

## NEWS SUMMARY APRIL 5 – APRIL 11

注:本報告は、チェコ政府公表資料、新聞、インターネット等報道資料をとりまとめたもの。  
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

#### 246,000 INSOLVENCIES STARTED OVER 10 YEARS – 5. 4.

According to the CRIF<sup>1</sup>, between 2008 and 2017, 246,000 insolvency proceedings with 202,000 legal entities were initiated in the CR. More than 133,000 natural entities, almost 43,000 natural entities-entrepreneurs and almost 26,000 commercial companies were involved in insolvency proceedings.

#### ECONOMIC DEVELOPMENT IS IN LINE WITH FORECAST – 6. 4.

The CNB<sup>2</sup> said the economic development is more or less in line with the CNB's latest forecast, and that monetary policy regarding meeting the 2% inflation target is currently set appropriately.

Last week, the CNB left interest rates unchanged, with the basic interest rate staying at 0.75%.

Another interest rates hike cannot be expected sooner than at the end of 2018, growing mainly in 2019, based on the CNB's forecast, CNB governor Rusnok said.

The labour market remains significantly tense, the CNB Bank Board members agreed. They pointed out that the number of job vacancies keeps growing while failing to get filled because of a high wage rise.

The CNB's February forecast envisages a 3.6% economic expansion for this year and 3.2% for the next.

#### MORTGAGES MAY THREATEN ECONOMY IN CR – 9.4.

According to Moody's<sup>3</sup>, failure by Czech banks to adhere to limits recommended by the CNB for mortgage values could have far-reaching effects for the economy of the CR<sup>4</sup>.

The share of new mortgages, with loans representing 80 to 90% of the property value, was 28% in Q<sub>2</sub><sup>5</sup> 2017. This is significantly higher than the 15% recommended by the ČNB. According to the CNB, Moody's report basically copies the CNB's stance in its financial stability report from the end of January.

<sup>1</sup> **CRIF**: CRIF - Czech Credit Bureau, is administrator of CBCB - Czech Banking Credit Bureau (register of bank clients), and CNCB - Czech Non-Banking Credit Bureau (register of debtors). It is subsidiary of CRIF, which is a global company specializing in credit bureau and business information, outsourcing and processing services, and credit solutions. Established in 1988 in Bologna (Italy), CRIF has an international presence, operating over four continents (Europe, America, Africa and Asia).

<sup>2</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>3</sup> **Moody**: Moody's Investors Service, often referred to as Moody's, is the bond credit rating business of Moody's Corporation, representing the company's traditional line of business and its historical name. Moody's Investors Service provides international financial research on bonds issued by commercial and government entities and, with Standard & Poor's and Fitch Group, is considered one of the Big Three credit rating agencies.

<sup>4</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.

#### CZECH ECONOMY IS HITTING ITS LIMITS – 10. 4.

The decline in exports and imports dynamics is in line with the weaker industrial production figures and suggests that the Czech economy is facing its limits, UniCredit Bank economist commented on data from the CSO.

ING Bank's economist predicts a slowdown in external trade growth in 2018 due to the stronger koruna and the expected slowdown in car production and exports.

#### NO. OF UNRELIABLE VAT<sup>6</sup> PAYERS DECREASES – 10. 4.

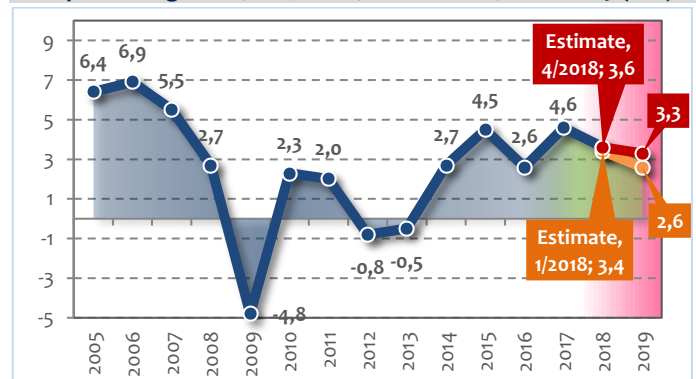
The number of unreliable VAT payers<sup>7</sup> in the CR started decreasing, dropping by 327 to 10,286 in Q<sub>1</sub> 2018 this year, according to Bisnode<sup>8</sup>. There are 2,780 unreliable persons in the CR, with 17% being in liquidation.

#### MF IMPROVES ECONOMIC RISE ESTIMATE – 11. 4.

The MF<sup>9</sup> improved its economic growth estimate for 2018 to 3.6%, which should be driven mainly by households' final consumption expenditure, and investment activity of the corporate and government sectors, upgrading estimate for 2019 to 3.3%.

Forecast published by the MF in January envisaged the economic expansion for this and next year at 3.4% and 2.6%, respectively. Last year, the economy rose by 4.6%, according to the CSO's<sup>10</sup> revised data.

Graph 1: GDP growth, 2005–2017, MF estimate, 2018–2019 (in %)



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>5</sup> **Q**: \* quarter of the year

<sup>6</sup> **VAT**: Value-added tax

<sup>7</sup> **Unreliable VAT payer**: Companies that do not have tax documents in order and are imposed at least a CZK500,000 VAT and/or companies suspected of participating in fraud are considered unreliable.

Each company that is purposely and/or repeatedly ignoring tax return deadlines is also registered as unreliable.

In July 2017, an amendment introduced the unreliable person institute. A natural person and legal entity can become an unreliable person based on a tax authority's decision. The unreliable person term applies to those that are not VAT payers and breach their obligations concerning tax administration, or those that stopped being VAT payers once they were registered as VAT defaulters.

<sup>8</sup> **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

<sup>9</sup> **MF**: Ministry of Finance

<sup>10</sup> **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.

## AGRICULTURE &amp; ENVIRONMENT

**ČIA** LČR SIGNED CONTRACTS IN FORESTRY TENDER – 6. 4.

LČR<sup>11</sup> has signed with partners most of the contracts, a total of 99, in forestry tender March 2018+. The company stated that the tender was worth CZK<sup>12</sup>3.9bn<sup>13</sup> and involved almost 8.7m<sup>14</sup> m<sup>3</sup> of lumber. The work has already commenced. The contracts signed include 84 contracts for complex forestry work, all 10 contracts tied to lumber extraction and 5 contracts for forestry planting activities.

**ČTK** SALES OF TRACTORS, COMBINE HARVESTERS GROW – 9. 4.

Sales of tractors grew in the CR by 20% to 2,247 tractors last year and sales of combine harvesters by 17% to 162 units after 2016's decline in both categories, according to the AFMA<sup>15</sup>.

"We have practically returned to the average level from the last few years," the AFMA said.

Zetor tractor producer regained the 1<sup>st</sup> place after several years, it is now number one on the domestic market ahead of John Deere<sup>16</sup>.

Demand for tractors grows among farmers, said K.B.T. Proftech which in the CR sells tractors of Kubota<sup>17</sup> brand. The company sold 77 tractors on the Czech market last year, compared with 34 tractors sold in 2016. "The popularity of Kubota tractors keeps growing, we see it as a positive trend for the future," it said. Farmers appreciate their reliability, simple handling and low fuel consumption. However, competition is tough, there are dozens of brands on the Czech market, it added.

Combine harvesters of Claas<sup>18</sup> and New Holland<sup>19</sup> brands sell the best in the CR.

Sales last year were influenced by changes in the EU directive<sup>20</sup> which has toughened emission limits. Sentiment on the German agricultural machinery market is very optimistic. "We expect the optimism to be transferred to the CR," AFMA said.

Turnover in the whole agricultural machinery sector reaches around CZK36bn annually. Imports and exports are now roughly at the same level around CZK18bn.

<sup>11</sup> **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.

<sup>12</sup> **CZK**: Czech Crown, the currency of the CR since 8 February 1993

<sup>13</sup> **bn**: billion

<sup>14</sup> **mn**: million

<sup>15</sup> **AFMA**: Agricultural and Forestry Machinery Association

<sup>16</sup> **John Deere**: a brand name of Deere & Company, an American corporation that manufactures agricultural, construction, and forestry machinery, diesel engines, drivetrains (axles, transmissions, gearboxes) used in heavy equipment, and lawn care equipment.

<sup>17</sup> **Kubota**: Kubota Corporation (株式会社クボタ) is a tractor and heavy equipment manufacturer based in Osaka, Japan, founded in 1890. The company produces many products including tractors and agricultural equipment, engines, construction equipment, vending machines, pipe, valves, cast metal, pumps and equipment for water purification, sewage treatment and air conditioning.

<sup>18</sup> **Claas**: an agricultural machinery manufacturer founded in 1913, based in Germany. The product range includes combine harvesters, forage harvesters, balers, mowers, rakes, tractors, tedders and other harvesting machines.

<sup>19</sup> **New Holland**: a global brand of agricultural machinery produced by CNH Industrial. New Holland agricultural products include tractors, combine harvesters, balers, forage harvesters, self-propelled sprayers, haying tools, seeding equipment, hobby tractors, utility vehicles and implements, as well as grape harvesters.

<sup>20</sup> **EU Directive**: a part of so-called secondary legislation, a legislative act that sets out a goal that all EU countries must achieve. However, it is up to the individual countries to devise their own laws on how to reach these goals.

"The CZK and its rate plays its role a bit," AFMA added.

**ČIA** SZIF TO DIVIDE CZK 30BN+ IN SINGLE APPLICATION – 10. 4.

The SZIF<sup>21</sup> starts accepting on April 9 the 2018 Single Application. Farmers may use the form to obtain financial subsidies from 23 subsidy titles. Almost 30,000 applicants submit applications every year and over CZK30bn is divided among them.

**ČTK** INTRODUCTION OF COMPULSORY MARGIN ON FOOD – 10. 4.

Introducing a compulsory margin on food for retailers would lead to a hike in prices of food and reduction in product availability and range, SOCR<sup>22</sup> said.

MA<sup>23</sup> Minister Milek talked about the introduction of such a margin at the end of February.

The goal of the minimum margin is to limit price deals so that retail chains cannot sell food at prices below agriculture input prices.

The Czech food sector is deeply ineffective despite all subsidies, with labour productivity in the food processing segment significantly lagging behind the EU<sup>24</sup> average, SOCR said referring to the IAEI's<sup>25</sup> data.

Czechs' purchases of food and chemists' products within special deals accounted for 46% of the total volume in 2017, down from 46.9% in 2015, with the share dropping after a long period of growth. The quick economic increase is changing consumers' buying behaviour. At the end of 2017, a total of 20% of consumers were picking shops based on the product quality, which is twice more compared to 5 years ago. Household expenses on fast-moving consumer goods rose annually by 5%. It was partially affected by inflation. The average amount spent per shopping increased annually from CZK228 to CZK241 in 2017.

**ČTK** CZECH AGRICULTURAL PRODUCTIVITY IS VERY GOOD – 10. 4.

The productivity of Czech agriculture is very good in comparison with advanced countries, but the CR's total agricultural output and self-sufficiency in food production are catastrophic, ACCR<sup>26</sup> said.

<sup>21</sup> **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).

<sup>22</sup> **SOCR**: Czech Confederation of Commerce and Tourism, an independent and voluntary association of associations, alliances, cooperatives and companies doing business in retail, wholesale, gastronomy, accommodation and other services. It represents over 6,000 entrepreneurs creating up to 500,000 jobs. It is the second largest employers' union in the Czech Republic.

<sup>23</sup> **MA**: Ministry of Agriculture

<sup>24</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>25</sup> **IAEI**: Institute of Agricultural Economics and Information, a state-subsidized organization established by Ministry of Agriculture on 1. January 1993. IAEI is the expert centre for the agricultural economy, food, agricultural advice and information.

<sup>26</sup> **ACCR**: Agrarian Chamber of the Czech Republic

While in 1990, the CR's agricultural output per capita was comparable with Germany, later the number of farm animals dropped to 30% of the original values and the output decreased to 40-60%, according to ACCR.

Czech cereal yields are at the level of advanced countries, and sugar beet and potato yields are even above-average. The CR also shows above-average effectivity in comparison with advanced countries in cattle, pig and poultry farming and egg in production, ACCR said.

"Unfortunately, the self-sufficiency trend is catastrophic. The comparison with statistics from 1936 is dismal. Last year's output in constant prices was lower than in 1936," it said.

Self-sufficiency in pork production has dropped to 38%. Self-sufficiency in eggs and poultry production reaches 60%. Milk self-sufficiency is at 85%. Self-sufficiency in beef production reaches 110%, but beef consumption has fallen to a third since 1990, ACCR said.

The number of dairy cows has decreased from 1.3mn in 1989 to 350,000 last year. The number of pigs has dropped similarly. The area of crop fields has also decreased, from 3.3mn ha in 1989 to 2.5mn last year, ACCR said.

The future of Czech agriculture can be good with regard to drought that can be expected in 1/3 of the world in connection with global climate changes, Czech geologist and climatologist Cilek said.

When the current situation of moderate global surplus of food turns into moderate shortage, prices will increase and will stay at the higher level. With regard to the situation in India and China, it is certain that demand will rise.

"The CR is lucky because its annual rainfall does not change. The 3-year averages have not changed over the past 50 years," Cilek said. The only thing that has changed is the spread of rains throughout the year.

Farmers will nevertheless have to accommodate themselves to the climate change. The Czech as well as European landscape has to be planned in a better way, Cilek said.

#### COMPENSATING DAMAGES – 11. 4.

The Cabinet discussed securing money to compensate damages caused by spring frosts and draught in 2017 in agriculture.

<sup>27</sup> PM: Prime Minister

<sup>28</sup> 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.

<sup>29</sup> EU Member States: The EU comprises 28 member states. Each member state is party to the founding treaties of the union and thereby subject to the privileges and obligations of membership. Unlike members of most international organisations, the member states of the EU are subjected to binding laws in exchange for representation within the common legislative and judicial institutions. Member states must agree unanimously for the EU to adopt policies concerning defence and foreign affairs. Subsidiarity is a founding principle of the EU.

<sup>30</sup> 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.

<sup>31</sup> CIA: Car Importers Association (Svaz dovozců automobilů), a voluntary association of legal entities importing, selling and servicing road motor vehicles in the Czech Republic, 39 members by 2014

<sup>32</sup> VW: Volkswagen is a German car manufacturer headquartered in Wolfsburg, Lower Saxony, Germany. Established in 1937, Volkswagen is the top-selling and namesake marque of the Volkswagen Group, the holding company created in 1975 for the growing company, and is now the second-largest auto maker in the world

<sup>33</sup> Hyundai CZ: Hyundai Motor Manufacturing Czech based in the Industrial Zone of Nošovice was founded in 2006.

PM<sup>27</sup> Babiš has asked MA Minister Milek to define more precisely the criteria to serve for the payment of compensations for last year's drought and frosts.

The Cabinet will return to discussion on the CZK2bn compensations for farmers in one week, Babiš said after the cabinet meeting.

#### EC TACKLES DUAL FOOD QUALITY PROBLEM – 11. 4.

The EC<sup>28</sup> announced a new directive which tackles the problem of dual quality in numerous international brand foods and other products across different EU countries.

The quality of ingredients in some brand name products was for years inferior in some countries of the former communist bloc. Prague and other newer EU members<sup>29</sup> have long pressed for legislation threatening companies continuing the practice with stiff fines.

#### ENERGY & INDUSTRY & TRANSPORT

#### NEW PASSENGER CAR SALES DOWN – 5. 4.

The CR's sales of new passenger cars fell by 0.3% to 67,873 units in the Q1 2018, with sales of Škoda Auto<sup>30</sup>, which ranked 1<sup>st</sup>, rising by 12% to 22,674 vehicles, the CIA<sup>31</sup> said.

2<sup>nd</sup> VW<sup>32</sup> reported a 23% drop to 6,263 sold cars, and 3<sup>rd</sup> Hyundai<sup>33</sup> decreased by 9% with 4,551 sold units, with Ford<sup>34</sup>, Dacia<sup>35</sup> and Kia<sup>36</sup> following.

The share of diesel engines in the total amount dropped annually from 39% to 32%.

Petrol-fuelled cars accounted for over 65% of the number of sold vehicles, and cars fuelled by CNG<sup>37</sup> made up less than 1%. SUV<sup>38</sup> was the bestselling type with a 28% market share, followed by medium cars (C-segment) with 20% and small cars with 17%.

Škoda Octavia was the most popular model in Q1, selling 7,047 units, ahead of Škoda Fabia with 5,812 units and Škoda Rapid with 3,740 units. Other models included Škoda Superb, VW Golf and the new model Škoda Karoq.

#### REGISTRATIONS OF CARS DOWN – 6. 4.

According to AIA<sup>39</sup>, in Q1 2018 registrations of new passenger cars in the CR fell y-o-y<sup>40</sup> from 68,059 to 67,873 vehicles. The number of LUV<sup>41</sup> registrations increased from 4,511 to 4,567. The number of registered buses fell from 194 to 179. The

<sup>34</sup> Ford: Ford Motor Company is an American multinational automaker headquartered in Dearborn, Michigan, a suburb of Detroit. The company sells automobiles and commercial vehicles under the Ford brand and most luxury cars under the Lincoln brand. Ford also owns Brazilian SUV manufacturer, Troller, and Australian performance car manufacturer FPV.

<sup>35</sup> Dacia: Automobile Dacia S.A. is a Romanian car manufacturer. The company was founded in 1966, and has been a subsidiary of the French car manufacturer Renault since 1999.

<sup>36</sup> Kia: Kia Motor Corporation, headquartered in Seoul, is South Korea's second-largest automobile manufacturer, following the Hyundai Motor Company.

<sup>37</sup> CNG: Compressed natural gas

<sup>38</sup> 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.

<sup>39</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%.

<sup>40</sup> Y-o-y: year on year, compared, compared with the corresponding month of preceding year

<sup>41</sup> LUV: light utility vehicle



number of truck registrations fell to 2,287 from 2,331. Motorcycle registrations fell to 2,479 from 3,241.

#### CTK ČEZ TO RAISE ELECTRICITY PRICES FOR HOMES – 6. 4.

ČEZ<sup>42</sup> will raise electricity prices for most of its clients from the ranks of households as of June, homes whose prices have not been fixed will pay 4% more on average.

The main reason is growth in prices on wholesale exchanges which nearly doubled in the last 2 years.

E.ON<sup>43</sup> made a similar price increase at the beginning of this year.

"For most clients, the impact will be very small, of less than CZK20 a month. Clients who have fixed electricity prices in our company will not be affected by this adjustment during the fixation period," ČEZ said, adding that some 60% of ČEZ's clients have a fixed electricity price at the moment.

As for gas, ČEZ is not preparing price changes now. "Prices on commodity exchanges are more or less stable there," it said.

Around 2.7mn clients in total are getting electricity and gas from ČEZ in the CR, the company does not disclose the figure for electricity separately.

Electricity price on the PXE<sup>44</sup> for 2019, for which dealers now buy electricity the most, is over €37/MWh<sup>45</sup>, almost a 3<sup>rd</sup> higher y-o-y. Gas price on the same exchange grew by 3.2% to €17.6/MWh in the same period.

The ERO<sup>46</sup> announced last year in November that it had raised the regulated component of electricity prices for households for next year by 2.5% on average for this year.

For gas, ERO expects stagnation in end prices or their growth between 2 and 3% this year, it said in its earlier statement.

According to ERO estimates and earlier opinions of analysts, households will see growth in the order of hundreds of crowns a year in costs of energy this year.

The ČEZ raised net profit by 30% to CZK19bn last year, while sales fell by 1% to CZK201.9bn.

#### CTK CR TO USE EUROPEAN LOAN FOR INFRASTRUCTURE – 6. 4.

The CR will use a CZK100bn European loan for the development of railway and road infrastructure and railway

<sup>42</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. ČEZ is the biggest electricity supplier in the Czech Republic.

<sup>43</sup> E.ON: is a European holding company based in Germany. It runs one of the world's largest investor-owned electric utility service providers.

<sup>44</sup> PXE: The Power Exchange Central Europe in Prague was established in July 2007 and offers trading in Czech, Slovak, Hungarian, Polish and Romanian electricity and operates the CEGH Czech Gas Futures Market in cooperation with the Austrian Central European Gas Hub AG (CEGH). PXE also offers end consumers the opportunity to find the best electricity supplier by means of electronic auctions. PXE is a subsidiary of the European Energy Exchange AG and the Prague Stock Exchange and it is part of the CEE Stock Exchange Group (CEESEG).

<sup>45</sup> MWh: megawatt-hour - 10<sup>6</sup> Wh

<sup>46</sup> ERO: Energy Regulator Office, was set up on 1 January 2001 under Act No. 458/2000 of 28 November 2000, on the Conditions of Business and State Administration in Energy Industries and Changes to Certain Laws (the Energy Act) as amended, as an administrative authority responsible for regulation in the energy sector. Its competencies include: Price controls; Support for the use of renewable and secondary energy sources and combined heat and power generation; Protection of customers' and consumers' interests; Protection of licence holders' vested interests; Inquiries into conditions for competition; Co-operation with the Office for the Protection of Competition (ÚOHS); Support for competition in the energy industries; Supervision over markets in the energy industries

<sup>47</sup> MT: Ministry of Transport

<sup>48</sup> MoC: Memorandum of Cooperation

<sup>49</sup> EIB: The European Investment Bank is the European Union's non-profit long-term lending institution established in 1958 under the Treaty of Rome. As a "policy-driven

vehicles as MT<sup>47</sup> Minister Ťok signed a MoC<sup>48</sup> with a representative of the EIB<sup>49</sup>.

The loan needs to be approved by the government.

The state plans to conduct most investments in 2019-2023.

The CR has so many transport projects that national and European funds will not be enough, which is why the CR has to take out a loan, Ťok said considering the long-term loan very favourable.

The government needs to negotiate specific conditions with the EIB. Transport infrastructure construction is currently partially financed from the OP<sup>50</sup> Transport CEF<sup>51</sup>.

The EIB loan is supposed to cover the remainder which the MT would otherwise have to take from the state budget.

A total of CZK19.3bn from the loan will be spent in the Pardubice Region.

#### CIA AMO'S SALE MUST NOT CAUSE UNEMPLOYMENT – 9. 4.

The sale of AMO<sup>52</sup> must be made in a way that will ensure that there are no negative effects on unemployment in Moravia-Silesia Region, MIT<sup>53</sup> Minister Hüner said in response to the smelting plant's Indian owners' plans. The minister has called upon ArcelorMittal to state clearly asap what steps will follow and under what terms the metallurgy plant in Ostrava, which has 7,000 employees, will be sold.

The MIT stated the meeting would take place on April 12, however, it will not be attended by leading officials of the MIT and the company.

ArcelorMittal wants to sell AMO in order to obtain an approval from the EC to acquire the Ilva steelworks in Taranto, Italy. Brussels is expected to make a statement on the deal by May 23 at the latest and is not commenting on it in the meantime.

AMO said that if the EC approved the sale, AMO would continue operating, though under a new owner.

#### CTK TOYOTA INCREASES SALES IN CR TO RECORD IN Q1 – 9. 4.

Toyota<sup>54</sup> raised its sales in the CR by 28% to record-breaking 2,495 cars in January-March, and it ranked 8<sup>th</sup> among car companies on the market this spring, increasing by 4 notches y-o-y, according to data of the CIA.

bank" whose shareholders are the member states of the EU, the EIB uses its financing operations to bring about European integration and social cohesion. It should not be confused with the European Central Bank (ECB).

<sup>50</sup> 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 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.

<sup>51</sup> OP CEF: The Connecting Europe Facility (CEF) is a European Union fund for pan-European infrastructure investment in transport, energy and digital projects which aim at a greater connectivity between European Union member states. It operates through grants, financial guarantees and project bonds. It is run by the Innovation and Networks Executive Agency.

<sup>52</sup> AMO: metallurgy company ArcelorMittal Ostrava, subsidiary of ArcelorMittal plc, a Luxembourgish multinational steel manufacturing corporation headquartered in Luxembourg. It was formed in 2006 from the takeover and merger of Arcelor by Indian owned Mittal Steel. ArcelorMittal is the world's largest steel producer.

<sup>53</sup> MIT: Ministry of Industry and Trade

<sup>54</sup> Toyota: Toyota Motor Corporation (トヨタ自動車株式会社), multinational automotive manufacturer headquartered in Toyota, Aichi, Japan. In 2017, Toyota's corporate structure consisted of 364,445 employees worldwide and, as of October 2016, was the 5th-largest company in the world by revenue. As of 2016, Toyota is the world's largest automotive manufacturer. Toyota Motor Corporation produces vehicles under five brands, including the Toyota brand, Hino, Lexus, Ranz, and Daihatsu. It also holds a 16.66% stake in Subaru Corporation, a 5.9% stake in Isuzu, as well as joint-ventures in China (GAC Toyota and Sichuan FAW Toyota Motor), in India (Toyota Kirloskar), in the

Toyota closed 3,027 contracts of sale in the Q<sub>1</sub> 2018, adding more than a 1/3 annually.

It was the highest number of contracts signed in the CR in the January-March period, Toyota's Czech office aid. March alone reported 1,341 contracts.

The company is successful in terms of both private and corporate clients, and it ranked fourth on the private customers market in Q<sub>1</sub> adding 57%, it said.

The bestselling model is Toyota Yaris with 731 contracts, followed by Toyota Corolla with 523 contracts.

Toyota produces its Aygo model in the Kolin TPCA<sup>55</sup> plant. Aygo facelift should be released onto the market in June.

#### **TA** TANECO WANTS TO INVEST IN ZLÍN REGION – 10. 4.

Taneco<sup>56</sup> plans to build a plant to produce food items using an aquaponic system for fish farming and vegetable growing in the Holešov strategic industrial zone.

The estimated investment will total almost CZK2.5bn. A total of 378 jobs should be created there.

The project should be implemented in 2 stages. In the 1st stage, construction work should begin in 2020 and commissioning should follow in 2022.

The 2nd stage is expected to start in 2023 and be commissioned in 2025.

For the purpose of constructing the plant, the Zlín Regional Board recommended to the councillors to enter into a pre-contract for the 224,000m<sup>2</sup> land for the price of CZK66.5mn.

#### **TA** HYUNDAI MANUFACTURED 82,900 CARS IN Q1 2018 – 10. 4.

Hyundai manufactured 82,900 vehicles in Nošovice in Q<sub>1</sub> 2018, i.e. 101.5% of the planned total. The Tucson model accounted for 69% of production, i30 for 22% and ix20 for totally 9%. Petrol-fuelled cars formed 69% of the total, diesels 31%. Hyundai is exporting vehicles to 67 countries. The top markets in Q<sub>1</sub> included UK, Germany, Italy, Spain and Russia. Hyundai is currently readying the summer launch of the production of the facelifted Tucson model.

#### **TA** ČEZ TAKES PART IN NUCLEAR RESEARCH PROJECTS – 10. 4.

ČEZ, but especially its subsidiaries - ÚJV Řež and Centrum Výzkumu Řež - are involved in 9 nuclear research projects worth tens of millions of euros.

A total of 17 projects are underway within the NUGENIA association, 13 of which have received subsidies from the EU. ČEZ actively participates, for example, in the McSAFE project aimed at more efficient modelling of the reactor's active zone. In addition, ÚJV Řež is involved in several projects aimed at material aging, e.g. reactor vessels (SOTERIA project) or cabling (TeaM Cables project).

Czech Republic (TPCA), along with several "nonautomotive" companies. TMC is part of the Toyota Group, one of the largest conglomerates in Japan.

<sup>55</sup> **TPCA:** Toyota Peugeot Citroën Automobile Czech (TPCA) is an automobile manufacturing company in Kolin, Czech Republic. It is a joint venture between Toyota Motor Corporation of Japan and PSA Peugeot Citroën of France.

<sup>56</sup> **Taneco:** a Czech company engaged in the field of fish and vegetable products using aquapon technology

<sup>57</sup> **SFTI:** State Fund for Transport Infrastructure

<sup>58</sup> **OKD:** Ostrava-Karviná Mines, a major mining company in the CR, the only producer of hard coal in the CR with an annual production of around 8-9mn tonnes from 4 mines with 23 shafts extracting coal from depths ranging from 600 to 1,300 metres below the surface. OKD was sent into insolvency in May 2016 and its active mines were taken over by Prisko state company. With supplier companies, OKD employs some 9,500 people in total. The company got into serious financial trouble due to falling prices of coal and excessive debts, and it filed for insolvency. More than 550 creditors lodged their claims

#### **TA** MT PROMISED CZK4BN FOR ROAD REPAIRS – 10. 4.

MT confirmed in writing the promise of PM Babiš that regions will receive CZK4bn for repairs of 2<sup>nd</sup> and 3<sup>rd</sup> class roads from the SFTI<sup>57</sup>. The resolution is scheduled to be discussed by the Cabinet by the end of April 2018.

The MT also suggested that the regions start preparing repairs of lower class roads without delay.

#### **CTK** OKD HAS CZK16.8BN SALES – 10. 4.

OKD<sup>58</sup> generated a CZK3.4bn profit on sales of CZK16.8bn last year, creating enough liquidity for OKD's further operations, insolvency administrator said.

He also said the 2017 business result was "very positive," being a piece of good news for OKD's further performance. Growing prices of black coal are behind OKD's good result. Insolvency administrator pointed out that OKD sustained a CZK1.22bn loss in 2016, while a year earlier its loss reached nearly CZK7bn. OKD also repaid a CZK150mn loan it was provided by Prisko<sup>59</sup> for financing its operations in 2016.

OKD ended activities at loss-making mine Paskov last year. OKD's liquidity is sufficient to finance potential unexpected events and a phaseout of ineffective mines, Louda said in a report on OKD's performance published in the insolvency register.

Board chairman at Prisko and board member at OKD said that when taking over the coal miner, Prisko pledged to create CZK4.9bn worth of reserves to cover the mines' phaseout until 2026.

Under the original plan, Darkov and Lazy mines are to be closed this year, CSA mine in 2021 and CSM will be the last mine to shut down in 2023, their liquidation to continue for another 3 years.

#### **TA** CERTIFICATE FOR MAINTENANCE OF CHINESE AIRLINES – 11. 4.

Czech Airlines Technics has obtained authorisation from the Civil Aviation Administration of China for line maintenance for Chinese airlines. The certificate is currently valid for maintenance of aeroplanes of the types Airbus A330, Boeing 767 and 777 of China Eastern Airlines. During the maintenance, an overall inspection of the aeroplane, refilling of operational fluids and removal of minor defects take place.

#### **CTK** CONSORTIUM WINS TOLL TENDER – 11. 4.

Consortium of SkyToll<sup>60</sup> and CzechToll<sup>61</sup> won a tender for ten-year toll system operation on motorways and first-class roads in the Czech Republic from 2020, submitting a CZK10.75bn bid, MT Minister Ťok said after the government meeting.

whose value topped CZK23bn. According to insolvency administrator, most of the claims are not valid. The creditors, the insolvency administrator and the court gave the green light to OKD's reorganisation within which the mines were transferred to the state that paid nearly CZK80mn for that. Claims against former owners and debts created before OKD got into trouble remained in the original company that changed its name to Sprava pohledavek OKD (asset management company).

<sup>59</sup> **Prisko:** Prisko Plc. was established in October 1992 as part of the privatization of the Škoda Mladá Boleslav car manufacturer to the Volkswagen Group. Since 2008, the only shareholder of the company has been represented by the Ministry of Finance. In recent years, the State has been using Prisko to lend money to companies in which it is interested, but to which the Czech Republic can not help directly because of European rules, for example in 2016, Prisko became the owner of one fifth of Czech Airlines.

<sup>60</sup> **SkyToll:** Slovakia's toll system operator

<sup>61</sup> **CzechToll:** subsidiary to PPF Group, owned by billionaire Petr Kellner.

The MT chose the winner based on a recommendation of a selection commission assessing 4 bids. The state might enter into a contract with the consortium in autumn, Ťok said. OPC<sup>62</sup> is evaluating the tender and the contract cannot be signed for now, Ťok stated. Other bidders - Kapsch<sup>63</sup>, Hungary's National Toll Payment Services and Germany's T-Systems - can now file their complaints. Ťok informed the government about the tender's winner. The consortium offers satellite technology which will likely replace toll gates' microwave technology, according to the Lidovky.cz<sup>64</sup>. The MT announced the tender for toll system operation after 2019 based on parameters set by the government in June 2017.

#### INVESTMENTS & TRADE & SERVICES

##### AVERAGE SALES PRICES OF FLATS ROSE 10% IN Q4 – 5. 4.

According to the Deloitte<sup>65</sup>, in Q4 2017, average sales prices of flats in Prague and regional capitals grew by 10.4% y-o-y to CZK53,700 per m<sup>2</sup>. More than 27,000 dwellings had been sold in the CR in 2017 (+5.8% compared to 2016) for almost CZK20bn (+17.7% compared to 2016). These figures demonstrate the continuing activity and the increasing price level of the Czech residential market.

##### ČP'S CONSOLIDATED PROFIT FALLS – 5. 4.

ČP<sup>66</sup> saw its consolidated profit decline by 48% to CZK110mn in 2017, receiving CZK100mn less from the state for universal services and raising wages of its employees by CZK400mn. ČP's performance was positively affected by a higher income from parcel and international consignments, cash handling revenue and revenue from provision of services, and by cost-cutting measures.

##### STATE PROMISES INVESTMENT INCENTIVES – 5. 4.

The CR promised CZK10.7bn worth of investment incentives to 74 projects in 2017, providing aid to investments worth a total of CZK45bn, and the number of jobs companies should create in the future reached 8,260, according to the CzechInvest<sup>67</sup>. Data on total investments arranged in the CR, including those where companies did not ask for incentives, will be released by the agency later. Most incentives headed in production. For the support of technology and strategic service centres, CzechInvest promised CZK160mn to projects of companies Deutsche

Telekom Services Europe CR, Honeywell International and Infosys Limited, all in Brno.

The MIT is working on an amendment to law on investment incentives so that mainly investors with a higher value added get the aid in the future.

The document should be presented to the government in June, MIT Minister Hüner said.

Manufacturing industry's projects with investment incentives already have a higher value added, CzechInvest said.

Almost all the companies conduct research and development within the production, CzechInvest said. Roughly 15% of investment incentives beneficiaries cooperate with the CR's universities and research institutions intensively and some 45% partially. Incentives contributed to the support of applied research, development and innovations of about 40% of projects.

Firms Labe Wood and Karsit Automotive are supposed to gain the biggest investment incentive of up to CZK502mn.

Labe Wood plans to invest CZK2.7bn in the construction of a saw mill in Štětí, northern Bohemia.

Karsit Automotive wants to build a CZK2.7bn car components plant in Dvůr Králové nad Labem, eastern Bohemia, creating 230 new jobs.

CzechInvest's new head Jirotková said last week that the CR has to start choosing technologically advanced foreign investments that are linked to Industry 4.0 and bring value added.

The Czech state should shift its focus from attracting investment merely because of the number of jobs to the positions being qualified, Jirotková said.

PM Babiš has said that state-run agencies CzechInvest and CzechTrade<sup>68</sup> should merge.

From July 2014, the maximum aid to Czech regions' large, medium-sized and small companies is 25%, 35% and 45% of the investment, respectively, based on the EC's decision.

##### MOBILE INTERNET SPEED A THIRD HIGHER – 10. 4.

The average mobile Internet speed in the CR rose by 32% y-o-y to 31.4Mbit/s<sup>69</sup> last year thanks to the LTE<sup>70</sup> network expansion, according to measurements of DSL.cz server.

In January 2015, the average monthly speed was 14 Mbit/s, while in December 2017, it was 35 Mbit/s, the speed rising by 150%, which is "quite a big improvement".

<sup>62</sup> **OPC:** Office for the Protection of Competition, the central authority of state administration responsible for creating conditions that favour and protect competition, supervision over public procurement and consultation and monitoring in relation to the provision of state aid.

<sup>63</sup> **Kapsch:** The Kapsch Group, headquartered in Vienna, Austria, is an international Road Telematics, Information Technology and Telecommunications Company. The corporate group, with more than 5,000 employees worldwide generated total revenue of € 908.8 million as of March 2015. It is the current operator of the toll collection system in the Czech Republic.

<sup>64</sup> **LN:** Lidové noviny Daily, the publisher of the daily is Lidové noviny a.s. owned by Mafra a.s., that in 2013 became a subsidiary of the Agrofert group, a company owned by billionaire Andrej Babiš. Its internet version is server lidovky.cz

<sup>65</sup> **Deloitte:** Deloitte Touche Tohmatsu Ltd., a UK-incorporated multinational professional services network. Deloitte is one of the "Big Four" accounting organizations and the largest professional services network in the world by revenue and number of professionals. Deloitte provides audit, tax, consulting, enterprise risk and financial advisory services with more than 263,900 professionals globally.

<sup>66</sup> **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.

<sup>67</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>68</sup> **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.

<sup>69</sup> **Mbit/s:** Megabit per second, is a unit of data transfer rate equal to 1,000,000 bits per second. Data-transfer rate is the average number of bits (bitrate), characters or symbols (baudrate), or data blocks per unit time passing through a communication link in a data-transmission system.

<sup>70</sup> **LTE:** Long-Term Evolution, is a standard for high-speed wireless communication for mobile phones and data terminals, based on the GSM/EDGE and UMTS/HSPA technologies. It increases the capacity and speed using a different radio interface together with core network improvements.





The operators focused on accelerating speeds in the LTE networks, however, 3G networks speeds went up as well, adding more than 20% in case of O2<sup>71</sup> and T-Mobile<sup>72</sup> operators, while Vodafone<sup>73</sup> recorded a 6% slowdown.

On the other hand, Vodafone had the fastest LTE network, its speed posting an annual increase of 22% to 36.8 Mbit/s. T-Mobile followed with a rise of 23% to 33.3 Mbit/s. O2 ranked 3<sup>rd</sup>, its speed growing by 11% to 30.1 Mbit/s.

For Internet access, Czechs mostly used phones and other mobile devices made by Samsung last year, its share at 34%. Apple had a 15 market share, Huawei had a share of over 10%, Lenovo 7% and Sony about 4%.



#### CZECH EXPORT TO GROW SLIGHTLY IN Q<sub>2</sub> 2018 – 11. 4.

According to regular survey Index Export, Czech export expects a slight increase of performance in Q<sub>2</sub> 2018 compared to the beginning of the year 2018, which was the weakest since 2013. Czech export also profits from the condition of the world and the European economy, but faces a lack of labour.



#### INVESTMENT IN MLADÁ BOLESLAV'S INFRASTRUCTURE – 10. 4.

A total of 11 infrastructure projects worth CZK8.6bn are under way in Mladá Boleslav, with the Czech government, Central Bohemia Region, Mladá Boleslav and Škoda Auto cooperating, and CZK3.8bn is supposed to be invested by 2021, PM Babiš.

The government wants to support the region where one of the most important Czech companies operates, Babiš said not disclosing the amount which the cabinet is going to provide in the coming years.

Škoda Auto has pledged to put roughly CZK750mn into the development fund in the next 3 years. Mladá Boleslav will invest at least CZK300mn a year. The projects include updates and construction of roads and railways.

Škoda Auto wants to invest also in the social area and health care, leisure activities, public spaces, housing, security, transport and education. The investments are supposed to increase the quality of life in Mladá Boleslav and its surroundings.

Since 2012, Škoda Auto has invested nearly CZK50.7bn in its Mladá Boleslav plant. The company would like citizens to take part in its success, Škoda Auto said adding that today's discussion was a good and promising start.

Mladá Boleslav has a population of about 44,000, and its budget for this year is nearly CZK1.3bn.

<sup>71</sup> **O2**: a trading name for Telefónica Europe, a European telecommunications provider. O2 Czech Republic (operating under the O2 brand) is a major integrated operator in the Czech Republic. In 2013 it was announced that Telefónica would sell its stake in the company to PPF and the company would continue to use the O2 brand for a maximum of four years. As of 1 June 2015 the separation of O2 Czech Republic as two mutually independent companies has been in force. Therefore, there are now two new telecommunications companies with two different lines of business: the retail operator O2 and the wholesale infrastructure provider CETIN. The separation includes commercial and managerial leadership and management of both companies, including security, IT and control systems.

<sup>72</sup> **T-Mobile**: a brand name used by the mobile communications subsidiaries of the German telecommunications company Deutsche Telekom AG, which is the German telecommunications company headquartered in Bonn and by revenue the largest telecommunications provider in Europe. Deutsche Telekom was formed in 1996, as the former state-owned monopoly Deutsche Bundespost was privatised. The company operates several subsidiaries worldwide.

<sup>73</sup> **Vodafone**: Vodafone Czech Republic, is a Czech telecommunications company. It is among the largest Czech companies by revenue. In 2005 the international company Vodafone, a British multinational telecommunications company, with headquarters in London, became the sole shareholder.

<sup>74</sup> **OPEIC**: Operational Programme Enterprise and Industry for Competitiveness 2014-2020

<sup>75</sup> **AMSP**: Association of Small and Medium-Sized Enterprises and Crafts in the CR  
<sup>76</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>77</sup> **SME**: Small and medium enterprises

"We estimate that the programme will be suspended for several months," MIT said.

If the uncertainty continues for a long time, it would have macroeconomic impacts, CCC<sup>78</sup> said.

The CR can draw up to €23.9bn from EU funds in 2014-2020. The EC will assess individual countries and their programmes in terms of fulfilment of their obligations towards the Europe 2020 strategy at this end of this year. If the CR fails to fulfil these obligations, it may lose 6% of the allotted amount of funds.

In the previous budget period 2007-2013, the CR could draw about CZK700bn. About 4% of this amount failed to be drawn.

**LABOUR & HEALTH & SOCIAL**

**ŠKODA AUTO'S TUs TERMINATED FLEXI ACCOUNT – 5. 4.**

Škoda Auto's TUs<sup>79</sup> have terminated in the collective negotiations the agreement on flexible accounts, as the carmaker has not presented a sufficient offer for wage tariff increase. The company has previously offered the employees to raise tariffs by 10%. The TUs request double digit increase exceeding 10%. The employees' representative has stated that if the wage talks fail, agreements on atypical working hours arrangements, such as the 17-shift operation in the paintshop in Mladá Boleslav and 18-shift operation Kvasiny, will be terminated. If a strike takes place, the request to raise tariffs by 14% for 12 months remains valid. The next round of negotiations was set for April 5.

**ŠKODA AUTO'S TUs ARE PREPARING STRIKE – 6. 4.**

TUs KOVO are preparing a strike in Škoda Auto. The information was provided by the representatives of employees after the failed 9<sup>th</sup> round of collective bargaining taking place on April 3, 2018. The TUs still insist on a growth in tariff wages by 10.4% for 12 months even in case of a strike. April 09, 2018 | Publication: CIA - Czech AM - EN

**ŠKODA AUTO'S SALARIES TO INCREASE BY 18.9% – 9. 4.**

As part of collective negotiations with the company's management, Škoda Auto TUs agreed on an overall average increase in salaries by 18.9%. The increase will exceed 20% once the increase in additional payments is factored in. The salary agreement will be reached for the April 1, 2018 to March 31, 2019 period. On April 1, 2018 tariffs will increase by 12%. The variable bonus was increased from CZK57,083 and rounded up to CZK60,000. A foundation for a one-off payment of CZK2,000 in November 2018 was also agreed upon. The final decision will be deliberated by the regular session of the Business Board on April 11, 2018.

**HEALTH DATA SUGGEST SMOKING BAN EFFECTIVE – 9. 4.**

The IHID<sup>80</sup> has released figures documenting a drop in the number of Czechs hospitalized with health problems linked to smoking as a result of the anti-smoking bill introduced in

<sup>78</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

May of last year. The comparative study covers the period between June and November of 2016 and 2017 when smoking in pubs and restaurants was strictly banned.

According to the data released there were 13.1% fewer heart attacks and 16% less patients hospitalized with heart problems over that period in 2017. There were 7,200 fewer people hospitalized altogether.

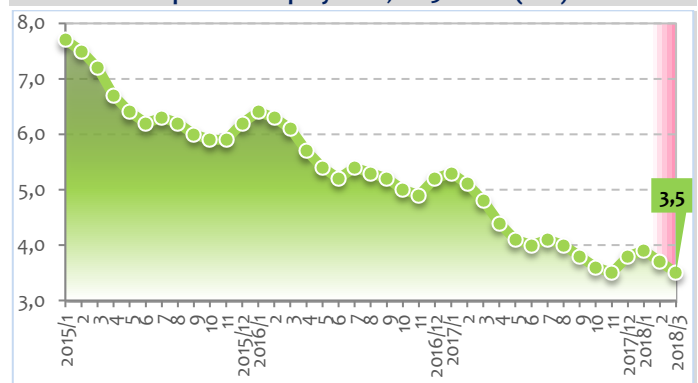
The ChD<sup>81</sup> is due to start debating a proposal to soften the strict ban on smoking at its session on April 10, 2018.

**UNEMPLOYMENT DOWN TO 3.5% – 10. 4.**

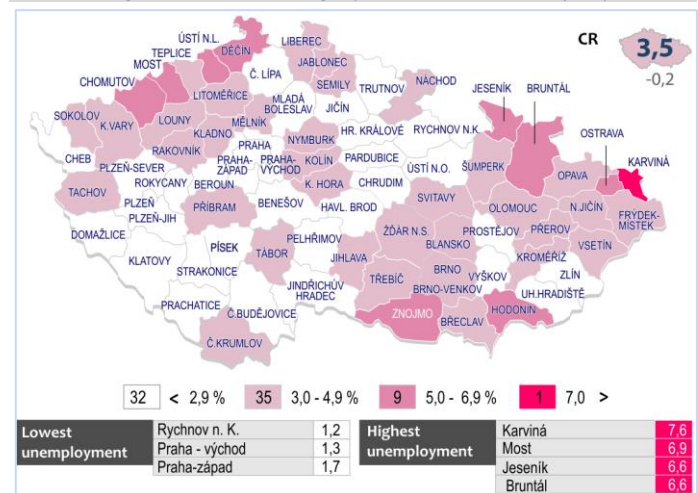
Unemployment in the CR has reached a new 20-year low, dropping to 3.5% in March, down from 3.7% the previous month. According to the CSO the downward trend was recorded in all regions of the CR.

LOs<sup>82</sup> registered 263, 000 unemployed who could take their pick from over 250,000 job vacancies on the market.

**Graph 2: Unemployment, 2015 – 2018 (in %)**



**Map 1: Districts, Unemployment, 2018, March (in %)**



**PEOPLE CHANGE JOB WITHOUT GIVING NOTICE TO – 10. 4.**

Employers complain increasingly more often that people do not arrive to work and take up another job without giving a notice to their previous employer and this trend is likely to

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>79</sup> TU: Trade union, around 1/6 of all employees are union members in the CR.

<sup>80</sup> IHID: Institute of Health Information and Data

<sup>81</sup> 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.

<sup>82</sup> LO: Labour Office



get stronger this year due to the tense labour market, the CCC said.

Aggressive practices in employee poaching are getting more frequent, the CCC added. Companies are looking mainly for workers in construction, cleaning ladies, blue-collar workers and drivers, for example. The CCC's survey shows that a 1/3 of companies have encountered predator practices in luring of employees in the last few months. It is not rare that recruiters address selected employees before the start of a shift and offer them money immediately if they switch jobs right away. Some employees accept such offer without giving a notice to their current employer and do not respect the notice period at all. Employers have no defence against this. Employee can be sacked immediately for gross breach of working discipline or can even be sued but this does not fill the vacancy so employers almost never resort to such step.

The biggest problems with employee poaching appear in localities with higher concentration of companies, usually industrial zones. This results in a wage spiral in some localities. The wage development thus does not correspond with the productivity of labour, which is risky for the economy, the CCC said. According to the CCC's survey among 580 employers, recruiters have aggressively poached at least one employee from every 5th micro company, from every 3<sup>rd</sup> firm with 50 employees at most and from over 40% of medium-sized and large companies.

The situation will be getting tougher in this respect. According to the CCC's latest forecast, Czech economy will grow by 4.2% this year and unemployment will move at record low 2.4%. Pressure on the labour market will ease only a bit in 2019, the CCC predicts unemployment at 2.7%. According to the CCC's forecast, growth in nominal wages will not fall below 8.6% this year and will remain above 8% next year.

#### CCC ACCEPTING REQUESTS FOR WORKERS – 10. 4.

The CCC started accepting applications of domestic companies for its recommendation for the programme of hiring employees from the Philippines and Mongolia owing to a shortage of employees on the Czech labour market, the CCC said.

Thanks to this regime, aimed at accelerating the hiring of foreign employees, Czech companies will be able to take on up to 1,000 candidates from either country for jobs in which neither Czechs nor other EU nationals are interested, the CCC said. Companies are expected to hire about 85 candidates from both countries monthly, it added.

The programme is designed for direct employers engaged in manufacturing, services or the public sector in the CR for at least 2 years. The companies eligible for the programme have to employ at least 10 people and must not have any debts to the state. Decisions on the applications will be made by the MIT based on the CCC's recommendation. The government

<sup>83</sup> CoP: constant prices are used to measure the true growth of a series, i.e. adjusting for the effects of price inflation.

<sup>84</sup> 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.

<sup>85</sup> M-o-m: month on month, compared with preceding month

<sup>86</sup> CE: adjusted for calendar effects, the pre-adjustment for calendar effects involves removing from the time series calendar effects such as working days/trading days effect, leap year effect and moving holidays effects.

<sup>87</sup> Non-adj: non-adjusted

planned to launch the project as of May 1. The CCC thus started processing the applications ahead of schedule.

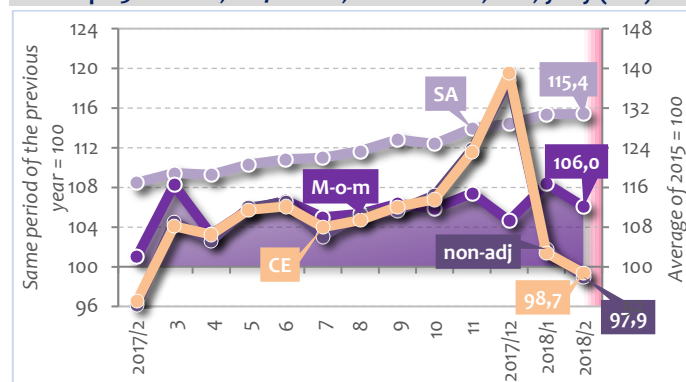
According to LO, companies are mainly looking for bricklayers, cleaners, manual workers and drivers.

#### STATISTICS

#### RETAIL TRADE – 6. 4.

In February 2018, CoP<sup>83</sup> SA<sup>84</sup> sales in retail trade stagnated, m-o-m<sup>85</sup>. CE<sup>86</sup> increased by 6.0%, y-o-y, the same as non-adj<sup>87</sup> sales.

Graph 3: Retail<sup>88</sup>, 2017 – 2018, basic indices, CoP, y-o-y (in %)



#### INDUSTRY – 6. 4.

In February 2018 CoP industrial production increased by 2.7%, y-o-y. SA industrial production decreased by ▲1.2%, m-o-m. The value of new orders increased by 4.1%, y-o-y.

In February 2018, SA CoP industrial production decreased at constant prices by ▲1.2%, m-o-m. Compared to the corresponding month of the previous year, it increased at constant prices by 2.7%. February 2018 and February 2017 had the same number of working days. The following contributed the most to the y-o-y increase of industrial production: manufacture of fabricated metal products (+0.8 p.p., + 7.4%), manufacture of electrical equipment (+0.5 p.p., + 7.4%), and manufacture of machinery and equipment (+0.5 p.p., + 5.9%). Industrial production decreased in electricity, gas, steam and air conditioning supply (▲0.4 p.p., ▲ 3.0%), mining and quarrying (▲0.3 p.p., ▲ 13.9%), and repair and installation of machinery and equipment (▲0.2 p.p., ▲ 7.1%).

CuP<sup>89</sup> sales from industrial activity increased by 1.1%, y-o-y, in February 2018. Direct export sales of industrial enterprises decreased at current prices by ▲1.2%. CuP domestic sales, which include also indirect export via non-industrial enterprises increased by 4.4%.

The value of new orders in selected industrial CZ-NACE<sup>90</sup> activities increased by 4.1%, y-o-y, in February 2018. Non-domestic new orders increased by 4.6%, while domestic new orders increased by 2.7%. The y-o-y increase of new orders in total was the most contributed to by the following CZ-NACE divisions: manufacture of fabricated metal products (+1.3%, +

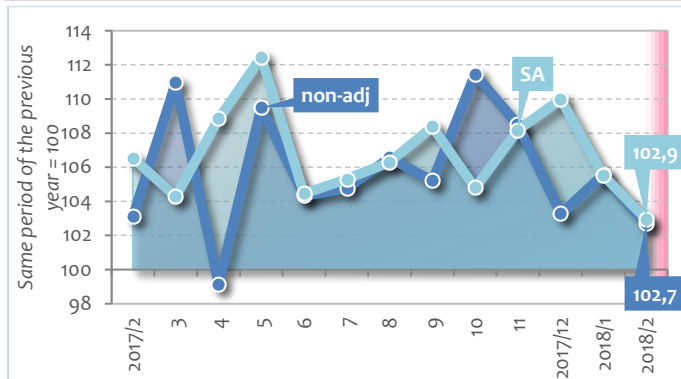
<sup>88</sup> except of motor vehicles and motorcycles

<sup>89</sup> CuP: current (or "nominal") prices for each year are in the value of the currency for that particular year, are influenced by the effect of price inflation.

<sup>90</sup> NACE: Nomenclature générale des Activités économiques dans les Communautés Européennes, Statistical Classification of Economic Activities in the European Community, the industry standard classification system used in the EU. The current version is revision 2 and was established by Regulation (EC) No 1893/2006. It is the European implementation of the UN classification ISIC, revision 4; CZ-NACE: Classification of Economic Activities according to the CSO

11.8%), manufacture of computer, electronic and optical products (+1.2 p.p., + 13.2%), and manufacture of motor vehicles, trailers and semi-trailers (+0.9 p.p., + 2.3%). New orders decreased in manufacture of other transport equipment (▲0.5 p.p., ▲ 21.4%) and manufacture of paper and paper products (▲0.1 p.p., ▲ 3.2%).

Graph 4: Industry, CoP, 2017 – 2018, y-o-y, m-o-m (in %)



The number of employees<sup>91</sup> increased in February 2018 by 2.0%, y-o-y. Their average gross monthly nominal wage increased in February 2018 by 7.3%, y-o-y, and reached CZK30,282.

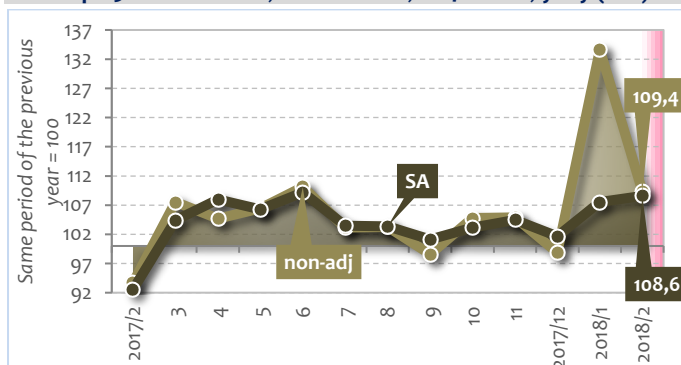
According to the Eurostat<sup>92</sup>, WDA<sup>93</sup> industrial production in the EU28<sup>94</sup> in January 2018 increased by 3.0%, y-o-y.



CONSTRUCTION – 6. 4.

In February 2018 the SA WDA construction output increased by 9.4% y-o-y, in real terms. The planning and building control authorities granted by 6.2% less building permits, y-o-y, and the approximate value of permitted constructions jumped up by 20.0%, y-o-y. The number of started dwellings grew by soared by 29.6%, y-o-y, and the number of completed dwellings jumped up by 28.4%, y-o-y.

Graph 5: Construction, basic indices, 2017 – 2018, y-o-y (in %)



The number of building permits granted increased by 1.4%, y-o-y. The approximate value of the permitted constructions attained CZK26.3bn<sup>95</sup> and jumped up by 20.8% compared to the same period of 2017. The number of dwellings started in

<sup>91</sup> Average registered number of employees: in industrial enterprises with 50+ employees, the registered number of employees indicator does not include persons working under various contracts for work, working owners of enterprises, and cooperating household members, who do not have contracts of employment. The piece of data on the registered number of employees in industry also excludes agency workers, who have contracts of employment within activities of services (CZ-NACE 78.2).

<sup>92</sup> 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.

<sup>93</sup> WDA: working days adjusted

January 2018 jumped up by 23.1%, y-o-y, the number of completed dwellings decreased by ▲7.8%, y-o-y.

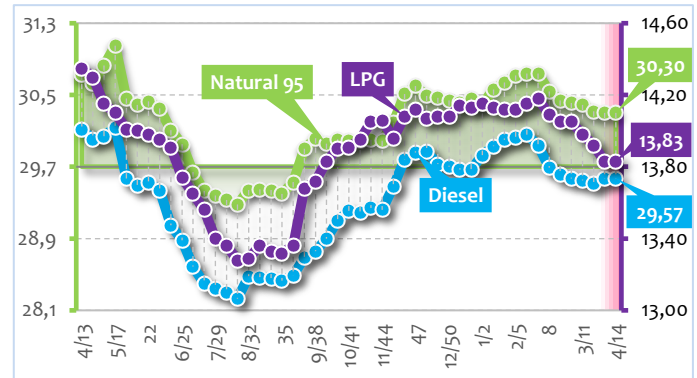
According to Eurostat, the WDA construction output in the EU28 increased by 2.5%, y-o-y, in January 2018. Buildings increased by 0.9% and civil engineering works grew by 8.4%.



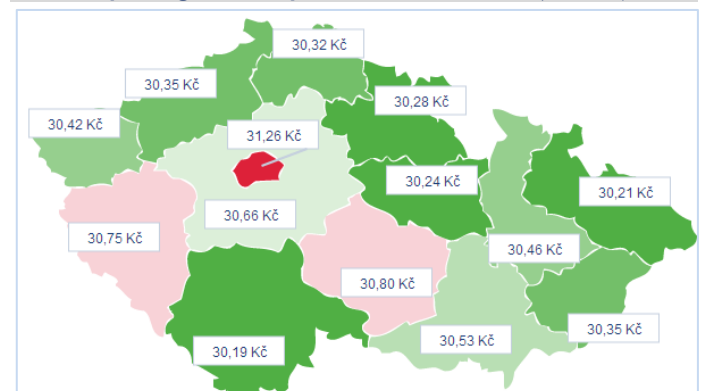
FUEL PRICES – 8. 4.<sup>96</sup>

Natural gas increased by ▲7h<sup>97</sup> to CZK<sup>98</sup>30.50/l<sup>99</sup> over the past week. Diesel oil increased by 5h to CZK29.52/l.

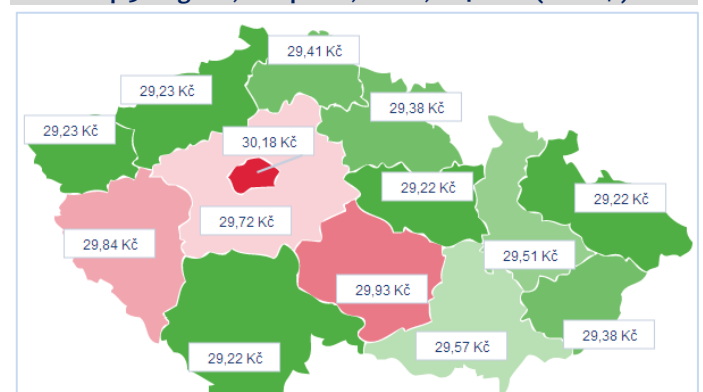
Graph 6: Average fuel prices<sup>100</sup>, 2017 – 2018, Month/Week (in CZK/l)



Map 2: Regions, fuel prices, Petrol, 8. 4. 2018 (in CZK/l)



Map 3: Regions, fuel prices, Diesel, 8. 4. 2018 (in CZK/l)



<sup>94</sup> 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

<sup>95</sup>bn: billion

<sup>96</sup> data issued by the mBenzin.cz

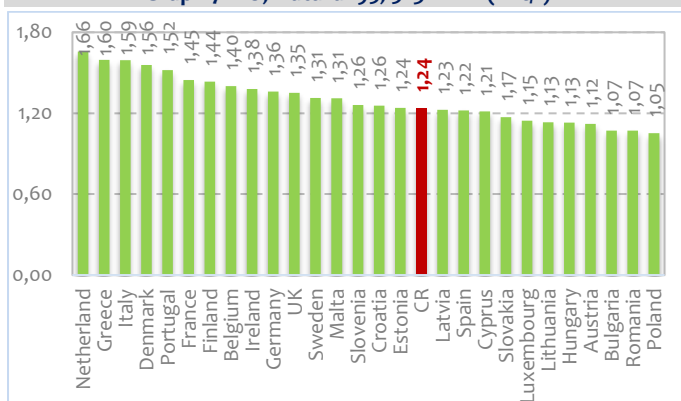
<sup>97</sup> h: Heller, a term was used for a coin valued at 1/100 of a CZK, it continues to be used as a means of calculation since the CNB removed the coins themselves from circulation in 2008 and notionally replaced them with rounding to the next CZK.

<sup>98</sup> CZK: Czech Crown, the currency of the CR since 8 February 1993

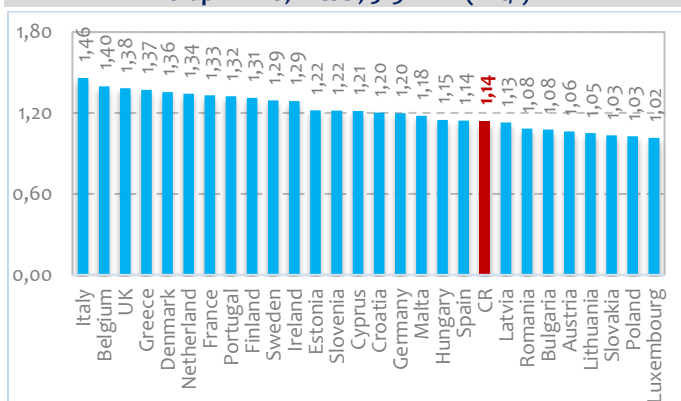
<sup>99</sup> l: litre

<sup>100</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

Graph 7: EU, Natural 95, 5. 3. 2018 (in €/l)



Graph 8: EU, Diesel 5. 3. 2018 (in €/l)



EXTERNAL TRADE – 9. 4.

According to preliminary data in current prices, in February 2018 the external trade balance in goods ended in a surplus of CZK18.0bn<sup>101</sup>, which was by ▲CZK2.9bn lower, y-o-y. Y-o-y, total NC<sup>102</sup> balance was unfavourably influenced mainly by a y-o-y decrease of surplus in 'motor vehicles' by ▲CZK1.7bn, and further by a larger deficit in 'computer, electronic and optical products' by ▲CZK1.7bn, 'coke and refined petroleum products' by ▲CZK1.5bn and 'chemicals and chemical products' by ▲CZK1.3bn.

A higher surplus in 'electrical equipment' (by CZK2.1bn) and a lower deficit in 'crude petroleum and natural gas' (by CZK1.3bn) had a main positive effect on the total trade balance, y-o-y.

In February 2018 the trade balance with the EU28<sup>103</sup> Member States ended in a surplus of CZK54.9bn, and thus it was by CZK2.1bn lower, y-o-y. The trade deficit with the non-EU countries widened by ▲CZK1.0bn to reach the amount of ▲CZK35.1bn.

Compared to January 2018, NC SA<sup>104</sup> exports and imports fell by ▲3.6% and ▲5.0% respectively. The development trend shows decreasing exports (▲0.5%) and imports (▲1.6%).

Compared to the same month of 2017, exports and imports fell by ▲1.2% (to CZK279.6bn) and by ▲0.2% (to CZK261.5bn) respectively.

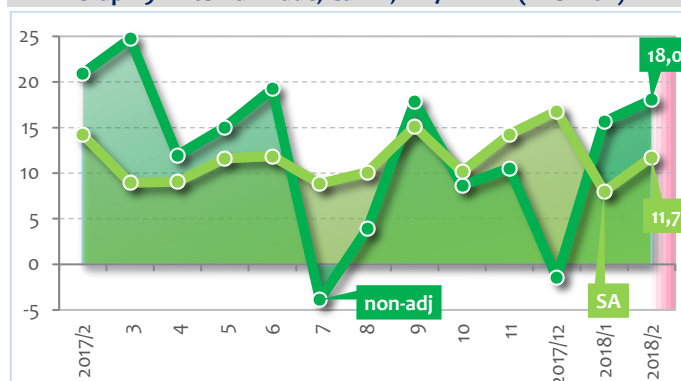
<sup>101</sup>bn: billion

<sup>102</sup> **National Concept:** the national concept of external trade reflects export and import performance of the Czech economy, i.e. the external trade balance of the CR as well. It measures real trade in goods carried out between Czech and foreign entities, i.e. a change of ownership between residents and non-residents.

<sup>103</sup> **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

In the period from January to February 2018 the trade balance surplus in the national concept reached CZK33.7bn which represented a decrease by ▲CZK8.6bn, y-o-y. From the beginning of the year exports and imports went up by 1.0% and 2.7% respectively, y-o-y.

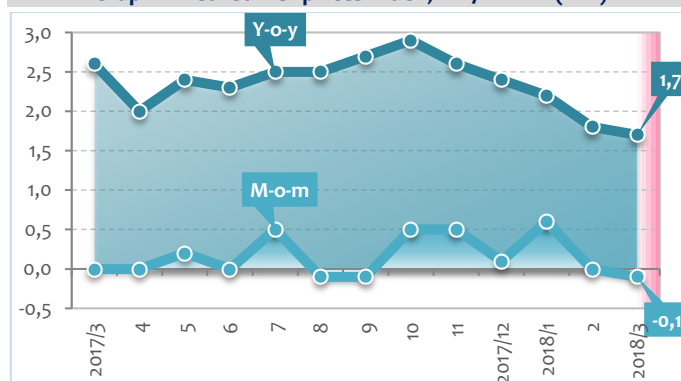
Graph 9: External Trade, CuP<sup>105</sup>, 2017 – 2018 (in CZKbn)



CONSUMER PRICE INDICES – 10. 4.

Consumer prices in March dropped by ▲0.1% compared with February. This development was influenced especially by a price decline in 'recreation and culture' and in 'food and non-alcoholic beverages'. The y-o-y growth of consumer prices slowed down to ▲1.7%, which was ▲0.1 p. p. down on February.

Graph 10: Consumer prices Index, 2017 – 2018 (in %)



The m-o-m decrease in consumer prices in 'recreation and culture' came primarily from the drop in prices of package holidays by ▲5.0%. In 'food and non-alcoholic beverages', prices went down primarily by lower prices in the group milk, cheese and eggs, where prices of eggs decreased by ▲9.1% and prices of UHT semi skimmed milk by ▲3.5%. Prices of vegetables and fruit were lower (▲1.3% and ▲1.2%, respectively). In 'transport', prices of fuels and lubricants went down by ▲0.8%.

The m-o-m rise in consumer prices in 'clothing and footwear' came from the increase in prices of garments by 0.6% and shoes and footwear by 2.1%. In 'alcoholic beverages and tobacco', prices of tobacco rose by 1.2%. In 'miscellaneous goods and services', prices of personal care went up by 0.6%.

<sup>104</sup> **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.

<sup>105</sup> **CuP:** current (or "nominal") prices for each year are in the value of the currency for that particular year, are influenced by the effect of price inflation.



In food, prices of margarine and other vegetable fats were primarily higher by 4.8% and non-alcoholic beverages by 0.4%. Both prices of goods in total and prices of services went down by ▲0.1%.

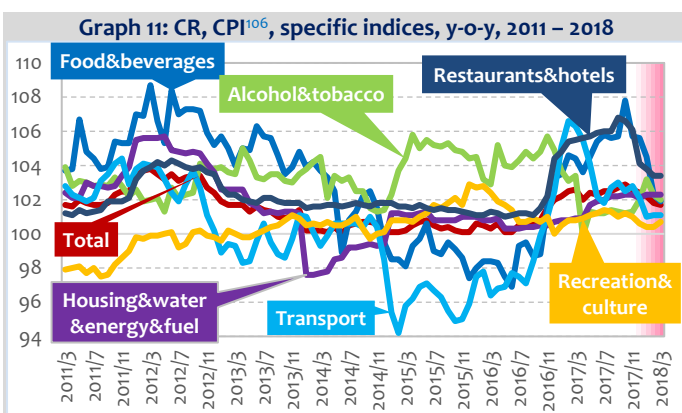
In terms of the y-o-y comparison, in March, the consumer prices increased by 1.7%, i.e. ▲0.1 p. p. down on February. A slowdown in the y-o-y price rise occurred especially in 'food and non-alcoholic beverages', where prices of eggs were higher by 14.4% in March (24.1% in February), butter by 8.0% (11.2% in February), fruit by 4.4% (9.9% in February), and meat by 3.0% (3.8% in February). Prices of non-alcoholic beverages turned to a drop by ▲1.1% in March from a price growth by 0.7% in February.

The biggest influence on the growth of the y-o-y price level in March came from prices in 'housing, water, electricity, gas and other fuels', where prices of actual rentals for housing rose by 2.4%, water supply by 1.9%, sewage collection by 1.2%, electricity by 2.8%. Next in order of influence were prices in 'food and non-alcoholic beverages', where prices of flour increased by 7.8%, y-o-y, yoghurts by 17.1%, margarine and other vegetable fats by 13.5%. In 'alcoholic beverages and tobacco', prices of tobacco were higher by 2.9%. The rise in the price level came also from prices in 'restaurants and hotels', where prices of catering services rose by 3.6% and prices of accommodation services by 1.6%. In 'miscellaneous goods and services', prices of personal care went up by 3.1% and prices of insurance by 4.4%.

A reduction in the price level in March came from prices in 'communication', where prices of telephone and telefax services went down by ▲2.1%. The drop occurred also in 'clothing and footwear' due to lower prices of garments by ▲1.5%. In 'housing, water, electricity, gas and other fuels', prices of natural gas decreased by ▲0.8% and prices of heat and hot water by ▲0.3%.

Prices of goods in total and services went up (1.2% and 2.5%, respectively). The overall consumer price index excluding imputed rentals was 101.6%, y-o-y.

Inflation rate, i.e. the increase in the average consumer price index in the 12 months to March 2018 compared with the average CPI in the previous twelve months, amounted to 2.3% in March.

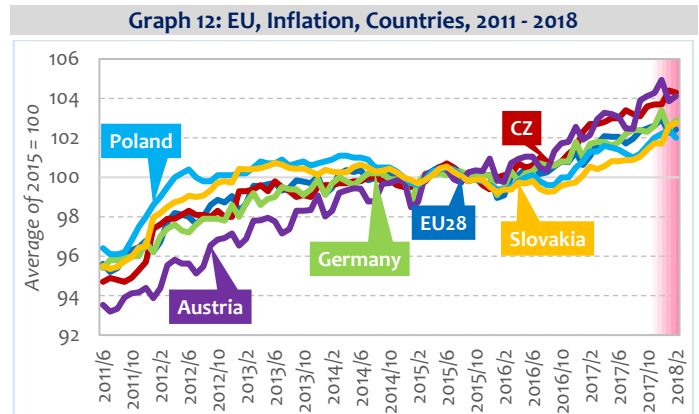


According to preliminary data of Eurostat, the y-o-y change in HICP<sup>107</sup> in the EU28 member states amounted to 1.3% in February, i.e. ▲0.3 p. p. down on January. The rise in prices

<sup>106</sup> CPI: Consumer Price Index

<sup>107</sup> HICP: Harmonized Index of Consumer Prices

was the highest in Romania (3.8%). On the other hand, the year-on-year drop occurred in Cyprus (▲0.4%) in February. In Slovakia, the price increase decelerated to 2.2% in February (2.6% in January). In Germany, prices were higher by 1.2% (1.4% in January). According to preliminary calculations, the HICP in the CR in March was 0.0%, m-o-m, and rose by 1.6%, y-o-y. The MUICP<sup>108</sup> flash estimate for the EA in March 2018 was 1.4%, y-o-y.



#### NUMBER OF POOR, SOCIALLY EXCLUDED FALLING - 10. 4.

The number of Czechs threatened by poverty and social exclusion diminished last year by roughly 110,000 to 390,000. Poverty and social exclusion hits those who face material problems and can not afford to pay their rent regularly or to own a car, to eat meat every other day or to have a week-long holiday.

Last year, some 960,000 Czechs or 0.6% less were below the income poverty line. Although most households had sufficient incomes last year, 23.2% had problems in this sphere. The income poverty hit every 11<sup>th</sup> Czech last year.

The biggest problems with incomes hit lone mothers and lone elderly women over 65.

In the EU, the CR is one of the countries with the smallest rate of poverty and social exclusion. Statisticians examine 3 categories: the income poverty, material deprivation and intensity of work.

At least one of the 3 observed facts threatened approximately 1.3mn people in the CR last year, while it was 1.4mn two years ago.

The total extent of threat by income poverty and social exclusion fell from 13.3% to 12.2% between 2016 and 2017. Some 67% of households are able to save some money each month.

¼ of the lone elderlies are able to do so, too. On the other hand, every other lone parent is unable to save any money.

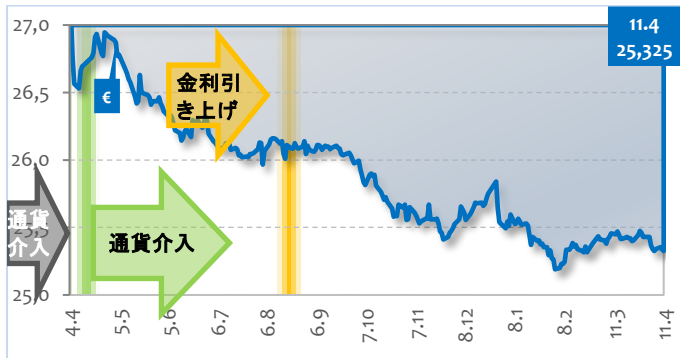
Roughly ¼ of Czech households repays some housing loan. The payment for prescribed drugs and freely accessible drugs and preparations is a large burden for 11.7% of households.

Roughly 9% of Czechs also have problems when having to pay at the dentists.

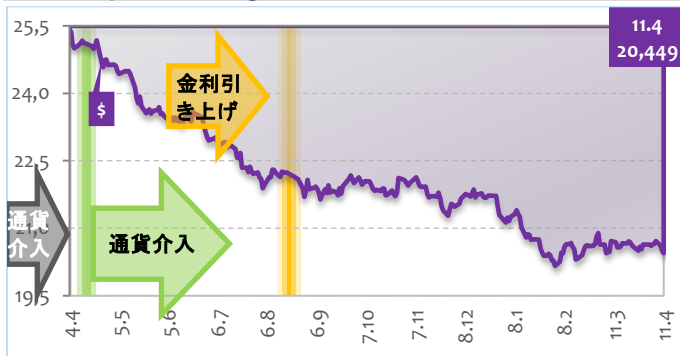
<sup>108</sup> MUICP: Monetary Union Index of Consumer Prices

CNB  
CZK VS EURO, US DOLLAR, YEN – 11. 4.

Graph 13: Exchange rates, CZK/€, 4. 4. 2017 – 11. 4. 2018



Graph 14: Exchange rates, CZK/\$, 4. 4. 2017 – 11. 4. 2018



Graph 15: Exchange rates, CZK/100¥, 4. 4. 2017 – 11. 4. 2018



MISCELLANEOUS

PREPARATION OF LAWS FOR COLLECTIVE ACTION – 5. 4.

On April 4, 2018, the Cabinet approved the intention of MJ<sup>109</sup> Minister Pelikán to prepare a new act enabling people affected by unfair or illegal action to file together a collective action against the offender. The draft bill should be finished by March 31, 2019. The government believes that this new legislation will ease the burden on courts that will not have to deal with tens of similar cases.

ENTREPRENEURS BLAME CR FOR LACK OF EMPLOYEES – 10. 4.

According to the PwC<sup>110</sup>, up to 86% of general directors assign a high degree of responsibility for the current lack of employees on the market to the state. In particular, they put

<sup>109</sup> MJ: Ministry of Justice

<sup>110</sup> PwC: PricewaterhouseCoopers, a multinational professional services network headquartered in London, United Kingdom. It is the 2<sup>nd</sup> largest professional services firm in the world, and is one of the Big Four auditors, along with Deloitte, EY and KPMG

the blame on a non-effective state social policy (53%), an unsuitable structure of graduates (50%) and the demographic development (24%). It further appears that 60% of the respondents believe that the graduates' profile should correspond more to the requirements of companies.

NEW DRUG'S DEVELOPMENT GAINS SUPPORT – 11. 4.

The international scientific team of the Institute of Organic Chemistry and Biochemistry of the Academy of Sciences and US Johns Hopkins University in Baltimore has prepared and tested new cancer treatment drugs. It involves removing amino acid glutamine, which serves as fuel for them, from cancer cells. The results appealed to foreign investors, who have decided to support the development of new drugs with CZK800mn. Clinical tests of the new substances are scheduled to start in 2019 and take at least 5 years.

