

ECONOMIC NEWS SUMMARY OCTOBER 25 – OCTOBER 31

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

詳細情報については、それぞれの情報ソースを参照願いたい。

ECONOMY & FINANCE

FINANCE MINISTRY: NO. OF BETTING COMPANIES DOWN – 30.10.

The number of betting companies in the CR reached 2,283 as of October 26, 2018 according to the Lottery Act and 1,783 according to the Gambling Act. The information was provided by the Ministry of Finance, which is issuing licences for rate bets. As of September 21, 2018, there were 2,520 companies according to the Lottery Act and 1,780 according to the Gambling Act.

CNB: CZECH HOUSEHOLD DEBT GROWS TO CZK1,620BN IN SEPT – 31.10.

Czech household debt to banks and credit unions amounted to CZK1,620bn in September, increasing by some CZK9bn month on month and by CZK114bn year on year, the Czech National Bank (CNB) said today.

Corporate debt added CZK13bn monthly and CZK57bn annually, reaching CZK1,117bn in September.

Debts of Czech households have been growing since February 2016, adding more than CZK250bn since then.

Housing loans, especially mortgages, make up roughly three quarters of the entire household debt, the CNB said.

The volume of both housing loans and consumer loans reported a month-on-month rise in September.

The CNB tightened mortgage loan conditions from October, saying that a mortgage loan should not exceed nine times the net annual income of applicants who should also spend no more than 45% of their net monthly income on debt service.

The new regulation temporarily increased people's interest in housing loans in the previous period, UniCredit Bank economist Patrik Rozumbersky said.

The weakening trend stopped in September. However, in the last quarter of this year, the growth rate in housing debts will decelerate again, he said.

Debts of companies have fluctuated over the past few years. In monthly comparison, the volume was dropping from September 2017 until January 2018, and also in March 2018, growing from April.

Long-term loans accounted for more than a half of corporate debt in September, the central bank said.

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

ČBA: GDP GROWTH TO REACH 2.9% IN 2019 – 31.10.

The Czech economy will show a slower pace of growth than before, particularly 3.0% in 2018 and 2.9% in 2019.

This stems from the new macroeconomic prediction published by the Czech Banking Association (ČBA).

The growth slowdown is caused by a combination of internal and external factors, which will be still visible in the prediction horizon and probably also later on.

While the manufacturing segment was the biggest contributor in the growth, the growth will be driven by services in 2018.

LABOUR & SOCIAL

EMPLOYEES LIKELY TO GET SICK PAY IN FIRST DAYS OF ILLNESS AGAIN – 31.10.

The Chamber of Deputies, the lower house of Czech parliament, today passed a draft amendment to the Labour Code re-introducing sick pay during the first three days of illness for employees.

The bill sponsored by the junior ruling Social Democrats (CSSD) was passed mainly by the votes of deputies for the CSSD, the senior ruling ANO and the opposition Communists (KSCM), who kept the minority ANO-CSSD coalition government afloat, and Pirates.

A total of 128 out of the 189 MPs present voted in favour of the bill. These votes also included four out of eight Christian Democrats (KDU-CSL).

The votes against included mainly the opposition right-wing Civic Democrats (ODS), TOP 09 and the Mayors and Independents (STAN). MPs from the Freedom and Direct Democracy (SPD) movement as well as four KDU-CSL deputies and Vera Kovarova of STAN abstained from the vote. The bill, which survived the Civic Democrats' rejection proposal, is yet to be passed by the Senate.

Under the bill, employees would receive 60% of their daily assessment base in the first three days of illness. The costs would be covered by employers, who would pay 0.2% less in employee health insurance, thus saving a total of 3.5 bn crowns.

The abolition of the exclusion period of three days during which people on sickness leave do not receive sickness benefits was one of the main demands of the CSSD during negotiations with ANO on forming the coalition cabinet tolerated by the Communist MPs.

The three-day period was introduced as part of the austerity package of former Prime Minister Mirek Topolánek (ODS) in 2008. The Constitutional Court abolished it in mid-2008, but the cabinet pushed it through again.

At present, employees receive nothing for the first three days of illness. Wage compensations are paid from the 4th to the 14th day of illness by the employer at an amount corresponding to three fifths of the average daily earning. From the 15th day of illness, compensations are paid from the social security scheme.

REAL ESTATE PRICES IN CR KEEP GROWING IN Q3 – 31.10.

Market prices of flats, family houses and plots of land kept growing in the CR in annual terms in the third quarter of this year, with prices of flats rising the most and prices of land plots the least, Hypotecni banka representatives said at a press conference today.

Prices of flats showed the highest growth also compared with the second quarter of this year.

According to the HB Index, prices of flats posted an annual rise of 11.1 percentage points to 137.4 points. Compared with

the previous quarter, prices increased by 2.8 percentage points.

The index's basic value of 100 points represents the real property prices as of January 1, 2010. Prices of flats have risen by almost two fifths since that time.

"The growth pace was moderately slower than in the previous quarter but the year-on-year growth was still above 10%," said Hypotecni banka property department head Petr Nemecek.

"Prices grew in all regions, the highest increase was registered in the South Bohemia, Karlovy Vary and Liberec regions and the lowest in the Zlin and Plzen regions," he added.

The highest interest is in small flats. The shift of demand from Prague's outskirts to the Central Bohemia Region continues. Prices of family houses went up by 6.7 percentage points yr/yr to 126.4 points and against the previous quarter, the index increased by 1.6 point.

"Compared with the previous quarter, prices of family houses grew by 0.3% slower. Construction companies grapple mainly with longer delivery terms for building materials and full capacity," Nemecek remarked.

The offer of developer projects is the richest in the Central Bohemia Region, construction goes on also near regional capitals with good transport accessibility.

The share of timber houses in the total number of new houses increased to 15%.

Prices of plots of land rose by 5.5 percentage points in annual terms to 147.5 points and quarter on quarter, they were 1.4 point higher.

"Demand remains stable but offer is insufficient. Prices of land plots in developer projects at the outskirts of Prague exceeded CZK10,000 per square metres in many cases," Nemecek said.

He expects the offer of older flats to stagnate. As for new flats, the offer will be affected by slow preparation of projects and insufficient capacity of builders, mainly in Prague and Brno.

"Demand will be falling moderately but interest of foreign buyers in real properties in Prague will continue. The growth pace will be slowing down and stagnation is expected in many regions. Part of the potential buyers will opt for tenement housing," Nemecek said.

HB Index, which has been monitoring prices of flats, family houses and land plots, is based on real estimates of market prices of the property Hypotecni banka clients have purchased via a mortgage loan.

CIA CR HAS 2ND HIGHEST EMPLOYMENT RATE IN EU - 79.8%

CR reported the second highest employment rate in the EU for Q2 2018 - 79.8%, thus exceeding the goal set by the EU, according to which the employment rate in Member States should average 75%.

CR has also fulfilled the national goal for the employment of persons aged 20-64 years.

The Czech Statistical Office (ČSÚ) has informed that the employment rate totalled 87.5% for men and 72% for women. The total average unemployment rate in Member States dropped to levels seen in 2008.

ENERGY & INDUSTRY & TRANSPORT

CTC PRAGUE TO HOST WORLD ROAD CONGRESS IN 2023 – 25.10.

Prague will host the World Road Congress in 2023, as it has been selected by vote of the World Road Association's council, the Czech Transport Ministry said in a press release today.

Prague hosted the congress last time in 1971.

"The possibility to host the World Road Congress means a great success and prestige for the CR. Transport experts from all over the world will meet in Prague. We will have an opportunity to present ourselves as a country that has transformed itself notably since the 1970s and that can deservedly rank itself among modern European states," Transport Minister Dan Tok said.

Prague won 122 votes in the secret ballot held in Japan, ahead of Sydney with 66 votes and Kuala Lumpur with 32 votes.

The World Road Association - PIARC is an international non-profit and non-political association devoted to development of international cooperation in road transport and infrastructure. It has been organising the World Road Congress since 1909.

CIA HK ČR CALLS ON GOVT TO DEAL WITH HIGHER CO2 ALLOWANCE PRICES – 25.10.

The Chamber of Commerce has called upon the government and other relevant authorities to deal with the situation regarding the development of emission allowance prices, which reached in August 2018 the ten-year high of EUR 25 per ton of CO2. Over the last year, the price of emission allowances increased up to five times. According to the association, the government must not permit the price hike to have a negative effect on end users of energy and on companies buying emission allowances.

CIA GOVERNMENT APPROVES FURTHER LIBERALISATIONS OF RAILROADS – 25.10.

On October 24, 2018, the Government of the CR approved a draft amendment to the Act on Railways. The norm stipulates further liberalization of Czech railroads and the related possible entry of foreign carriers also into the passenger transport segment. The existing law must also be amended in the area of flat-rate exemptions allowing the direct conclusion of public service contracts in rail transport. These exceptions will not be allowed after 2028. At the same time, the government proposes the establishment of a common information system and an integrated system for issuing tickets, uniform tickets and reservations.

CTC CESKE DRAHY TRANSPORTS 133.7M PASSENGERS IN Q1-3 – 25.10.

Trains of Ceske drahy (CD) national rail operator transported 133.7mn passengers in the first three quarters of this year, some 2.8mn more than a year earlier, the company said in a press release today.

Rival RegioJet has also registered a growth in the number of passengers this year, mainly thanks to new connections between Prague, Brno, Vienna and Bratislava, for example. RegioJet transported 4.3mn people in January-September this year, 860,000 more than a year earlier, spokesman Ales Ondrůj said in a press release today.

Trains of private company Leo Express transported more than 1.1mn passengers in the Jan-Sept period, which is about 250,000 people more annually, Leo Express spokesman Emil Sedlarik told CTK today. The launch of operations in Germany and routes to Poland boosted the company's figures, he said. "The growing number of passengers in the first half of this year and another increase this year in September made us strengthen the capacity of trains on long-distance lines, mainly between Prague and Moravia," said deputy CEO and board member Michal Stepan.

The highest growths were registered from Fridays to Sundays so the planned capacity of the trains has increased by almost 1,000 passengers a day on these days, he added.

The capacity on other lines, for example from Prague to the Ostrava district, increase as well, and CD also raises the capacity of other trains, depending on the situation of reservations.

Ceske drahy transported over 15.5mn people in September, 2% more than in the same month last year. The company attributes the growth in that month also to new discount fares.

It is too early to evaluate the effect of the new discounts, Stepan added. A 75% discount for students aged under 26 and senior citizens aged over 65 is valid since September 1.

Over 6mn passengers took advantage of the new discounts in September, almost 40% of the total number of the people travelling in September.

Ceske drahy plans to raise permanently the capacity of its trains also with the new train schedule.

Last year, the number of passengers on Ceske drahy trains went up by 3.2mn to 174.7mn.

Ceske drahy's profit plummeted annually by CZK275m to CZK262m in the first half of this year but sales revenues increased by some CZK618m to CZK17.35bn.

Ceske drahy group includes also CD Cargo freight transport company, the Railway Research Institute and CD Telematika data services provider.

MINISTER NOVÁKOVÁ: CZECH GOVT MAY POSTPONE NUCLEAR PROJECTS DECISION -- 29.10.

The Czech government may put off its decision about forcing CEZ energy group into an unprofitable construction of new nuclear units worth a few billions of dollars, Industry and Trade Minister Marta Novakova said in a Bloomberg interview.

"The decision about building nuclear units can't be done under pressure and we don't want to be put under pressure from suppliers or other entities," Novakova said in an interview in Prague last week.

"The Finance Ministry is also analysing the risk of potential court disputes," she said.

Postponement of decision on construction of new reactors is one of the possibilities, said Prime Minister Andrej Babis, adding that he had talked about the postponement with CEZ energy group.

"Postponement is one of the options which we discussed at the last meeting with CEZ representatives," Babis told Denik N newspaper.

Novakova said in August that the decision on the construction's financial model should be made by the end of this year.

The discussion revolves around loan costs, Novakova told Bloomberg, adding that the state can get the money significantly cheaper than a private company.

Extending the lifespan of Dukovany nuclear power plant beyond the current expiration date of 2035 is possible, she said.

Babis said that CEZ, a company 70% owned by the state, can afford to build at least one more unit at Dukovany.

The CR is betting on nuclear power which accounts for 40% of its total energy output, Bloomberg said.

"If we want to keep reducing carbon dioxide emissions, nuclear power stations must remain part of our energy mix - we can't meet the targets without nuclear energy," Novakova said.

Minority shareholders of CEZ have been saying that burdening the company with nuclear expansion costs would wipe out its profits and dividends.

A part of CEZ's minority shareholders is linked to Michal Snobr, economist and consultant to J&T investment group.

Snobr welcomes the possible delay in making a decision about new nuclear unit construction, thinking there is currently no one able to build an advanced facility for a reasonable amount of money in a reasonable amount of time in the European Union.

Snobr thinks the lifespan of Dukovany could be prolonged from 50 to 60 years. Dukovany's first unit has been operating since 1985 and the fourth one since 1987.

ENA company analyst Jiri Gavor considers Novakova's attitude realistic.

Even a significant electricity price hike, registered over the past year, does not make a new nuclear unit commercially appealing to a business like CEZ that needs to take all its shareholders' interests into account, Gavor said.

In terms of building reactors, it is rather a question of when, where and how many, than whether or not, Novakova said.

Six companies have expressed interest in building a nuclear unit in Czechia - Russia's state-run company Rosatom, France's EDF, South Korea's KHNP, China General Nuclear Power, joint venture of Areva and Mitsubishi Atmea, and American Westinghouse, according to earlier information.

CR TO BORROW CZK11.5BN FROM EIB FOR RAILWAYS - 29.10.

The CR will draw a CZK11.5bn loan from the European Investment Bank (EIB) in 2019 to 2025, the money will go for investments in expansion of eight railway corridor sections, according to the Transport Ministry's document to be discussed by the government on Wednesday.

The real size of the drawn amount of money will depend on real costs of the projects. Another CZK11.5bn for the projects will come from the state and less than CZK1bn from EU funds. Out of the eight sections, the support has been approved only for Velim - Poricany, Central Bohemia, and Detmarovice - Petrovice u Karvine - state border with Poland. Their preparation has progressed the furthest, the ministry said.

With the help of loans from the EIB, the Transport Ministry wants to compensate the shortfall in the amount of money for investments in transport infrastructure.

Transport Minister Dan Tok signed a memorandum on cooperation with EIB representatives in April. Thanks to it, the CR is to gain up to CZK100bn for transport projects.

Construction of transport infrastructure is currently financed also from the Operational Programme Transport and Connecting Europe Facility (CEF).

**CTK NKU: THIRD OF CD TRAINS IN SERVICE OVER 30 YEARS
DESPITE SUBSIDIES – 29.10.**

More than a third of trains of Ceske drahy (CD) rail operator have been in service for over 30 years despite an injection of CZK4.6bn for their renewal obtained from the EU and the state in 2008-2018, according to inspection of the Supreme Audit Office (NKU).

The NKU said CD's rolling stock was outdated in both technical and moral terms.

According to CD, the rail vehicles have not been renewed from the 1989 Velvet Revolution (the fall of the Communist regime) until about 2008. Afterwards, the firm invested around CZK45bn in ten years, with another CZK40bn still in need, CD added.

The NKU's audit focused on money provided to CD for the renewal of railway vehicles between the years 2012 and 2018. Besides CD, the NKU also checked the Transport Ministry, which distributed state money and EU funds for the trains' overhaul.

In 2012, CD operated about 42% of such old trains and last year about 35% of them.

CD said it had been able to invest only since about 2008 thanks to the international rating it received and a subsequent bond issue.

Means from the bond programme were used for the purchase of new vehicles and for the modernisation of old ones. The share of subsidies for the renewal of CD vehicles was low from the point of view of the overall investment," the firm said.

Inroads into the passenger rail transport market are slow to come as well, with CD still being the main operator, servicing about 85% of the overall transport, the NKU said.

The Transport Ministry does not agree with the NKU's statement that CD receives nearly all EU and state subsidies. As elsewhere in the EU, the dates are set for a gradual opening of the public service market, the ministry said.

**GIA REGIONAL DEVELOPMENT MINISTRY TO SUPPORT HOUSING
WITH HUNDREDS OF MILLIONS – 29.10.**

The Ministry for Regional Development will issue a call for applications for subsidies in program Housing Support for year 2019. Minister Klára Dostálová (ANO) stated that sub-program Technical Infrastructure will also be called. The anticipated allocation is CZK 50m. A sum of CZK 200m is prepared for nursing home apartments. The call will also be open for community seniors' homes. The budget totals CZK 150m. The ministry has prepared CZK 200m to remove barriers to entry to buildings as part of sub-program Residential buildings without barriers. Applications will be accepted from the week commencing November 5, 2018 until the start of February 2019.

**CTK SKODA AUTO'S OPERATING PROFIT 10% LOWER IN JAN-SEPT –
30.10.**

The operating profit of Czech car maker Skoda Auto went down by an annual rate of 10.2% to EUR1.1bn (CZK28.5bn) in the Jan-Sept period, its parent company Volkswagen said today.

The profit figure was influenced by an unfavourable development of exchange rates and growing costs of new products.

Sales increased by 2.1% to EUR12.6bn at end-Sept.

Skoda Auto said previously it delivered 939,100 cars to customers in Q1-Q3, about 8% more yr/yr.

In September alone, deliveries dropped by 16% to 94,800 units, which the firm assigned to new WLTP (Worldwide Harmonised Light Vehicle Test Procedure) tests that applied to all new model line-ups.

**CTK PM BABIŠ: DUKOVANY PLANT'S SERVICE LIFE MAY BE
EXTENDED BY 10 YRS – 30.10.**

The service life of Czech nuclear power plant Dukovany might be extended by 10 years, the costs would reach CZK20bn, and the construction of a new reactor would be worth some CZK200bn, Prime Minister Andrej Babis said today.

State representatives are holding talks with energy group CEZ, Babis said prior to departure for Slovakia to attend celebrations of the 100th anniversary of Czechoslovakia's birth.

The new nuclear unit is supposed to be built in Dukovany whose lifespan is estimated to expire around 2035.

Babis said on Monday postponement of a decision on the reactor's construction was one of the options.

"At the last meeting, we discussed the possibility of extending Dukovany's lifespan by 10 years," Babis said.

The CR wants to raise the share of nuclear energy in power generation, however, all the options should be taken into consideration, he said.

"The question is how Europe will develop," Babis said, pointing out delays in nuclear units' construction in Slovakia and Finland.

CEZ, about 70% owned by the state, operates both Dukovany and another nuclear power plant Temelin. They account for 38% of the country's electricity consumption.

CEZ is not willing to invest in new units without some form of state support. Its minority shareholders fear that if CEZ financed the construction of a new unit they would be harmed by a drop in the price of CEZ shares.

Dukovany's unit 1 has been in service since 1985 and the last fourth unit was launched in 1987. The units should be put out of operation in 2035 to 2037.

Babis said previously that CEZ can afford to build at least one more unit in Dukovany.

According to earlier information, six companies have been interested in building nuclear units in the country: Russia's Rosatom, France's EDF, South Korean KHNP, China General Nuclear Power, joint venture of Areva and Mitsubishi Atmea, and US company Westinghouse.

**GIA RVVI COUNTS ON INCREASING RESEARCH EXPENDITURES –
30.10.**

Total government expenditures on research, development and innovations in 2019 will amount to CZK 35.9bn, while they should total CZK 37.5bn each in 2020 and 2021. This information was provided by the Research, Development and Innovation Council (RVVI). At the end of 2018, a decrease in unused national expenditures from CZK 6.9bn to CZK 6.1bn is expected. The Council plans to use some of the unused expenditure from 2018 to develop new purpose support

programmes and to fund excellent scientists within the framework of ERC grants.

EIA INNOGY INCREASES INVESTMENT IN CNG FILLING STATIONS – 30.10.

Innogy's total investment in the construction of CNG filling stations will exceed CZK 70m in 2018.

The company has said that in 2018 it opened filling stations in Cheb, Ústí nad Orlicí, Jihlava, Kralupy and Nový Jičín, and that their total number thus exceeded 30.

More will be built by the end of the year. Innogy's executive officer Zdeněk Kaplan said that other locations would include Klatovy, Dubí u Teplic, Litvínov and České Budějovice.

CTK WORLD BANK: INVESTMENTS IN STARTUPS ARE LOW IN CR – 30.10.

Investments in startups are low in the CR, they are dominated by a relatively small group of very rich natural persons, according to a report of the World Bank on private investors in risk capital in the CR, made public by the Finance Ministry today.

Transactions in startups basically take place only in Prague and Brno.

These persons invest mainly individually, either directly in a company or through a private fund or family firms. There are no joint investments of several business angels, the report says.

The investments are reduced to just several sectors, in particular in IT and communication technologies.

The report was financed by the EC within the Structural Reform Support Programme.

The Finance Ministry said it would strive to draw more money from this programme to carry out the recommendations contained in the report on business angels.

In its analytic part, the report describes and compares the current situation of business angels in the CR, their investment methods and preferences, forming of associations and regulatory conditions.

It also provides recommendations for improvement of investment environment for business angels, for example formation of their national association and creation of special funds for investing in startups.

Putting the recommendations in practice would be good news for innovators and courageous young entrepreneurs, Algotech CEO Frantisek Zeman told CTK.

Developing of monitoring of fledgeling entrepreneurs is also important. "No school or similar institution can teach anyone how to do business, it is therefore necessary to support formation of a community of more experienced entrepreneurs to support the startup scene not only with money, but also with advice and continual leading," he added. Jan Skovajsa, the founder of MyTimi service, sees this type of support as correct. "Unlike the USA, the CR is short of business angels," he said, adding that the criteria for the choice of who will get support should be very tough to prevent corruption.

Trisbee application co-founder Matej Turek is of the opinion that the CR has enough business angels and there is sufficient information about them and about the market.

"Czech business angels have access to a very good deal flow either directly, via an adviser or through groups like Keiretsu

Forum, Fundlift, Tilia Impact Ventures and accelerators like StartupYard," he declared.

EIA EY: PASSENGER CAR PRICES GROW FASTER THAN INFLATION – 31.10.

Passenger car prices grew faster than inflation in Q3 2018.

The price hike trend was seen by passenger cars across individual manufacturers' offers.

This stems from EY's Price Index.

The price of half of basic models increased by 2.3%, i.e. an average of CZK 9,700.

Electric vehicle prices are growing most rapidly, by the average of 3.4%, i.e. CZK 35,500.

Their prices increased by at least CZK 10,400.

ENVIRONMENT & AGRICULTURE

EIA MINISTRY OF AGRICULTURE WILL PROVIDE UP TO CZK 1BN FOR FOREST RENOVATION – 25.10.

The Ministry of Agriculture of the CR (MZe) will support forest renewal and hunting activities by up to CZK 1bn in 2019.

This is up to CZK 600m more than in 2018. The Ministry of Agriculture has also decided to pay this year all applications for forest management and selected hunting activities such as planting of nesting boxes for water birds, totalling CZK 400m, which is about CZK 50m more than in 2017.

≡ CZECH FORESTRY IN CRISIS – 30.10. (EXCERPT)

Forests in the CR are suffering. Frequent periods of prolonged draught have weakened trees, leaving them prone to harmful bark beetle infestation. Moreover, severe storms in recent months and years damaged large areas of woodland and foresters have had to cut down many more trees than the sawmills are able to process. As a result, the price of wood has now fallen to a half of what it was a year ago. Vít Pohanka met foresters and experts from several European countries at a seminar they held in Czechia.

Forests now cover some 34% of Czechia, a figure slightly under the European Union average. Even though the forested area is slightly growing, the trees are in general becoming more vulnerable and, without exaggeration, the forest industry not only in the CR has been going through a crisis for some time now. If it is to survive and have a sustainable future, it will need a new responsible way of thinking; but also the right legislation and understanding of the state and the society.

MISCELLANEOUS

CTK SURVEY OF ACTIVITIES OF CZECH ENTREPRENEUR KRETINSKY – 25.10.

- He is a Czech billionaire involved in media via Czech News Center (CNC), a unit of Czech Media Invest (CMI) group. Kretinsky has a 50% share in CMI, other co-owners being Patrik Tkac (40%) and Roman Korbacka (10%). They bought CNC (formerly Ringier Axel Springer CZ) from German-Swiss company Ringier Axel Springer AG at end-2013.

- CNC is the strongest media house in CR, it says on its website, having nearly 3.7mn readers and about 7mn Internet users. It also has two printing houses, one in Prague and one in Ostrava.

- CNC raised 2017 profit by CZK108m to CZK127m on revenues 3.5% higher at CZK1.948bn. CN Invest is another unit of CMI,

publishing economic daily E15 and some magazines. In July this year, CMI completed purchase of radio stations of French group Lagardere in Czechia, Poland, Slovakia, and Romania. Frekvence 1 and Evropa 2 rank among the most popular Czech radio stations. This year, CMI has acquired French weekly Marianne and a share in Lagardere Group, which publishes Elle magazine, for example.

- Via CMI, Kretinsky, along with PPF, Tkac and investment group Rockaway Capital, has stakes in online retailer Mall Group (its units are Mall.cz, CZC.cz, Kosik.cz, and Prodeti), which is active in seven countries. Mall Group launched TV station Mall.tv this month.

- Kretinsky is majority shareholder of Energeticky a prumyslový holding (EPH), a leading energy group in Central Europe, which plays a major role in shipping Russian natural gas to the EU. It is the largest heat distributor in Czechia, the second largest Czech electricity producer (after energy group CEZ), and a major mining company in Germany.

- EPH controls over 50 mining and energy firms. It owns and runs Czech sources such as Elektrárny Opatovice power plant, United Energy and Prazska teplarenska heating plant, and has assets in Slovakia, Germany, Italy, Britain and Hungary. Firms linked with EPH employ nearly 25,000 people. EPH netted CZK22.5bn last year, an annual hike of 9.6%, with consolidated sales rising to CZK153.9bn.

- Kretinsky is co-owner of EP Industries (singled out from EPH), a leading industrial grouping in Czechia comprising about 10 firms operating in energy engineering, transport infrastructure, automotive industry (SOR bus producer) and waste management (AVE holding).

- Kretinsky and Tkac are owners of EP Global Commerce (EPCG). At end-August, it announced an entry into Germany's Metro AG, which runs Makro wholesaler on the Czech market. EPCG II said at the end of September it raised its stake in Metro AG to 10.9%.

- In October, Forbes listed Kretinsky as the fifth richest Czech with a net worth at CZK59bn. He is co-owner of football club AC Sparta Praha. Anna Kellnerova, 21, a daughter of the richest Czech Petr Kellner, is his partner.

MORE METRO STOPS COVERED BY 4G SIGNAL – 30.10.

More metro stations now have a 4G LTE mobile signal in tunnels and public places. The section from Pražského povstání to Roztyly is now in operation. It joins the previous section from Muzeum to Vyšehrad, which was launched at the start of October. All stations cover so far are on the Metro C line, or red line.

A consortium of mobile operators made up of CETIN, O2, T-Mobile and Vodafone have so far invested about CZK80mn in the project.

Installing service in the metro tunnel makes slow progress because work can only be done at night when the metro isn't running, and only for about two and a half hours at a time. In 2019, the mobile operators plan to cover another 21 stations. All remaining stations and tunnels will be covered between 2020 and 2021. Total costs are estimated at CZK0.5bn.

The Prague metro began operation in 1974 and now has three lines with 61 stations. It currently has a transit network 65.2 kilometers long. This does not include the long-planned Metro D line.

"It is possible to increase the comfort of passengers while fulfilling what we have promised. Another 21 stations will be covered next year and I believe that the entire metro will be covered by the end of 2021 as it stands in the contract," Prague Mayor Adriana Krnáčová (ANO) said earlier then the first section was announced.

After several years of negotiations, a contract with a consortium of mobile operators was signed in April, setting out a timetable for work.

The entire metro should have been covered by a mobile signal in 2017, but this was delayed due to the lack of an agreement with the operators.

Last year, the city also launched public Wi-Fi connections in the first six metro stations — Hlavní nádraží, Pražského povstání, Náměstí Republiky, Smíchovské nádraží, Florenc B and Florenc C — and this September, the connection was extended to Muzeum.

"It's all about improving passenger comfort. In the 21st century, it would be a standard for people to sort out emails or read messages on their way to work, so I think it's right that along with the introduction of the mobile signal, the stations will also be covered with Wi-Fi connections," Krnáčová said previously.

Expanding WiFi coverage is part of a long-term city project not only for the metro. The Prague Public Transit Company (DPP) has introduced Wi-Fi in new Škoda 15T ForCity trams and some other trams as it modernizes the fleet. By 2022 DPP hopes to have 60 to 70% of the fleet covered with WiFi.

EDUCATION MINISTRY TO GIVE 310MN TO CZECH-US

RESEARCH PROJECTS – 31.10.

The Czech Education Ministry will provide CZK310mn to support cooperation between Czech and U.S. scientists in 46 selected research projects in the next four years, the ministry said on its website today.

The ministry has selected the projects in a tender announced in March as part of the INTER-EXCELLENCE programme of cooperation between Czech and U.S. research centres.

Originally, the ministry planned to provide subsidies worth CZK250mn for this purpose, but eventually it raised the sum by CZK60mn with regard to the higher number of quality projects, Deputy Education Minister Pavel Dolecek said.

"The high interest and the quality of the projects are even more satisfying in view of the fact that the USA ranks among key strategic partners of the CR in bilateral research cooperation," Dolecek said.

The funds earmarked for the subsidies are part of the approved medium-term outlook of the state budget, the ministry noted.

Czech and U.S. research institutions cooperate on the basis of an intergovernmental agreement signed in 2007. A protocol extending and amending the agreement was signed by Education Minister Robert Plaga (senior ruling ANO) and U.S. Ambassador to Prague Stephen King in April this year.

The INTER-EXCELLENCE programme in support of international cooperation in research and development was approved by the government two years ago, planning to spend CZK6bn on it until 2024.

ILLEGAL CIGARETTE MARKET RISING IN CZECHIA, BUT STILL

SMALL – 31.10.

The volume of cigarettes smuggled from the East, primarily Ukraine and Belarus, has been slightly rising in the CR, but the Czech illegal market with tobacco products is still one of the smallest in Europe, daily Lidove noviny (LN) has written.

It refers to the data from a study of the KPMG consulting company that has been presenting them for years in the Project Sun detail study.

Last year, some 480mn forged and smuggled cigarettes corresponding to 24mn packets entered the Czech market, which makes 3.3% of the total domestic cigarette consumption, amounting to 14.5 bn cigarettes a year, LN wrote in its Tuesday issue.

The Czech illegal market with tobacco products is very small compared to the European average of 8.7%, however, it has increased by 0.2% year-on-year, from 3.1 to 3.3%.

"We estimate the share of forged or smuggled cigarettes in the EU in 2017 at 8.7% of the total consumption, which makes up 44.7 bn cigarettes, and the tax evasion at roughly EUR10bn," the Project Sun study writes.

But unlike the CR, the volume of illegal tobacco products has been dropping in Europe more steeply than their consumption.

KPMG annually analyses the market with the aid of dozens of thousands of volunteers who are collecting cigarette packets thrown away in cities of the monitored countries and assessing their origin.

Despite a slight rise, the CR has the sixth lowest share of illegal cigarettes out of the 30 monitored European countries (the EU member states, Norway and Switzerland).

There are several reasons for the relatively favourable situation. According to the KPMG analysis, the share of illegal cigarettes is low in the countries in a good economic condition and with a high level of law enforcement.

Tomas Korkos, director of the PR section of Philip Morris, the leader on the Czech tobacco market, points out that the CR has long ranked among the countries with the lowest level of trade in illegal tobacco products in the EU.

The main reasons are a predictable regular rise in the excise tax on them and relatively low prices compared with the Western countries and thereby low willingness of consumers to buy forged products as well as the good work of controlling bodies, mainly the Czech customs authority, Korkos told LN.

It is apparent that the price has a major impact on the illegal market share. Last year, the average price of a cigarette packet in the CR was 84 crowns, while the EU average was 128 crowns.

The cigarette prices in the CR are approximately the same as in the neighbouring Poland and Slovakia and lower than in Germany and Austria, said Jiri Hauptmann, spokesman for the JT International tobacco company in the CR.

"The price difference does not bring such a financial benefit and this is why we are rather a transit country when it comes to illegal tobacco products," Hauptmann said.

On the contrary, in Ukraine a cigarette packet costs an equivalent of 13 crowns and in Belarus, it is even three crown cheaper.

As a consequence of relatively low losses caused by illegal trading in tobacco products, the Czech Finance Ministry is not considering any one-off steep rise in their prices.

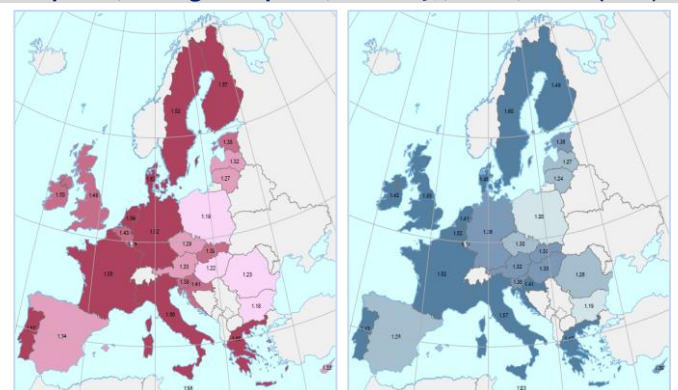
Last year, the state collected 56.2 bn crowns in taxes from the sale of tobacco products, which was almost CZK10bn more than in 2007.

On the other hand, smoking opponents welcome any rise in the cigarette prices, saying this is basically the only argument to discourage smokers from their addiction, LN writes.

STATISTICS

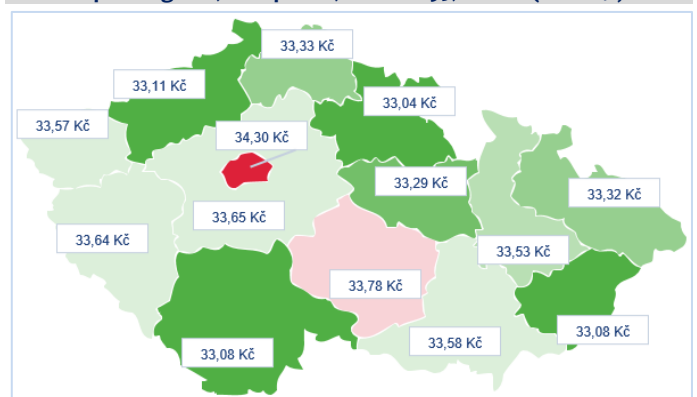
FUEL PRICES IN THE EU – 22. 10.

Map 1: EU, Average fuel prices, Natural 95, Diesel, 22. 10. (in €/l)¹

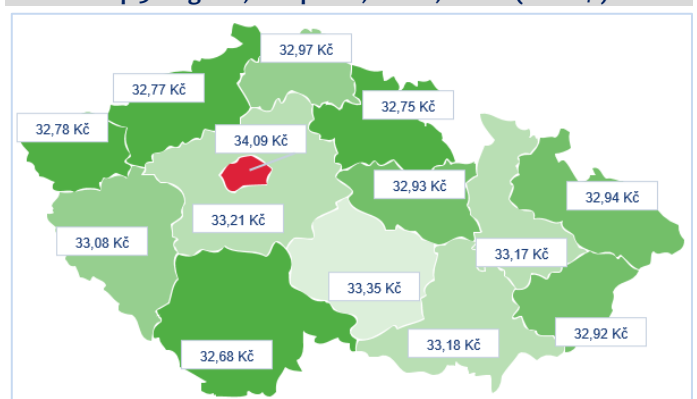


FUEL PRICES IN THE CR – 28. 10.

Map 2: Regions, fuel prices, Natural 95, 28. 10. (in CZK/l)²



Map 3: Regions, fuel prices, Diesel, 28. 10. (in CZK/l)



¹ data issued by the European Commission; <https://ec.europa.eu/energy/en/data-analysis/weekly-oil-bulletin>

² data issued by the mBenzin.cz; <https://www.penize.cz/ceny-benzinu-a-ceny-nafty>


AGRICULTURE - 3RD QUARTER OF 2018: MEAT
PRODUCTION UP, PRICES OF ANIMALS FOR SLAUGHTER DOWN – 30.10.

In Q3 2018 the meat production amounted to 109 363 tonnes (+2.0%, year-on-year); it consisted of 17 225 tonnes of beef (+8.3%), 50 792 tonnes of pigmeat (-0.1%), and 41 283 tonnes of poultrymeat (+2.1%). Prices of animals for slaughter were lower, y-o-y: only negligibly for cattle (-0.5%) and slightly for chicken (-2.2%) but distinctly for pigs (-19.7%). Pigs for slaughter were sold for 35.78 CZK per kg of carcass weight. Dairies and collection centres purchased 739 388 thousand litres of milk from producers. Farmers sold milk on average for 8.23 CZK per litre (-3.2%).

Slaughtering and meat production

In Q3 2018 the number of slaughtered cattle was 57.4 thous. head, i.e. by 6.6% more, y-o-y; of which 22.3 thous. were bulls (+3.0%), 27.2 thous. were cows (+9.8%), and 5.7 thous. were heifers (+14.3%). The total beef production reached 17 225 tonnes (+8.3%). The year-on-year increase of the production was caused also by the weight of slaughtered animals which was on average by 9.4 kg per head higher. The number of slaughtered pigs (560.6 thous. head) declined again, y-o-y (-1.1%); increased slaughtering of sows since the beginning of the year (+8.1%) can be considered a negative phenomenon. The pigmeat production amounted to 50 792 tonnes (-0.1%). Lower number of slaughtered pigs was compensated by their higher weight (115.2 kg per head for pigs for slaughter except sows). Poultrymeat production reached 41 283 tonnes and was by 2.1% higher than in Q3 2017.

Cattle and pig numbers

According to the results of the Cattle Production Survey, the number of cattle at the beginning of Q3 2018 in the CR was 1 434.2 thous. head (+1.0%). A moderate year-on-year decline occurred in the category of animals up to 1 year old (-1.4%) while the number of bulls for fattening and of mated heifers went slightly up (+4.1% and +2.3%, respectively). Stable trends persisted in numbers of cows: a slight decrease in dairy ones (-0.9%) and a moderate increase in beef ones (+1.8%).

The number of pigs almost did not change, y-o-y (1 557.4 thous. head, -0.4%). The number of piglets up to 20 kg was only by 0.5% lower but the number of pigs for fattening declined by 2.8%. A more noticeable decrease was observed in the weight category of 50 to 80 kg. As concerns pigs for breeding, the number of gilts went up (+4.1%).

Agricultural producer prices of cattle, pigs and chicken for slaughter

Agricultural producer prices of cattle for slaughter almost in Q3 2018 did not change (-0.5%). A negligible decline by 0.8% was recorded for bulls and calves for slaughter. Heifers for slaughter were sold for the same price as in Q3 2017 and prices of cows for slaughter were only by 0.1% higher. The average price of bulls for slaughter was 47.38 CZK per kg of live weight or 86.22 CZK per kg of carcass weight.

Agricultural producer prices of pigs for slaughter in Q3 2018 remained deeply below the Q3 2017 level (-19.7%) and reached on average 27.52 CZK per kg of live weight or 35.78 CZK per kg of carcass weight. Compared to Q2 2018, the average price in carcass weight rose by 0.70 CZK per kg.

Agricultural producer prices of chicken for slaughter slightly declined, y-o-y (-2.2%). The average price of chicken for

slaughter of the first quality class was 22.64 CZK per kg of live weight.

External trade in live animals and meat

According to preliminary results, **external trade in live animals** in the period from June to August 2018, the number of exported live animals exceeded the number of imported ones. Imports of live cattle (1.0 thous. head) remained persistently negligible compared to their exports (51.2 thous. head). Among exported animals, those for further rearing prevailed (32.3 thous. head), especially ones up to 300 kg; their exports rose by 2.4%, y-o-y. Calves were exported mainly to Spain, Belgium and the Netherlands; young cattle to Turkey, Croatia, Slovenia, Hungary and Austria. The number of animals for slaughter exported was 18.9 thous. head (+2.7%); it represents 12 294 tonnes in live weight of fattened animals, i.e. more than average monthly beef production in the CR. Cattle for slaughter were exported especially to Austria and Germany.

External trade in live pigs recorded significant year-on-year changes which led to its increased surplus. Significantly decreased imports and increased exports were observed in both main categories, i.e. piglets and pigs for slaughter. The trade in piglets included 42.0 thous. head (-11.5%) of imported animals and 30.2 thous. head (+71.0%) of exported ones in their average weight of 26.0 kg together for both directions. Piglets were traditionally imported from Germany and Denmark and exported to Hungary, Slovakia, Romania and Germany. Pigs for slaughter were not imported but, on the contrary, their exports rose to 69.0 thous. head and 7 995 tonnes of live weight (+24.7%), i.e. approximately the equivalent of one third of the monthly pigmeat production in the CR. These pigs were exported to Slovakia, Hungary and Germany.

External trade in live poultry showed a positive balance both in day-old juveniles and poultry for slaughter. Imports of day-old chicks went down by one third, y-o-y (to 2.2mn head) while their exports rose by 13.8% to 28.5mn head. Day-old broilers were exported mainly to Slovakia and Romania, chicks of laying type to Poland, Romania and Bulgaria. Exports of chicks for slaughter showed a y-o-y decline by 29.2% to 3 487 tonnes; they were directed mostly to Slovakia. Imports were insignificant in this category.

External trade in meat showed a slightly reduced negative balance for beef but a moderately deepened one for pigmeat and poultrymeat.

Imports of beef went slightly down to 9 550 tonnes (-2.0%) and its exports increased to 2 849 tonnes (+16.5%). Beef was imported especially from Poland, Germany and the Netherlands; it was exported mainly to Slovakia but also to the Netherlands and to Poland.

External trade in pigmeat recorded a deepened negative balance which was influenced mainly by distinctly lower exports. In total 66 670 tonnes (+0.7%) were imported, mainly from Germany, Spain and also Poland; and only 6 401 tonnes (-22.5%) were exported, prevailing to Slovakia. Increased year-on-year deficit in external trade with poultrymeat was caused by slightly higher imports and lower exports. During the reference period, in total 26 735 tonnes (+3.3%) were imported, mostly from Poland, and 5 066 tonnes (-5.6%) were exported, mainly to Slovakia, Germany and Austria.

Milk collection and agricultural producer prices of milk

In Q3 2018, 739 388 thous. litres of milk were collected (+1.1%) from domestic producers, of which 632 341 thous. litres (+0.9%) by dairies.

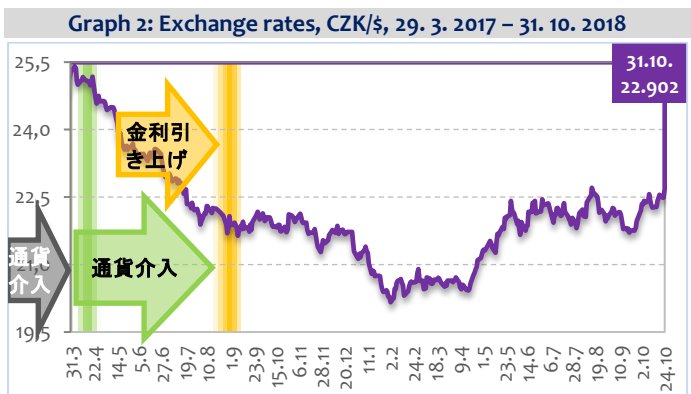
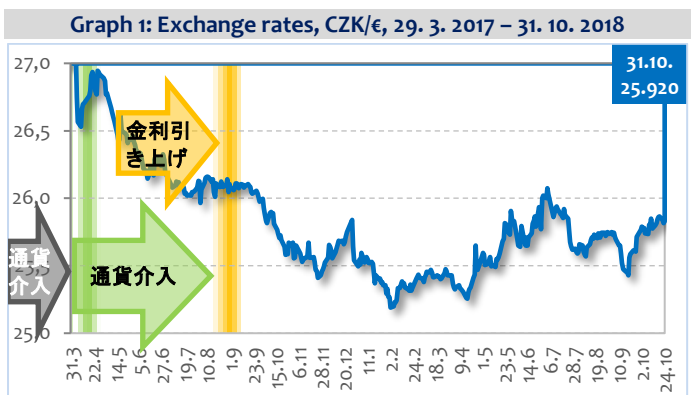
Agricultural producer prices of milk were by 3.2% lower, y-o-y. The producers sold Q-quality milk on average for 8.23 CZK per litre, i.e. by 0.17 CZK per litre less than in Q2 2018.

External trade in milk and milk products

The distinct surplus in **external trade in milk and milk products** increased, y-o-y, to 220 014 tonnes. Both imports and exports went up (to 67 354 tonnes, i.e. +3.9%, and to 287 368 tonnes, i.e. +6.6%, respectively). Butter and whey contributed to increased imports the most. Exports rose for all milk commodities except for butter. The main trade partners for milk and milk products were Germany and Slovakia for both directions together with Poland for imports and Italy for exports.



CNB
CZKVS € , \$, ¥ – 31. 10.



News outside the time span of this News summary

CIA
CIA News (Česká informační agentura Ltd.); a news agency, specialising in the CR's economy and markets. It is owned by Inergo Slovakia Jsc., owned by Emil Hubinák.

CNB
ČNB, CNB (Česká národní banka); is the central bank and financial market supervisor in the CR and a member of the European System of Central Banks.

CTK
ČTK, Czech Press Agency (Česká tisková kancelář); a national news agency dealing with the gathering, processing, storing, and distributing of text and pictorial information. ČTK is a public corporation and is governed by the law on ČTK no. 517/1992 Coll.

ČSÚ
ČSÚ, Czech Statistical Office (Český statistický úřad), 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.

European Commission; 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.

Prague Daily Monitor; is an English-language electronic daily about the CR.

Radio Prague (Český rozhlas); is the official international broadcasting station of the CR. Radio Prague broadcasts in six languages: English, German, French, Spanish, Czech and Russian. It broadcasts programmes about the CR on satellite and on the Internet. Broadcasting first began on August 31, 1936.