

ECONOMIC NEWS SUMMARY MAY 31 – JUNE 6

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ECONOMY & FINANCE

MPS APPROVE HIGHER COMPETENCE FOR CNB FOR CRISES – 31.5.

The Chamber of Deputies approved on May 30, 2018, the governmental amendment to the Act on Rectifying Procedures and Addressing of Crisis on Financial Market. Minister of Finance Alena Schillerová (for ANO) has stated that some of the aspects of the financial market guarantee system have been corrected based on the system's functioning so far. Changes have also been proposed for the collection of contributions into the crisis solution fund. The document also foresees expansion of Czech National Bank's competences for using one of the crisis-solving measures, so-called moratorium. The norm influences also the Insolvency Act and the Act on Court Fees.

CZECH HOUSEHOLD DEBT RISES TO CZK1,565BN IN APRIL – 31.5.

Czech household debt to banks grew monthly by nearly CZK9.4bn to CZK1,565bn in April, adding annually CZK111bn, according to data published by the Czech National Bank (CNB) today.

Non-financial companies owed banks roughly CZK1,056bn, with the amount increasing by CZK9.6bn m-o-m and by CZK13.7bn y-o-y.

Household debt has been growing since February 2016.

Housing loans make up roughly three quarters of the total volume.

The volume of housing and consumer loans rose monthly by 0.6 percent to CZK1,174bn and by 0.5 percent to CZK233bn, respectively, the CNB said.

The central bank makes the statistics public every month. It is based on balances of monetary financial institutions, including the central bank, commercial banks, branches of foreign banks, money-market funds and credit unions.

MINISTRY OF FINANCE: BUDGET PREPARATION FOR 2019: PRIORITIES FOR INVESTMENT, PENSIONS, EDUCATION AND HEALTH – 1.6. (EXCERPT)

The Finance Ministry projects the overall revenues of the state budget at CZK1,431.6bn, that is by CZK117.1bn higher compared to 2018. The overall expenditures of the budget would be CZK 1,481.6bn. This means a 50bn deficit for next year.

The government will decide on the proposal of the Ministry of Finance by June 20th.

	2019 proposal (incl. EU) In CZK bn	2019 proposal (without EU) In CZK bn	2018 budget incl. EU
Revenues	1,431.6	1,349	1,314.5
Expenditures	1,481.6	1,399	1,364.5
Deficit	-50	-50	-50

CZECH STATE BUDGET ENDS IN CZK23.1BN DEFICIT IN MAY – 1.6.

The CR's state budget ran a deficit of CZK23.1bn at end-May, which was the first gap this year, showing a CZK0.8bn surplus at the end of April, while last May saw a deficit of CZK18.7bn, the Finance Ministry said today.

The state budget has been approved with a CZK50bn deficit for this year.

Factors typical of May have influenced the budget data, the ministry said.

On the side of expenditures, it was a two-month advance payment for regional education worth CZK18bn, quarterly subsidies for renewable energy, quarterly payment of state support for pension insurance and traditionally higher state debt servicing costs.

The May figure reflects increased spending on joint Czech-EU projects as well as markedly higher investment expenditures, however, the government's spending is still lower than planned in this year's budget, said Raiffeisenbank analyst Jakub Cervenka.

He expects the government to raise investment spending in the months to come partly because of the need to use CZK40bn worth of European funding by the end of this year. Revenues will apparently be significantly higher in June, which may send the budget balance back to zero, said Komerční banka analyst Marek Drimal.

Regardless of unfavourable seasonal effects in May, tax collection stayed very good, mainly individual income tax revenues and social insurance payments, said Drimal. A growth of 10 to 15 percent mirrors a marked pay rise in the public sector.

Corporate income tax revenues, on the other hand, added less than 4 percent, he said.

Adjusted for European subsidies, the budget would have a deficit of CZK51.5bn in May, a rise from a CZK35.6bn gap in May last year.

Overall revenues grew by CZK49.6bn y-o-y to CZK546bn at end-May. Overall expenditures were CZK54bn higher at CZK569.1bn.

Tax revenues including social insurance payments rose by CZK34.5bn to CZK466.5bn.

VAT revenues grew by an annual rate of 6.1 percent to CZK109.2bn.

Excise duty collection was CZK0.6bn higher at CZK60.4bn.

Spending on social benefits totalled CZK231.2bn at end-May, CZK11bn more annually. This year's total figure is projected at CZK557.9bn.

GALILEO SYSTEM BRINGS CZK2.7BN TO CZECH ECONOMY – 1.6.

The satellite system Galileo and location of the European Global Navigation Satellite Systems Agency (GSA) in Prague has brought about CZK2.7bn to the Czech economy, said Maros Sefcovic, Vice-President of the European Commission.

The system will be fully operational by 2020.

Apart from the participation of many Czech companies in the development of satellite technology, the agency also helps improve the companies' preparedness for different technology projects, said Sefcovic.

After becoming fully operational, Galileo will make up about 10 percent of the EU's gross domestic product. In the new EU budget, the amount of money allocated for the system's operation has increased to EUR16bn, Sefcovic said.

The system will be used for traffic and security management, in health care and agriculture, and it will make banking transactions and electricity transmission more effective, for example, he said.

Galileo will use 30 satellites orbiting the Earth thanks to which it will be able to provide location data with an accuracy to within 20 centimetres. It should be more accurate than American GPS. The system is supervised by GSA that has been located in Prague since 2012. GSA is the only EU agency with a seat in the CR.

CTK CR'S MUNICIPALITIES, REGIONS WITH HIGHER BUDGET SURPLUS IN Q1 – 3.6.

Budgets of Czech municipalities ran a surplus of CZK15.8bn in the Jan-March period, CZK2.1bn more y-o-y, and regions recorded a surplus of CZK6.7bn, displaying an annual rise of CZK1.4bn, according to data from the Finance Ministry.

Municipalities' revenues totalled CZK75.3bn and expenditures amounted to CZK59.5bn. There are about 6,250 municipalities in the CR.

Revenues of regions grew to CZK60.8bn, their expenditures at CZK54.1bn. The country has 14 regions including Prague.

Increased tax collection was behind higher revenues of municipalities and regions. They are constituted by the income from shared taxes, that is VAT and property and income taxes. Municipalities and regions also receive money for financing social services.

Consolidated revenues of municipalities, regions, municipalities' alliances and regional councils of cohesion regions increased by CZK19.4bn y-o-y to CZK135.3bn at the end of March.

Expenditures rose by CZK15.9bn to CZK112.4bn. Q1's surplus of CZK22.9bn was CZK3.5bn higher in annual terms.

CTK AGRICULTURAL FIRMS SURVIVE INSOLVENCY MOST OFTEN – 4.6.

Companies operating in agriculture and the hospitality industry can overcome a temporary insolvency the most often, while managing such a situation is much less likely in construction and manufacturing, according to a Bisnode company analysis conducted among 180,000 companies.

The risk of going bankrupt can be much higher for companies which, over the past four years, started paying off debts more than 30 days after the due date, Bisnode analyst Milan Petrak said.

The big differences among segments is caused by factors including seasonal effects and flexibility of supplies, Petrak said.

Share of companies going bankrupt after being temporarily insolvent (% of firms in individual segments)

Sector	%
Construction	5.23
Manufacturing	4.63
Water treatment	3.30
Wholesale, retail and motor vehicles repair	2.78
Transport and storage	2.55
Real estate	2.41
Administration and support services	2.30
Information and communications technology	2.26
Professional, scientific and technical activities	2.03
Hospitality industry	1.52
Agriculture, forestry and fishing	1.12

CTK EUROPE'S GALILEO SATELLITE SYSTEM TO BE LINKED TO RESCUE NETWORK – 5.6. (EXCERPT)

Galileo, the Prague-based European satellite navigation system, will be interlinked with Cospas-Sarsat, the international satellite system that serves to search for and rescue people in emergency, representatives of Cospas-Sarsat and the GSA agency, of which Galileo is a part, said today. The interconnection process is to be completed by 2020, the participants in the Prague meeting said.

GIA MMR ALREADY ALLOCATES CZK 62.4BN TO REGIONAL PROJECTS – 6.6.

The Ministry for regional Development of the Czech Republic (MMR) has already allocated CZK 62.4bn within the Integrated Regional Operational Programme (IROP). It is more than one half of the sum allocated for the programme period of years 2014-2020. The money went to 4,620 projects.

AGRICULTURE & ENVIRONMENT

GIA AGRIMIN INVESTS CZK 14BN IN PHASE 1 OF DRAUGHT PROGRAMS – 31.5.

A total of ca. CZK 14bn will be spent from the state budget for the first phase of the set of programs limiting the consequences of draught and lack of water.

The information was provided by the Ministry of Agriculture (MZe).

Investors will contribute CZK 3.7bn.

The ministry's programs are spread over three stages between 2016 and 2033.

The authority focuses on investments against draught in fields, water management and forests.

GIA ČD CARGO TRANSPORTS TWO TIMES MORE TIMBER – 1.6.

ČD Cargo transported in the first three months of 2018 nearly two times more timber compared with the same period of 2015. This represents over 27,000 train cars, or over 1.1mn tons of timber. The company has adopted many measures to raise its capacities for the liquidation of the bark beetle calamity. Representatives of the company met representatives of forestry firms to discuss the bark beetle problem. The meeting focused on the liquidation of the calamity primarily in the area of northern Moravia.

CTK AGRICULTURAL SUBSIDIES TARGET MOSTLY LARGE FIRMS -

4.6.

Most of the billions of crowns worth of EU subsidies from the Rural Development Programme go to large companies, while support to small and medium-sized companies lags behind, the Supreme Audit Office (NKU) said today in a press release on its inspection.

The evaluation of projects of applicants for subsidies is non-transparent, it added.

The Agriculture Ministry, which distributes the subsidies from the programme, rejects the reproaches.

During the check, the NKU focused on distribution of money from the Cooperation measure for the programming period of 2014 to 2020. The subsidies are to back research, development and innovations in agriculture and help small and medium-sized companies.

"Of the prepared CZK3.8bn, the ministry has set aside more than CZK2.8bn for one concrete area - support to development in processing of agricultural products where most of the approved projects for subsidies were of large food processing companies," said NKU spokesman Vaclav Kesner.

The ministry has confirmed that out of the supported applications in this area, projects of small and medium-sized companies made up only some 30 percent.

"It is logical that it is easier for larger companies to cope with the organisation of cooperation with research institutions," the ministry's press department said in reaction to the NKU's findings.

In the support to development in processing of agricultural products, the ministry also set more favourable conditions for the applicants than in other areas, the NKU said, adding that applicants in this programme can ask for support repeatedly. Also, no ceiling limit has been set for them.

Companies use the money for the purchase of machinery or for construction, while spending on research was negligible, of the 46 checked projects, it represented only some 1 percent.

This is surprising as support to science and research is one of the main reasons why the ministry distributes these subsidies, Kesner said.

"Putting results of research in practice is the main goal, aimed at raising of competitiveness. Purchase of new technology and machinery is needed for this as well," the ministry's press department said.

One of the reasons why small firms are at a disadvantage are complicated conditions for gaining a subsidy in some areas. In other areas which the ministry has picked for support, companies are not interested in the subsidies, said Kesner.

The ministry is analysing the reasons for low interest in subsidies in some areas and wants to adjust the conditions to motivate also smaller firms, the ministry said.

The NKU also criticised the approval process for subsidies. The ministry has formed commissions for evaluating the projects but their decisions cannot be checked, only the result is known.

Appeals of some unsuccessful applicants, moreover, are assessed by the same commission which rejected their application.

The ministry argues that the results are published transparently on the Internet and applicants are informed about the reasons why their application has been turned down.

The NKU also pointed at delays in drawing of the subsidies. By the end of 2017, subsidies had been paid only to five projects for CZK186m in total by the ministry.

"Now work has to start to change the situation. We are roughly in the middle of the programming period so it is not too late to do something about it," said NKU member Pavel Hrnčíř who led the inspection.

The ministry stated that the Rural Development Programme ranks among the best as regards drawing of subsidies.

GA SZIF APPROVES CZK 419.6M FOR COMMUNITY LOCAL DEVELOPMENT - 5.6.

As at May 31, 2018, the State Agricultural Intervention Fund (SZIF) approved 903 applications for a subsidy within the framework of the operation entitled Support for the Implementation of Operations within the Framework of Community-led Local Development. The financial demands of these applications amounted to CZK 419.64m. The largest share came from Olomouc (260 applications for CZK 96.27m). Only applications selected by local action groups and with executed administrative check have been approved. Other applications will be approved on an ongoing basis in the weeks to come.

ENERGY & INDUSTRY & TRANSPORT

GA HE3DA PLANT TO OPEN PRODUCTION IN 2019 - 31.5.

HE3DA's new lithium battery production plant in Horní Suchá u Havířova will open later in 2019.

The company has informed ČIANEWS that the initial battery production capacity will reach 1.2 GWh p.a.

In the future, the project will be expanded to up to 15 GWh p.a.

A cluster of mutually connected companies is planned around the factory in the future, incl. a research workplace for the development of battery technologies and an area for sub-suppliers, who will be able to build their production facilities near the plant.

A new factory for the production of fuel cells for hydrogen electricity is also planned nearby.

CTK NO. OF ELECTRIC CARS IN CR TO RISE 4 TIMES TO SOME 5,000 IN 2020 - 31.5.

Electric car numbers on Czech roads will increase nearly fourfold to some 5,000 units in 2020 compared to last year, and the number of hybrids will double to 12,000, Deputy Industry and Trade Minister Eduard Murický has said.

Up to 100,000 electric vehicles may be on Czech roads in 2025, Murický said at the Elektromobilita 2018 e-mobility conference on Wednesday.

Businesses account for 95 percent of electric car sales thanks to subsidies, however, operational programmes funding should now be partly used for charging stations infrastructure, said Murický.

In 2020, there may be 1,300 charging stations in the country, 500 of them fast charging stations.

The ministry has announced three calls for electric vehicle subsidies, registering 290 projects for the purchase of 680 electric cars. One more call is yet to be made this year.

The European Commission (EC) estimated that there should be 3.3mn electric cars on European roads in 2020, against some 530,000 units nowadays.

Czech car registrations increased by 224,000 on the year to 5.593mn at the end of last year. The average age of cars on Czech roads grew to 14.62 years from 14.48 years in annual terms.

The vehicle fleet has been nearly one year older since 2011.

CUSTOMS DUTIES ARE TRUMP'S ATTACK AGAINST FREE TRADE - 31.5.

By imposing customs duties on steel from the EU, US President Donald Trump continues attacking the global free trade system, the Czech Steel Union said in reaction to today's decision of the White House.

The Chamber of Commerce noted that the USA itself owes its development and economic strength to free trade. Protectionist measures are a step backwards, it said.

"It is hard to understand because Trump attacks the closest allies at a time when he needs them in his fight against China's mercantilism and unfair business practices ranging from intellectual property theft to curtailing investor rights," the Steel Union's executive director Daniel Urban said today. The decision will have an impact also on Czech steel producers, he added.

US Secretary of Commerce Wilbur Ross said today that the USA will start imposing customs duties at 25 percent on steel and 10 percent on aluminium also on imports from the EU, Canada and Mexico as of Friday.

The USA introduced new customs duties on steel and aluminium on March 23. Thus far, the EU has had an exception. It has warned that if the customs duties are imposed on its steel and aluminium products, it will adopt retaliatory measures.

"This is a big blow to the liberalisation of world trade. I firmly believe that return to talks will come in a foreseeable future to prevent escalation of this trade dispute," Confederation of Industry president Jaroslav Hanak said today.

"Trade war makes no sense," CMKOS umbrella union head Josef Stredula said on Twitter.

"The customs duties will, of course, harm the competitiveness of our steel on the US market and at the same time will raise the prices of inputs for US buyers who have no replacement for special types of steel from Europe," Tomas Teluch, president of steel tube association AVOT, said today.

Czech firms exported steel products for CZK5bn to the USA last year, some 130,000 tonnes of these products, said the Chamber of Commerce.

"The USA is not a key export market for us, 80 percent of our steel exports target the EU and 3 percent the USA. Steel makers therefore fear the most that cheap steel products from other countries will flow to us, in particular from China," said the chamber's spokesman Miroslav Duro.

Trinecke zelezarny ironworks will certainly feel the impact of the US customs duties, spokeswoman Petra Mackova Juraskova told CTK today.

Its exports to the USA are in the order of percents. The company will cover the shortfall with exports to European markets where demand is high thanks to the construction of infrastructure, she said.

"From a long-term point of view, however, it may be a problem for the European market. It is possible that what is not sold in America will be pushed to Europe, she noted.

Ludek Prochazka, CEO of Gerlach company which provides customs services to the main Czech importers and exporters, told CTK that the customs duties' impact can be expected also on car producers.

"Many Czech sub-suppliers have strong ties to the German automotive industry. And for companies like Volkswagen, Daimler and BMW, the US market is key," he added.

Cyrus chief economist Lukas Kovanda sees the customs duties as bad news for the Czech economy and other EU economies.

In the end, it will be bad news also for the US economy. Workers in the US steel industry will benefit from it but US car makers will have to buy more expensive domestic steel instead of cheaper Chinese steel, he noted.

The CR will rank among the EU countries harmed relatively a lot by the measure because the domestic economy is small and open, highly dependent on foreign trade, Kovanda said.

"Other small open economies in the region, like Hungary and Slovenia, will be affected in a similar way. It is thus evident that the trade war, which begins tomorrow, will have no winners, only those who will lose less and those who will lose more," he added.

WESTINGHOUSE WANTS TO MODERNISE NUCLEAR PLANTS IN CR - 1.6.

US company Westinghouse wants to take part in the introduction of digital technologies in Czech nuclear reactors, if a tender is opened for the construction of a new nuclear unit, Westinghouse will think about taking part in it, CEO Jose Emeterio Gutierrez said at a press meeting today.

Westinghouse declared bankruptcy last year in March and now is undergoing restructuring.

Under new owner, Westinghouse will raise its activities in Central and Eastern Europe, Gutierrez said.

Westinghouse believes that it has good technologies which could help the CR. Why not, provided that the tender conditions are in order, he answered to the question whether despite previous experience the company would be willing to take part in a tender for the construction of another nuclear unit.

Westinghouse signed up for the tender for the completion of Temelin nuclear power plant in 2009. CEZ power company, however, failed to gain government guarantees for the project and in 2013 cancelled the tender.

The national action plan for nuclear energy development in the CR counts on construction of one nuclear unit in Temelin and one in Dukovany, the country's second nuclear power plant, with the possibility to raise the number to two in both power plants. Dukovany's completion has a priority.

Whether or not a tender is declared will not influence Westinghouse's plans in the CR. It has pledged in both power plants, Gutierrez remarked.

During their stay in the CR, Gutierrez and the company's other managers met representatives of CEZ and the Industry and Trade Ministry.

The topic of the talks with government officials was the CR's strategic vision concerning the use of nuclear energy. Countries should not rely solely on nuclear energy, an optimal mix has to be created, he said. Gutierrez sees combination of nuclear energy and renewable sources as the right path.

Gutierrez also talked about the company's current condition. Westinghouse was bought by Canadian investment fund Brookfield Business Partners this year in January.

It is a matter of weeks or several months for the restructuring process to be completed and Westinghouse to be fully in the hands of the new owner, he added.

MD WILL PROVIDE CZK 150M FOR HYDROGEN FILLING

STATIONS – 1.6.

The Ministry of Transport of the CR (MD) will support also the construction of filling stations for hydrogen within the programme for the support of alternative fuels infrastructure. The Operational Programme Transport (OPD) will thus allocate CZK 150m from EU funds for the purpose. It is possible to submit applications for subsidies by October 17, 2018. The maximal rate of support from authorised expenses can reach up to 85% in the current call. The ministry plans to open the second call for the support of hydrogen stations (with an allocation of CZK 50m) in the first quarter of 2019. According to MD, it is necessary to build at least 12 hydrogen stations by 2025 to develop the hydrogen mobility. It is then possible to expect the operation of approximately 70 hydrogen buses and 12,500 hydrogen cars.

TRINECKE ZELEZARNY BIDDING FOR ARCELORMITTAL

OSTRAVA – 1.6.

Trinecke zelezarny (TZ) steelworks submitted a bid for ArcelorMittal Ostrava (AMO) which ArcelorMittal group wants to sell by the end of 2018, TZ spokeswoman Petra Mackova Juraskova told CTK today.

The group wants to buy Italy's Ilva and AMO's sale is part of the compensation deal. Other bidders and their names have been unknown.

TZ filed an initial bid, said Mackova. "We will provide no more details," she added.

President Milos Zeman proposed that TZ should buy AMO as these companies should remain in the state's hands, if possible.

"ArcelorMittal group is holding talks with prospective buyers of the Ostrava plant. It will comment neither on the number nor on the names of the bidders. The deal should be concluded by the end of 2018," AMO spokeswoman Barbora Cerna Dvorakova told CTK.

In May, the European Commission approved a takeover of Ilva, the biggest steel maker in Europe, by ArcelorMittal, the world's number one steelworks, on condition that the group sells AMO and some other units in Europe to provide guarantee that Ilva's acquisition will not violate economic competition and will not cause a price hike.

Preliminary bidders should be known by the end of May, with binding bids to be received by AMO's administrator during July.

"The picked bidders will be assessed by the Commission as to whether they are able to continue the operation and further development of the company so that it might act as an active competitor of ArcelorMittal group," Cerna said.

Ashok Patil, CEO and administrator of AMO's assets put up for sale, said earlier AMO would be sold as a functioning company with no cuts in its production capacity and staff numbers.

"We will gradually separate our teams, systems and processes for the steelworks (AMO) to work independently of ArcelorMittal group before the deal is concluded," Patil said.

ArcelorMittal group accounts for about 6 percent of the world's steel production volumes. It has been active in more than 60 countries.

AMO has a 6,500-strong workforce. It produces over twomn tonnes of steel mainly for the building and engineering industries annually, exporting its products to more than 40 countries.

AMO generated a net profit of CZK1.308bn on sales of CZK28.786bn in 2016. AMO, formerly Nova hut, has been part of the Lakshmi Mittal group since 2003.

NUCLEAR POWER PLANTS STOCK 501.5 TONS OF FUEL – 4.6.

Czech nuclear power plants have fuel supplies totaling 501.5 tons.

These are reserves for at least two years.

This was reported by ČEZ, according to which Temelín has 223 tons of uranium while Dukovany has 278.5 tons.

The reserves strengthen the energy security of the state in the case of delivery outages.

The fuel is stored in special steel tanks.

A total of 163 fuel cassettes fit in one reactor at Temelín and 312 fit in one at Dukovany.

NO. OF MOTOR VEHICLES GROWS TO 1.059MN IN PRAGUE IN

2017 – 4.6.

The number of motor vehicles registered in Prague grew by over 56,000 annually to some 1.059mn cars last year, and a distance travelled by cars a day increased by 0.79mn km to 23mn km, according to a Prague transportation yearbook.

Barrandov Bridge, a road bridge over the Vltava river, was the busiest bridge/road, with 142,000 cars driving over it a day, said the yearbook that was presented by representatives of TSK technical administration of roads in Prague today.

Of the total figure, there were 844,613 passenger cars, nearly 50,000 more in annual terms.

Registered motor vehicle numbers had grown markedly in the capital city until 1999, the rate slowing down afterwards. There was one car per 1.5 residents in Prague at the end of 2017, said Vladimir Kadlec, from TSK company. Firms with a seat in Prague register their cars in the capital city, which also plays a certain role in this respect, he added.

All in all, a distance travelled by motor vehicles in Prague was 7.3bn km last year.

With 90,000 cars a day, Zlichov was the busiest tunnel, followed by Blanka tunnel complex. Its part Dejvice Tunnel recorded 88,000 cars a day.

For 49 percent of rides in Prague, people use public transport, using cars for 29 percent of journeys, with long-term vehicle

occupancy at 1.3 persons per unit. In 1990 and 2000, it was 1.71 and 1.44 persons per vehicle, respectively.

Twenty-six percent of people prefer walking and 1 percent are cyclists. The remainder of people combine different means of transport.

About 1.3bn people use Prague's public transport system a year. Most people, some 436mn, use the Prague metro, a modest annual drop caused by metro stations' shutdowns. Passenger numbers on trains, buses and trams increased as a result, said Martin Subrt, deputy head of Ropid, an organisation in charge of the public transport system in the capital city. Rail passenger numbers reach 39.5mn a year.

Vehicle registrations in Prague

Year	Population (in mn)	Motor vehicles - total	Passenger cars
1961	1.007	93,106	44,891
1971	1.082	203,519	133,129
1981	1.183	367,007	284,756
1990	1.215	428,769	336,037
2000	1.181	746,832	620,663
2010	1.257	928,769	699,630
2015	1.267	941,145	740,745
2016	1.281	1,002,645	795,178
2017	1.295	1,058,949	844,613

Vehicle occupancy

Year	People per car
1990	1.71
2000	1.44
2010	1.3
2016	1.3
2017	1.3

CRYSTALITE BOHEMIA PLANT IN SVĚTLÁ FOR SALE – 5.6.

The main production plant of Crystalite Bohemia glassworks in Světlá nad Sázavou will be for sale, according to the sole owner Lubor Cerva.

He added that he currently did not have any concrete interested entity.

The entire sale project is at its very beginning. Cerva expects that it will take at least a year before the sale is concluded.

He added that it was important to maintain production at the Světlá glassworks even after the change of ownership.

The intention to sell the plant will not have direct or indirect impact on the current functioning and employment.

The sale only applies to the Světlá plant. Cerva intends to keep the second glassworks in Květná.

ŤOK: 194 KM OF MOTORWAYS ARE UNDER CONSTRUCTION – 5.6.

A total of 194 km of motorways and 1st class roads are currently under construction and the construction of an additional 150 km of motorways and bypasses is ready to be started.

This information was provided by Minister of Transport Dan Ťok (for ANO) at the Meeting of Czech Construction Industry Leaders 2018 organised by CEEC Research.

He added that 203 km of motorways and 1st class roads had been put into service since 2014.

The costs of one km of a motorway are now at CZK 152m while in 2008, it was CZK 342m.

CTK CZECH PASSENGER CAR SALES STAGNATING AT 117,852 UNITS IN JAN-MAY – 6.6.

The CR's sales of new passenger cars stagnated annually at 117,852 units in the first five months of this year, with May alone reporting a 5 percent drop to 25,720 cars, the Car Importers Association said today.

Skoda Auto raised its sales by 5 percent to 38,542 cars, the highest number. Volkswagen ranked second with 11,242 vehicles, down by 13 percent, Hyundai stagnated at 8,339, and Dacia, Ford, Peugeot, Kia and Toyota followed.

Skoda Octavia was the bestselling model with 11,935 sold units, Skoda Fabia followed with 9,169 cars, with other Skoda's models including Rapid, Superb and Karoq.

The share of diesel engines decreased below 32 percent.

Companies bought 72.5 percent of the sold vehicles.

Registrations of light utility vehicles rose annually by 8 percent to 8,059 units, with Peugeot ranking first, Renault second and Volkswagen third.

The sale of lorries grew by 0.4 percent to 4,036 units. DAF sold the most, followed by Mercedes-Benz and MAN.

Bus sales increased annually by 37.6 percent to 443 vehicles. Iveco Bus had the biggest sales, followed by SOR and Mercedes-Benz.

The demand for motorbikes went up by 2 percent to 7,520 units. Honda, Yamaha and CF Moto sold the most.

ŠKODA CAR REGISTRATIONS IN GERMANY UP TO 86,176 – 6.6.

ŠKODA brand registrations in Germany grew by 8.6% to 86,176 in 5M 2018. The brand accounted for 5.8% of total car sales. In May alone, ŠKODA brand registrations on the German market dropped 2.5% to 18,075. The brand's market share reached 5.9%. This stems from the statistics of the German Federal Motor Transport Authority (KBA).

INVESTMENTS & TRADE & SERVICES

TEAM CR TO OFFER SHARED SUPPORT – 1.6.

Six Czech state institutions in cooperation with the Czech Ministry of Industry and Trade (MPO) have created the Team CR. CzechInvest, CzechTrade, the Czech Export Bank, the Czech-Moravian Guarantee and Development Bank, the Export Guarantee and Insurance Company and the Technology Agency of the CR thus jointly offer comprehensive support for companies. Thanks to the project, entrepreneurs will likely learn better about services provided by particular organisations and have easier access to the public support.

CTK CZECH TRADE WITH USA WILL DROP BY CZK2BN DUE TO CUSTOMS DUTIES – 1.6.

The impact of US customs duties on steel and aluminium on Czech trade will be worth almost CZK2bn, that is 2.4 percent of total Czech exports to the USA, Raiffeisenbank analyst Jakub Cervenka told CTK today.

The impact will be marginal for the Czech economy, Radim Dohnal, an analyst of capitalinked.com portal, estimated the slowing of the GDP growth at less than 0.1 percent.

The USA imposed customs duties at 25 percent on steel and at 10 percent on aluminium also on imports from the EU, Canada and Mexico as of today.

The USA introduced new customs duties on steel and aluminium on March 23 but the EU had an exception. It warned that if the customs duties are imposed on its steel and aluminium products, it will adopt retaliatory measures.

It would be worse if the trade war extended also to exports of automobiles from the EU to the USA. In such case, the impact on Czech GDP could reach even several percent.

"And unfortunately, regions which have assembly plants, like the CR, would be hit worse," Dohnal remarked.

In case of the EU's retaliatory measures, whose consequence could be customs duties on 'imports of German cars', as US President Donald Trump frequently mentions, the impact on Czech car makers will be marginal, Cervenka said.

The main markets for domestic car makers are in Western Europe and to a smaller extent in Asia. In case of the Asian markets, there are efforts on both sides to further strengthen the trade relations.

From the point of view of the whole economy, the customs duties on steel and aluminium do not mean a big figure. However, the steel industry and production of basic metals, which in the CR are concentrated in the Ostrava district, will be hit strongly, Cervenka noted.

"Unfortunately, these are sectors which are in a long-term decline," said Raiffeisenbank chief economist Helena Horská. Prices of commodities have not reacted to the trade war in a fundamental way. Gold prices have grown by USD3 against Thursday to roughly USD1,299 per ounce and silver prices remained unchanged.

"Nothing has changed for Czech investors thus far, gold prices move at record lows for this year these days but a price growth can be expected in the days to come due to the worsening disputes between the USA and EU. Gold price will probably reach USD1,500 per ounce this year," said Golden Gate CZ analyst Pavel Ryba.

CTK REPRESENTATIVES OF CZECH FIRMS, SCIENCE CENTRES LEAVE FOR JAPAN ON SUNDAY – 3.6.

Representatives of 15 Czech companies and science centres left for Japan today to establish cooperation with local companies ranking among world leaders in IT, nanotechnologies, and other technologically advanced fields, the Chamber of Commerce said in a press release.

Electrical engineering, steel, law and banking firms are taking part in the business mission, the Chamber said.

Economic ministers in PM Andrej Babiš's government in resignation have recently been criticised by business associations for not organising foreign business missions, thus reducing the companies' chance of establishing themselves on new markets.

Deputy Foreign Minister Martin Tlapa is taking part in the current mission that is organised by the Chamber of Commerce.

The Chamber organised a similar mission to Japan a year ago, with the then PM Bohuslav Sobotka and minister Jiri Havlicek participating in it.

Japan is a major foreign direct investor in the CR, with 229 Japanese companies active on the Czech market. They

employ more than 47,000 people. Of the total, 98 companies are involved in production and 11 in research and development.

Japan is the CR's second most important export destination in Asia. Czech exports to Japan amounted to CZK18bn last year, with imports at CZK67bn. Czech companies largely export mobile phone and car components, hops, glass and costume jewellery, and machinery to produce nanofibers. Japan exports printers and photocopiers, cars, electric motors and generators as well as surgical or dental instruments.

LABOUR & HEALTH & SOCIAL

CTK TRADE UNIONS TO DEMONSTRATE FOR PAY RISE ON JUNE 12 – 31.5. (EXCERPT)

Some 200 trade unionists from all over the CR will take part in a protest rally in Prague on June 12 to agree on the strategy for their negotiations with the government on the pay rise, CMKOS umbrella union head Josef Stredula told CTK today.

The salaries in the public sector were raised last time in November 2017 - by 15 percent for teachers and 10 percent for others. The salaries of health care personnel rose by 10 percent, too, in January.

The Finance Ministry has started drafting the state budget for next year, but it is not clear yet how much money will be allocated to the pay rise in the public sector in it.

The Tripartite body, which brings together representatives of the government, trade unions and employers, is to discuss the 2019 state budget a day after the trade unions' rally, that is on June 13.

According to the data from the information system on average pay, 634,700 people worked in the public sector last year. The average monthly gross pay amounted to 31,968 crowns, which was a 8.4 percent y-o-y rise. A half of the people earned more than 29,840 crowns a month.

CIA UNEMPLOYMENT RATE FELL TO 2.3 % IN APRIL – 1.6.

The general unemployment rate of those aged 15 to 64 adjusted for seasonal effects fell by 1.1 p.p. to 2.3 % in April 2018. The unemployment rate of men reached 1.8 %, that of women 3.0 %. Employment increased to 74.9 % (+1.6 p.p.). Of this, men had a rate of 82.0 % and women one of 67.6 %. The economic activity rate increased by 0.7 p.p. to 76.7 %.

CIA STATE PAID OUT CZK 18.3BN IN SICKNESS BENEFITS IN 2017 – 1.6.

In 2017 Czechs spent 72.7mn days on sick leave. This represents a y/y increase of 2.4mn. Women spent 39.6mn days sick, which is 6.5mn more than men. Every day 199,000 policyholders were missing at work due to work disability. It lasts an average of almost 43 days. The most cases per 100 policyholders was in the Liberec and Plzeň regions. The fewest were in Prague, Olomouc and the South Moravia regions. The state paid citizens CZK 18.3bn in sickness benefits. This was reported by the Czech Statistical Office.

CIA GOVT. PLANS TO POSTPONE INTRODUCTION OF EL. SICK NOTE – 1.6.

The government of the CR will meet on June 6, 2018 to discuss a proposal of the amendment of the Social Security

Premium Act due to the necessity to postpone the introduction of the electronic sick note in the field of the health insurance. The government will also assess the budget for the regional education system and the support for medical faculties in 2018 and a proposal to join a proceeding at the Constitutional Court of the CR due to the proposal to abandon the provision of the § 259 of the Act on Public Orders.

CZECH AVERAGE WAGE GROWTH SEEN RISING ABOVE 8 PCT IN

Q1 – 3.6.

The first quarter saw an average wage hike of over 8 percent, analysts polled by CTK said, adding the average wage rose by more than 6 percent in real terms.

Wages keep rising because of the favourable economic development and a lack of workers, which is mounting wage pressure.

The Czech Statistical Office will make public data on Jan-March average wages on Monday.

Czech average wages have been steadily rising since the beginning of 2014.

The average wage crossed CZK30,000 for the first time in Q4 2017, rising by an annual rate of 8 percent or CZK2,337 to CZK31,646. Adjusted for inflation, the real growth was 5.3 percent.

Two thirds of employees earn less than the average salary.

The story of a tight labour market continues and so does a sharp pay rise, said Raiffeisenbank analyst Milan Frydrych. Pressure on employers to raise wages keeps growing, and so Q1 saw a nominal wage hike of 8.1 percent, he added.

The growth rate will stay high for the rest of the year, slowing down modestly next year, said Frydrych.

The Jan-March figure will also be affected by the minimum wage growing to CZK12,000 from the previous CZK11,000 and by a 10 percent base salary hike in health care early this year, said ING chief economist Jakub Seidler.

"Q1's inflation slowdown to 1.9 percent can significantly accelerate a growth in real wages, by more than 6.5 percent," he said. That would be the highest real wage growth in 15 years, he added.

"We assume that wages added 6.3 percent y-o-y in real terms in the first quarter," said Cyrrus chief economist Lukas Kovanda.

That would be a faster wage increase in annual terms, he added.

Wage increase accelerated because of the labour market growing tighter and a new minimum wage hike, Kovanda noted.

The average gross monthly wage posted an annual hike of 5.3 percent to CZK27,889 in the CR in the first quarter last year. In real terms, it increased by 2.8 percent.

AVERAGE CZECH WAGE UP BY 8.6 PCT TO CZK30,265 IN Q1 –

4.6.

The CR's average gross monthly wage rose annually by 8.6 percent to CZK30,265 in the first quarter of this year, which is the highest growth in ten years, and adjusted for inflation, wages were 6.6 percent higher, the most since 2003, the Czech Statistical Office (CSU) said today.

In the previous quarter, the average Czech wage grew y-o-y by 7.4 percent to CZK31,661, exceeding CZK30,000 for the first time, according to revised data of the CSU.

In quarterly comparison and adjusted for seasonal effects such as the number of working days, the average wage rose by 2.2 percent.

Y-o-y, the average wage in the CR has been growing continuously since the beginning of 2014, which is mainly due to the positive economic development and wage rise pressure caused by a lack of people on the labour market. However, two thirds of employees earn less than the average wage.

The median wage rose by 8.3 percent to CZK25,674 in Q1.

Men's median wage was CZK28,031, while women's was CZK23,084.

Wages of four fifths of employees were between roughly CZK12,000 and CZK48,000 in Q1.

The highest average wage was reported in the segment of information and communications technology, reaching nearly CZK57,000.

On the other hand, people working in the hospitality industry earned the least, with their average wage being some CZK18,000.

Statisticians registered the most significant wage growth in arts, entertainment and recreation, adding 13.1 percent, while wages in the financial and insurance segments added a mere 3.5 percent.

Average gross monthly wage in CR's regions in Q1

	Wage in CZK	Growth in %
Czech average	30,265	8.6
Prague	38,436	7.0
Central Bohemia	30,069	8.0
South Moravia	29,346	8.7
Plzen	29,054	8.5
Usti	28,029	9.5
Liberec	28,010	8.7
Vysocina	27,661	9.5
Hradec Kralove	27,619	8.3
Moravia-Silesia	27,125	8.2
Pardubice	27,002	9.1
South Bohemia	26,941	8.4
Olomouc	26,659	8.9
Zlin	26,431	9.2
Karlovy Vary	26,287	10.1

AVERAGE WAGE IN CR INCREASING BY 40.7 PCT IN TEN YEARS

– 4.6.

The current growth of the CR's wages is very similar to the rise the country experienced ten years ago when it was at the peak of the business cycle, and the average Czech wage has grown by 40.7 percent since 2007, the Czech Statistical Office (CSU) representatives said at a press conference today.

Adjusted for inflation, wages have increased by 16.4 percent in the past ten years, the CSU said.

In Q1 2018, the average wage increased annually by 8.6 percent to CZK30,265. However, some two thirds of employees earn less, Jitka Erhartova of the CSU said.

Over the past ten years, wages have been growing by 3.5 percent a year on average, CSU chairman Marek Rojicek said. Wages have risen the most in health and social care, adding 51 percent, while the financial and insurance segments registered the slowest rise of 23 percent, Rojicek said.

IT and human resources managers and company executives have the highest-paying jobs, with their wages exceeding CZK60,000 in the first quarter of this year. They earned over CZK50,000 ten years ago.

On the other hand, the median wage of security guards is currently some CZK14,300. In 2007, it was CZK12,400.

The gap between wages in the CR's regions has been closing, statisticians said. Prague reported the slowest-growing average wage.

Over the past ten years, the median wage of people with elementary education grew at the fastest pace, while wages of university graduates registered the slowest rise. The population is becoming more educated.

The labour market and employee structure has changed over the decade. The number of people working in agriculture and construction has dropped by 22.6 percent and some 23 percent, respectively, with people usually going in services.

The CR ranks among countries with a higher gender pay gap, statisticians said.

The gap has been closing among people in their thirties and forties, according to statisticians.

In the 35-44 age group, men's median wage was 27 percent higher than women's in 2007, while now it is 21 percent, the CSU's head of labour market statistics department Dalibor Holy said.

MISCELLANEOUS

POLL: TWO THIRDS OF CZECHS FEEL DATA PROTECTION

CONCERNS THEM – 31.5.

Nearly two thirds of Czechs admit that the personal data protection issue concerns them, according to a survey IMAS International company conducted for Erste Group and Ceska sporitelna banks in the CR, Slovakia, Austria, Hungary, Croatia, Serbia and Romania.

Data protection is considered urgent by 11 percent of Czechs, which is the lowest figure among the polled countries.

This attitude is evident when signing contracts, as only 34 percent of Czechs read the small print of terms and conditions properly, and 11 percent ignore it completely.

A total of 29 percent of Czechs refuse to share personal data, which is the most among those surveyed. A mere 68 percent of Czechs are willing to share their birth date.

When actually providing personal data, Czechs are the most trusting when it comes to banks (76 percent) and insurers (70 percent), while only 32 percent feel it is safe to share data on social networks.

With banks, Czechs are happy to share data concerning their age and education, however, they are reluctant to provide information on their assets and children.

The poll was carried out among 707 respondents in December 2017.

ZEMAN TO NAME BABIS PM ON JUNE 6 – 31.5. (EXCERPT)

President Milos Zeman will name ANO leader Andrej Babis the prime minister for the second time on June 6, Babis told journalists after meeting Zeman today.

Current Prime Minister Babis said he presumed that after being appointed, he would be given a deadline to a form a new ministerial team. He said his government might ask the Chamber of Deputies for confidence in the week after July 10.

CZECHTOURISM: ČR WAS WORLD'S 23RD CONGRESS

DESTINATION – 4.6.

In 2017 the Czech Republic was 23rd in the global ranking of congress tourism destinations issued by the ICCA (International Congress and Convention Association). Last year 187 international associational meetings took place in the country, up 13 % y/y. The number of delegates surpassed 73,000. This was reported by agency CzechTourism, according to which this is the best ranking in history.

BABIS'S GOVERNMENT PROMISING BNS IN PROJECTS – 5.6.

Prime Minister Andrej Babis's government which is in the caretaker capacity has toured Czech regions and promised projects worth bns of crowns it may be unable to fulfil, the daily Hospodarske noviny (HN) writes today.

The government members toured the country in three months. However, it will not be easy to fulfil the promises they made during their trips.

In all, Babis's promises would cost some 70bn crowns. Economists and politicians agree that such commitments are difficult to fulfil if the government wants to keep the budget deficit at 50bn crowns in the years to come, as confirmed by it last week.

Michal Skorepa, an economist for the Ceska sporitelna main savings bank, says the economic growth is slowing down and the trend will continue.

"There is the question of whether this is taken into account by the promises the government has made in the regions, especially when it comes to those exceeding the horizon of a single year," Skorepa said.

Babis has promised cheaper fares for students and pensions, which are to cost the state coffers some sixbn crowns a year. Indexation of pensions is to cost 15bn crowns and the cancellation of the supergross salary will cost another 29bn crowns.

Moreover, Babis promised to spend some more bns during his trips, such as the money on the repair of the Prague Invalidovna Baroque complex and the National Gallery.

Similar promises were made in other regions, too.

"In the Liberec hospital, the first stage of its modernisation is planned. It is quite necessary. Now we will prepare our fund for investments and in the second stage, the regional authority will be able to ask for financial help from the state from this fund," Babis said when visiting the Liberec Region. Similarly, the regions can look forward to the money for their infrastructure or environmental projects.

"One can presume that even if there is enough money to make good these projects in the budget, there may be the obstacle in the form of changes in some government

priorities after the Social Democrats enter the coalition with ANO," Skorepa said.

There can be another obstacle, the continuing fear of many representatives of towns and villages that after the necessary investment projects are launched, they will be targeted by criminal lawsuits over a wrong putting up of tenders.

"For all these reasons, I am afraid that many of the projects will eventually not be implemented," he added.

Opposition politicians are sceptical of Babis's tour of the regions, too.

"Even if the economic growth continues, the government will be unable to observe the given promises if it wants to keep low the deficit," Miroslav Kalousek, chairman of the deputy group of TOP 09, told the paper.

The government is already behaving in a squandering fashion, Kalousek said, adding that this was exemplified by the recruitment of thousands of new civil servants, which is accompanied by large expenditures on their salaries.

"Also, the populist promises such as the lower fares logically involve the money that will be lacked for investments," he added.

Pavel Belobradek, leader of the Christian Democrats (KDU-CSL), said the government tours of the regions were public relations events and a permanent election campaign.

Belobradek criticised the easiness with which the government is spending thebn.

"No one can do for you so much as promised by the government without confidence," Belobradek said.

"Now there will be soon the election to the Senate and local elections. Babis said he was conducting a permanent election campaign. Now he is conducting it, but for the state money," Kalousek said.

TRANSPORT MINISTER TOK WANTS TO STAY IN GOVERNMENT

- 6.6. (EXCERPT)

Czech Transport Minister Dan Tok (for ANO) confirmed today that he would like to work in the second government of ANO chairman Andrej Babis after all.

"If I receive such an offer, I will accept it," Tok told reporters today. A few weeks ago, Tok said he would not like to continue in a new cabinet due to a low support he felt from ANO in the case of a new tender for motorway toll.

SOCR: TOURISM CAN GET UP TO CZK 2BN FROM EU FUNDS -

6.6.

The segment of tourism can get subsidies of up to CZK 2bn from the Operational Programme Business and Innovations for Competitiveness (OP PIK) by 2021.

The subsidies would apply primarily to renovations of old premises.

The information was published by the Czech Confederation of Commerce and Tourism (SOCR ČR) adding that the Czech Republic showed geographic and cultural conditions to be able to raise the share of tourism of GDP from current 3% to 6% in ten years.

STATISTICS

GDP RESOURCES AND USES - 1ST QUARTER OF 2018 -

1.6.

Czech economy grew thanks to domestic demand

According to the refined estimate, the gross domestic product was by **0.4%** higher in the Q1 compared to the previous quarter; in the y-o-y comparison it increased by **4.4%**. Faster growing investment expenditure supported by continuing growth of household consumption was the main growth factor of the Czech economy.

The **gross value added (GVA) increased by 0.7%, q-o-q, and by 4.5%, y-o-y**. Most economic activities of the national economy were successful. Manufacturing was the biggest contributor to the y-o-y GVA growth (1.6 p.p.). The GVA growth in manufacturing was 0.2%, q-o-q, and 6.1%, y-o-y. Especially the following were growing in manufacturing: manufacture of computer, electronic and optical products, manufacture of electrical equipment, and manufacture of machinery. In manufacture of transport equipment, which is, as usual, a key economic activity of the Czech economy, the GVA growth slackened. Both y-o-y and q-o-q drop of the GVA was recorded in mining and quarrying and in production of electricity. Construction was successful; the gross value added there increased (also thanks to favourable climatic conditions) by 7.1%, q-o-q (7.6%, y-o-y). The GVA grew also in most of economic activities of services, especially in information and communication and in financial and insurance activities.

Taxes on products increased by 3.4%, y-o-y; however, in the q-o-q comparison they decreased mainly due to lower collection of the excise duty on tobacco products. It was the reason why the q-o-q GDP growth was slower in comparison to the GVA development.

On the demand side, the y-o-y GDP growth in the Q1 was supported solely by the domestic demand. The following contributed to its growth: growing investment expenditure, continuing growth of household expenditure, and also increasing expenditure of the general government sector. The y-o-y growth of GDP (4.4%) was contributed to by investment expenditure (2.3 p.p.), household expenditure (1.4 p.p.), and expenditure of the general government (0.7 p.p.). On the contrary, imports growing more than exports contributed to decreasing in the GDP growth rate (-0.6 p.p.).

Final consumption expenditure increased by 4.0%, y-o-y, especially thanks to **households**, real consumption of which increased by 4.1% more than in the previous year and by 0.7% more than in the previous quarter. The household expenditure dynamics increased mainly as for durables and services.

Final consumption expenditure of general government increased by 3.6%, y-o-y, and by 1.4%, q-o-q.

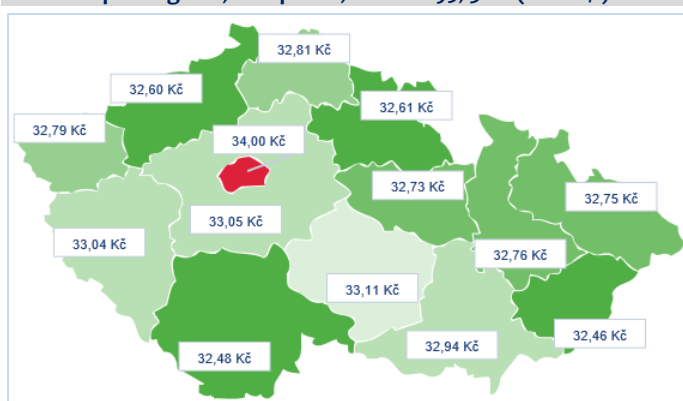
Investment activity was growing in the Q1 both in enterprises and households as well as in the general government. As for types of assets, the y-o-y growth of investment activity was supported mainly by investments in buildings and structures including dwellings and in machinery. The gross fixed capital formation was by 10.5% higher, y-o-y.

The **external trade balance** at current prices decreased by CZK 11.2 bn, y-o-y, in the Q1, and the external trade thus stopped contributing to the GDP growth after more than four years. Imports of goods and services increased by 6.5%, y-o-y (1.4%, q-o-q); exports increased by 4.1%, y-o-y (0.5%, q-o-q). As for the price development in the Q1, the total GDP deflator reached 2.6%, y-o-y.

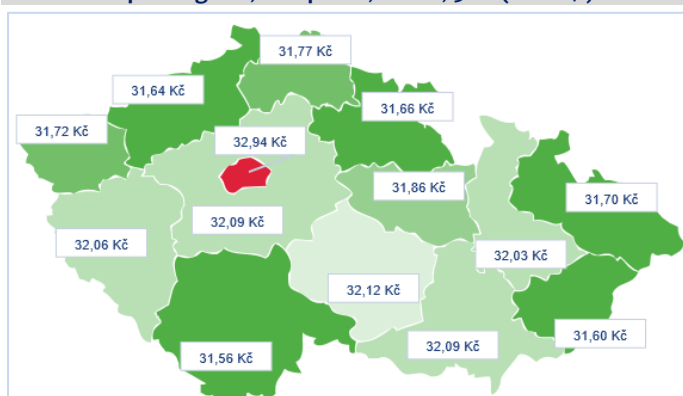
The Czech economy growth continued to be accompanied by growth in employment. In the CR, in the Q1 2018, 5 385 thousand persons were employed in average. The **total employment increased by 0.5%, q-o-q; in the y-o-y comparison it increased by 1.7%.**

FUEL PRICES – 3. 6.

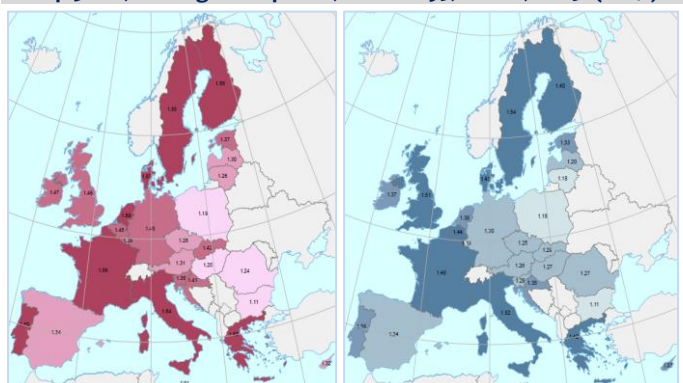
Map 1: Regions, fuel prices, Natural 95, 3. 6. (in CZK/l) ¹



Map 2: Regions, fuel prices, Diesel, 3. 6. (in CZK/l)



Map 3: EU, Average fuel prices, Natural 95, Diesel, 28. 5. (in €/l) ²



RETAIL TRADE - APRIL 2018 – 5.6.

Shift of Easter shopping influenced sales for sale of food

In April 2018, seasonally adjusted sales in retail trade at constant prices increased by 0.6%, m-o-m . Sales adjusted for calendar effects increased by 5.0%, y-o-y ; non-adjusted sales increased by 5.6%, y-o-y.

Seasonally adjusted sales in retail trade, except of motor vehicles and motorcycles (CZ-NACE 47) increased by 0.6% in April at constant prices, m-o-m. Sales for sale of automotive fuel increased by 2.2%, for sale of non-food goods by 1.8%, while for food they dropped by 1.4%.

Sales in retail trade adjusted for calendar effects increased by 5.0%, y-o-y; sales for sale of non-food goods increased by 9.4%, sales for automotive fuel by 7.0%, and for food by 0.2%.

Non-adjusted sales in retail trade increased by 5.6%, y-o-y. Sales for sale of non-food goods increased by 12.9%, for sale of automotive fuel by 9.9%, while sales for sale of food dropped by 3.6%. The y-o-y development of non-adjusted sales was influenced by a higher number of working days (by 2 days more compared to April 2017) and also by Easter holidays. Easter shopping was made during April 2017, while in 2018 it was concentrated in the end of March.

Sales grew the fastest for sale via mail order houses or via Internet (+20.3%). Consumers were also more interested in purchases in specialised stores with non-food goods. Sales in retail sale of clothing and footwear in specialised stores increased by 19.9%, in retail sale of cultural and recreation goods in specialised stores by 17.2%, in retail sale of other household equipment in specialised stores by 14.0%, in retail sale of dispensing chemist, medical and orthopaedic goods, and cosmetic and toilet articles in specialised stores by 10.1%, and in retail sale of information and communication equipment in specialised stores by 6.3%.

On the contrary, lower sales were in retail sale in non-specialised stores with food, beverages or tobacco predominating (-3.7%) as well as in retail sale of food, beverages and tobacco in specialised stores (-1.1%).

The price deflator (CZ-NACE 47) related to the corresponding period of the previous year (VAT excluded) was 100.6%. It was influenced mainly by higher prices of dispensing chemist, medical and orthopaedic goods, food, and household equipment.

On the contrary, prices decreased in retail sale of information and communication equipment in specialised stores, retail sale of clothing and footwear, and retail sale of cultural and recreation goods in specialised stores.

Seasonally adjusted sales for sale and repair of motor vehicles (CZ-NACE 45) increased at constant prices by 0.3%, m-o-m. Sales adjusted for calendar effects decreased by 3.5%, y-o-y. Non-adjusted sales increased by 3.0%, y-o-y.

Sales for repair of motor vehicles increased by 5.2% and sales for sale of motor vehicles (incl. spare parts) by 2.3%, y-o-y.

CONSTRUCTION - APRIL 2018 – 6.6.

Annual Growth in Construction Production Continued

In April 2018 the working days adjusted construction output increased by 4.8% y-o-y , in real terms; the unadjusted construction output grew by 7.7%. The planning and building control authorities granted by 5.3% more building permits, y-

¹ data issued by the mBenzin.cz; <https://www.penize.cz/ceny-benzinu-a-ceny-nafty>

² data issued by the European Commission; <https://ec.europa.eu/energy/en/data-analysis/weekly-oil-bulletin>

o-y, and the approximate value of permitted constructions jumped up by 20.2%, y-o-y. The number of started dwellings decreased by 5.3%, y-o-y, and the number of completed dwellings fell by 1.9%, y-o-y.

In April 2018 the seasonally adjusted, including working days, construction output increased by 1.5%, m-o-m, in real terms. The working days adjusted construction output in April 2018 was by 4.8% higher, y-o-y; the working days unadjusted one grew by 7.7%, y-o-y. April 2018 was by two working days longer compared to April 2017. The production in building construction increased by 10.8% (contribution +8.0 percentage points (p.p.)), y-o-y. The production of civil engineering construction declined by 1.2% (contribution -0.3 p.p.), y-o-y.

The **average registered number of employees**, in construction enterprises with 50+ employees in April 2018 fell by 1.1%, y-o-y. Their **average gross monthly nominal wage** increased by 2.9%, compared y-o-y, and reached CZK 36 612.

In April 2018 the number of building permits granted increased by 5.3%, y-o-y. The planning and building control authorities granted 7 010 **building permits**. The approximate value of the permitted constructions attained CZK 29.3bn and jumped up by 20.2% compared to the same period of 2017. The number of dwellings started in April 2018 decreased by 5.3%, y-o-y, and attained 2 490 dwellings. The **number of dwellings started** in family houses increased by 15.9% and that of dwellings started in multi-dwelling buildings plummeted by 67.4%.

The **number of completed dwellings** fell by 1.9%, y-o-y, in April 2018 and was 2 166 dwellings. The number of completed dwellings in family houses soared by 46.0%. The number of completed dwellings in multi-dwelling buildings plummeted by 71.0%.

According to Eurostat the WDA (working days adjusted) **construction output in the EU28** decreased by 1.3%, y-o-y, in March 2018. Buildings decreased by 0.8% and civil engineering works declined by 4.4%.

INDUSTRY - APRIL 2018 – 6.6.

Production influenced by shutdowns in energy industry and refining industry

In April 2018, industrial production adjusted for working days decreased at constant prices by 0.2%, y-o-y . Non-adjusted industrial production increased by 5.5%, y-o-y. Seasonally adjusted industrial production decreased by 0.9%, m-o-m . The value of new orders increased by 0.6%, y-o-y.

In April 2018, seasonally adjusted industrial production (including working days adjustment) decreased at constant prices by 0.9%, m-o-m. Working days adjusted industrial production decreased by 0.2%, y-o-y; non-adjusted industrial production increased by 5.5%, y-o-y. April 2018 had 2 working days more compared to April 2017. The following contributed the most to the y-o-y increase of industrial production: manufacture of motor vehicles, trailers and semi-trailers (contribution +2.1 p.p., growth by 11.4%), manufacture of fabricated metal products (contribution +1.3 p.p., growth by 13.6%), and manufacture of electrical equipment (contribution +0.9 p.p., growth by 14.7%). Industrial production decreased in electricity, gas, steam and air conditioning supply (contribution -2.2 p.p., drop by 18.0%),

manufacture of other transport equipment (contribution -0.1 p.p., drop by 8.2%), and manufacture of rubber and plastic products (contribution -0.1 p.p., drop by 0.8%).

Sales from industrial activity at current prices increased by 4.6%, y-o-y, in April 2018. Direct export sales of industrial enterprises increased at current prices by 6.4%. Domestic sales, which include also indirect export via non-industrial enterprises increased at current prices by 2.0%.

The value of new orders in selected industrial CZ-NACE activities increased by 0.6%, y-o-y, in April 2018. Non-domestic new orders decreased by 0.4%, while domestic new orders increased by 2.9%. The y-o-y increase of new orders in total was the most contributed to by the following CZ-NACE divisions: manufacture of fabricated metal products (contribution +3.0 p.p., growth by 28.9%), manufacture of machinery and equipment (contribution +0.8 p.p., growth by 7.7%), and manufacture of basic metals (contribution +0.7 p.p., growth by 12.6%). New orders decreased only in manufacture of motor vehicles, trailers and semi-trailers (contribution -5.1 p.p., drop by 12.3%).

The average registered number of employees* in enterprises with 50+ employees in industry increased in April 2018 by 2.1%, y-o-y. Their average gross monthly nominal wage increased in April 2018 by 9.2%, y-o-y, and reached CZK 34 437.

According to the Eurostat news release, working days adjusted industrial production in the EU28 in March 2018 increased by 3.0%, y-o-y. According to the preliminary time schedule, Eurostat will release data for April 2018 on 13 June 2018.

EXTERNAL TRADE - APRIL 2018 – 6.6.

Surplus Increased Y-o-y

According to preliminary data in current prices, in April 2018 the external trade balance in goods ended in a surplus of CZK 15.8 bn, which was by CZK 3.8 bn higher, year-on-year (y-o-y).

Year-on-year, total balance in the national concept was favourably influenced mainly by a y-o-y decrease of deficit in 'crude petroleum and natural gas' by CZK 3.0 bn and by an increase of surplus in 'motor vehicles' by CZK 2.4 bn, 'electrical equipment' by CZK 1.3 bn and 'machinery and equipment' by CZK 1.0 bn as well.

A deeper deficit in 'coke and refined petroleum products' and 'chemicals and chemical products' by CZK 1.6 bn and CZK 1.0 bn respectively had the main negative effect on the total trade balance, y-o-y.

In April 2018 the trade balance with the EU28 Member States ended in a surplus of CZK 57.1 bn, and thus it was by CZK 4.2 bn higher, y-o-y. The trade deficit with the non-EU countries widened by CZK 0.6 bn to reach the amount of CZK 39.9 bn.

Compared to March 2018 the seasonally adjusted exports and imports in the national concept fell by 0.6% and 1.3% respectively. The development trend shows decreasing exports (-0.1%) and stagnating imports.

Compared to the same month of 2017, exports and imports grew by 5.8% (to CZK 291.6 bn) and by 4.6% (to CZK 275.8 bn) respectively. April 2018 had two days more compared to April 2017.

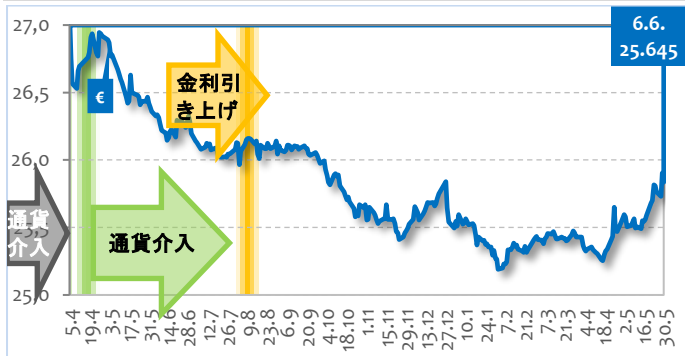
In the period from **January to April 2018** the trade balance surplus in the national concept reached CZK 73.6 bn which represented a decrease by CZK 5.4 bn, y-o-y. From the beginning of the year exports and imports increased by 0.2% and 0.7% respectively, y-o-y.

According to preliminary data in current prices of the cross-border concept in April 2018 exports and imports increased by 6.8% and 4.8% respectively. Total exports and imports of goods amounted to a value of CZK 352.0 bn and CZK 311.6 bn, respectively.

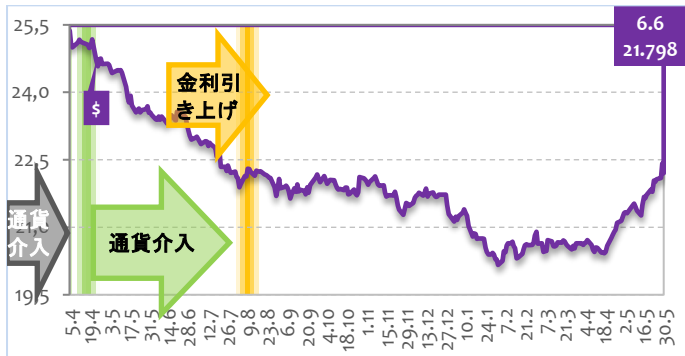
According to the Eurostat statistics, in March 2018 the Czech Republic shares in the total exports and imports of the European Union were 3.0% and 2.7%, respectively.

CNB **CZK vs €, \$, ¥ – 6. 6.**

Graph 1: Exchange rates, CZK/€, 5. 4. 2017 – 6. 6. 2018



Graph 2: Exchange rates, CZK/\$, 5. 4. 2017 – 6. 6. 2018



Graph 3: Exchange rates, CZK/100¥, 5. 4. 2017 – 6. 6. 2018

