indicator, stated by basic indices

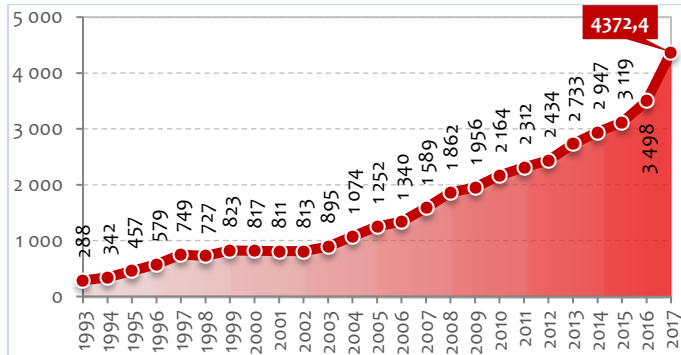
<sup>7</sup> P.p.: percentage point

<sup>8</sup> M-o-m: month-on-month

CR'S FOREIGN DEBT UP IN 2017 – 26.3.

According to the CNB<sup>9</sup>, in Q4<sup>10</sup> 2017 the deficit of the CR's<sup>11</sup> foreign investment position increased by CZK87.3bn<sup>12</sup> to CZK1,337bn. In a y-o-y<sup>13</sup> comparison this represents an increase of CZK53.9bn and in relation to GDP<sup>14</sup> it represents 26.5 % at current prices. The CR's foreign debt at the end of Q4 totaled CZK4,372.4bn (86.7 % of GDP). Compared to the same period of the preceding year it was up CZK874.7bn.

Graph 5: Foreign debt, 1993 – 2017 (in CZK bn)

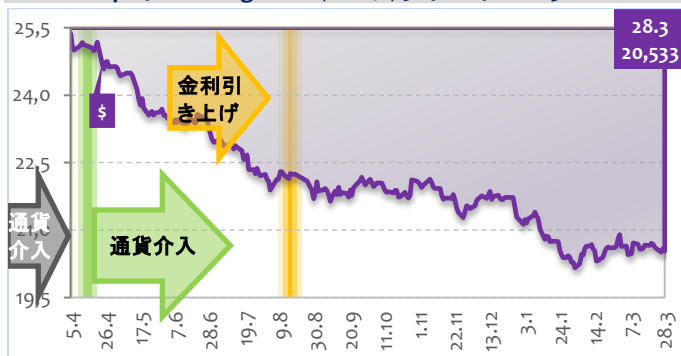


CZK VS EURO, US DOLLAR, YEN – 28.3.

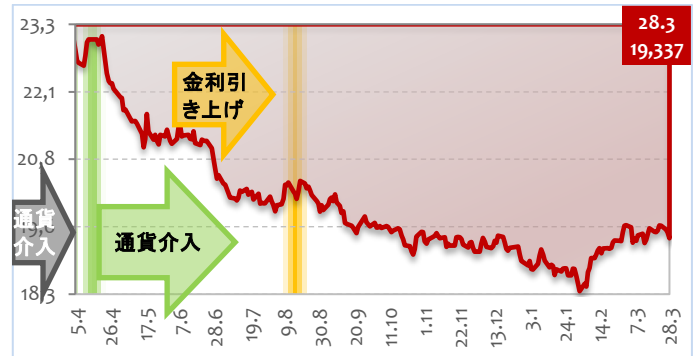
Graph 6: Exchange rates, CZK/€, 5. 4. 2017 – 28. 3. 2018



Graph 7: Exchange rates, CZK/\$, 5. 4. 2017 – 28. 3. 2018



Graph 8: Exchange rates, CZK/100¥, 5. 4. 2017 – 28. 3. 2018



AGRICULTURE & ENVIRONMENT

LČR STOPS LOGGING BECAUSE OF WIND CALAMITY – 22.3.

LČR<sup>15</sup> has halted logging of spruces and pines until further notice because of a large volume of calamity wood in forests, and it wants to focus logging capacities on the impacted wood.

The last windstorm hitting the CR damaged about 550,000m<sup>3</sup> of wood, which is nearly double the amount estimated. Wind has damaged some 2.7mn<sup>16</sup> m<sup>3</sup> of wood in the CR since last August. The impacted wood needs to be processed which is why LČR has stopped logging of spruces and pines that was supposed to be carried out this year, LČR said.

In August 2017, wind affected 320,000m<sup>3</sup> of wood. The biggest damage was done by the Herwart windstorm hitting the CR in October and destroying about 1.6mn m<sup>3</sup>, and 255,000m<sup>3</sup> were damaged during the winter. LČR processed some 1.7mn m<sup>3</sup> of wind calamity wood from August until the end of February. Wood logging volume of LČR, owning nearly 1/2 of the CR's forests, is about 8mn m<sup>3</sup> a year.

LČR had forbidden logging of coniferous trees before, banning the work from August until the end of 2017, as the company wanted to release pressure on the timber market flooded with wind and bark beetle calamity wood.

Last weekend's wind caused the largest damage in the Olomouc Region.

LČR WILL INVEST INTO SMALL WATERWAYS – 23.3.

LČR has allocated more than CZK300mn for the renewal, maintenance and new construction of small waterways. It will for example commence anti-flood measures in Bruntál, Frýdlant nad Ostravicí and in Trutnov district. In 2017 the

<sup>9</sup> 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.

<sup>10</sup> Q: \* quarter of the year

<sup>11</sup> CR: the Czech Republic, a nation state in Central Europe. The Czech Republic covers an area of 78,866 km<sup>2</sup> 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.

<sup>12</sup> bn: billion

<sup>13</sup> Y-o-y: year on year, compared, compared with the corresponding month of preceding year

<sup>14</sup> 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). 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

<sup>15</sup> LČR: Forests of the Czech Republic, 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.

<sup>16</sup> mn: million

company renewed among other things 5 water reservoirs in Znojmo district on an area of 6.3ha<sup>17</sup>.

#### ES STATE TENDER FOR CANNED MEAT SUPPLY – 25. 3.

The ASMR<sup>18</sup> is seeking a supplier of 100t of canned meat. The contract worth CZK11.40mn includes also storage of the products. Last such a tender had been called 2 years ago. The contract was awarded to Hamé<sup>19</sup>, which might participate in the new tender.

#### PŘÁVO CONTROL OF EGGS – 27. 3.

The MA<sup>20</sup> has announced that it will undertake checks of imported eggs around Easter<sup>21</sup> from mid-March to the end of March 2018 due to the statement of Polish media that up to 80% of their egg farms use antibiotics.

Compared to the CR, Poland uses double the amount of antibiotics per one production unit, with the use of antibiotics in the CR continually dropping, by 38% between 2010 and 2016. The MA will also check eggs imported from the Netherlands since the 2017 fipronil<sup>22</sup> scandal is now over and Dutch eggs can be imported again.

The SVA<sup>23</sup> banned 250,000 imported eggs in 2017, a significant drop from 1.1mn eggs in 2016. Production of eggs stood at 2.3bn pieces in 2017, the number of egg-laying hens was up to 9.3mn from 8.9mn in 2015 and the average annual consumption stood at around 250 eggs per capita. The current prices of eggs in Czech retail chains stand at between CZK 3 and CZK 3.50 per egg.

#### GIA MA TO RAISE SUPPORT FOR AGRICULTURE INSURANCE – 28. 3.

The MA has decided to raise the support for the agriculture insurance. According to the MA, it is the 1<sup>st</sup> step in the preparation for the establishment of the Fund for Uninsurable Risks.

#### CTK CZECH FOREIGN WINE TRADE DEFICIT IN 2017 – 28. 3.

The CR's foreign wine trade deficit exceeded CZK4bn in 2017 for the first time since 2008, according to the WA<sup>24</sup>.

Czech wine exports amounted to CZK434mn last year, while imports reached CZK4.75bn.

Since the CR joined the EU in 2004, Czech wine production has been oscillating and its development cannot be predicted. The amount of wine on the market was the highest in 2008 and 2009 and the supply has been decreasing ever since, the WA said. On the other hand, wine consumption has been stagnating, and exports have been dropping moderately in the past few years.

<sup>17</sup> ha: hectare is a non-SI metric system unit of area equal to 10,000 m<sup>2</sup>

<sup>18</sup> ASMR: Administration of the State Material Reserves

<sup>19</sup> Hamé: Hame Ltd., a traditional Czech company producing durable and chilled foods. It has 7 manufacturing plants in the Czech Republic and three abroad in Romania, Russia and Slovakia.

<sup>20</sup> MA: Ministry of Agriculture

<sup>21</sup> Easter: also called Pascha or Resurrection Sunday, is a festival and holiday celebrating the resurrection of Jesus from the dead, described in the New Testament as having occurred on the third day of his burial after his crucifixion by the Romans at Calvary c. 30 AD. It is the culmination of the Passion of Jesus, preceded by Lent (or Great Lent), a forty-day period of fasting, prayer, and penance. Easter and the holidays that are related to it are moveable feasts which do not fall on a fixed date in the Gregorian or Julian calendars which follow only the cycle of the sun; rather, its date is determined on a lunisolar calendar.

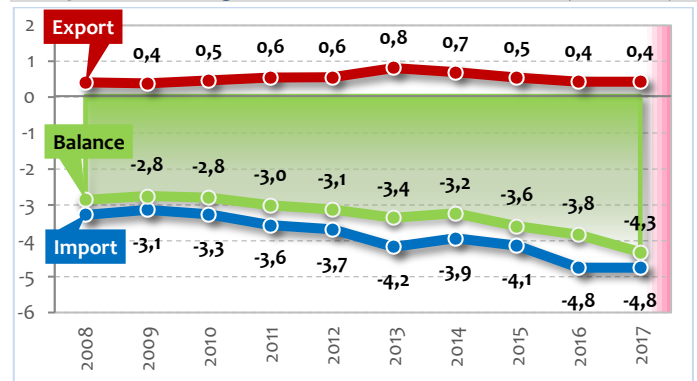
<sup>22</sup> Fipronil: Fipronil is a broad-spectrum insecticide that belongs to the phenylpyrazole chemical family. Fipronil disrupts the insect central nervous system by blocking GABA-gated chloride channels and glutamate-gated chloride (GluCl) channels. This causes hyperexcitation of contaminated insects' nerves and muscles. Fipronil's specificity towards insects is believed to be due to its greater affinity to the GABA receptor in

Wine imports rose by 71,000hl to 1.473mn hl last year, and exports went up by 17,000hl to 78,000hl. The value of annual wine consumption in the CR exceeds CZK6.5bn.

Roughly 87% of imported wine was from EU member states, with the CR importing the most from Italy, France and Spain. Moldova, Chile and South Africa make up the largest share in Czech wine imports among non-EU countries.

Czech exports head mainly to Slovakia and Poland.

Graph 9: CR's foreign wine trade balance, 2008-2017 (in CZK bn)



#### ENERGY & INDUSTRY & TRANSPORT

#### GIA ČEZ INSTALLED OUTPUT AT 14.9 GW AT END-2017 – 22. 3.

The installed output of ČEZ<sup>25</sup> dropped 5% on the year to 14.9GW<sup>26</sup> in 2017. Within the framework of traditional energy, electricity generation was 2% higher and totalled 60.9TWh<sup>27</sup>. In the field of new energy, generation grew 25% to 2TWh, mainly thanks to the acquisition of new sources abroad. Electricity distribution to end users increased 3% to 52TWh. Electricity sales totalled 37TWh (▲1%). Gas sales to end users gained 21% to 9.9TWh.

#### GIA AUTOMOTIVE EMPLOYS 150,000 PEOPLE – 23. 8.

In the CR the automotive industry directly employs 150,000 people and indirectly it employs 400,000 employees, the AIA<sup>28</sup> said, adding that essentially 3% of employees account for 9% of GDP. It said this highlights the significance of the sector, which represents ¼ of domestic industrial production and ⅓ of exports.

insects relative to mammals and its effect on GluCl channels, which do not exist in mammals. Because of its effectiveness on a large number of pests, fipronil is used as the active ingredient in flea control products for pets and home roach traps as well as field pest control for corn, golf courses, and commercial turf. Its widespread use makes its specific effects the subject of considerable attention. This includes ongoing observations on possible off-target harm to humans or ecosystems as well as the monitoring of resistance development.

<sup>23</sup> SVA: Czech State Veterinary Administration

<sup>24</sup> WA: Winemakers' Association

<sup>25</sup> 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.

<sup>26</sup> GW: gigawatt, 1 GW is equal to 1 billion (10<sup>9</sup>) watts.

<sup>27</sup> TWh: terawatt-hour, a measure of electrical energy, 10<sup>12</sup> watt-hours

<sup>28</sup> AIA: Automotive Industry Association (AutoSAP), an interest industrial grouping of the manufacturing, commercial and other companies which make up the Czech automotive and allied industries. AIA represents companies making up nearly 90% of the Czech automotive industry. Their share in total industrial production posted an annual rise of 1% to 22%.

**CTK D1 MOTORWAY WON'T BE COMPLETED BY 2021 – 25. 3.**

Reconstruction of D1<sup>29</sup> will last longer than until the currently promised year 2021, former MT<sup>30</sup> ministers agreed.

MT Minister Ťok said this month that work on the motorway's reconstruction between Prague and Brno would last until 2021.

"Owing to the delays we know that we will not manage to complete the repairs by 2020," he said.

Year 2020 was earlier talked about as the time when the repairs should be completed. The launch of individual construction projects has been delayed by 6 to 12 months because CoE<sup>31</sup> has been challenging the issuance of individual building permits, he said. The total costs of the repairs are to reach some CZK19bn.

The state will be unable to gain all the necessary permits on time, remarked then ministers. "With respect to the preparedness of these projects, the uncertainties are alarming," they said. If the new legislation on transport projects was already valid, the state would not now be at a disadvantage. It is necessary to convince the government and environmental organisations that construction of transport infrastructure is beneficial. Well prepared motorways are environmental projects, they declared.

D1's overall modernisation between Mirošovice (21<sup>st</sup> km of the route) and Kývalka (182<sup>nd</sup> km) involves gradual work on 21 sections. Repairs of 9 of them have been completed since 2013.

Work on the motorway's longest section between Humpolec (90<sup>th</sup> km) and Větrný Jeníkov (104<sup>th</sup> km) started in March.

"Our ambition is to start up to 8 sections," Ťok earlier said on this year's construction season.

**ES CD PLANS TO SPEND IN NEW TRAINS – 26. 3.**

CD<sup>32</sup> plans to buy 60 new trains with a capacity of 240 seats and speed availability of over 200km/h. The investment would stand at up to CZK10bn. A tender, which is yet to be approved at an extraordinary shareholders' meeting, is likely to be called in 2018. A method of funding is not known.

**ČIA ČEZ MODERNISES SECURITY SOFTWARE IN TEMELÍN – 26. 3.**

ČEZ has conducted the most significant software update in security systems of the Temelín NPP<sup>33</sup> since the beginning of its operation. It is newly possible to open safety valves in the volume compensator remotely from a surveillance room. The same update will take place during the 2<sup>nd</sup> unit outage in the summer. ČEZ will invest nearly CZK170mn in the project.

**CTK NEW NUCLEAR UNITS' PROJECTS FINANCING – 26. 3.**

Construction of new nuclear units should be financed by the state, not by ČEZ, experts from the Standing Committee on Nuclear Energy lean to this opinion, government commissioner for nuclear energy Štuller said after the committee's meeting.

Independent teams of expert opponents are to be set up to evaluate the financing options, he added.

MIT<sup>34</sup> Minister Hüner noted that the committee should submit its evaluation after another meeting which is to take place on May 15. The government should discuss the document in June.

PM<sup>35</sup> Babiš in the position of finance minister in the previous government supported construction of a new nuclear unit purely from ČEZ's resources. One of his arguments was that the company has enough money.

However, this could be disadvantageous for minority shareholders. This is why ČEZ's potential split or transformation started to be discussed.

Štuller and Hüner said that the committee was dealing with potential construction in both domestic NPPs, in Dukovany<sup>36</sup> as well as in Temelín.

Štuller added that both options will be on the table as long as possible. "With respect to the age of the equipment, Dukovany needs new units more," Hüner added.

The Czech energy sector clearly needs decision on financing of new nuclear units, said the CI<sup>37</sup>. It supports their construction based on real conditions and need for a stable energy source to replace coal-fired power plants which will be gradually put out of operation.

"We cannot wait any longer and breach the stability of power supplies in the future," the CI's president said.

Babiš earlier said that a team of experts should discuss ČEZ's potential split due to the construction of new nuclear units. Its members will be proposed by the government, the MF<sup>38</sup> and MIT.

Hüner said that he was in contact with Babiš due to the issue but the team has not been formed yet. It should be set up when it becomes clear what way of financing is chosen.

Environmental organisations have been protesting against potential construction of a new nuclear unit for a long time.

<sup>29</sup> **D1**: The D1 highway, connecting Prague and Brno, is one of the main highways in the country. By completion, its renovation is expected to cost CZK19bn.

<sup>30</sup> **MT**: Ministry of Transport

<sup>31</sup> **CoE**: The Children of the Earth (Deti Zeme) is a non-governmental environmental organization that started up in September 1989, as an unofficial initiative of several ecological activists. Today there are 8 branches of Children of the Earth all over the Czech Republic, with the headquarters in Plzeň in the western part of the country. The aim of Children of the Earth is to protect the environment and to strengthen ties between man and the environment.

<sup>32</sup> **CD**: Czech Railways, is the main railway operator in the Czech Republic providing regional and long-distance services.

<sup>33</sup> **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.

<sup>34</sup> **MIT**: Ministry of Industry and Trade

<sup>35</sup> **PM**: Prime Minister

<sup>36</sup> **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 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.

<sup>37</sup> **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.

<sup>38</sup> **MF**: Ministry of Finance

Duha<sup>39</sup> and Calla<sup>40</sup> said that another bet on nuclear energy is an excessive economic risk.

#### SENIORS, PUPILS & STUDENTS TO GET DISCOUNT – 28. 3.

The MT has informed that the government decided about the new government-ordered discounts. Seniors aged 65+ and pupils and students aged 6-26 years will be entitled to receive 75% discounts on train and bus fares from June 10, 2018.

#### PRAGUE AIRPORT SEEKS CONNECTION TO JAPAN – 28. 3.

Europe is basic destination for flights from Prague, but Aeroholding<sup>41</sup> is also negotiating connection to USA - Atlanta, Miami, Los Angeles and Chicago, and Canada. It is also seeks to establish flights connecting Prague to Japan, Thailand, Hongkong a Taiwan, the liveliest connection can arise between Prague and Bangkok.

#### INVESTMENTS & TRADE & SERVICES

#### CZECHINVEST DIRECTOR NAMED – 23. 3.

CzechInvest<sup>42</sup> has had Silvana Jirotkova appointed Director, after Karel Kucera was dismissed in January 2018 for poor performance. Jirotkova's appointment was approved by the MIT Minister Hüner.

#### PRAGUE CONSIDERS AIRPORT METRO LINE – 26. 3.

Prague would consider building a metro line to the airport should the MT refuse to launch construction works on the Prague-airport-Kladno railway line without EU funds<sup>43</sup>.

According to an expert, a new metro line would not make sense but suggests a cheaper option such as a tram line. It would be a temporary solution while a new railway line is built. The railway line would not be finished until 2028/29.

A metro line costing around CZK27bn would have to be unnecessarily long and if a railway line was built too, it would not be able to compete.

On the other hand, Prague's deputy mayor says that a metro line would be convenient as it would ease terrestrial transport.

#### SALE OF CEFC REAL PROPERTY – 27. 3.

The planned sale of CEFC<sup>44</sup> China Energy's global real estate portfolio will not concern real property owned by CEFC in the CR, company said.

CEFC China Energy plans to sell its global real estate portfolio with the book value at over CZK65bn, Bloomberg<sup>45</sup> said, citing sources informed about the situation.

#### GDPR IMPLEMENTATION'S COSTS – 27. 3.

According to BV<sup>46</sup>, the implementation of the EU GDPR<sup>47</sup> will cost Czech companies and public administration about CZK6bn. Less than 10% of companies and organisations are ready for the regulation.

GDPR will concern all companies that is roughly 460,000 in the Czech Republic, a 1/3 of 1.5mn sole traders, and the entire public administration including 7,000 municipalities, BV said and expects that less than 20% of entities concerned by GDPR will be fully in line with the regulation in time.

Around 30% of companies would like to start working on fulfilling the personal data rules but they do not know how.

A total of 30% of entities have carried out analyses, implementing measures to eliminate main differences in regulation. The remaining 1/3 is waiting for a new personal data processing law and first fines imposed by the OPDP<sup>48</sup>, it added.

<sup>39</sup> Duha: The Rainbow Movement - Friends of the Earth Czech Republic is an environmental movement in the Czech Republic. Hnutí DUHA is one of 30 national organisations represented in the Friends of the Earth Europe umbrella organisation, it has been its member since 1994.

<sup>40</sup> Calla: Calla - Association for Preservation of the Environment is a citizens' environmental association founded in 1991. Calla is named after a protected plant, the water-aram (Calla palustris).

<sup>41</sup> Aeroholding: Czech group Český Aeroholding, a company whose sole shareholder is the state, represented by the Ministry of Finance of the CR. The main task of Czech Aeroholding is to ensure coordination, financial management and implementation of synergies within the group. Group is gradually assuming control of aviation transport companies and firms providing related ground services at the Prague/Ruzyne International Airport. It employs 4,500 people, it comprises Letiste Praha, Czech Airlines Technics, which provides technical maintenance of planes, and Czech Airlines Handling, responsible for the ground handling of aircraft and passengers.

<sup>42</sup> CzechInvest: Business and Investment Development Agency CzechInvest, is an agency of the Ministry of Industry and Trade. Established in 1992, the agency contributes to attracting foreign investment and developing domestic companies through its services and development programmes. CzechInvest also promotes the Czech Republic abroad and acts as an intermediary between the EU and small and medium-sized enterprises in implementing structural funds in the Czech Republic.

<sup>43</sup> 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.

<sup>44</sup> CEFC: China CEFC Energy Company Limited, through its subsidiaries, engages in trading of oil, petrochemical products, and oil storage. The company is based in Shanghai, China. CEFC China has picked the CR as the main seat for its European activities. Since September 2015, it has bought into Czech beer maker Pivovary Lobkowicz Group (PLG), J&T Finance Group, engineering company Zdas, air carrier Travel Service, online seller of trips Invia.cz, media group Medea Group, publishing house Empresa Media and television group Barrandov. CEFC also owns two five-star Prague hotels - Mandarin Oriental Prague and Le Palais Art Hotel Prague and a historic

building of former Zivnobanka in Prague centre, and Martinický palác at Hradčany. It is also the majority owner of soccer club Slavia Praha. In 2017, CEFC bought a 14.16 % stake in Russia's largest oil producer Rosneft for about \$9 billion. In 2018, after its chairman Ye was detained for questioning on the order of the Chinese president Xi Jinping, South China Morning Post reported that "Shanghai Guosheng Group, a portfolio and investment agency controlled by Shanghai's municipal government, had taken control of CEFC China Energy

<sup>45</sup> Bloomberg: Bloomberg News is an international news agency headquartered in New York, United States and a division of Bloomberg L.P. Content produced by Bloomberg News is disseminated through Bloomberg Terminals, Bloomberg Television, Bloomberg Radio, Bloomberg Businessweek, Bloomberg Markets, Bloomberg.com and Bloomberg's mobile platforms.

<sup>46</sup> BV: Bureau Veritas consulting company

<sup>47</sup> GDPR: EU General Data Protection Regulation, GDPR applies to all companies, state institutions, non-profit organisations and self-employed persons registering employees, members and customers. It is a regulation by which the European Parliament, the Council of the European Union and the European Commission intend to strengthen and unify data protection for all individuals within the European Union (EU). It also addresses the export of personal data outside the EU. The GDPR aims primarily to give control back to citizens and residents over their personal data and to simplify the regulatory environment for international business by unifying the regulation within the EU. When the GDPR takes effect, it will replace the data protection directive (officially Directive 95/46/EC) of 1995. The regulation was adopted on 27 April 2016. It becomes enforceable from 25 May 2018 after a two-year transition period and, unlike a directive, it does not require national governments to pass any enabling legislation, and is thus directly binding and applicable.

<sup>48</sup> OPDP: the Office for Personal Data Protection, an independent body set up to supervise observance of the legal obligations laid down for processing of personal data; maintain the register of notified data processing operations; deal with initiatives and complaints from citizens concerning breach of law; provide consultancy in personal data protection. It develops activities on the basis of Act No. 101/2000 Coll., on the Protection of Personal Data and on Amendment to Some Acts, as well as by several other laws. The purpose of this act is to protect citizens' right to privacy, which while guaranteed by the Charter of Fundamental Rights and Freedoms, is coming increasingly under threat in contemporary society due to advancements in information technologies.

Companies can be fined up to €20mn or 4% of annual turnover for not complying with the regulation. Regions and municipalities can be imposed up to CZK10mn worth of a fine.



### ADJUSTING RULES ON SHARING ECONOMY – 27. 3.

The Czech state should adjust rules of business, tax payments and consumer protection because of sharing economy, which includes services like Uber and Airbnb, according to the CCC<sup>49</sup> recommendations on sharing economy development.

The regulation needs to be moderate and general, enabling quick development in the area, CCC's President Dlouhý said. The state should clearly define the difference between an occasional gainful activity and running a business, according to the CCC.

Law on small businesses and taxes should be harmonised so that all obligations are clear. Consumers should be protected by being provided sufficient information, for example. The CCC recommends that the CR's high-speed Internet coverage be better for sharing economy to develop.

Sharing economy will gradually become a more important business area, Dlouhý said.

A financial limit linked to the minimum wage should be introduced as a condition of business regulation, the CCC recommends.

Roughly 27% of people use these peer-to-peer services, 64% out of which do so to save money, according to a survey for the Czech sharing economy association.

Sharing economy market potential in the CR is roughly CZK60bn, a Deloitte study showed.

### IHNED.cz CR COULD GET MONEY FROM EU FUNDS – 27. 3.

MRD<sup>50</sup> Minister Dostálová has announced that the CR could receive up to CZK500bn in EU subsidies after 2020 for the next 7-year budget period. This would be a drop by nearly 20% on the current period of 2014 - 2020.

## LABOUR & HEALTH & SOCIAL



### FOREIGNERS IN CR IN 2016 – 22.3.

A total of 493,400 foreigners lived in the CR in 2016, the highest number of history, with Ukrainians being the strongest group, followed by Slovaks and Vietnamese, the CSO said.

Ukrainians, Slovaks and Vietnamese made up more than a half of all foreigners in the CR.

More than 1/2 of foreigners were those with a permanent residence. Another large group had a temporary residence, and 0.6% were the foreigners who were granted asylum.

<sup>49</sup> 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.

<sup>50</sup> MRD: Ministry of Regional Development

Foreigners made up 4.5% of population of about 10.6mn. Their share is relatively low compared with other countries of the EU<sup>51</sup>, in which the CR figures in the 19<sup>th</sup> position out of the 28 members.

In Germany, the EU country with the highest share of foreigners, they make up about 10% of the population.

The number of applicants for Czech asylum is also low, compared with the EU.

A total of 1,478 foreigners applied for Czech asylum in 2016, while more than one million applied all over the EU and 722,000 in Germany alone.

The ethnic structure of the seekers of Czech asylum differs from that elsewhere in the EU.

In the CR, the strongest applicant group are Ukrainians, who make up 34% of all asylum seekers, followed by Iraqis with 11% and Cubans with 6%.

In the EU, the strongest group of asylum seekers are Syrians (25% of all EU asylum seekers), followed by Afghans with 17% and Iraqis with 10%.

Immigrants most often head to the CR for economic reasons, CSO said.

An example are Ukrainians, whose monthly income median in the CR is CZK21,300, while the average wage in Ukraine corresponds to CZK5000-6,000.

This motivation also influences the age structure of foreigners in the CR, most of whom are at the younger productive age between 30 and 40.

About 20% of the foreign inhabitants study in the CR. Most of them are Slovaks, who make up over a half of all foreign university students in the CR. The other strong groups are Russians, Ukrainians and Kazakhs.

The number of Slovak students tends to slightly drop, while the number of students from post-Soviet countries has been rising. Foreign students are most interested in technical, economic and medical study programmes.

More than 1/3 of foreigners, over 184,200, live in Prague. Their group is the 2<sup>nd</sup> largest in the Central Bohemia Region (64,800), followed by South Moravia (43,000). The regions with the lowest number of foreign residents are Vysocina (8,400) and Zlin (8,800).



### TRIPARTITE TO DISCUSS OPTIONS FOR WAITING TIME – 27. 3.

Tripartite<sup>52</sup> members have not reached an agreement at an extraordinary meeting regarding the abolishment of the waiting time. MLSA<sup>53</sup> Minister Němcová said that next talks would focus on 3 options. The 1<sup>st</sup> one is a proposal by ČSSD<sup>54</sup> counting on renewing payment for the 1<sup>st</sup>-3 sick days at 60% and on lowering employer insurance by 0.2%. The impact on

<sup>51</sup> 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 km<sup>2</sup>, 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.

<sup>52</sup> Tripartism: refers to economic corporatism based on tripartite contracts of business, labour, and state affiliations within the economy. Each is to act as a social partner to create economic policy through cooperation, consultation, negotiation, and compromise.

<sup>53</sup> MLSA: Ministry of Labour and Social Affairs

<sup>54</sup> ČSSD: Czech Social Democratic Party, centre-left party

the employer, which includes an expected increase in the number of the sick, should be CZK5.1bn, while the state should be affected by CZK3bn. The 2<sup>nd</sup> option, preferred by the MLSA, is reimbursement for the 1<sup>st</sup>-3days of sick leave at 30% with no lowering of employer insurance (impact on companies CZK 1.5bn and on the state CZK1.3bn). The 3<sup>rd</sup> option is that some of the impacts of abolishing the waiting time would be transferred on employees.

**CIA PRICES ON RESIDENTIAL MARKET TO GROW – 27. 3.**

According to the CEEC Research, in 2019, household prices will increase 3.5% on average. While rising apartment prices in 2018 are announced by 89% of developers, there is no single development company planning to reduce apartment prices in the given period.

**CIA ŠKODA AUTO OFFERS GROWTH IN WAGES BY 10% - 28. 3.**

Škoda Auto offers to trade unions a growth in tariff wages by 10% and a payment of an extraordinary bonus in the value of CZK5,000. The average wage paid to labourers in Škoda Auto totals CZK40,557.

**MISCELLANEOUS**

**E15 CR'S ECONOMY GROWS THANKS TO SMES – 25. 3.**

Deloitte's and PayPal's study, monitoring companies in the CEE<sup>55</sup> including the Baltics and Finland since 2006, shows that the CR is among some of the new EU countries which could be given the title new European tiger. The study says that is due to GDP and productivity growth but also thanks to the CR having the 2<sup>nd</sup> highest number of SMEs<sup>56</sup> after Poland. These generate 49% of the total products and services sold, up by 4% on Western Europe. There are currently over 22,000 exporters in the CR, out of which 93% are SMEs, with over 3,500 of them so-called online exporters.

**CTK PRAGUE EXPELS 3 RUSSIAN DIPLOMATS – 26. 3.**

The CR is expelling 3 members of the Russian diplomatic staff in reaction to the nerve poison attack on former Russian agent Sergei Skripal in Britain, as a step of solidarity with Britain, PM Babiš said.

He said Russia carried it too far when it labelled the CR as a possible country of origin of Novichok, the poison that was used in the attack on Skripal and his daughter in Salisbury in early March.

The opposition ODS<sup>57</sup> and ČSSD have welcomed the government's decision. According to the KSČM<sup>58</sup>, Prague lacks a reliable evidence to justify its step.

<sup>55</sup> 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

<sup>56</sup> SME: Small and medium enterprises

<sup>57</sup> ODS: Civic Democratic Party, Liberal conservative, centre-right party, soft Eurosceptic party

<sup>58</sup> KSČM: Communist Party of Bohemia and Moravia, far-left party

<sup>59</sup> MFA: Ministry of Foreign Affairs

<sup>60</sup> Euro Monitor: Euro Monitor study of Allianz insurer which evaluates the stability and health of the eurozone and other selected EU countries based on 20 indicators in 4 main areas. The areas are fiscal sustainability, competitiveness, employment and productivity, and foreign debt.

MFA<sup>59</sup> Minister Stropnický said he met Russian Ambassador to Prague to inform him about the expulsion.

**CTK CR HAS MOST STABLE ECONOMY IN EU – 27. 3.**

According to Euro Monitor<sup>60</sup>, the CR has the most stable economy in the EU, ahead of Germany.

Very low debt ratios in the private and public sector and the exceptionally positive labour market situation are the main factors behind the CR's excellent performance. The unemployment rate is now below 3%.

"While relatively high employment growth goes hand in hand with moderate productivity growth in many EU economies, the opposite occurs in the CR. The number of people in employment rose by barely just 1% in 2017, yet labor productivity increased by almost 2.7%," it said.

15 EA countries were able to improve on their rating in 2017 compared with 2016, with only 4 losing ground. In most countries, public-sector deficits and government debt ratios improved, as well as unemployment rates, employment growth and labor productivity.

With an overall rating of 8.2 points, the CR tops the EU table once again, ahead of Germany which gained 8.1 points. The Netherlands placed 3<sup>rd</sup> with 8 points.



CIA News (Česká informační agentura)  
CNB (Česká národní banka)  
Czech Press Agency (Česká tisková kancelář)  
Czech Statistical Office (Český statistický úřad)  
E15.cz Daily  
iDnes.cz, news portal MF Dnes  
iHned.cz, news portal Hospodářské noviny  
M-Brain, News monitoring  
Právo Daily

News outside the time span of this News summary