

ECONOMIC NEWS SUMMARY NOVEMBER 22 – NOVEMBER 28

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ECONOMY & FINANCE

CTK CZECH ECONOMY APPROACHING EUROZONE LEVEL – 25.11.

The CR's economic level will reach 85% of the 19 euro area members' average in 2019, and it should hit 84% in 2018, according to a macroeconomic forecast of the Finance Ministry.

Last year, Czech gross domestic product (GDP) per capita vis-a-vis the eurozone was 83%.

The CR should get closer to the euro area's average thanks to its stable economic growth, the Finance Ministry said.

Price level in Czechia rose to 66% of the eurozone's average last year, being at 64% in 2016, according to the ministry's estimates.

The CR's price level vis-a-vis the euro area should gradually increase to 71% in 2019, which should not jeopardise the economy's competitiveness, the ministry said.

GDP per capita in Czechia and selected countries vis-a-vis eurozone at purchasing power parity (pct)

Country	CZ	SK	PL	HU	ES	SI ¹
2014	81	72	63	64	84	77
2015	82	72	64	64	85	77
2016	82	72	64	63	86	77
2017	83	72	66	64	87	79
2018 (estimate)	84	74	68	66	88	81
2019 (estimate)	85	75	69	68	88	83

ENERGY & INDUSTRY & TRANSPORT

CTK PM BABIS: GOVT WANTS CEZ'S SUBSIDIARY TO BUILD NEW DUKOVANY UNIT – 22.11.

The new unit at Dukovany nuclear power plant should be built by a subsidiary of CEZ energy group, the plant's operator; and the state is ready to support the investment as next in line guarantor, Czech Prime Minister Andrej Babis said.

CEZ has said that its minor shareholders are against the construction.

"We are convinced that the investment is effective and profitable," Babis said at today's seminar on the Dukovany plant in Valec.

He denied that the government has only been considering prolonging the lifespan of Dukovany's four units, saying it wants to analyse all the options.

CEZ should transfer assets of Dukovany, and possibly also Temelin nuclear power plant, to the subsidiary which would carry out the construction, Babis said.

CEZ would be the investment's guarantor, he said.

Technology is important for the unit to be ready on time and budget, Babis stated.

The construction model mentioned by Babis is illegal, according to Michal Snobr who groups a part of CEZ's minority shareholders.

Snober, an economist and J&T investment group consultant, said such an approach is unreal and non-functional. It is against laws of the CR and the approved guarantee model of nuclear power plant construction in the European Union, he said.

The main problem is that the CEZ's board of directors would have criminal and property liability, Snober said.

Edvard Sequens of Calla environmental organisation said in a press release that unlike Babis, he doubts that the construction could be economically effective and profitable, as nuclear energy represents one of the most expensive electricity sources.

Government's analyses of the construction investment models' impacts need to be published, Sequens said.

At the end of August, Industry and Trade Minister Marta Novakova said that a decision about financial model of the new nuclear unit's construction should be made by the end of this year.

Babis talked about a possible extension of Dukovany's lifespan by ten years at the end of October.

The decision will be made once the government gathers enough information, Novakova said in Valec today.

The government wants to fulfill the state energy concept, and prolonging Dukovany's lifespan is a backup plan, Novakova said.

She also thinks CEZ should take care of the unit's construction. Primarily CEZ should provide funds, as the group has been quite highly profitable for the past few years, paying out dividends, Novakova said.

Preparation for the new nuclear unit construction continues, and the biggest expenditure can be expected after the preparation work, that is after 2027, CEZ head Daniel Benes said.

"Minority shareholders (of CEZ) have clearly expressed their reluctance to build nuclear power plants," CEZ spokesman Ladislav Kriz told CTK.

It is a long-term strategic investment whose profitability in the short term is questionable, he said.

Possible legal disputes could stall the construction for decades. There is no easy solution for now, Kriz said.

Benes has said in a discussion with regional representatives that it would be better if the Czech energy stayed in the state's hands.

CEZ should consider squeezing out some minority shareholders, Benes said.

Mayors around the nuclear power plant, including the Vysocina Region, support the new unit construction.

Minority shareholders have different interests, and it is mainly up to CEZ to defend the business plan, Babis said.

Market price of the minority shareholders' stake is nearly CZK90bn at the current stock price, Tomas Pfeiler of Cyrrus company told CTK today.

¹ Slovenia

CEZ's shares on the Prague Stock Exchange (BCPP) have dropped to CZK551 apiece after Babis's statement, opening the morning session at CZK555.

CEZ is the largest Czech energy company. Its majority shareholder is the state, holding a 70% stake through the Finance Ministry.

Dukovany covers a fifth of the country's electricity consumption with its installed output of 2,040 megawatts.

SUMMER AIR TRAFFIC OVER CR IS RECORD-BREAKING – 22.11.

Air traffic in the CR's skies was record-breaking during this year's summer season, with the number of aircraft movements increasing annually by 9% to 534,083 from May to October, the Czech air traffic controller RLP said today.

Redirection of traffic from Germany contributed to the increase.

Traffic in Czech air space has been growing steadily in recent years. The figures for this year's summer season correspond to figure for the entire 2004.

During this summer, over 80 million people travelled via the Czech air space.

As usual, July was the strongest month, as it saw 97,654 movements, or 3,150 flights daily on average, RLP said.

With regard to the trends registered so far, the total volume of air traffic in 2018 can be expected to approach the level of 900,000 aircraft movements.

The Vaclav Havel Airport Prague saw the number of take-offs and landings increase by 5% to 89,289.

RLP, a state-run company, was established in January 1995. It offers services to users of the CR's airspace including services at the Vaclav Havel Airport Prague, Brno - Turany, Ostrava - Mosnov, and Karlovy Vary airports.

Air traffic in the CR is watched by around 230 traffic controllers.

RLP's biggest customers are Lufthansa, Emirates and WizzAir.

ŠKODA AUTO ADJUSTING PRODUCTION DUE TO LACK OF PARTS – 26.11.

Due to insufficient deliveries from some suppliers, the production program at the ŠKODA AUTO plant in Kvasiny is currently being adjusted. The automaker's spokeswoman Martina Gillichová also told ČIANEWS that ŠKODA AUTO is working together with suppliers on measures that will lead to a rapid resolution of the current situation.

TA ČR TO SUPPORT 21 PROJECTS IN PROGRAMME DELTA – 26.11.

The Technology Agency of the CR (TA ČR) will support a total of 21 out of 34 submitted draft projects in the framework of the Programme for the Support of Applied Research and Experimental Development DELTA. The agency will likely close contracts with entities VÚTS, RCE systems, VODA CZ, Červenka Consulting, APIGENEX, BONATRANS GROUP, LENAM, AgentFly Technologies, I N O T E X, TAJMAC-ZPS, PrimeCell Advanced Therapy, Meopta - optika, PRAGOLET, SVOTT, Alubra, ITA, GreyCortex, PONAŠT, Institut mikroelektronických aplikací, CertiCon, and Vision Consulting Automotive.

DOOSAN ŠKODA POWER TO DELIVER STEAM TURBINE TO NIGERIA – 27.11.

Plzeň-based steam turbine manufacturer has shipped the OKPAI monolith steam turbine with 150 MW output to Nigeria. Unlike the usual practice, the turbine is already assembled. The entire transport set - i.e. the turbine itself, the transport frame, anchoring cage and low trailer - weighs almost 450 tons.

ERO HAS PUBLISHED REGULATED PRICES FOR THE YEAR 2019 – 28.11.

The Energy Regulation Office (ERO) has issued price decisions for the gas and electricity market, with which it annually sets the sum of regulated parts of energy prices. Regulated prices of electricity on the level of very high and high voltage will decrease by 4 % and 2.2 %, respectively. On the low voltage level, there will be an increase by 2.1 % on average. Regulated prices in the gasworks sector will increase by approximately 0.5 % for large buyers and decrease by nearly 2.5 % for retail clients.

INVESTMENTS & TRADE & SERVICES

NATIONAL INVESTMENT PLAN HAS 17,000 PROJECTS FOR CZK3,450BN – 26.11.

The national investment plan of the Czech government comprises over 17,000 projects worth CZK3,450bn for the years 2019-2030, Prime Minister Andrej Babis said at a meeting of Czech construction leaders today.

Until 2022, the amount is CZK1,230bn.

A government board for public investment will be created and the Regional Development Ministry's expertise will be responsible for coordinated project preparation.

The Regional Development Ministry has gathered information from ministries, municipalities and regions, said Babis.

The final map of investment preferences will be confronted with the country's capital possibilities, he added.

The 2019-2030 period will be divided into two parts, with projects worth CZK1,226bn to be included in the first stage to last until 2022.

"We are working on the assumption that if it holds out the government will prepare a budget for 2022. That is why we have made such a division, and now we are going to analyse it. We have to set priorities and secure finances," Babis said.

Now it is necessary to define bodies that will be responsible for the national investment plan, he added.

Details such as the way of financing and coordination with the European Union funds absorption is what is missing for the national investment plan to be evaluated, Deloitte analyst David Marek told CTK.

The Czech economy needs coordinated and long planned public investments, he added.

The CR trails in investments in transport infrastructure, Komerční banka analyst Jakub Mateju said.

The number of motor vehicles in the country has grown by 56% since 1998, while the length of first-class roads and motorways has increased by 9%.

Transport investment expenditures are envisaged higher for the 2019 budget, however, the volume is still below the level usual before 2011, and budget outlooks for 2020 and 2021

project decreasing amounts. The national investment plan is a good step but there needs to be action, Mateju said.

The Finance Ministry proposed state budget expenditures for next year at CZK1,505bn and revenues at CZK1,465bn, envisaging a CZK40bn deficit also for 2020 and 2021.

The government sees as priorities investments, higher standards of living of senior citizens and growing salaries in state administration. The budget's basic parameters were approved by the Chamber of Deputies, the lower house of parliament, at the end of October.

CZECHS AND ISRAELIS SIGN SEVEN AGREEMENTS AND MEMORANDA – 27.11.

On November 25, 2018, representatives of the CR and the State of Israel, with President Miloš Zeman present, signed seven documents on mutual collaboration. They included a memorandum of understanding between TATRA TRUCKS and the Israeli Ministry for Public Security; on collaboration between CzechTrade and the Czech-Israeli Chamber of Commerce; and on collaboration between the Terezin Composers Institute and the University of Haifa. Agreements were signed between Tel Aviv University and the Biotechnology and Biomedicine Centre of the Academy of Sciences and Charles University as well as on the foundation of PATRIC, a centre for advanced technologies and research innovations in Prague. An agreement on collaboration between DEKONTA and Negev Ecology was signed as was an agreement on mutual understanding and research collaboration between PrimeCell Advanced Therapy and Notal Vision.

BRNO AIRPORT EXPECTS MORE THAN 0.5 MILLION PASSENGERS IN 2018 – 28.11.

Nearly 450,000 passengers passed through Letiště Brno in the summer season of 2018. There were 180 seasonal flights more written in the flight schedule compared to the previous comparable period. Burgas in Bulgaria remained the most popular destination. The airport expects that for the entire year 2018, it will exceed 0.5 million dispatched passengers after six years. In the entire year 2017, 470,000 passengers were dispatched.

LABOUR & HEALTH & SOCIAL

PM BABIŠ: LOW UNEMPLOYMENT IS PROBLEM FOR CZECH ECONOMY – 22.11.

The record-low unemployment poses a problem for the Czech economy, as does abuse of social allowances by the jobless, Prime Minister Andrej Babiš said at a meeting of the Confederation of Employers' and Entrepreneurs' Associations today.

People who work illegally should be made to get employed, Babiš said.

Employers are complaining about a lack of employees as well as about the government's rise of the minimum wage and the re-introduction of sick pays during the first three days of illness for employees.

The government tries to help entrepreneurs get rid of red tape, but it is a difficult process, Babiš said.

Entrepreneurs criticise excessive bureaucracy in a long-run. According to the recently released Bureaucracy Index of the Centre for Economic and Market Analyses, the amount of

bureaucracy in the CR keeps growing. An average firm spends 233 hours annually on red tape, which is 33 hours more than last year.

Babiš pointed out that the CR does not need money from EU funds for soft projects, such as education, conferences and retraining programmes, but for investments.

Labour and Social Affairs Minister Jana Malacova, who also attended the conference, was defending the government's decision to raise the minimum wage by CZK1,150 to CZK13,350 as of January.

According to the Labour and Social Affairs Ministry, the minimum wage corresponded to 37.3% of the average wage last year and could reach 38.2% this year.

The former cabinet of Bohuslav Sobotka made a commitment to raise the minimum wage closer to 40% of the average wage.

Employers demand that minimum wage hikes follow a clear pattern and that the increases be predictable. They are nevertheless satisfied with the minimum wage being related to the average wage.

Confederation head Jan Wiesner said earlier that with regard to the current situation of companies, the share of the minimum wage should reach 40% of the average wage at the most.

The confederation represents more than 22,000 entities with 1.3 million employees.

OVER HALF A MILLION FOREIGNERS WORKING IN CZECHIA IN 2017 – 25.11.

More than half a million foreigners worked in the CR in 2017, with the number growing by 379,000 compared to 2004 when the country joined the European Union, according to an analysis of BDO consulting company.

BDO used data of the Czech Statistical Office (CSU) and labour and industry ministries.

In 2008, there were twice more foreign employees in Czechia than in 2004. The number then fell moderately because of the global economic crisis, starting to go back up in 2011, the analysis showed.

Czechia reports more foreign employees with higher education and those coming from Western Europe.

While at the turn of the millennium, there were tens, or units of hundreds of Western Europeans working in Czechia, there are now thousands of them.

The highest number of Western Europeans who are economically active in the CR come from Germany. Their number tripled and exceeded 7,000 in the monitored period. Over 15,000 foreigners are from Britain, France, Italy, Spain and other key European economies.

The biggest increase was registered in the number of people coming from Portugal, growing 59-fold compared to 2004.

Many foreign companies have their headquarters for Central and Eastern European markets in the CR, Lukas Hendrych of BDO said.

The attractiveness of the country has increased over the past few years, as quality of life has grown and there are global projects to which foreigners contribute significantly, he said.

More than 80% of the foreign workforce is from the former Eastern Bloc countries. They are usually workers with low

qualification, employed in construction and production; and the number of workers from countries like Ukraine and Romania jumped by 238%, or 101,000.

Compared to 2004, the number of Slovaks working in Czechia grew nearly threefold, or by 125,000.

Many young Slovaks study at Czech universities and plan to stay after they graduate.

The number of Vietnamese people working in the country is slightly above 30,000.

An increase was reported from all the 79 monitored countries. The lowest number of foreigners, below 30, working in Czechia come from Luxembourg, Hendrych said.

MISCELLANEOUS

PRESIDENT APPOINTS NEW ČNB BANK BOARD MEMBERS – 22.11.

Czech President Miloš Zeman has appointed Tomáš Holub and Aleš Michl new members of the Bank Board of the Czech National Bank (ČNB). Their six-year terms will begin on December 1, 2018. The president also appointed two current members of the board, Marek Mora and Tomáš Nidetzky, as new vice-governors of ČNB.

CZECHIA LEADS EUROPE IN BUYING CONSUMER GOODS ONLINE – 25.11.

Czechs lead Europe in buying technical consumer goods online, as 39% of people buy major appliances in e-shops, while the European average is 23%, according to the GfK FutureBuy study.

A total of 38% buy their domestic appliances in bricks-and-mortar stores, and the remaining 23% shop both online and in traditional shops, the study showed.

As much as 57% of Czechs shop exclusively online when buying portable electronics, audio devices (43%) and computers (48%).

On the other hand, a mere 1% of consumers buy food in e-shops, and 91% only shop in bricks-and-mortar shops.

Apart from food, Czechs do not buy many personal hygiene products or pharmaceuticals, for example, on the Internet.

This year, Czechs will buy 2.5% of fast-moving consumer goods online.

Two fifths of Czechs use their smartphones when shopping, most often to compare prices, and 29% pay with their phones, the study showed. The European average is 48%.

The number of e-shops keeps growing quickly and it will hit 43,000 at the end of this year, that is 5% more year on year, according to Shoptet company.

The CR has long been a country with the biggest number of e-shops per capita.

Czechs will spend over CZK133bn in e-shops in 2018, up by 15-18%, according to data of the Association of E-commerce.

SOUTH KOREAN PRESIDENT MOON JAE-IN VISITING PRAGUE – 28.11.

South Korean President Moon Jae-in is on a two-day visit to Prague, where he stopped on his way to the G20 summit in Argentina, and he is to meet Czech Prime Minister Andrej Babis (ANO) today.

Moon Jae-in will not meet his Czech counterpart Milos Zeman since Zeman is on a long planned visit to Israel these

days. He is to return later today when Moon Jae-in is leaving Prague.

On Tuesday, Moon Jae-in had private meetings with Koreans living in the CR, the Korean media reported.

Babis and the Korean president are to debate the situation in the Korean peninsula, the Czech-Korean relations and culture exchange, the Government Office said.

Last December, South Korean Industry, Trade and Energy Minister Paik Ungyu visited the CR and he also had talks with Babis. They were negotiating about the possibilities to build nuclear units in the country and economic and industrial cooperation, the Yonhap South Korean news agency reported.

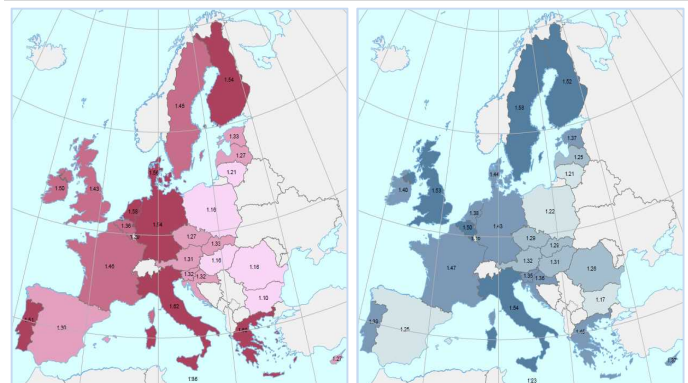
South Korea's KHNP is one of the six bidders for the construction of new nuclear units in Czechia. Besides, U.S. Westinghouse, Russia's state-run company Rosatom, France's EDF, the China General Nuclear Power and a joint venture of Areva and Mitsubishi Atmeani are interested in the project.

State Office for Nuclear Safety (SUJB) head Dana Drabova said in October that KHNP currently had the best references out of the six bidders.

STATISTICS

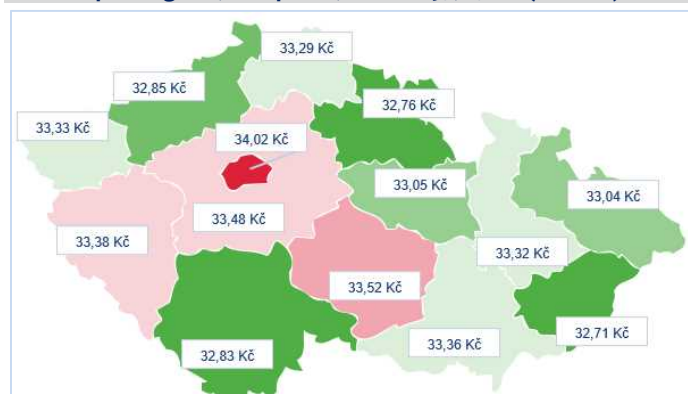
FUEL PRICES IN THE EU – 19.11.

Map 1: EU, Average fuel prices, Natural 95, Diesel, 19. 11. (in €/l)²



penize.cz FUEL PRICES IN THE CR – 25.11.

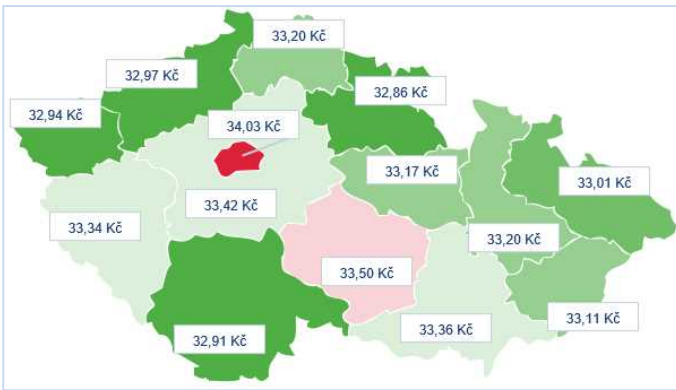
Map 2: Regions, fuel prices, Natural 95, 25. 11. (in CZK/l)³



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

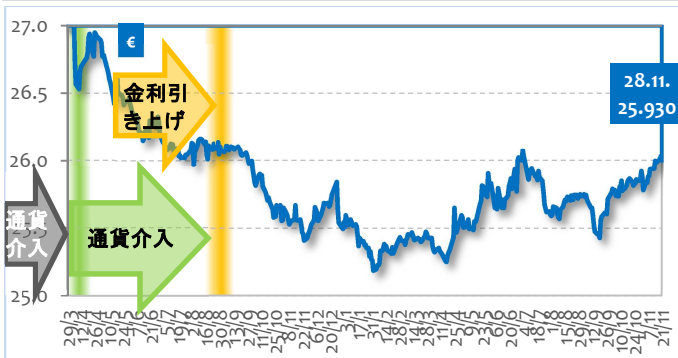
³ data issued by the mBenzin.cz; <https://www.penize.cz/ceny-benzinu-a-ceny-nafty>

Map 3: Regions, fuel prices, Diesel, 25. 11. (in CZK/l)

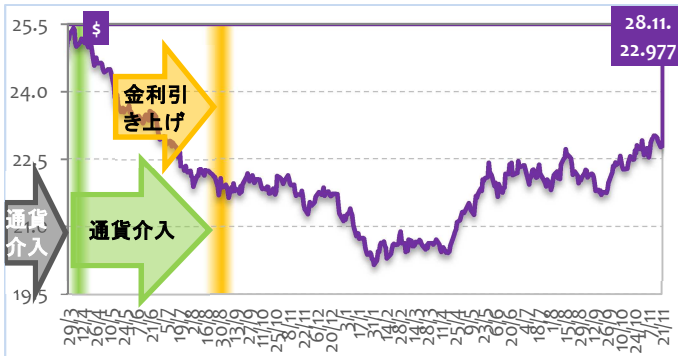


CZK vs €, \$, ¥ – 28. 11.

Graph 1: Exchange rates, CZK/€, 29. 3. 2017 – 28. 11. 2018



Graph 2: Exchange rates, CZK/\$, 29. 3. 2017 – 28. 11. 2018



Graph 3: Exchange rates, CZK/100¥, 29. 3. 2017 – 28. 11. 2018



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, 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.

peníze.cz

Peníze.cz; is an online news magazine published by Partners Media, owned by Partners Financial Services, jsc.



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.



News outside the time span of this News summary



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.



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.