

ECONOMIC NEWS SUMMARY APRIL 19 – APRIL 25

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ECONOMY & FINANCE

NEW MORTGAGES IN Q₁ – 19. 4.

The volume of mortgage loans concluded in Q₁¹ 2018 decreased to CZK²51.71bn³ from year-earlier CZK57.61bn. The total number of negotiated contracts reached 24,316. In March alone, the volume of loans increased by CZK3.29bn to CZK19.25bn, m-o-m⁴. The number of contracts increased by 1,641 to 9,087. The average interest rate was 2.46% (+0.1 p.p.⁵). The average loan amount was CZK2.12mn⁶.



GDP GROWTH TO SLOW DOWN, CROWN TO FIRM – 20. 4.

The growth of the Czech economy will slow down gradually from this year's about 3.5% to 2.5% in 2021, while the CZK will strengthen from this year's average of CZK25.10/€ up to CZK23.80/€, according to results of the MF's⁷ regular survey⁸. This year as well as next year, GDP⁹ growth is expected to be driven solely by domestic demand, which will support growth of imports. Domestic GDP is estimated to rise by 3.5% this year, by 3% next year and by 2.6% in 2020. The MF itself expects domestic economy to grow by 3.6% this year and by 3.3% next year. The CNB¹⁰ said in its February forecast it expects the economy to rise by 3.6% this year and by 3.2% next year.

The CNB is to release a new forecast at the beginning of May. "The basic tendencies of development in 2018-2021, which the MF envisages in the latest macroeconomic prediction, are consistent with the forecasts of other institutions," the MF said. The average inflation rate is expected to slow down to 2.1% this year and to 2% next year. "This will be supported by the anti-inflationary effects of the strengthening exchange rate, while domestic demand pressures will have a pro-inflation effect," the MF said. In 2020 and 2021, inflation is expected to reach 1.9%.

¹ Q: * quarter of the year

² CZK: Czech Crown, the currency of the CR since 8 February 1993

³ bn: billion

⁴ M-o-m: month on month, compared with preceding month

⁵ P. p.: percentage point

⁶ mn: million

⁷ MF: Ministry of Finance

⁸ The MF has been conducting the survey of forecasts twice a year since 1996. The aim of the survey is to get a picture of the opinions held by economic experts about the expected development of the economy. The results are based on forecasts of the MF, MIT, MLSA, the CNB, ACZKenta, Citibank, Ceska sporitelna, CSOB, Deloitte, CCC, the Institute of Economic Studies at the Faculty of Social Sciences of Charles University, ING Bank, Komerční banka, UniCredit Bank and Raiffeisenbank, and the CI. Forecasts of the EC and the IMF have been added to them as well.

⁹ 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

¹⁰ 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

Table 1: Selected indicators of MF's survey

	2018			2019		
	min	avg	max	min	avg	max
GDP	2.4	3.5	4.2	2.5	3.0	3.5
Average inflation	1.7	2.1	2.9	1.9	2.0	2.4
exchange rate CZK/€	24.9	25.1	25.4	23.9	24.6	25
unemployment rate (based on workforce poll)	2.2	2.5	3.0	2.1	2.5	3.2

Table 2: Selected indicators of MF's survey

	2020			2021		
	min	avg	max	min	avg	max
GDP	1.7	2.6	3.2	1.7	2.5	3.0
average inflation	1.4	1.9	2.2	1.5	1.9	2.0
exchange rate CZK/€	23.1	24.2	24.8	22.5	23.8	24.9



STATE DEBT RISES – 20. 4.

The CR's¹¹ state debt increased by some CZK87bn to CZK1,712bn in the Q₁ 2018 with per capita debt at CZK161,000, the growth came due to the sale of state treasury bills, the MF said.

The MF sold treasury bills for CZK136,1bn in the Q₁ 2018, the aim was to invest the money with a higher yield and gain additional revenues for the state budget. The treasury bills will mature in 3, 6 and 9 months, so they will all mature this year and will not influence the total size of the state debt at the end of 2018, the MF said.



CR HAS ONE OF LOWEST SHARES OF GNI IN GDP – 22. 4.

The CR has one of the lowest shares of GNI¹² in GDP in the EU¹³, but this fact does not pose a risk for the domestic economy, according to economists. The main reason for the low share of GNI lies in the outflow of dividends from the CR. According to data from the CSO¹⁴, the share of GNI in GDP nevertheless rose to more than 94% last year, which is the highest level since 2005.

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.

¹¹ CR: the Czech Republic, a nation state in Central Europe. The Czech Republic covers an area of 78,866 km² with a mostly temperate continental climate and oceanic climate. It is a unitary parliamentary republic, has 10.5 million inhabitants and the capital and largest city is Prague, with over 1.2 million residents.

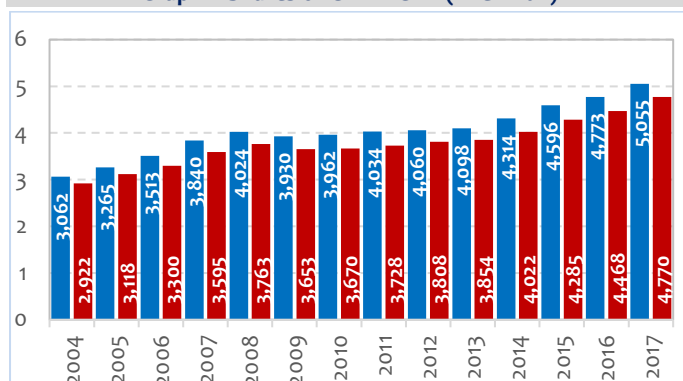
¹² GNI: Gross national income, is the total domestic and foreign output claimed by residents of a country, consisting of gross domestic product (GDP), plus factor incomes earned by foreign residents, minus income earned in the domestic economy by nonresidents. Comparing the GNI and GDP shows whether a nation's resources are put to capital creation or declining toward abroad. The gross national income has gradually replaced the gross national product (GNP) in international statistics. While being conceptually identical, it is calculated differently. Gross national income is the basis of calculation of the largest part of contributions to the budget of the European Union.

¹³ EU: European Union, is a politico-economic union of 28 member states that are located primarily in Europe. It has an area of 4,324,782 km², and an estimated population of over 510mn. The EU has developed an internal single market through a standardised system of laws that apply in all member states. EU policies aim to ensure the free movement of people, goods, services, and capital within the internal market, enact legislation in justice and home affairs, and maintain common policies on trade, agriculture, fisheries, and regional development. Within the Schengen Area, passport controls have been abolished. A monetary union was established in 1999 and came into full force in 2002, and is composed of 19 EU member states which use the euro currency.

¹⁴ 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.

According to analysts, the situation could be improved by orientating the economy at products with a higher value added and by motivating foreign owners of domestic companies to re-invest a bigger portion of their profits in the CR.

Graph 1: Shares of GNI in GDP (in CZK bn)



"If we want to increase the share of GNI in GDP, we should focus on making the investment environment in the CR more attractive for foreign investors to re-invest more of their profits and distribute less in dividends. But the worst thing to do would be to try to hamper dividends by imposing obstacles or bans," Deloitte¹⁵ said. In general, there is nothing to fear since the benefits of foreign investments still exceed the price the economy pays for them.

According to UniCredit¹⁶, the gap between GDP and GNI is natural and harmless for the economy, an introduction of taxes on dividend outflow would not be a good solution. "Foreign investors should be motivated to re-invest more of their profits, a barrier is, however, lies in the generally low quality of institutional environment, and its improvement would take long, we nevertheless believe that the imaginary problem of a gap between GDP and GNI will solve itself without assistance," it said. The forthcoming stage of weaker global economic growth will curtail fat profits of foreign companies, which will lead to a weakening of both GDP and GNI, but GDP will be affected more. The gap between GNI and GDP stems from the long-term investment cycle of the Czech economy, among other things. "It has reached a stage when foreign companies are making solid profits but do not find sufficient opportunities for re-investments of their profits in the CR," it said. At the same time, the inflow of domestic investors' dividends from abroad is lower, this is due to their limited capital strength because 25 years ago they usually started their businesses from scratch. "The fact that the CR has managed to attract profit-making production of supranational companies to such extent presents both an

advantage and disadvantage. It is no coincidence that the CR and Ireland are countries with the lowest share of industry in GDP and at the same time also with the biggest gap between GDP and GNI," Unicredit said.

According to Cyrrus¹⁷, a gradual growth of GNI would be boosted by mobilisation of Czech capital and development of domestic SMEs¹⁸, and conditions for re-investment of profits of foreign owners should be made more attractive. A 3rd step towards improvement would be to attract solely those foreign companies that have products with a higher value added.

BOOM ON MORTGAGE MARKET SLOWING DOWN – 22. 4.

The share of new mortgage loans that cover 80 to 90% of the real estate price at the most started approaching the 15% level recommended by the CNB in H₂¹⁹ 2017. Exact figures are not available yet, CNB said.

According to the Moody²⁰, the share of these mortgage loans reached as much as 28% in Q₂ 2017.

According to CNB, banks have toughened their conditions for providing mortgage loans.

"The boom on the mortgage market has therefore started slowing down. Their measures are effective but are not as strong as to deteriorate access to loans dramatically," it said. The CNB issued a recommendation last year under which banks should not grant mortgages covering more than 90% of the real estate price.

The MF is currently preparing an amendment to the law on the CNB aimed at giving the CNB more powers for regulation of mortgage loans. The Cabinet²¹ is expected to discuss the draft amendment in the middle 2018.

The CNB's recommendation limits the loan-to-value ratio at present.

According to CNB, the draft amendment aims to enable the CNB to regulate another two key indicators: the ratio of an applicant's instalments to his monthly income and the ratio of the size of the loan to annual incomes of a household.

Niedermayer, MEP²² and a former CNB vice-governor, said in the same television discussion programme that he was not sure whether the current problem of the housing market could be solved by further regulation.

"The regulation may affect mainly middle-class people, and eventually, flats will concentrate in the hands of people who will become increasingly richer and will lease their flats expensively," Niedermayer said.

Moody's report said in April that Czech banks do not stick to the CNB's recommended loan-to-value limits for mortgage

¹⁵ **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.

¹⁶ **UniCredit:** UniCredit Bank CR and Slovakia, is a Czech and Slovak bank based in Prague, the Czech Republic. The bank was a subsidiary of Italy-based UniCredit Group for 99.96% stake. UniCredit S.p.A. is an Italian global banking and financial services company. Its network spans 50 markets in 18 countries, with more than 8,500 branches and over 147,000 employees. Its strategic position in Western and Eastern Europe gives the group one of the region's highest market shares

¹⁷ **Cyrrus:** a licensed securities trader and one of the largest brokerage companies in the Czech Republic.

¹⁸ **SME:** Small and medium enterprises

¹⁹ **H.:** Half of year

²⁰ **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.

²¹ **Cabinet:** The Government of the Czech Republic exercises executive power in the Czech Republic. The members of the government are the Prime Minister of the Czech Republic (Chairman of the Government), the deputy ministers and other ministers. It has its legal basis in the Constitution of the Czech Republic. The government is led by the Prime Minister, who selects all the remaining ministers. Government of the Czech Republic is responsible to the Chamber of Deputies of the Czech Republic. The Prime Minister is appointed by the President of the Czech Republic. The current Prime Minister is Andrej Babiš.

²² **MEP:** Member of European Parliament

loans, which could have considerable impacts on the country's economy.

In 2017, Czech banks provided some 105,500 mortgage loans worth CZK216.7bn to households.

The average interest rate on mortgage loans rose to 2.46% in March from February's 2.36%. In December 2016, the rate was at an all-time low of 1.77%.

Despite this, the number of mortgage loans taken in March was the highest so far this year, the number of clients rising by 1,641 m-o-m to 9,087. Y-o-y²³, the number was 1,300 lower.

MOODY'S IMPROVES CR'S RATING OUTLOOK – 23. 4.

Moody's has improved the CR's credit rating²⁴ from stable to positive and affirmed the rating at A1. The main reasons for this change include the continuing improvement in financial indicators supported by strong growth dynamics. According to Moody's, the CR's debt burden is low. The political environment should be favourable in terms of the rating development, the Moody said.

FINANCIAL ASSETS IN CR DOWN IN Q4 2018 – 23. 4.

The total value of financial assets in Czech economy dropped 0.3% q-o-q²⁵ in Q4 2017. The CNB has informed that this is the first drop after 7 quarter-years of consecutive growth. The decline may be attributed primarily to the segment of financial institutions. Banks dominated, contributing ¾ to the total decline. In the y-o-y comparison, financial assets' growth rate slowed down, but remains relatively high in the long run at 13.5%, CNB says.

CHANGES IN EU FUNDS DISTRIBUTION – 23. 4.

The MF is not in favour of potential changes in the indicators based on which countries are allotted money from EU cohesion funds and it wants GDP per capita to remain the main indicator, the MF said.

According to the MF, the GDP per capita figure is the best expression of the level of economic advancement of a country and its regions.

Financial Times wrote that EC²⁶ plans to shift tens of billions of euros from EU funds²⁷ away from CEE²⁸, including the CR, to countries that were hit harder by the financial crisis, such as Spain and Greece, after 2020.

According to the daily, the EC wants to end the practise of distributing money from cohesion funds almost exclusively on the basis of GDP per capita and replace it with much broader criteria covering a number of factors, such as youth unemployment, education, environment, innovations and approach to migration.

"The CR does not support the introducing of new indicators in general and it will push through this position during

negotiations on the EU's draft budget for 2021-2027, which will start at the beginning of May," the MF said.

According to UniCredit, the method of distribution of EU funds in the future budget period must not become a fundamental economic issue for the CR. "We have already shifted closer to the EU average in terms of GDP per capita, which means that we would be allotted less money even under the previous method of distribution," it said. Brexit is another reason why there will be less money in EU funds. "For the CR it is important to get prepared in time and to gather money for long-term investments from its own sources," Unicredit said.

The MF said it had not obtained any official proposal from the EC yet." Talks about allocations for the CR for the 2021-2017 budget period will be intensive and their outcome cannot be predicted," the MF noted.

NUMBER OF FIRMS CONTROLLED FROM ABROAD UP – 24. 4.

The number of Czech companies controlled by foreign owners has exceeded 86,000 this year, in the last 7 years it increased by 49% and the highest number of the owners come from Russia, according to an analysis of CRIF²⁹.

The number of joint-stock and limited-liability companies controlled by Russian owners reached 13,239 as of January 1, 2018 and was almost ▲600 lower than in 2015 when the number of companies with Russian owners was the highest. However, Russians still rank among the most numerous groups of foreign owners of Czech firms. Then come companies controlled from Slovakia (10,213 companies), Ukraine (9,396), Germany (7,838) and Great Britain (3,671).

The ranking of the countries from which foreign owners of Czech companies come is stable in the long term. Poland and Romania have advanced on the list, while the Netherlands, Switzerland, China and Bulgaria fell moderately, said CRIF.

The highest growth was registered in the number of companies controlled from Slovakia (+5,330), Poland (+2,353) and Ukraine (+2,528).

The number of companies controlled from abroad grew by over 1,800 last year but the volume of the share capital in these firms decreased by ▲CZK120bn to CZK1,100bn.

Companies controlled from Germany have the highest share capital of CZK245bn, over a ⅓ of the entire share capital of firms controlled from abroad.

Then come firms with owners from the Netherlands, Luxembourg, France and Austria. Companies with Slovak owners are 9th as regards share capital, companies with Russian owners hold the 20th position and companies with Ukrainian owners are 34th.

²³ Y-o-y: year on year, compared , compared with the corresponding month of preceding year

²⁴ Moody's Rating: Aaa: Rated as the highest quality and lowest credit risk; Aa1,Aa2,Aa3: Rated as high quality and very low credit risk; A1, A2, A3: Long-term ratings: Rated as upper-medium grade and low credit risk; Short-term ratings: A1: Prime-1: Best ability to repay short-term debt; A2,A3: Prime-1/Prime-2: Best ability or high ability to repay short term debt

²⁵ Q-o-q: quarter on quarter, compared with preceding quarter

²⁶ 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.

²⁷ 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.

²⁸ 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

²⁹ 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).

"Foreign capital from EU countries is key for the CR. The share of capital controlled from EU countries makes up 1/3 of the entire capital in firms with foreign owners and a 1/2 of capital in Czech firms with identifiable majority owners in general," CRIF said.

"Owners from countries using the euro hold 71% of the capital of firms controlled from abroad and 45% of capital in all Czech firms," it added.

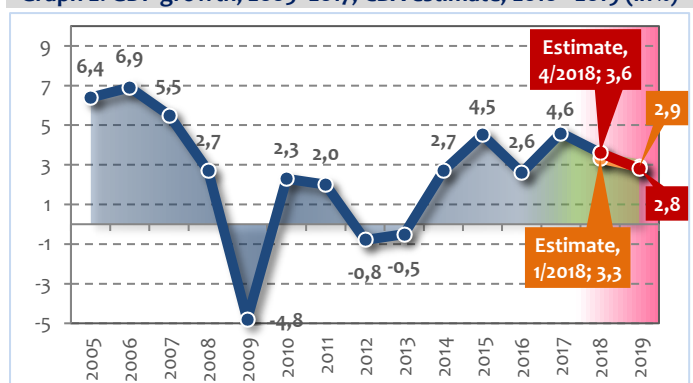
The analysis comprises joint-stock and limited-liability companies whose majority owner is a natural person or legal entity based abroad.

Companies with foreign owners whose country of origin cannot be identified are not included in the analysis, there are some 5,000 such companies.

CZECH ECONOMY TO GROW BY 3.6% - 25. 4.

The CBA³⁰ improved its GDP growth estimate for this year to 3.6% in its updated forecast, increasing it from 3.3% projected in January, with the rise being helped by household consumption, investment and export.

Graph 2: GDP growth, 2005–2017, CBA estimate, 2018 –2019 (in %)



Next year, the Czech economy should slow down to 2.8%, while the previous forecast envisaged 2.9%.

The forecast remains favourable, however, there are risks linked with it, which are registered in the global business cycle development and its impact on the very open Czech economy, Raiffeisenbank³¹ said.

The economy is overheating, which concerns mainly the labour market that will keep causing wage-inflationary pressure, Moneta³² said. The performance of public budgets will keep stabilising the economy and the CR should remain a leading European country in this area, it added.

The CBA expects the CNB to raise interest rates at the end of this year. The last time the central bank increased interest rates was in February. The CBA estimates that the economic growth will decelerate in 2019.

³⁰ **CBA:** Czech Banking Association, a voluntary association of legal persons, doing business in banking and in closely connected areas. Membership has two forms, full membership, reserved for banks and for branches of foreign banks, licensed by the Czech National Bank, and associate membership, opened primarily to representative offices of foreign banks and to auxiliary organisations, related to the banking sector. It associates currently 37 banks and branches of foreign banks with full membership status, forming 99% of the banking sector.

³¹ **Raiffeisenbank:** is a member of Austrian Raiffeisen Group that also offers products and services in the Czech Republic in the area of building savings (Raiffeisen stavební spořitelna), insurance (UNIQA pojišťovna) and leasing (Raiffeisen-Leasing, Raiffeisen-Leasing Real Estate). Raiffeisenbank has merged with eBanka, a.s., in 2008.

³² **Moneta:** Moneta Money Bank, a Czech banking institution specializing in banking services for individuals and businesses (especially small and medium-sized enterprises).

³³ **KLASA:** a food quality Czech national label, issued by the Ministry of Agriculture. The product with this mark must be manufactured in the Czech Republic, but the raw

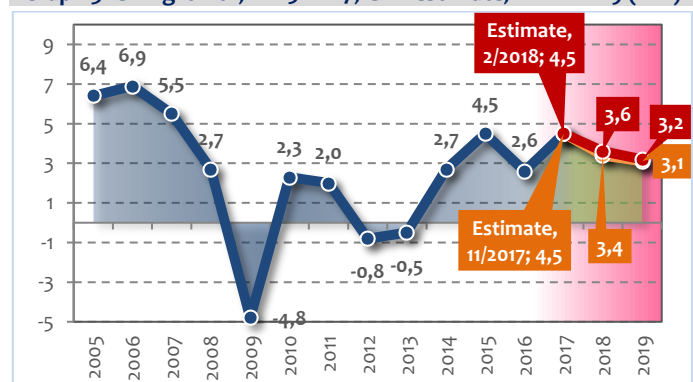
However, the performance will stay at a level helping the Czech economy continue approaching the euro area, CBA said. Inflation should remain stable, with the CBA expecting a rise in energy prices offset by the food prices development. The average inflation rate should be 1.9% this year and 2.1% next year.

The CNB will raise interest rates twice in 2019 by a total of 0.25%, according to estimates.

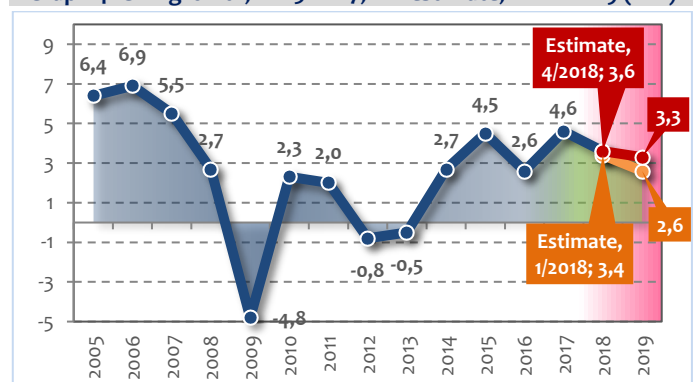
In April, the MF improved its economic growth estimate for 2018 to 3.6%, upgrading estimate for 2019 to 3.3%.

The CNB's February forecast expects the economy to increase by 3.6% this year and by 3.2% next year.

Graph 3: GDP growth, 2005–2017, CNB estimate, 2018 –2019 (in %)



Graph 4: GDP growth, 2005–2017, MF estimate, 2018 –2019 (in %)



AGRICULTURE & ENVIRONMENT

REVENUES GENERATED BY KLASA INCREASE – 20. 4.

Revenues in the segment of quality food Klasa³³ increased by an average of CZK9.2bn in 2017. The SZIF³⁴ spent CZK146.43mn on the education campaign. Each CZK1 invested in the campaign generated a growth in the turnover by CZK62.83. The entire market with food increased 5.0%, while the market presented by products branded Klasa

materials may also come from abroad. When a product is awarded KLASA mark, the manufacturer is authorized to use it on the packaging of the product. Controls on compliance with the conditions for the award of the national label are checked by the Czech Agriculture and Food Inspection and the State Veterinary Administration.

³⁴ **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).

showed a growth by 9.8%. The spontaneous knowledge of the brand Klasa increased from 49% to 55%.



HONEY IN THE CR – 23. 4.

A total of 9,365t³⁵ of honey was produced in CR in 2017, Imports totalled 3,200t, primarily from Ukraine, Slovakia and Uruguay. Exports reached 1,500t, Czech honey was exported primarily to Germany, Slovakia and France. The number of colonies of bees dropped to 638,000, which is still the 2nd highest value since 1994, after the record year of 2016.



ASF IN THE CR – 23. 4.

SVA³⁶ records 101 found dead wild boars in the Zlín Region from February 1, 2018, when the infested area in the Zlín district was reduced. ASF³⁷ was confirmed in 12 cases found in the red zone, the test was negative in 85 cases. Currently, the remaining 4 pieces are waiting for the result of the examination.

At the same time, hunters in the green zone killed a total of 398 wild boars, the ASF was confirmed only at 1 piece.

In the yellow zone, 2,726 wild boar were killed during February, all tests were negative.



CZECHS HAVE LOW CONFIDENCE IN OWN-BRANDS – 24. 4.

1/3 of Czechs have no confidence in own-brand goods of retail chains and 1/3 of them believe that such goods are not of high quality, according to a survey conducted by Billa³⁸.

Nearly 50% of domestic consumers have bought such goods on the basis of their favourable price, while more than a 1/4 of respondents have decided to buy them on the basis of the price/quality ratio.

Only 10% of respondents buy own-label products of retail chains for their quality. Almost 50% of respondents said they would only buy these goods after having experience with them. A total of 18% of respondents said they would never buy such goods.

The survey has also shown that, besides quality, consumers put emphasis on the origin of own brands, with nearly 2/3 of respondents looking at the name of the producer at the label. Own-brand products account for 17.5% of Billa's total turnover.

³⁵ t: tonne, metric ton is a non-SI metric unit of mass equal to 1000 kilograms

³⁶ SVA: Czech State Veterinary Administration

³⁷ ASF: African swine fever, a haemorrhagic fever with high mortality rates in pigs, but persistently infects its natural hosts, warthogs, bushpigs, and soft ticks of the Ornithodoros genus, with no disease signs. The virus causes a lethal haemorrhagic disease in domestic pigs.

³⁸ Billa: is an Austrian supermarket chain that operates throughout Central, Eastern and Southeastern Europe. The company, which was founded by Karl Wlaschek in 1953, is currently owned by Germany's REWE Group.

³⁹ Plzeňský prazdroj a.s.: a Czech brewery founded in 1842 and headquartered in Plzeň, CR. It is the 1st brewery to produce pilsener blond lager style beer, branded Pilsner Urquell, making it the inspiration for more than 2/3 of the beer produced in the world today, which are named pils, pilsner and pilsener. Both Plzeňský Prazdroj and Pilsner Urquell can be roughly translated into English as "the Fountainhead at Pilsen" or "the original source of Pilsner". With about a 45% market share, it is the largest beer making group in the CR. Its brands include Pilsner Urquell, Gambrinus, Velkopopovický kozel, Radegast, Birell and cider Kingswood. Plzeňský Prazdroj sold a total amount of 10mn hectolitres of beer in 2015, roughly the same amount as in 2014. Pilsner Urquell sales on the domestic market and abroad topped 2mn hectolitres. Direct exports of the premium lager were 4.5% higher at 792,000 hectolitres.

⁴⁰ hl: hectolitre, a unit of capacity equal to 100 liters

⁴¹ Asahi Group: Asahi Group Holding, a leading brewery and soft drink company based in Tokyo, Japan. As of January 2014, Asahi, with a 38% market share, was the largest of

The biggest share of own-brand goods can be seen in discount stores such as Lidl, where they account for more than 80% of offer.

In the DM drogerie drugstore chain, own-brand products account for 33% of total sales.

According to statistics, sales of retail chains' own-brand products revived slightly last year after years of stagnation, as their share in total sales of food and drugstore goods rose to 21.2% from around 20% in previous years.



PLZENSKY PRAZDROJ SELLS RECORD – 25. 4.

Prazdroj³⁹ sold record-breaking over 11mn hl⁴⁰ of beer in the CR and abroad in 2017, up by nearly 3% annually, with its sales abroad rising by 8% to over 4mn hl.

Asahi⁴¹ took over Prazdroj a year ago. Asahi released information on the sales in the CR at the end of March, with the volume growing by nearly 1% to 7mn hl of beer.

Prazdroj reported positive results in both exports and licenced production which increased by 6% to more than 1.5mn hl and by almost 13% to 2.6mn hl, respectively.

Last year, the Pilsner Urquell premium lager registered record-breaking exports of more than a 1mn hl, up from 970,000 hl annually. Prazdroj sold 2.5mn hl of the lager in the CR and abroad last year.



SVA CANCELS CHECKS OF IMPORTED EGGS – 25. 4.

SVA has announced cancelling tests for fipronil⁴² of eggs and egg products imported to the CR from all EU member states⁴³. According to the SVA, tests have do not detect the presence of fipronil in eggs or egg products already for a longer time. The situation has clearly stabilized and SVA therefore no longer sees the need to continue measure that was valid from September 6, 2017.



NEW AGRICULTURAL DIPLOMATS – 25. 4.

Three new agricultural diplomats that the MA plans to send to Japan, Iran and Mexico may start their mission in spring 2019, with the biggest hopes being pinned on Japan, where Czech firms have chances to succeed with food products, the MV said.

Czech agricultural exports to countries where agricultural diplomats have already been deployed have increased by nearly 1/3. At present, the CR has agricultural diplomats in

the 4 major beer producers in Japan followed by Kirin Beer with 35% and Suntory with 15%. In April 2016, Asahi purchased Meantime Brewery of London, and the Grolsch and Peroni beer brands from SABMiller. Asahi sold 20.5mn hectolitres of beer in 2015.

⁴² 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 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.

⁴³ 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.

Russia, China, Serbia, Saudi Arabia, Lebanon and the USA. According to MFA, agricultural exports to Japan may rise by about 1/10 within 3 years. Last year they amounted to CZK533mn.

According to data from the MA, the development of agricultural exports has been influenced by the deployment of agricultural diplomats positively. While total agricultural exports have decreased by 2.6% over the past 2 years, exports to Russia, Serbia, Saudi Arabia and China have grown by 18%. The MFA plans to send 2 missions abroad this year, to Russia and to Angola, while almost 20 foreign missions of entrepreneurs in agriculture are expected to visit the CR. Last year's deficit of CZK30.8bn in agricultural foreign trade was the worst since 2011 and CZK7.7bn higher than in 2016, the AACR⁴⁴ said earlier, referring to data from the CSO.

While imports of agricultural products increased by about CZK2.8bn to CZK227.5bn, exports decreased by CZK4.9bn.

ENERGY & INDUSTRY & TRANSPORT

AIA KOYO BEARINGS ČR INCREASED ITS REVENUES – 19. 4.

Bearing manufacturer Koyo Bearings ČR had revenues that were 6% higher than in the previous fiscal year on March 31, 2018 and came close to CZK1bn. The reason for the increase in revenues is new contracts from automobile customers, Koyo is expecting a slightly faster increase in revenues and production and that in coming years a slight slowdown is expected. In 2018 the company predicts revenues to grow at around 7%. Due to a possible drop in the performance of the traditional automobile industry, Koyo Bearings ČR is also focusing on new sectors, such as the production of components for electric cars. In the 2017 fiscal year the company invested more than CZK160mn into innovations of production equipment and the purchase of new production lines and machines.

ČEZ ESCO PREPARES FOR FURTHER EXPANSION – 19. 4.

ČEZ⁴⁵ ESCO plans to expand further in the Slovak market in 2018. ČEZ confirmed that the company saw opportunities in the heat industry, industrial power generation or local

distribution system. ČEZ ESCO's revenues increased 45% to CZK4.5bn in 2017.

AIA ŠKODA AUTO UNVEILED SUV FOR CHINESE MARKET – 19. 4.

In China Škoda Auto unveiled the first design sketch of its new city SUV⁴⁶. The model was designed and developed to meet the demands of Chinese customers. The vehicle will briefly be presented for the first time ahead of the Auto China 2018 auto show in Beijing.

SUVs accounted for more than 30 % of the Škoda brand's sales on the Chinese market in Q1 2018, China is the brand's largest market, contributing more than 1/4 of the number of vehicles sold to customers worldwide. In 2017 Škoda increased sales in China by 2.5 % to 325,000 vehicles.

CTK CZECH CAR OUTPUT LOWER – 19. 4.

The CR's car output fell by ▲2.6% annually to 377,283 units in Q1, however, Škoda Auto⁴⁷ raised production volumes by 2.5% to 238,266 units, the AIA⁴⁸ said.

Growth in production is a more likely scenario for the rest of the year, the AIA said.

The Hyundai⁴⁹ saw its output fall by 15.5% to 82,900 cars, which was in line with its plans. The company decided to have all non-production days at the beginning of the year, with further operations to continue in a standard way.

TPCA⁵⁰ made 56,117 mini cars in its Kolin plant, a drop of 1.5% in annual terms.

Car exports were 2.8% lower, while domestic sales improved by 1.3%.

The Q1 motor vehicle production declined by 2.68%, with March recording the fastest fall, AIA said. Taking into account signals from most final producers, however, Q1's fall will be reduced during the rest of the year, it added.

Bus production saw a hike of 7% to 1,108 vehicles at the end of March, Iveco⁵¹ upped its production by 7% to 1,008 units, and SOR's⁵² output was 14% higher at 96 buses.

Lorry production represented by Tatra⁵³ crashed by 59% to 163 units. Jawa⁵⁴ motorcycle production fell by a 1/2 to 234 units in the Q1.

⁴⁴ AACR: Agriculture Association of the CR, Zemědělský svaz ČR; Organization of employers - entrepreneurs in agriculture. It is a voluntary, independent, non-governmental and non-political association of legal and natural persons - agricultural business companies, agricultural cooperatives, sales cooperatives and companies, farmers and other entrepreneurs whose business is primarily focused on agriculture, breeding, and services. As one of the three agricultural communities it is incorporated into the Agrarian Chamber of the Czech Republic together with the Czech-Moravian Association of Agricultural Entrepreneurs and the Agrarian Union of the Czech Republic.

⁴⁵ 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.

⁴⁶ 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.

⁴⁷ 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.

⁴⁸ 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%.

⁴⁹ Hyundai CZ: Hyundai Motor Manufacturing Czech based in the Industrial Zone of Nošovice was founded in 2006.

⁵⁰ 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.

⁵¹ Iveco: an Italian industrial vehicle manufacturing company, controlled by CNH Industrial Group. It designs and builds light, medium and heavy commercial vehicles, quarry/construction site vehicles, city and intercity buses and special vehicles for applications such as firefighting, off-road missions, the military and civil defence. Its production plants are in Europe, Brazil, Russia, Australia, Africa, Argentina and China, and the worldwide output of the company amounts to around 150,000 commercial vehicles with a turnover of about €10,000,000,000. In 2007, the biggest manufacturer of buses in Czechoslovakia Karosa, changed to Iveco Czech Republic, and now the company produces buses under the name Iveco Bus around 3,100 buses annually and is the largest manufacturer of buses in Europe.

⁵² SOR: SOR Libchavy (Sdružení Opravárenství a Rozvoje) is a Czech manufacturer of buses for urban, intercity and tourist traffic and trolleybuses. It was established in Libchavy in 1991.

⁵³ Tatra: a Czech vehicle manufacturer was founded in 1850 as the third oldest car maker in the world after Daimler and Peugeot. Production of passenger cars ceased in 1999, but the company still produces a range of primarily all-wheel-drive 4x4, 6x6, 8x8, 10x10 and 12x12 trucks.

⁵⁴ JAWA: a motorcycle and moped manufacturer founded in Prague, Czechoslovakia in 1929. In the past, especially in the 1950s, JAWA was one of the top motorcycle manufacturers. After 1990, there was a significant loss of production. A successor company was formed in 1997, continuing the name as JAWA Moto

GIA **ARCELORMITTAL IMPROVES PRODUCTION – 20. 4.**

AMO⁵⁵ has completed an investment of CZK80mn in the reconstruction of a cooling bed at the rolling mill. The company will thus raise the volume of its production and improve quality of spring steel used in the automotive industry.

GIA **ČEZ WILL BUILD WIND FARMS IN FRANCE – 20. 4.**

ČEZ group has gained permission to build and run wind power plants with the total installed output of 42.4MW⁵⁶ in 4 locations in France.

The construction of ČEZ's 1st ground wind farm in France will start in late 2018/early 2019.

ČEZ has stated that the project is part of the fulfilment of the strategy aimed to raise the EBITDA⁵⁷ from RES⁵⁸ by CZK3bn.

In 2017, renewables generated EBITDA totalling CZK5bn.

ČEZ is monitoring opportunities in the RES segment and new technological solutions also in other European countries.

The ČEZ has the ambition to form a portfolio of RES projects with the installed output of up to 1,000MW until 2023.

CTK **NEW MOTORWAYS IN 2018 – 23. 4.**

The CR may start building 61km⁵⁹ of new motorways this year, with about 64km under construction at the moment, MT⁶⁰ Minister Ťok said.

Taking into account the current speed of construction, the Cabinet can possibly fulfil its policy statement pledge to put into operation 110km of new motorways by 2021, Ťok said. As to construction activity, there are no problems, which is why that goal can be achieved, he added.

A total of 148km of new motorways were launched under Ťok during the past 3 years, with 97km being completed.

Ťok said again the state would fail to modernise the D1⁶¹ motorway from Prague to Brno by 2020. The project will be delayed by about a year due to environmentalists' protests.

The amended law on construction providing for faster implementation of transport infrastructure projects should help accelerate the process, Ťok said. The CR should have easier access to land needed for building motorway sections, The legislation was submitted by the MT at the end of January, and the draft is now discussed in the ChD⁶².

GIA **ŠKODA WANTS TO INCREASE SUPPLIES TO CHINA – 24. 4.**

The Škoda brand wants to reinforce its position on the Chinese market and double annual supplies to customers to 600,000 units by 2020.

CTK **AMO TO BE SOLD – 24. 4.**

AMO, which ArcelorMittal steel group wants to sell as a compensation for the purchase of Italian steelworks Ilva, should have a new owner as of January 1, 2019, TU⁶³ said.

MAO's CEO issued the statement after the TU's meeting with PM⁶⁴ Babiš and Cabinet members.

ArcelorMittal has said this month that besides the companies in Ostrava, it also wants to sell plants in Romania's Galati, Italy's Piombino, Macedonia's ArcelorMittal Skopje, Luxembourg's ArcelorMittal Dudelange and operations in Liege, Belgium.

The situation has progressed a lot, AMO said. "Reports from the European Works Council confirm this. We have been told there that a contract for the sale of these companies has to be prepared basically already in September and it should be signed in November. As of January 1 next year, these 6 plants already have to have a new owner."

The proposal for the sale of the companies is subject to approval of the EC which should decide on it by May 23.

In terms of output, Ilva is the biggest steel maker in Europe so ArcelorMittal would have to sell other plants in its purchase. The names of their potential buyers are not yet known.

The EC is first to decide whether it will accept the compensation package. The timetable should be known together with this decision if the sale is approved. In any case, the sale of the company would take many months, said AMO.

In case of AMO sale, production will continue without any limitations of capacity or job losses. According to the EC's stance, it will approve the proposed compensation package only if it is convinced that in the hands of the new owner, the companies to be sold will continue production. All steps that will follow will be under the EC's supervision, AMO added.

"If the EC approves the deal and supervises the situation, it is off course important for us that the new owner is a reliable investor which will develop the company and keep employment, AMO offers 70 jobs at the moment," Babiš said after the meeting.

The Cabinet will closely monitor the situation, he added. There is no reason to panic, "It is not true that the company plans lay-offs. Just the opposite, it is looking for new people," Babiš remarked.

GIA **TOYODA INTERESTED IN THE ÚSTÍ REGION – 24. 4.**

Toyoda wants to expand its activities in the CR to the Ústí Region. First Deputy Governor Klika said that any such interest meant the possibility of investing in the Triangle⁶⁵ Industrial Zone and business cooperation with Czech

⁵⁵ **AMO:** ArcelorMittal Ostrava, metallurgy company, 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. AMO together with subsidiaries has over 6,500 employees, it produces more than 2 million tonnes of steel annually, mainly for construction and engineering, exporting its products to over 40 countries. In 2016, AMO made a CZK1,308bn net profit and its sales reached CZK28,786bn, The former Nova hut is a member of Laskhmi Mittal group since 2003.

⁵⁶ **MW:** 10⁶ watts

⁵⁷ **EBITDA:** a company's earnings before interest, taxes, depreciation, and amortization; an accounting measure calculated using a company's net earnings, before interest expenses, taxes, depreciation and amortization are subtracted, as a proxy for a company's current operating profitability, i.e., how much profit it makes with its present assets and its operations on the products it produces and sells, as well as providing a proxy for cash flow.

⁵⁸ **RES:** renewable sources

⁵⁹ **km:** kilometre is a unit of length in the metric system, equal to 1,000m

⁶⁰ **MT:** Ministry of Transport

⁶¹ **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.

⁶² **ChD:** Chamber of Deputies, is the lower house of the bicameral Parliament of the CR.

⁶³ **TU:** Trade union, around 1/6 of all employees are union members in the CR.

⁶⁴ **PM:** Prime Minister, the Czech Republic is a parliamentary representative democracy, with the Prime Minister acting as head of government and the President acting as head of state. The first Prime Minister of the Czech Republic was Václav Klaus, who served as the second President from 7 March 2003 until 7 March 2013. The current and 12th Prime Minister is Andrej Babiš, leader of the ANO 2011, who was appointed by the President on 6 December 2017.

⁶⁵ **Triangle:** an industrial zone near Žatec, Czech Republic

entrepreneurs. Toyota is active in the development, production and application of wind turbines for power generation. It focuses on autonomous systems that supply electricity directly to buildings, family houses, or businesses.

PPF'S PURCHASE OF ŠKODA TRANSPORTATION – 25. 4.

PPF⁶⁶ has completed the purchase of 100% in Škoda Transportation⁶⁷, including further assets linked with its activities, and made several personnel changes on the group's management, naming its new CEO, PPF said.

INVESTMENTS & TRADE & SERVICES

CHANGING RULES FOR STATE INCENTIVES – 16. 4.

CzechInvest⁶⁸ has announced that after years of criticism, the system of providing state incentives to new investment is to be changed. The agency's new CEO Jirotková stated that incentives have been in many cases provided for companies with lower added value and employing rather cheaper labour. The new rules for incentives, details of which are yet unknown, will support start-ups and SMEs, with high-tech products and Industry 4.0 as priority. One of the possible main criterion is that at least 80% of the company's employees have to be paid at least on the par of the region's average salary.

Since its existence in 1998, CzechInvest has managed investment worth CZK 960bn, among the largest investments in recent years being Nexen Tire⁶⁹, and GE Aviation, a symbol of a new direction in awarding state incentives in the CR. The new criteria for the system could be effective from the mid-2019.

CZECH EXPORTS TO IRAN BEHIND EXPECTATIONS – 19. 4.

Czech exports to Iran are lagging behind exporters' expectations, as a majority of transactions are very complicated, CCC⁷⁰ said.

Due to problems in interbank transactions, companies cannot perform contracts for Iran directly, as a result of which direct exports grow very slowly.

"Czech companies do make contracts in Iran but face problems with payment for their performance," CCC said.

"Financing is really a huge problem," CzechTrade⁷¹ said.

At the same time, the Iranian market is unsaturated, "There is a long-term deficit of anything, from technologies to products," CzechTrade said.

⁶⁶ **PPF:** PPF is a privately held international financial group. It operates in the area of consumer financing, retail banking and insurance. It develops its activities in many countries. Its headquarters is located in the Netherlands. The largest shareholder of PPF is Petr Kellner (98.94%). PPF invests into a number of sectors, from banking and financial services to telecommunications, insurance, real estate, agriculture, retail services and biotechnologies. It operates in Europe, Russia, Asia and the USA.

⁶⁷ **Škoda Transportation:** a Czech engineering company headquartered in Plzeň. Its operations are in the area of transport engineering, manufacture of rail vehicles for urban and railway modes of transport, traction motors and drives for transport systems in the tradition of Škoda manufacturing plants. It has a strong footprint in the local and international market. Škoda Transportation with over 5,000 employees is the biggest company active in transport engineering in Central and Eastern Europe.

⁶⁸ **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.

⁶⁹ **Nexen:** Nexen Tire Corporation is a tire manufacturer, headquartered in Yangsan, South Gyeongsang Province, and Seoul in South Korea.

The CCC has initiated discussion with selected Czech banks that are active in foreign trade but has not managed to find a working model for exporters yet.

Czech exports to Iran increased by 22% y-o-y to CZK1.7bn last year. Their actual value may, however, be higher since exporters re-export their goods to Iran via 3rd countries, such as the United Arab Emirates.

In recent years, several business delegations from the CR visited Iran. Another business mission, organised by the CCC and composed of representatives of 14 Czech companies, is to leave for Iran next Monday.

The delegation will attend business forums as well as Project Iran, a trade fair focused on construction and energy. The delegation members will also hold bilateral talks with Iranian business people in Tehran and Shiraz.

"We are putting emphasis on the visit of Shiraz, It will be our first visit to this territory in southern Iran which may be potentially interesting for Czech companies mainly in the sectors of mining, cement production, textile industry and energy," CCC said.

Former MIT⁷² Minister Mládek said in 2016 that bilateral trade exchange between the CR and Iran does not correspond to its potential and that it should rise at least 10 times soon.

Iran got out of economic isolation at the beginning of 2016, when international sanctions against it were lifted in exchange for Iran restricting its nuclear programme.

CZECHINVEST'S REQUESTS FOR REAL ESTATE – 19. 4.

In 2017, CzechInvest received a total of 216 investor requests for real estate in the CR. Most often, requests regarded industrial land (47.2%), followed by production halls (43.1%) and office space (9.7%). A total of 22.7% of all requests were for brownfields. The demand for industrial land was the highest in the regions of Ústí (17%), Karlovy Vary (11%) and Moravia-Silesia (10%). The preferred area was between 2ha⁷³ and 5ha. As for industrial halls, investors were most interested in buildings of size between 2,000 and 5,000m² in the regions of Ústí (14%), Moravia-Silesia (12%) and South Moravia (11%). Within the administrative area, the largest demand for offices with an area of up to 500 m² was in Prague, Brno and Ostrava.

⁷⁰ **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.

⁷¹ **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.

⁷² **MIT:** Ministry of Industry and Trade

⁷³ **ha:** hectare is a non-SI metric system unit of area equal to 10,000 m²

☰ OVERTURNING BAN ON DELIVERIES TO IRAN – 19. 4.

The ChD supported a KSČM's⁷⁴ proposal that a ban on exporting equipment for Iran's Bushehr nuclear reactor. The vote was on the 1st reading as the start of the legislative process. The ban has been in force for 18 years with the communists seeking to overturn it since 2009. The precise proposal stems from the problems of ZVVZ⁷⁵ which had won a contract to deliver air conditioning equipment. The Cabinet took a neutral position on the issue when it came up in Cabinet in March in spite of warnings that agreement to lift the ban might affect relations with key allies such as the United States.

✪ RAISING EXPENDITURES ON RESEARCH – 20. 4.

A mid-term budget for research, development and innovations copes with a growth in expenses to CZK37.5bn in 2020. Some CZK26.9bn were invested in the research in 2015, PM Babiš informed after a meeting with representatives of education, research, development and innovations taking place on April 19, 2018 about a growing amount of unconsumed expenditures in this priority chapter. The amount of unconsumed expenditures totalled record CZK6.9bn as of the end of 2017. The Cabinet used CZK954mn from the sum for its priorities in 2018. Participants agreed on the fact that any cutting from unconsumed expenditures from the budget of the MEYS⁷⁶ for science, research and innovations would not affect money for the development of research organisations.

✪ BUSINESS MISSION FROM CR HEADING FOR IRAN – 23. 4.

Under the patronage of the CCC, representatives of 14 Czech companies left for Tehran, Iran. During their 5-day mission, they will meet their Iranian counterparts to discuss further possible trade cooperation. The delegation includes companies active in the production of glass, gas regulators, chassis and tram design and engineering testing, production of pharmaceuticals and exhibition trade.

CTK INVESTING IN IRAN IS IMPOSSIBLE – 23. 4.

Investing in Iran is absolutely impossible for Czech companies at present, and nothing has changed much for exporters in comparison with the period before January 2016, CzechTrade agency's Tehran office has said.

Iran got out of economic isolation at the beginning of 2016, when international sanctions against it were lifted in exchange for Iran restricting its nuclear programme.

"The only sanctions that have been lifted officially were connected with the sale of crude oil and bank sanctions. On the other hand, the (Iranian) banking sector has never been really re-started and trade relations with Iran and Iranian banks have not been normalised. If a Czech company offers its services and an Iranian company orders them, it is virtually impossible to get paid for these services by wire transfer. Payments for goods do nevertheless take place." it added.

⁷⁴ KSČM: Communist Party of Bohemia and Moravia, far-left party

⁷⁵ ZVVZ: a company at Milevsko, South Bohemia, founded in 1948. It soon became the largest manufacturer of ventilation equipment in Czechoslovakia with an established network of installation and service centers. Since the beginning of the production program it is focused mainly on supplying fans, separators and filters for dust removal and capturing dust particles, and drying equipment for pneumatic conveying of bulk materials.

"Investments are ruled out absolutely. Foreign investments were the main goal of the 5+1 deal with Iran, but this goal has remained unfulfilled," office said.

The only investment from the CR, which was also the biggest in the past decade, was an agreement for the construction of an underground coal mine signed between Czech company Ostroj and Iranian company Zisco last year. The value of the project exceeds €65mn.

According to Teheran's CzechTrade office, Iran needs financing, "To put it simply, the main problem consists in cashflow and the value of money on the Iranian market, Interest rates exceed 22%, which kills any feasibility study."

Czech companies that used to have long-lasting relations in Iran are nevertheless still active on the Iranian market. Czech glassmakers, for instance, registered an increase in their sales in Iran, which is their traditional marketplace, it noted.

Czech exports to Iran increased by 22% y-o-y to CZK1.7bn last year. Their actual value may, however, be higher since exporters re-export their goods to Iran via third countries.

GIA AERO AND ISRAELI IAI WILL COOPERATE IN L-159 – 25. 4.

AERO Vodochody AEROSPACE and Israel Aerospace Industries (IAI) have signed a contract on the technology and sales cooperation in the aircraft L-159.

The companies agreed on the integration of new and flight-verified avionics and L-159 technology solutions and decided to jointly offer the aircraft to customers.

The goal of the joint procedure is to focus on a further improvement of the aircraft and improve its position on the market. AERO and IAI also agreed on the joint cooperation in the improvement of the training of pilots by the integration of the IAI virtual training solution in the training system for the L-39NG.

GIA FOXCONN PLANS TO FILL 300 JOB POSITIONS – 25. 4.

IT producer FOXCONN CZ plans to fill totally 300 new job positions in its Pardubice plant by summer 2018.

Jobs are available for workers, mobile phone testers, technologists, developers and researchers.

The company focuses in Pardubice also on the development of new smart technologies and production processes based on artificial intelligence.

GIA CZECH SPORT AIRCRAFT'S NEW QUATTROCRUISER – 25. 4.

CSA⁷⁷ has introduced the new aircraft QuattroCruiser. The aircraft was primarily designed for advanced training, improvement of skills and travelling. The QuattroCruiser is an all-metal, 4-seat (2+2), low-rise monoplane with a retractable 3-wheel undercarriage. The company will offer 2 versions of engine - the Lycoming TEO-540 and the newly designed engine UL Power i520. The maximal flying period with a new engine is 3 hours and 40 minutes. This represents a range of 900km with a reserve of 30 minutes.

⁷⁶ MEYS: Ministry of Education, Youth and Sports

⁷⁷ CSA: Czech Sport Aircraft, Inc., an aircraft manufacturer based in the Czech Republic. Czech Sport Aircraft company formally entered the market in 2009. In 2011 the company's aircraft line included the amphibious Mermaid, the SportCruiser and the streamlined Parrot,[1][3] but from 2012 only the SportCruiser and PS-28 Cruiser have been produced. In June 2017 produced its 600th aircraft.

BMW ASKS FOR MAJOR INVESTMENT INCENTIVE – 25. 4.

The BMW⁷⁸ has asked for a major investment incentive from the CR in connection with a test centre for electric and self-driving cars in Sokolov, in the region of Karlovy Vary. In all, it is hoping to receive some CZK480mn Czech. The broadcaster cited material to be discussed by the Cabinet. BMW is itself ready to invest some CZK6.35bn into the testing site.

According to sources, the test centre, featuring both track and technical equipment on a total area of around 525ha, will provide hundreds of new jobs. In asking for incentives, BMW could receive support of up to 10% of recognised costs for tax reduction purposes, financial support for retraining or requalification of new employees.

The Cabinet is expected to sign a MoC⁷⁹. Part of the deal is that BMW is to receive a building permit in the last quarter of 2019 and for the test centre to be operational, at the latest, by 2022.

Under the agreement, BMW will also have to ensure it will complete the acquisition of land in the area from current owners by December 31, 2018.

The site is largely on the area of a former brown coal mine facility.

LABOUR & HEALTH & SOCIAL**AVERAGE MONTHLY PENSION – 19. 4.**

A total of 2,4mn people in the 10.5mn-CR were old-age pension recipients at the end of 2017, and the average monthly pension was 11,850 crowns, according to the ČSSZ⁸⁰. The average pension of men was CZK13,076 and of women CZK10,758.

Only 1/10 of pensioners saw their pension cross CZK14,995, while 1/2 had pensions lower than CZK11,731. The average pension was the highest, CZK12,646, in Prague, and the lowest, CZK11,496, in the Olomouc Region, north Moravia.

The average gross monthly wage was CZK31,646 in late 2017. The ChD passed a Cabinet-sponsored reform of the pension calculation method in the 1st reading on April 19, which, if passed definitively, would not accelerate the growth of pensions, however. On the contrary, it will slow it down for many people by weakening the role of the sum they had paid in pension insurance fees and strengthening the elements of equalisation in the pension calculation method.

The reform is to improve the pensions for people in poorer regions, mainly women.

In addition, the relevant bill raises the monthly pensions for all people above 85 by CZK1,000 as a measure to compensate these people who retired 30 years ago with far lower pensions than those going to new pensioners now. Although their pensions were adapted in the meantime, they are still

⁷⁸ **BMW**: Bayerische Motoren Werke, a German multinational company which currently produces automobiles and motorcycles, and also produced aircraft engines until 1945. The company was founded in 1916 and has its headquarters in Munich, Bavaria. BMW produces motor vehicles in Germany, Brazil, China, India, South Africa, the United Kingdom and the United States. In 2015, BMW was the world's twelfth largest producer of motor vehicles

⁷⁹ **MoC**: Memorandum of Cooperation

⁸⁰ **ČSSZ**: Czech Social Security Administration

⁸¹ **AMSP**: Association of Small and Medium-Sized Enterprises and Crafts in the CR

⁸² **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

low compared with new pensions. This January, the ČSSZ paid pensions to 197,007 people over 85.

WORKERS FROM MONGOLIA AND PHILIPPINES – 20. 4.

The ASMP⁸¹ continues in the government project Ukraine Regime and handles requests from companies to recruit workers from Mongolia and the Philippines. The project is intended only for direct employers who have been active in the CR for at least 2 years, employing at least 10 workers and unable to fill vacancies from Czech labour market sources for a long time. The annual quota is 1,000 workers from both countries, with approximately 85 applications per month.

CI PROCESSED JOB APPLICANTS IN UKRAINE REGIME – 23. 4.

The CI⁸² has since the launch of its Ukraine regime processed more than 3,000 job applicants for companies. In Q1 2018 it processed 960 foreigners. The CI also verifies that companies pay the median salary on the market. It offers foreigners salaries paid to employees in the same positions in the region. If a company refuses to increase the salary to the corresponding level, CI does not include it in the Ukraine regime and does not arrange any employees for it.

SUPERGROSS WAGE ABOLITION IN 2019 – 25. 4.

The Cabinet will propose the abolition of the supergross wage only next year because it lacks the necessary political support for it now, MF Minister Schillerová told senators.

"The abolition of the supergross wage and cutting taxes requires political support, which the Cabinet does not have," she said.

Schillerová originally planned to submit this proposal to the Cabinet within 2 weeks as part of a package of tax changes and abolish the supergross wage as of January 2019.

She said today the planned tax changes will only be based on the demands of the EU. According to the policy statement of the current Cabinet, the supergross wage would be replaced by the introduction of a 19% income tax.

Schillerová said the incomes of municipalities would not be further increased within the tax redistribution, although some senators called for it.

Within the discussion about the convergence programme which concerns the preparation for euro adoption, Schillerová said the system of investment incentives needed to be reconsidered.

She said the system should focus on types of firms and technologies that are missing in the CR.

STATISTICS**FUEL PRICES – 20. 4.**

Natural 95 increased by ▲13h⁸³ to CZK⁸⁴30.74/l⁸⁵ over the past week, Diesel oil increased by 25h to CZK30.02/l.

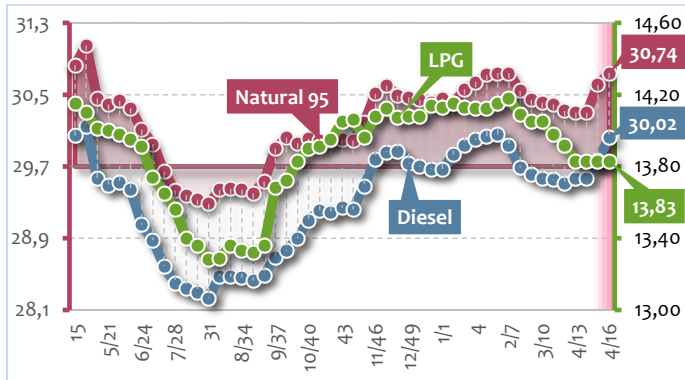
that influences the economic and social policy of the government and acting on the creation of optimal conditions for doing business. It defends the interests of employers in European and world organizations, especially as a member of the Confederation of European Business. The Association brings together 31 sectoral professional or regional associations and associations, 126 individual member companies and 6 observers, 11,000 companies employing 1.3 million workers.

⁸³ **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.

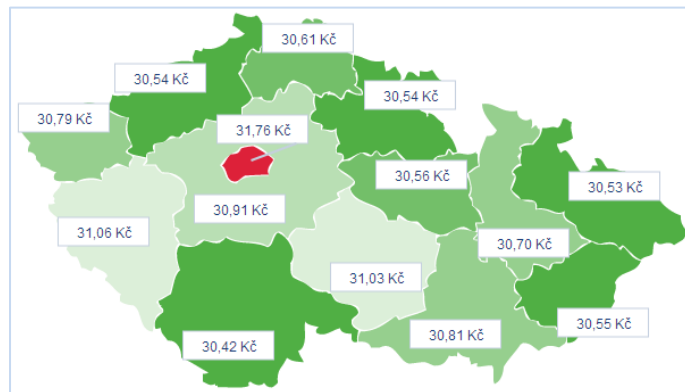
⁸⁴ **CZK**: Czech Crown, the currency of the CR since 8 February 1993

⁸⁵ **l**: litre

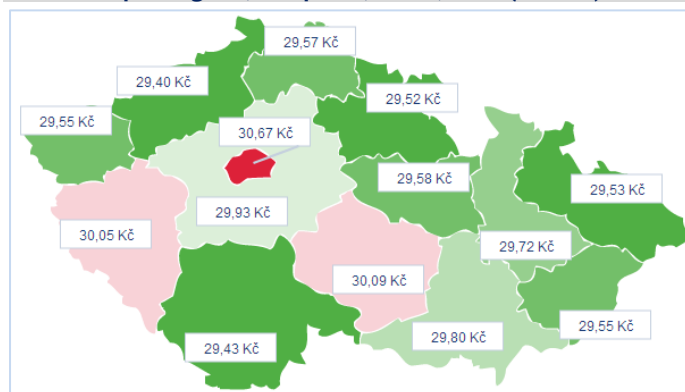
Graph 5: Average fuel prices⁸⁶, 2017 – 2018, Month/Week (in CZK/l)



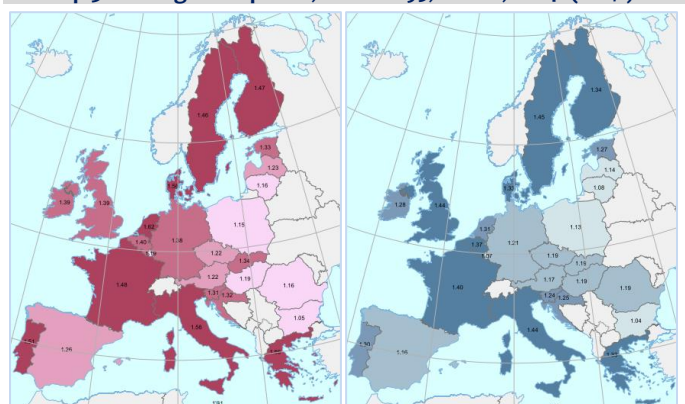
Map 1: Regions, fuel prices, Natural 95, 22. 4. (in CZK/l)⁸⁷



Map 2: Regions, fuel prices, Diesel, 22. 4. (in CZK/l)



Map 3: Average fuel prices, Natural 95, Diesel, 16. 4. (in €/l)⁸⁸



⁸⁶ 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

⁸⁷ data issued by the mBenzin.cz; <https://www.penze.cz/ceny-benzinu-a-ceny-nafty>

NOTIFICATION OF GOVERNMENT DEFICIT – 23. 4.

According to the CSO following consultation between Eurostat and the CSO, the level of government deficit and debt was confirmed.

In 2017, the balance of the Czech government sector reached a surplus CZK 80.6 billion which corresponds to 1.59% of GDP. At the end of 2017, the government debt ratio stood at 34.60% of GDP.

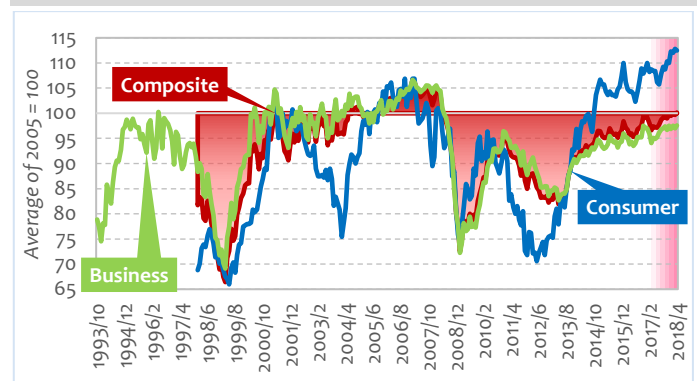
Table 3: CR, Notification table of government deficit and debt, 2014-2017 (in CZK mn, %)

	2014	2015	2016	2017
Net borrowing/lending	▲ 90,561	▲ 27,929	34,642	80,621
Consolidated gross debt	1,819,098	1,836,255	1,754,883	1,749,141
GDP	4,313,789	4,595,783	4,773,240	5,055,029
Net borrowing/lending as % of GDP	▲ 2.10	▲ 0.61	0.73	1.59
Consolidated gross debt as % of GDP	42.17	39.96	36.77	34.60

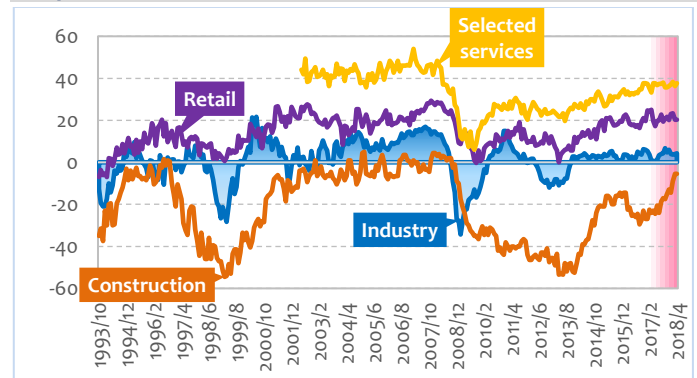
BUSINESS CYCLE SURVEY – 24. 4.

Overall confidence in economy decreased slightly. The composite⁸⁹ confidence indicator decreased slightly by ▲ 0.2 p. p.⁹⁰ to 99.7 m-o-m⁹¹. Confidence of entrepreneurs increased slightly by 0.6 p. p. to 97.6 compared to March. 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 April 2017.

Graph 6: Confidence Indicators, SA, Overall, Basic Indices, 1993 – 2018



Graph 7: Confidence Indicators, SA, Sectors, Balances, 1993 – 2018



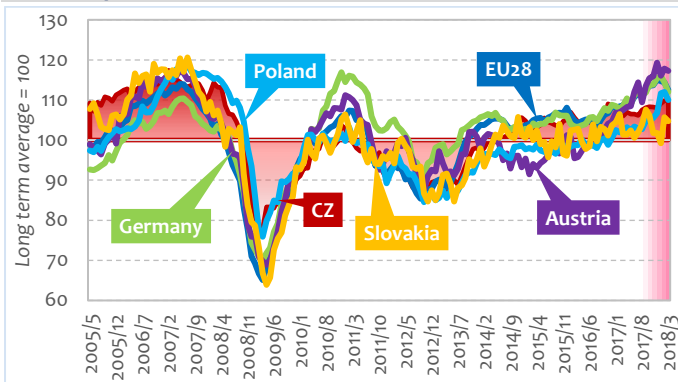
⁸⁸ data issued by the European Commission; <https://ec.europa.eu/energy/en/data-analysis/weekly-oil-bulletin>

⁸⁹ economic sentiment indicator, stated by basic indices

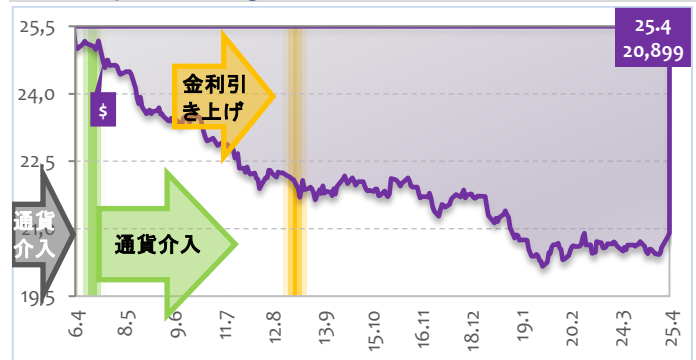
⁹⁰ P.p.: percentage point

⁹¹ M-o-m: month-on-month

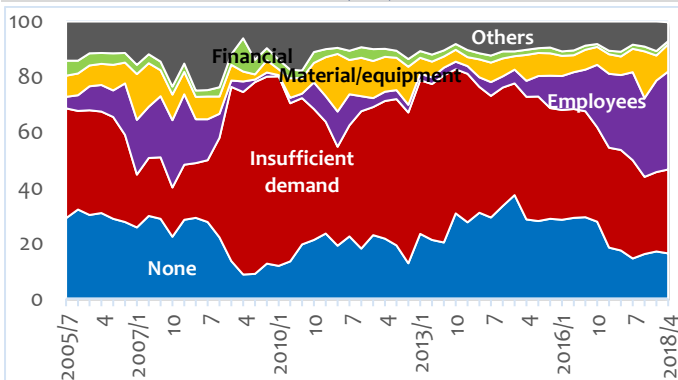
Graph 8: Confidence Indicators, Countries, 2005 – 2018



Graph 11: Exchange rates, CZK/\$, 6. 4. 2017 – 25. 4. 2018



Graph 9: Limitations to the production growth in industry, 2005 – 2018 (in %)



Graph 12: Exchange rates, CZK/100¥, 6. 4. 2017 – 25. 4. 2018



SURPLUS OF GOVERNMENT INSTITUTIONS – 24. 4.

The balance of the economy of government institutions ended 2017 with a surplus of CZK80.62bn (1.59% of GDP). In 2016, the balance was at CZK34.64bn (0.73% of GDP). The sector's debt burden reached 34.60% of GDP at the end of 2017, according to the CSO. The level of the balance and debt burden of government institutions had been confirmed by regular consultations with Eurostat⁹².

CZK VS EURO, US DOLLAR, YEN – 25. 4.

Graph 10: Exchange rates, CZK/€, 6. 4. 2017 – 25. 4. 2018



MISCELLANEOUS

STRONGER CR REPRESENTATION IN EU INSTITUTIONS – 18. 4.

The Cabinet adopted a plan to strengthen the share of Czech citizens in EU institutions. The approved Concept to support Czechs in EU institutions until 2020 counts on the nomination of new experts to available positions at EU institutions. It will also focus on filling high positions at the EC. Deputy PM and ME⁹³ Minister Brabec said that in the past the CR tended to send retired politicians to the EU. But he said there are at the ministries also good people that are interested in profiling themselves within the EU. The CR could subsequently take advantage of this so that its voice is heard more.

CZECH PERSONAL DATA ACT – 18. 4.

A new Czech Act on handling personal data will not be passed before the EU's GDPR⁹⁴ takes effect on May 25, because the opposition parties vetoed the plan to deal with the Act in a shortened procedure, MP Benda said. He said a number of changes need to be made in the Cabinet's Act. According to him, the Act deals with exceptions for institutions rather than citizens. He said that journalists could have broader exceptions with regard to the right to information. On the contrary, the right to be deleted from databases should be limited for representatives of the

⁹² 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.

⁹³ ME: Ministry of the Environment

⁹⁴ 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.

CR's former communist regime for research purposes, he added.

The shortened procedure was rejected by the ChD of the ODS⁹⁵, the Pirates⁹⁶, the ČSSD⁹⁷, the KDU-ČSL⁹⁸, TOPo9⁹⁹ and the STAN¹⁰⁰. According to the opposition, the MI¹⁰¹ did not sufficiently use the exceptions that are possible under the GDPR.

Pirates said the bill should define the upper level of fines for violating the privacy protection rules more precisely.

Pirates also opposed the rule under which teenagers would be allowed to set up their own account on social networks only at the age of 15, because this was "far from reality" and proposed to lower the limit to the age of 13, which was in accordance with the EU regulation¹⁰².

The Cabinet rejected KDU-ČSL's proposal under which the fines for the violation of the GDPR rules would be cancelled for municipalities, institutions and NGOs¹⁰³. The ChD will decide on this proposal.

CTK ONLY ONE IN FIVE CZECHS IS AWARE OF GDPR - POLL – 19. 4.

Only 1/3 Czechs is interested in personal data protection and 1/5 is aware of the EU's GDPR that will take effect on May 25, according to the STEM¹⁰⁴.

More than 2/3 of the respondents said they did not have enough information about personal data protection. Even among university graduates who seem to be informed the best, the majority of them feel they lack information on the issue.

1/3 said they never heard of the GDPR, others heard of it but know nothing about it.

The pollsters said other polls showed that the Czech public traditionally has the feeling that the state does not sufficiently provide it with information on important legislative steps.

"This has been confirmed in case of the GDPR. It was further emphasised by the rather unclear competences of the private and public sectors in the raising of public awareness of the prepared changes," the STEM said.

People mostly want to protect their birth certificate number, ID number or number of their bank account. 1/10 is strongly afraid of the violation of the data, 1/3 showed some concern over it.

People fear that their data might be abused on the Internet and they have the least fear to provide their data to doctors. 1/3 changed their attitude to personal data protection over the past 3 years.

⁹⁵ ODS: Civic Democratic Party, Liberal conservative, centre-right party, soft Eurosceptic party

⁹⁶ Pirates: The Czech Pirate Party is a political party in the Czech Republic, founded in 2009. It is a member of the European Pirate Party. The main topic of the Pirate Party is information and its fundamental meaning in modern society. The Pirates are focused mainly on civil liberties, sharing of information, effective use of technologies and privacy protection.

⁹⁷ ČSSD: Czech Social Democratic Party, centre-left party

⁹⁸ KDU-ČSL: Christian and Democratic Union – Czechoslovak People's Party, centre party

⁹⁹ TOPo9: conservative, centre-right party, it has been noted for its support of fiscal conservatism and is considered pro-EU.

¹⁰⁰ STAN: The Mayors and Independents (Czech: Starostové a nezávislí), abbreviated to STAN, is a political party in the CR. The Mayors and Independents focus on localism and promoting powers for municipalities. The party grew out of the Independent Mayors

for Region, which allied itself to the liberal conservative SNK European Democrats, but now cooperates with the similarly liberal conservative TOP 09.

¹⁰¹ MI: Ministry of the Interior

¹⁰² EU Regulation: a part of so-called secondary legislation, a binding legislative act. It must be applied in its entirety across the EU.

¹⁰³ NGO: non-government organisation

¹⁰⁴ STEM: Public Opinion Research company, private company focusing on statistical surveys of public opinion on various topics

¹⁰⁵ 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

¹⁰⁶ CE: Central Europe, views on which countries belong to Central Europe are vastly varied, the region includes Hungary, Poland, Slovakia, Czech Republic, Slovenia, Croatia, Austria, Germany, Lichtenstein, Switzerland. Depending on context, CE countries are sometimes grouped as Eastern, Western European countries, collectively or individually

During the migrant wave in 2015-2016, actually only Germany, Italy, Sweden and Denmark admitted an exorbitant number of migrants, while other European countries, including the CR, provided asylum for hundreds up to thousands of people regardless of the EU quotas.

Most foreigners living in Western countries are the inhabitants of their former colonies, such as Pakistanis in Britain, Algerians in France and Indonesians in the Netherlands, Germany, for its part, has a numerous Turkish minority as the government invited Turks to the Germany at the request of industrial unions in the 1960s when it needed cheap labour force ("Gastarbeiter").

Even the state-planned economy in the communist Czechoslovakia needed guest foreign workers - those were the Vietnamese who settled down in the country in the 1970s and 1980s. After the collapse of the communist regime, the building boom of the 1990s required labour force from Ukraine, and the rise in the middle class provoked demand for cleaning ladies and baby-sitters, while mostly Ukrainian women took up these jobs.

When it comes to asylum seekers, in the 1990s, the CR accepted tens of thousands of refugees from Bosnia, primarily Muslims, without major problems.

However, Bosnian Muslims differed in many aspects from those coming with the latest migrant wave. They could not at the slightest be connected with fundamentalism, they were not attempting to enter the CR illegally or by force and they did not show that the CR was just a "rest stop" for them on their way to Germany, LN writes.

It admits that the political scene in the 1990s was more cultivated and no one was shouting that "this country belongs to us." There was no Internet or Facebook, where discussions on migrations are sometimes really disgusting, either, but the same can be said about other European countries.

"The whole dispute about the quotas is absurd in Kafka's spirit, nonsensical and escalated. We cannot give in, but compared to our 0.5mn (of foreigners), this is objectively a trifle. The other side insists on the quotas, though compared to their halves a million, this is the completely same trifle," LN concludes.

CITIC AND CEFC EUROPE TO SET UP JOINT VENTURE – 19. 4.

Representatives of CITIC¹⁰⁷ Group and CEFC¹⁰⁸ Europe have signed a minding memorandum on setting up a joint venture, with CEFC Europe having 51% and CITIC completing all of CEFC Europe's projects in the CR, OPCR's¹⁰⁹ head Mynář said. CITIC Group also plans to start new projects in the CR, he said.

¹⁰⁷ **CITIC:** CITIC Group Corporation Ltd., formerly the China International Trust Investment Corporation, is a state-owned investment company of the People's Republic of China, established in 1979. Its headquarters are in Chaoyang District, Beijing. As of 2017, it is one of China's biggest conglomerates, with one of the largest foreign assets in the world.

¹⁰⁸ **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

President Zeman received a delegation of nine high-ranking managers of CITIC, CITIC Bank and Sinobod on April 18, 2018. The talks were also attended by Chinese Ambassador to Prague Ma Keqing.

According to Mynář, the delegation composition shows that the Chinese take investments in the CR seriously and consider them a priority.

"CITIC stated that it has mapped up all of CEFC Europe projects in the CR," Mynář said

"They (CITIC) will try to set up the joint venture as soon as possible, as the binding memorandum says," Mynář said.

CITIC Group may enter CEFC's projects within a few weeks and launch new projects within months, according to Mynář. One of the projects that CITIC wants to continue is the creation of an industrial fund, as stipulated in an agreement signed between CDB¹¹⁰ and the J&T¹¹¹ at the Czech-Chinese business forum in Prague 2 years ago. The fund, aimed at searching and supporting energy and industrial projects in the CR, is to contain €800mn (about CZK20.3bn).

About 2 weeks ago, CITIC sent a delegation of its representatives to the CR to map up the situation regarding Chinese investments in the CR. Based on their report, the current delegation has arrived.

Besides the talks at Prague Castle, the delegation is to meet representatives of J&T and Ždas¹¹² companies, brewery Lobkowicz and soccer team Slavia.

The delegation would also like to hold talks with the CNB regarding a rise of the Chinese share in J&T. Their agenda also includes a meeting with PM Babiš.

The fate of CEFC founder and Zeman's adviser Ye Jianming, who is being investigated in China on suspicion of violating law, was not mentioned during the meeting with Zeman on Wednesday, Mynář said.

"It is an internal affair of China," he added.

According to Mynář, there are several other Chinese companies that are interested in making investment in the CR. "But CITIC is of priority for us," he said.

Another Czech-Chinese business forum may take place in September, Mynář added.

CCC'S CHAIRMAN DLOUHÝ TO JOIN ZEMAN'S TEAM – 20. 4.

Chairman of CCC Dlouhý accepted the offer from President Zeman to join his expert team, which he primarily did in the capacity of the representative of the CCC, Dlouhý said.

"I am ready to use this platform to advocate the interests of Czech businesspeople, to support Zeman's economic diplomacy and to cultivate our business environment," he said. "I consider the offer primarily as an economist's expert

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

¹⁰⁹ **OPCR:** Office of the President of the Republic

¹¹⁰ **CDB:** China Development Bank is a financial institution in the PRC led by a cabinet minister level Governor, under the direct jurisdiction of the State Council. As one of 3 policy banks of the PRC, it is primarily responsible for raising funding for large infrastructure projects.

¹¹¹ **J&T:** a Central European investment group founded in 1993 in Slovakia. It pursues business in the private equity and banking sectors, the largest portion of the value of its investments being in the Czech Republic and Slovakia. J&T invests mainly into the financial services, energy sector, real estate, health care, media and sports.

¹¹² **Ždas:** is a Czech engineering company, part of Železiarne Podbrezová Group of Slovakia, which makes forming machines, forging presses and other equipment mainly for the automotive sector, based in Žďár nad Sázavou

work. It is certainly no support for Zeman's political attitudes either on my side or that of the HK," he added.

FIFTH OF ENTREPRENEURS WANT CR TO LEAVE EU – 23. 4.

1/5 of domestic entrepreneurs are in favour of the CR leaving the EU, just like Great Britain, however, over 77% are against it, with more than 53% of companies saying the CR should not definitely do that, a CSOB¹¹³ survey, conducted among 500 SMEs, has shown.

A total of 29% of SMEs were in favour of Czexit in a similar survey carried out a 1.5 year ago.

1/5 of entrepreneurs think the CR's departure from the EU would largely or partially harm the Czech economy.

As much as 15%, on the other hand, hold the opinion such a step would have no impact on the Czech economy or might even help it, the poll has shown.

"Entrepreneurs are very well aware that, as an export-oriented industrial country, the CR is benefiting from the EU's advantages such as free movement of goods, people, services and capital and from ties to its strong neighbours - Germany and Austria - that are traditional EU members, CSOB has said.

CONFLICT OF INTEREST SHOULD CONCERN PRESIDENT – 23. 4.

The Pirates have proposed that the law on the conflict of interest also concern the president who is the highest public official, they said in a statement that presented the respective bill which mainly wants to prevent the cumulation of political posts.

About 60 MPs from 8 parties, or all except the right-wing opposition ODS, signed the bill.

The Pirates said the bill is not aimed against President Zeman with whom they discussed the bill last week. Zeman took a neutral stance on the bill, they said.

Under the bill, the president would have to submit property statements once a year, like the other public officials. The president should not deal with issues in which his personal interests were concerned. If public and private interests clashed, the president would not be allowed to prefer the private interest.

The bill against the cumulation of political posts wants to reduce the financial motivation to cumulate posts. It would ban lawmakers from being paid for posts on boards of state-run companies. If public officials had more posts, they would receive only the pay for the highest of the posts in most cases.

The Cabinet will deal with the bill first and the parliament will discuss it afterwards.

SELECTED STEPS TAKEN BY BABIŠ'S CABINET – 23. 4.

Selected data on the activities of the ANO¹¹⁴ minority Cabinet that will have been ruling in resignation for 90 days on Tuesday, April 24:

- ◆ President Zeman appointed the cabinet led by ANO leader Babiš on December 17, 2017, 2 months after the general election. All the 15 ministers were nominated by ANO.
- ◆ Babiš's cabinet asked the ChD to take a confidence vote in it, even though it had not secured support from the required majority of MPs. On January 16, the cabinet lost the confidence vote since only the 78 ANO MPs supported it and all the other 117 MPs present voted against it, and it resigned. It will rule until the appointment of a new cabinet. Zeman assigned Babiš with the 2nd try to form a Cabinet. Babiš is negotiating with other parties about its formation and he would like to have it appointed by the summer.
- ◆ The right-wing opposition says the cabinet ruling in resignation should only focus on routine administration of the country and avoid making key decisions and personnel changes. Babiš and his ministers dismissed the criticism. Political deputy ministers were replaced at most of the ministries and personnel changes were also made in institutions supervised by the ministries.
- ◆ MH¹¹⁵ Minister Vojtěch dismissed directors of 2 big university hospitals, the State Institute for Drug Control (SUKL) and the National Institute of Public Health (SZU). The director of the Ceska posta state-run postal services company was dismissed as well.
- ◆ MD¹¹⁶ Minister Šlechtová announced in early March that Lieutenant General Ales Opata will be new chief-of-staff, a step which was generally appreciated, unlike most of the other personnel changes made by the new ministers, However, Šlechtová's other decisions caused controversy, such as her refusal to confirm a prepared purchase of multipurpose helicopters and her open disputes with the General Staff.
- ◆ In early March, the Cabinet withdrew from a memorandum on planned lithium mining in Czech mountains signed with an EMH¹¹⁷. This issue played a role in the election campaign last autumn when ANO accused the ČSSD) of letting foreigners mine Czech mineral resources.
- ◆ The Cabinet promised that it would introduce cheaper fare in trains and buses for people aged over 65 and students under 26 in mid-June, However, Babiš announced on April 23 that the measure would be postponed until September 1 at the request of the regions that pointed to technical problems with its introduction.
- ◆ The Cabinet is preparing amendments to the law on civil service, which needs to be approved by the European Commission, and the law on pension insurance, under which pensions of people aged over 85 are to be raised as of next year.
- ◆ GIBS's¹¹⁸ head Muřín, who had been in dispute with Babiš for weeks, announced his resignation on April 17.
- ◆ Babiš's cabinet started paying visits to the regions of the country and plans to visit them all, It visited the Zlin Region on March 5 and the Liberec Region on March 13, followed by Central Bohemia (March 28) and Karlovy Vary Region

¹¹³ CSOB: CSOB is a wholly-owned subsidiary of KBC Bank NV. KBC Bank is fully owned by KBC Group NV. Both companies are domiciled in Brussels, Belgium.

¹¹⁴ ANO: ANO 2011, centre-right party

¹¹⁵ MH: Ministry of Health

¹¹⁶ MD: Ministry of Defence

¹¹⁷ EMH: European Metals Holdings Limited explores and develops mineral properties. It holds 100% interest in the Cinovec lithium-tin project in the Czech Republic. The

company was formerly known as Equamineral Holdings Limited and changed its name to European Metals Holdings Limited in February 2014. European Metals Holdings Limited is based in West Perth, Australia.

¹¹⁸ GIBS: General Inspection of Security Forces, is a Czech government agency tasked with investigating crimes of the officers of the Police of the Czech Republic, Customs protection, prison guards, inspection workers or employees of these services

(April 16), It is to tour the Moravia Silesia Region on April 24-25.



PRESS FREEDOM FALLS IN BOTH CZECHIA – 25. 4.

Press freedom deteriorated in both Czechia and Slovakia as well as globally in 2017 and was particularly challenged in Europe and the USA, according to RSF¹¹⁹.

The CR fell by 11 positions to rank 34th and Slovakia by 10 positions to rank 27th.

Commenting on the situation in the CR, the RSF report cites the example of President Zeman, who amidst a press conference during his visit to Plzen Region in mid-October 2017 raised a mock Kalashnikov rifle that had the inscription "against journalists" written on it.

The report also mentions Zeman's derogatory comments aimed at journalists, as well as the attempts at re-introducing the crime of defamation of the head of state into law.

Further, the RSF writes that the concentration of media ownership reached a critical point as the "new oligarchs" have used their property to buy newspapers in order to reinforce their power in the country. One of them, PM Babiš, is heading 2 most influential dailies in the CR, the RSF says.



¹¹⁹ **RSF:** Reporters Without Borders (RWB), or Reporters Sans Frontières (RSF), is an international non-profit, non-governmental organization that promotes and defends freedom of information and freedom of the press. The organization, with a head office in Paris, France, has consultant status at the United Nations.

News outside the time span of this News summary	
	CEZ
	CIA News (Česká informační agentura)
	CzechInvest
	Czech Chamber of Commerce



Czech National Bank (Česká národní banka)
Czech Press Agency (Česká tisková kancelář)
Czech Statistical Office (Český statistický úřad)
Government of the CR
E15.cz Daily
iHned.cz, news portal Hospodářské noviny
Ministry of Finance of the CR
Radio Prague (Český rozhlas)
State Veterinary Administration